



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

TechWatch

News at a glance



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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.

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Standard Setting Developments

Meeting Minutes

1. Auditing and Assurance Standards Committee Minutes

Minutes of the **370th** and **371st** meetings are now available.

2. Financial Reporting Standards Committee Minutes

Minutes of the **246th** meeting are now available.

Local Updates

3. Ethics Circular

The Institute has issued a **revised Ethics Circular 1** which provides guidance for Small and Medium Practitioners on the Revised Code of Ethics for Professional Accountants.

4. FAQs issued by the Securities and Futures Commission

The Securities and Futures Commission has issued **FAQs** which seek to clarify the application of the secrecy provisions under section 378 of the Securities and Futures Ordinance to the disclosure of supervisory information by licensed corporations to auditors, counsel, solicitors or other professional advisors.

5. Members' Handbook Updates No. 222 - 223

Update No. 222 contains updated Statement 1.102 *Corporate Practices (Registration) Rules* and Statement 1.102 (sch.) *Schedule to the Corporate Practices (Registration) Rules "Corporate Practices (Model Articles of Association)"*.

Update No. 223 contains HKSA 540 (Revised) *Auditing Accounting Estimates and Related Disclosures and Conforming and Consequential Amendments to Other International Standards* and PN 830 (Revised 2018) *Reports by the Auditor under the Banking Ordinance*.

6. Invitation to Comment

The Institute is seeking **comments** on the IASB Exposure Draft ED/2018/2 *Onerous Contracts – Cost of Fulfilling a Contract (Proposed Amendments to IAS 37)* by **8 March 2019**.

International Updates

7. International Updates

- [December 2018 IAASB Meeting Highlights Podcast](#)
- [December 2018 IASB/IFRS Foundation News Summary](#)
- [December 2018 IESBA Meeting Highlights Podcast](#)

Technical Learning and Support

8. New Programmes

ICAC Workshop on 26 February 2019: **Ethical Decision Making** (Re-run)

Useful Resources

9. 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](#)

10. [LinkedIn](#)

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

Advocacy and Practice Development/Member Support

Professional Accountants in Business

11. HKEX Introduces E-training for Listed Companies' Directors

On 18 December, the Hong Kong Exchanges and Clearing ("HKEX") **introduced** e-training for directors of listed companies. The courses are designed to help directors understand the new corporate governance requirements that took effect on 1 January 2019.

The first e-training course covers the following six topics:

- Corporate governance update 2018
- Appointment of independent non-executive directors ("INEDs")
- INEDs' role
- Directors' attendance at meetings and dividend policy
- Weighted voting rights issuers' corporate governance requirements
- Key messages and conclusions

Please see the HKEX website for further details of the **e-training**.

12. New IFAC Report Explores How CFOs Can Play a Central Role in Effective Risk Management

As businesses face rapid change and increasing uncertainty, PAIBs must seize the opportunity to play an amplified role within their organizations to identify, measure and mitigate emerging risks. To add value, PAIBs must be seen as risk experts who are outward-looking and provide valuable insights to help organizations manage risk, respond to uncertainty, and achieve their objectives.

A new IFAC report **Enabling the Accountant's Role in Effective Enterprise Risk Management** explores the opportunity for professional accountants, CFOs and the finance function to enable more effective enterprise risk management throughout their organizations.

13. Companies Convicted of Failing to Keep Significant Controllers Register at their Registered Offices

Twelve Hong Kong companies were prosecuted by the Companies Registry ("CR") under section 653M(1) of the Companies Ordinance for failing to keep the significant controllers register at their registered offices and other breaches of the Companies Ordinance. Each of the companies was fined \$8,000 to \$20,000.

For details, please refer to the **Highlights of Prosecution Cases of the CR website**.

Corporate Finance

14. Institute Comments on Proposals Relating to Listed Issuers with Disclaimer or Adverse Audit Opinion on Financial Statements

The Institute issued a **submission** on 13 December responding to Hong Kong Exchanges and Clearing ("HKEX")'s proposals to introduce a specific suspension requirement applicable to listed issuers with disclaimer or adverse audit opinion on their financial statements.

The Institute, in principle, supports the HKEX's initiatives to strengthen market regulation and investor protection and maintain Hong Kong's position and reputation as a major international market. However, as one of the main stakeholders, we have concerns about the details of the proposals. While we would agree that an audit disclaimer/ adverse opinions may be a factor in determining whether a suspension should be called for, at the same time, the submission indicates problems that could arise from creating a direct cause and effect relationship between an audit disclaimer/ adverse opinions and a suspension of trading.

In addition, in relation to the suggestion of performing an update audit or a single financial statement audit, so as to resolve the audit issues and enable trading to be resumed, the Institute points out that there are considerations and constraints under the Companies Ordinance and accounting and auditing standards, which would need to be taken on board.

