



Hong Kong Institute of
Certified Public Accountants
香港會計師公會

TechWatch

News at a glance



Issue 180 • October 2017

TechWatch updates you on technical developments in financial reporting, auditing, ethics, regulation and business. The Institute welcomes your comments, emailed to < commentletters@hkipa.org.hk >. Click [here](#) for past issues.

Contents

Standard Setting Developments

Members Handbook Update

1. Handbook Update No.206

Ethics

2. Invitation to Comment

Financial Reporting

3. Institute's Comment on IASB Request for Information
4. Invitation to Comment
5. Better Communication
6. International Updates

Technical Learning and Support

7. New Programmes

Useful Resources

8. Institute's Technical Resource Centres
9. [LinkedIn](#)
10. Publications

Advocacy and Practice Development/ Member Support

Professional Accountants in Business

11. COSO Issues Update to Enterprise Risk Management Framework
12. HKEX Launches New Series of Director Training Webcasts

Corporate Finance

13. SFC and HKEX Conclude Joint Consultation on Listing Regulation
14. HKEX Seeks Views on Proposals Relating to Capital Raisings by Listed Issuers and Delisting Framework

Taxation

15. 2018 Annual Meeting with Inland Revenue Department – Call for Agenda Items
16. Institute Comments on Tax Exemption Bill for Open-end Fund Companies
17. Announcements by the Inland Revenue Department

Legislation & Other Initiatives

18. Anti-Money Laundering Notices

Useful Resources

19. Library Resources
20. Other Publications

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Standard Setting Developments

Members Handbook Update

1. Handbook Update No.206

Update No.206 relates to updates to Practice Notes PN 810.1 (Revised) and PN 810.2 (Revised).

Ethics

2. Invitation to Comment

The Institute is seeking comments on the **IESBA Exposure Draft** *Proposed Revisions to the Code Pertaining to the Offering and Accepting of Inducements*. Comments should be submitted by 8 November 2017.

Financial Reporting

3. Institute's Comment on IASB Request for Information

The Institute **commented** on the IASB Request for Information of *Post-Implementation Review: IFRS 13 Fair Value Measurement*.

4. Invitation to Comment

The Institute is seeking comments on the **IASB Exposure Drafts** ED/2017/5 *Accounting Policies and Accounting Estimates*; and ED/2017/6 *Definition of Material*. Comments should be submitted by 15 December 2017.

5. Better Communication

The Institute held roundtable discussions for investors and preparers on 5 September and 31 August, respectively, where participants discussed how financial reporting could be improved under the Principles of Disclosure Discussion Paper.

Contact outreachhk@hki CPA.org.hk if you would like to get involved in future discussions.

6. International Updates

- This **article** by an IASB member outlines how Post-Implementation Reviews keeps existing IFRS Standards as current and operational as possible.
- This **IASB video** introduces the new **IFRS Practice Statement 2: Making Material Judgements**, which provides companies with non-mandatory guidance on how to make materiality judgements.
- This IASB **webcast** discusses how to apply IFRS 17 *Insurance Contracts* to reinsurance contracts.
- The September **IASB Update** and the **IASB Work Plan** are now available.
- The IASB has confirmed the **membership** of the IFRS 17 Transition Resource Group. The Institute is proud to see two Hong Kong based members, Mr. Sai Cheong Foong from AIA Group Limited and Mr. Francesco Nagari from Deloitte, on the TRG; and will work closely with them in channeling implementation feedback from the Hong Kong Insurance industry to the IASB.

Technical Learning and Support

7. New Programmes

Click on the titles below to register:

- **The Annual Auditing Update 2017 Conference** (21 October 2017)
- **Technical seminar: Updates and application of new and revised HKFRSs for 2017** (24 October 2017)
- **ICAC workshop on Ethical Decision Making** (27 October 2017)
- **Seminar: Guardian Role of Professionals in Upholding Ethical Governance** (31 October 2017)

- [Workshop for listing of an entity on the Hong Kong Stock Exchange](#)
(October to November 2017)

Useful Resources

8. Institute's Technical Resource Centres

Access the Institute's comprehensive resource centres:

- [New and Major Standards](#)
- [ICAEW's International Accounting, Audit and Ethics Content](#)
- [New Companies Ordinance](#)
- [HKFRS for Private Entities](#)
- [SMP and SME](#)

9. [LinkedIn](#)

[Join](#) the Institute's Standard Setting Department's discussions on LinkedIn, and stay up to date on key developments in financial reporting, auditing and ethics.

