



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

Contents

Standard Setting Developments

Local Updates

1. Hong Kong Insurance Implementation Support Group
2. New Invitation to Comment

International Updates

3. IFRS Updates

Technical Learning and Support

4. New Programme

Useful Resources

5. Institute's Technical Resource Centres
6. [LinkedIn](#)

Advocacy and Practice Development/Member Support

Professional Accountants in Business

7. RPA Guide for Finance Functions

Small and Medium Practitioners

8. IFAC Releases 2018 Global SMP Survey

Corporate Finance

9. SFC and Exchange Sign Addendum to MOU Governing Listing Matters

10. SFC Identifies Continued Deficiencies in Sponsor Work

11. SFC Concludes Consultation on Online Platforms and Further Consults on Offline Requirements for Complex Products

12. Consultation on Further Enhancements to the OTC Derivatives Regulatory Regime

Legislation & Other Initiatives

13. Anti-Money Laundering Notices

Taxation

14. Announcements by the Inland Revenue Department ("IRD")

15. Proposed statutory transfer pricing rules

Useful Resources

16. Other Publications

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Standard Setting Developments

Local Update

1. Hong Kong Insurance Implementation Support Group

The [meeting schedule](#) for Hong Kong Insurance Implementation Support Group has been updated.

Register your interest as an observer by e-mailing HKIISG@hkicpa.org.hk. As observer seats are limited, registrations are on a first come-first served basis.

2. New Invitation to Comment

Invitation to comment: [IASB Exposure Draft ED/2018/1 Accounting Policies Changes](#), due by **29 June 2018**

International Updates

3. IFRS Updates

- Supporting materials for the revised [Conceptual Framework for Financial Reporting](#)
- March [IASB Update](#) and [work plan](#)
- March [IFRIC Update](#)
- March [IASB Investor Update](#)

Technical Learning and Support

4. New Programme

Click on the title below to register:

- [A Refresher Course on Current Financial Reporting Standards](#) (8 to 26 May 2018)

Useful Resources

5. 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](#)

6. [LinkedIn](#)

Follow our [LinkedIn](#) for key developments in financial reporting, auditing and ethics.

Advocacy and Practice Development/Member Support

Professional Accountants in Business

7. RPA Guide for Finance Functions

KPMG China and the ACCA Hong Kong have jointly launched [Hong Kong's Automated Future – An RPA Guide for Finance Functions](#), which looks at the current state of automation technologies in Hong Kong, with a particular focus on Robotics Process Automation ("RPA") implementation within finance functions.

The survey is designed to understand where Hong Kong stands in terms of robotics and automation development. It revolves around the extent finance functions in Hong Kong are embracing such technologies, the benefits they see and the hurdles they face.

The findings, based on 388 responses from C-level executives as well as finance and accounting professionals, revealed that robotics adoption and automation is still at a very early stage in Hong Kong. There is a risk that organisations would become less competitive if they ignore the technology-driven changes that are sweeping through the world.

Small and Medium Practitioners

8. IFAC Releases 2018 Global SMP Survey

Small and Medium Practitioners ("SMPs") are encouraged to participate in the **2018 IFAC Global SMP Survey**, which should take less than 10 minutes to complete and will be closed on 21 May 2018.

The survey helps IFAC and its member bodies gain an understanding of the specific challenges and opportunities faced by SMPs and its clients to better serve this critical constituency. This year's **survey** includes new questions on next generation talent, technology developments, talent management initiatives and marketing and branding.

The Global SMP Survey, which is conducted every two years, is intended to take a snapshot of key issues, and track important trends and developments, facing this sector. The **2016 Survey** revealed interesting insights, with responses from over 5,000 respondents from 164 countries.

Corporate Finance

9. SFC and Exchange Sign Addendum to MOU Governing Listing Matters

The Securities and Futures Commission ("SFC") and The Stock Exchange of Hong Kong Limited ("Exchange") have signed an addendum ("Addendum") to the **Memorandum of Understanding ("MOU") Governing Listing Matters**.

Pursuant to arrangements under the **Addendum**, a new Listing Policy Panel ("LPP") has been established as an advisory, consultative and steering body to initiate and centralise discussions on listing policy with broader regulatory or market implications. The LPP consists of 12 members comprising senior representatives of the SFC, the Listing Committee, HKEX and the Takeovers and Mergers Panel.

The LPP was set up based on the **Joint Consultation Conclusions** on Proposed Enhancements to the Exchange's Decision-making and Governance Structure for Listing Regulation.

10. SFC Identifies Continued Deficiencies in Sponsor Work

On 26 March, the SFC issued a **circular** urging licensed corporations carrying out sponsor work to critically review and enhance their systems and controls following a **thematic inspection of sponsors** which found deficiencies in standards of conduct, due diligence practices as well as internal systems and controls.

The **inspection** found instances of non-compliance with relevant provisions in the Code of Conduct for Persons Licensed by or Registered with the SFC, Corporate Finance Adviser Code of Conduct and the Listing Rules in respect of due diligence practices and internal systems and controls. It also found that serious deficiencies and instances of non-compliance were prevalent in the sponsor work done for initial public offering transactions on GEM.

The SFC reminds licensed corporations to comply with the expected standards as set out in the circular in carrying out sponsor work. It also states that it will not hesitate to take enforcement action against sponsors and their senior executives responsible for failure to comply with the expected standards in sponsor work.