15. SFC Consultation Conclusions on Amendments to the Code on Unit Trusts and Mutual Funds

The Securities and Futures Commission ("SFC") published [Consultation Conclusions](#) on amendments to the Code on Unit Trusts and Mutual Funds ("UT Code") on 6 December.

The SFC will implement the proposals set out in the [consultation paper](#). Key amendments include strengthening requirements for key operators (i.e. management companies, trustees and custodians), providing greater flexibility and enhanced safeguards for funds' investment activities and introducing new fund types, such as active exchange traded funds. Consequential amendments have been made to the SFC Code on MPF Products, Code on Pooled Retirement Funds and Code on Investment-Linked Assurance Schemes. The revised Codes became effective on 1 January 2019. A summary of the consultation conclusions is set out in the [press release](#).

Updated [frequently asked questions](#) have been published to provide further guidance to the industry regarding the implementation and transitional arrangements for the revised UT Code.

16. SFC Concludes Consultation on OTC Derivatives and Conduct Risks

The SFC released [Consultation Conclusions](#) on proposals to enhance the over-the-counter ("OTC") derivatives regime and to address conduct risks posed by dealings with group affiliates and other connected persons.

Licensed corporations that are contracting parties to non-centrally cleared OTC derivative transactions, or which are licensed for Type 9 (asset management) regulated activity, will be subject to risk mitigation requirements. Further, licensed corporations providing client clearing services for OTC derivative transactions will be subject to segregation, portability and disclosure requirements.

Licensed corporations which have dealings with group affiliates and other connected persons will be subject to conduct requirements to ensure that risks are properly managed, that

they act in clients' best interest and appropriate risk disclosure is provided.

The risk mitigation requirements will become effective on 1 September 2019, while the client clearing requirements will become effective when the new Types 11 and 12 regulated activities take effect. The conduct requirements to address risks posed by group affiliates and other connected persons will become effective six months after the gazettal of the Code of Conduct amendments.

A summary of the consultation conclusions is set out in the [press release](#).

Taxation

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

Members may wish to be aware of the following matters:

- Gazettal of :
 - [Inland Revenue \(Profits Tax Exemption for Funds\) \(Amendment\) Bill 2018](#) to provide profits tax exemption for eligible funds operating in Hong Kong
 - [Inland Revenue and MPF Schemes Legislation \(Tax Deductions for Annuity Premiums and MPF Voluntary Contributions\) \(Amendment\) Bill 2018](#) to implement the 2018-19 Budget initiative of introducing tax deductions for deferred annuity premiums and Mandatory Provident Fund Tax Deductible Voluntary Contributions (MPF TVCs) to encourage voluntary savings for retirement
- [Double tax agreement with Finland enters into force](#)
- [Stamp Duty statistics \(November 2018/ December 2018\)](#)
- [Filing of return of stock borrowing transactions](#)

- **Annual open data plans**, which set out the datasets to be released on the Public Sector Information Portal (<https://data.gov.hk>) in the coming three years

18. Institute's recent tax submissions

The Institute's Taxation Faculty has responded to the invitation for comments on the **Inland Revenue (Amendment) (No. 7) Bill 2018** and the **Inland Revenue (Profits Tax Exemption for Funds) (Amendment) Bill 2018**.

Legislation & Other Initiatives

19. Anti-Money Laundering Notices

For the latest updates on lists of terrorists, terrorist associates and relevant persons/entities under United Nations ("UN") sanctions, members should refer to **the Institute's AML webpage**. The United Nations Sanctions webpage of the **Commerce and Economic Development Bureau** contains consolidated lists of UN sanctions currently in force in Hong Kong.

20. AML/CFT Guidance

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"**.

Members who are licensed trust or company service providers should also see the **Guideline on Compliance of Anti-Money Laundering and Counter-Terrorist Financing Requirements for Trust or Company Service Providers**, by Companies Registry.

Members should be aware of the **Hong Kong Money Laundering and Terrorist Financing Risk Assessment Report** (in particular Chapter 6, covering designated non-financial businesses and professions), which indicates ML/TF risks and vulnerabilities in the Hong Kong market.

Useful Resources

21. Other Publications

- (i) The HKEX has published:
 - **Report** on initial public offering applications, delisting and suspensions as at 31 December 2018
 - **HKEX in 2018: Year in Review**
- (i) Financial Services Development Council has published **Paper No. 37 Enhancing Hong Kong's Role as a Leading Life Insurance Centre** and the corresponding **press release**
- (ii) Other publications:
 - **Audit and Assurance in the Future** by CPA Canada, ICAS
 - **How to Audit the Cloud** by ICAEW
 - **Business reporting in a digital world** by Deloitte
 - **Institutionalization of cryptoassets** by KPMG
 - **Different ways to understand blockchain** by Journal of Accountancy
 - **CAQ provides audit committees tool for oversight of emerging technologies** by Accounting Today
 - **Finance Function 2019: Fewer Functionaries, More Strategists** by CFO.com
 - **How to Get 70% of New Clients through Your Website** by Advisor Perspectives