10. Publications

- This ICAEW [briefing paper](#) and [briefing note](#) explains why IFRS 9 *Financial Instruments* was developed; and outlines the general principles and expected impact/changes due to the new requirements.
- This [ICAEW report](#) shares experiences from some listed UK companies in implementing the new auditors report. The new and revised HKSA's for auditor reporting have been effective since 15 Dec 2016.

Advocacy and Practice Developments/ Member Support

Professional Accountants in Business

11. COSO Issues Update to Enterprise Risk Management Framework

The Committee of Sponsoring Organizations of the Treadway Commission ("COSO") has recently [released](#) a publication entitled Enterprise Risk Management – Integrating with Strategy and Performance, which is designed to help organizations create, preserve and realize value while improving their approach to managing risk. This new document builds on its predecessor, Enterprise Risk Management – Integrated Framework.

Over the past decade, the complexity of risk has changed. New risks have emerged, and both boards and executives have enhanced their awareness and oversight of enterprise risk management while asking for improved risk reporting. This updated publication addresses the evolution of enterprise risk management and the need for organizations to improve their approach to managing risk to meet the demands of an evolving business environment. It also highlights the importance of considering risk in both the strategy-setting process and in driving performance.

Read the [Executive Summary](#) and the [Frequently Asked Questions](#) for further detail.

12. HKEX Launches New Series of Director Training Webcasts

On 3 October, HKEX launched its third series of director training webcasts, [Corporate Governance – Director and Company Secretary's Roles](#), covers the following seven topics:

- Corporate Governance – Who is Responsible?
- Support for the Board

- Selecting the Right Company Secretary
- Managing Inside Information
- Board Secretaries
- External Service Provider as Company Secretary
- Practical tips

Corporate Finance

13. SFC and HKEX Conclude Joint Consultation on Listing Regulation

As reported in [TechWatch no. 168](#) (item 16), the Institute submitted [comments](#) on the Securities and Futures Commission ("SFC") and the Hong Kong Exchanges and Clearing ("HKEX") [joint consultation paper](#), which proposed measures to enhance the coordination and cooperation between SFC and HKEX when developing new policy in listing regulation and regulatory decision-making.

After considering a total of close to 9,000 [submissions](#), on 15 September, the SFC and HKEX jointly [published](#) the [consultation conclusions](#). A summary of the main consultation proposals and conclusions is set out in Appendix 1 to the [conclusions paper](#).

The conclusions clarify the SFC's role as the statutory regulator which administers the Securities and Futures Ordinance and the Securities and Futures (Stock Market Listing) Rules, and which supervises, monitors and regulates the activities carried on by HKEX and HKEX's role as the regulator administering the Listing Rules. A new Listing Policy Panel will be established as an advisory, consultative and steering body outside the SFC and HKEX to initiate and centralize discussion of listing policies with broader regulatory or market implications.

The SFC will discharge its statutory oversight of HKEX's listing function through an enhanced, published audit of the Listing Committee ("LC") and the Listing Department. The LC's role under the Listing Rules will remain unchanged.

The HKEX chief executive will attend future LC meetings as a non-voting member representing the HKEX's board only when listing policy matters are discussed, and will not attend LC meetings on individual cases. In order to enhance governance within HKEX's structure for reviewing the LC's decisions, HKEX will conduct a separate consultation in 2018 on the review system.

14. HKEX Seeks Views on Proposals Relating to Capital Raisings by Listed Issuers and Delisting Framework

On 22 September, HKEX published the following consultation papers, with comments requested by 24 November 2017.

(i) [Capital Raisings by Listed Issuers](#)

The proposals seek to prohibit market practices that may jeopardise an orderly, fair and informed market for the trading and marketing of securities and to ensure fair and equal treatment of all shareholders. They address potential abuses related to large scale deeply discounted capital raising activities and specific issues concerning capital raising and share issuance transactions.

(ii) [Delisting and other Rule Amendments](#)

The proposals seek to improve the effectiveness of the delisting framework and address the issue of prolonged suspension of trading in issuers' listed securities. The paper also seeks views on proposed changes to certain suspension requirements in the interests of keeping trading suspensions to the shortest duration.

Refer to the [press release](#) for a summary of the consultation proposals.

The Institute is studying the two consultation papers. If you wish your comments be considered by the Institute, please send them via e-mail to ms@hkicpa.org.hk by **31 October 2017** under the subject "Consultation on Capital Raisings and Delisting Framework".

Taxation

15. 2018 Annual Meeting with Inland Revenue Department – Call for Agenda Items

The next annual meeting between the Institute and Inland Revenue Department ("IRD") will be held in early 2018, to discuss matters of interest or concern to taxpayers and practitioners, in relation to IRD practice and procedure.