11. SFC Concludes Consultation on Online Platforms and Further Consults on Offline Requirements for Complex Products

On 28 March, the SFC released **consultation conclusions** on the proposed Guidelines on Online Distribution and Advisory Platforms. The guidelines provide guidance on the design and operation of online platforms, including specific guidance on the provision of automated or robo-advice. They also clarify that posting of factual, fair and balanced materials on online platforms would not trigger the suitability requirement.

The SFC is conducting a further consultation on adopting additional measures applicable to online sales of complex products to offline sales of such products. The indicative draft of the corresponding proposed amendments to the Code of Conduct is set out in Appendix 5 of the conclusions paper. The deadline for response is **28 May 2018**.

12. Consultation on Further Enhancements to the OTC Derivatives Regulatory Regime

On 27 March, the Hong Kong Monetary Authority ("HKMA") and the SFC **issued a joint consultation** on further enhancements to the over-the-counter ("OTC") derivatives regulatory regime in Hong Kong, including a proposal to mandate the use of the Legal Entity Identifier ("LEI") for the reporting obligation.

The **joint consultation** focuses on:

- (i) mandating the use of LEIs for the reporting obligation, so that all entities contained in a transaction report to be submitted to the Hong Kong Trade Repository would eventually be identified by their LEIs;
- (ii) expanding the clearing obligation to include certain standardized Australian Dollar interest rate swaps; and
- (iii) adopting a trading determination process for introducing a platform trading obligation.

Reference should also be made to earlier consultations on the implementation of the OTC derivatives regulatory regime, including the **September 2015** Consultation Paper, the **February 2016** and the **July 2016** Conclusions Papers.

Interested parties are invited to submit comments to the HKMA or the SFC by **27 April 2018**.

Legislation & Other Initiatives

13. Anti-Money Laundering Notices

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

- **Government notice 2406**: An updated list of terrorists and terrorist associates has been specified under the United Nations Sanctions (Democratic People's Republic of Korea) Regulation.
- **Government notice 2087**: An updated list of terrorists and terrorist associates has been specified under the United Nations Sanctions (Sudan) Regulation 2013.
- **Government notice 1794**: An updated list of terrorists and terrorist associates has been specified under the United Nations Sanctions (Somalia) Regulation.
- **Government notice 1793**: An updated list of terrorists and terrorist associates has been specified under the United Nations (Anti-Terrorism Measures) Ordinance.
- **Guidance on Counter Proliferation Financing** has been issued by the Financial Action Task Force ("FATF").
- **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 mandatory guidance and information on the AML/CFT requirements for members see the Institute's **"Guidelines on Anti-Money Laundering and Counter-Terrorist Financing for Professional Accountants"**.

Taxation

14. Announcements by the Inland Revenue Department ("IRD")

Members may wish to be aware of the following matters:

- Issues of [tax returns for 2017-18](#)
- [Two-tiered profits tax rates regime](#) to be implemented from April 1 this year
- Gazettal of [Inland Revenue \(Amendment\) \(No. 2\) Ordinance 2018](#) and [Inland Revenue \(Amendment\) \(No. 2\) Bill 2018](#)
- [Due dates of second instalments](#)
- See [Tax Representatives' Corner](#) for various updates including [letter to Tax Representatives – Block Extension Scheme for Lodgement of 2017/18 Tax Returns](#)
- [Double taxation agreement with India](#)

15. Proposed statutory transfer pricing rules

The chairman and deputy chair of the Institute's Taxation Faculty Executive Committee, and a member of the China Tax Subcommittee, speak on [the proposed introduction of statutory transfer pricing rules](#), in the March issue of "A Plus".

Useful Resources

16. Other Publications

(i) HKEX has published:

- New listing decisions on:
 - Whether a listed issuer had a sufficient level of operations or sufficient assets to meet Main Board Rule 13.24 ([HKEX-LD118-2018](#))
 - Why the Exchange rejected certain listing applications ([HKEX-LD119-2018](#))
 - Why the Exchange returned certain listing applications ([HKEX-LD120-2018](#))

➤ [Listing Committee Report 2017](#), which provides a review of the work of the Listing Committee in upholding market quality in 2017 and an overview of its policy agenda for 2018 and beyond. Click [here](#) for the role and mode of operation of the Listing Committee.

➤ [Report](#) on initial public offering applications, delisting and suspensions as at 29 March

(ii) SFC has published:

➤ Takeovers bulletin [issue no. 44](#)

➤ [Report on the Thematic Review of Licensed Corporations Engaged in Sponsor Business](#)

➤ [SFC Regulatory Forum 2018](#) and the relevant [press release](#)

(iii) Other publications:

➤ [The dynamics and mechanics of modern leadership](#) by ICAS

➤ [Pulling fraud out of the shadows](#) by PwC

➤ [Should young accountants have to do basic accounting work](#) by In the Black

➤ [Tech Priorities for CFOs: Data Management, Analytics, RPA](#) by CFO.com

➤ [Top 8 Skills for Finance and Accounting Professionals in the Age of Machines](#) by Business Learning Institute

➤ [How blockchain might affect audit and assurance](#) by Journal of Accountancy

➤ [A new posture for cybersecurity in a networked world](#) by McKinsey & Company