Members who would like to suggest items for the Institute to raise at the meeting, should use [this form](#) to provide a brief and clear explanation of the issue, and return the form to the Institute via e-mail to <tf@hkicpa.org.hk>, by **3 November 2017**.

Members will note that the annual meeting considers matters of general interest or concern rather than discussing specific cases. Questions addressed at past annual meetings can be found in the [minutes of the previous meetings](#).

16. Institute Comments on Tax Exemption Bill for Open-end Fund Companies

The Institute has issued a [submission](#) on the Inland Revenue (Amendment)(No.4) Bill 2017. The bill proposes to extend a profits tax exemption to privately-offered open-ended fund companies ("OFC"s") with their central management and control exercised in Hong Kong. The submission points out that some of the conditions imposed on a relevant OFC, such as the minimum investment amounts to establish a tax-exempt fund and the "non-closely-held" requirement, may need to be relaxed; otherwise they could discourage new funds from setting up in Hong Kong, which would defeat the purpose.

17. Announcements by the Inland Revenue Department

Members may wish to be aware of the following matters:

- **Inland Revenue (Amendment) (No. 5) Bill 2017** was gazetted on October 6.

The Bill seeks to pave the way for Hong Kong's participation in the Multilateral Convention on Mutual Administrative Assistance in Tax Matters, and to align the Inland Revenue Ordinance with the Common Reporting Standard promulgated by the Organisation for Economic Co-operation and Development. These are measures primarily to facilitate automatic exchange of financial account information.

- **Stamp Duty statistics (August 2017)**
- **An updated webpage on AEOI Portal** to provide guidance on registration of AEOI Account and reporting requirements in respect of trustee-documented trusts

Legislation & Other Initiatives

18. Anti-Money Laundering Notices

Members should note the following notices and publications in relation to AML/CFT:

- **Government notice 6644:** An updated list of terrorists and terrorist associates has been specified under the United Nations (Anti-Terrorism Measures) Ordinance.
- **Government notice 6857:** An updated list of relevant persons and entities has been specified under the United Nations Sanctions (Democratic People's Republic of Korea) Regulation.
- **Government notice 7070:** An updated list of terrorists and terrorist associates has been specified under the United Nations (Anti-Terrorism Measures) Ordinance.
- **Government notice 7071:** An updated list of relevant persons has been specified under the United Nations Sanctions (South Sudan) Regulation 2017.
- **Government notice 7072:** An updated list of relevant persons and entities has been specified under the United Nations Sanctions (Democratic Republic of the Congo) Regulation 2017.

- **Legal notice 149:** The United Nations Sanctions (Democratic Republic of the Congo) Regulation 2017 has been published in the Gazette.
- **Legal notice 150:** The United Nations Sanctions (South Sudan) Regulation 2017 has been published in the Gazette.
- **Specially designated nationals and blocked persons list**, published by the U.S. Treasury's Office of Foreign Assets Control. More details on the **Resource Centre of the Treasury**.

For more background information on the current law in Hong Kong relating to AML/CFT, see the Institute's **Anti-money Laundering Bulletin 1**, "Requirements on anti-money laundering, anti-terrorist financing and related matters", and the **supplement** on suspicious transaction reporting.

Useful Resources

19. Library Resources

Featured titles and **new books** for members' reference are now available.

In addition, members can **login** to the **e-Library** and access e-journals and e-books on a wide range of business subjects.

20. Other Publications

- (i) HKEX has published a **report** on initial public offering applications, delisting and suspensions as at 29 Sep
- (ii) SFC has published:
 - **Statement on initial coin offerings** and the relevant **press release**
 - **Financial Review of the Securities Industry** for the half year ended 30 June 2017
- (iii) Financial Services Development Council has published paper no. 33 on **A Proposal for the Introduction of Group Tax Loss Relief in Hong Kong**

(iv) Other publications:

- **Transforming challenges into opportunities: Fee pressure** by IFAC SMP Committee
- **What is the DNA of the future professional?** by ICAEW
- **Initial Coin Offerings – A Matter for the SFC?** by ONC Lawyers
- **Artificial intelligence and machine learning – the inevitable changes in professional service firms** by Accountancy Age
- **Four best ways to use advanced analytics** by CGMA Magazine
- **Technology transforming audit** by Grant Thornton
- **Succession planning: how to make the most from your practice** by Accounting Web
- **Steering the Course: Navigating bribery and corruption risk in M&A** by Hogan Lovells