



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 by:
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Advocacy and Practice Development by:
Peter Tisman (Editor), Eric Chiang, Wallace Wong, Nicolas Cheng
Member Support by:
Mary Lam (Editor), Eddy Wong, Frances Chan

Standard Setting Developments

Local Updates

1. Auditing and Assurance Standards Committee Minutes

Minutes of the **378th meeting** are now available.

2. Financial Reporting Standards Committee Minutes

Minutes of the **252nd meeting** are now available.

3. Members' Handbook Update No. 234

Members' Handbook **Update No. 234** relates to the issuance of amendments to HKAS 39 *Financial Instruments: Recognition and Measurement*, HKFRS 7 *Financial Instruments: Disclosures*, and HKFRS 9 *Financial Instruments*. The amendments modify some specific hedge accounting requirements to provide relief from potential effects of the uncertainties caused by the interest rate benchmark reform. In addition, the amendments require companies to provide additional information to investors about their hedging relationships which are directly affected by these uncertainties. The amendments are effective for annual periods beginning on or after 1 January 2020. Early application is permitted.

4. Institute Submission

The Institute commented on:

- **IASB Exposure Draft ED/2019/05**
Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Proposed amendments to IAS 12)
- **IASB Exposure Draft ED/2019/06**
Disclosure of Accounting Policies

5. Invitations to Comment

The Institute is seeking comments on:

- **IAASB's Exposure Draft**, *Conforming Amendments to the IAASB International Standards as a result of the Revised IESBA Code by 20 December 2019*
- **Exposure Draft** *Proposed Amendments to the Small and Medium-sized Entity Financial Reporting Framework and Financial Reporting Standard by 31 January 2020*

6. Ethics Survey

The Institute's Ethics Committee is conducting a **survey** to understand the ethical attitudes of professional accountants in Hong Kong and the impact of the Institute's *Code of Ethics for Professional Accountants*.

International Updates

7. Audit and Assurance

- IAASB **ISA 540 (Revised)**
Implementation Support: Audit Client Briefing
- IFAC **Panel Discussions** on Implementation of ISA 540 (Revised) Accounting Estimates

8. Ethics

- IESBA Code of Ethics **High Level Summary** of Prohibitions Applicable to Audits of Public Interest Entities
- IFAC **publication** "Exploring the IESBA Code: First Installment"

9. IFRS Updates

- November 2019 IASB **Update** and **Podcast**
- IFRS 17 *Insurance Contracts* **podcast** covering the November 2019 Board meeting

- The IFRS foundation published a [Guide to Selecting and Applying Accounting Policies – IAS 8](#), which includes a three-step process with illustrative examples to help companies develop their accounting policies when preparing IFRS financial statements.

Technical Learning and Support

10. New Programme

Click on the title below to register for the e-seminar/workshop:

- [Classification of financial instruments under HKAS 32: Debt vs Equity \(Re-run\)](#) (6 January 2020)
- [HKFRS 15: Sharing application experience \(Re-run\)](#) (8 January 2020)
- [HKAS 36: How to apply practical issues \(Re-run\)](#) (13 February 2020)
- [Small and Medium-sized Entity Financial Reporting Framework and Financial Reporting Standard \(E-seminar\)](#)

Useful Resources

11. 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](#)

12. LinkedIn

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

Advocacy and Practice Development/ Member Support

Professional Accountants in Business

13. Professional Development Framework for PAIBs

The Institute's Professional Accountants in Business (PAIB) Committee has recently published a [Professional Development Framework for PAIBs](#), which aims to provide a useful and accessible guide to the competencies necessary for PAIBs to perform both their current and desired roles.

The framework can help PAIBs shape their careers, realize their objectives and take control of their learning to achieve their goals. It can also be used by employers and company boards to help evaluate their finance functions and ensure they are future ready with the right mix of skills.

To learn more, read the article "[How to make use of the Institute's Professional Development Framework for PAIBs](#)".

14. Understanding and Communicating Value Creation

The PAIB Committee of the International Federation of Accountants has recently [released](#) a report, which highlights takeaways from the September 2019 PAIB Committee meeting, and outlines key priorities for accountants in business.

The [report](#) specifically focuses on:

- Integrated value creation;
- The value of data;
- Action on the SDGs;
- Opportunities and challenges for accountants in SMEs; and
- Professional ethics.

15. New SFC Guidance Addresses Market Misconduct

On 21 November, the Securities and Futures Commission (SFC) issued a [statement](#) to remind listed companies about their disclosure obligations together with a [circular](#) on the conduct expected of asset managers.

SFC emphasized the importance for listed companies to ensure that their announcements and other documents do not include false, incomplete or misleading information about their counterparties in pending corporate transactions. In some cases, the SFC observed that insufficient information was provided about counterparties' controllers or beneficial owners. The statement also sets out non-exhaustive examples of circumstances (see below) where the identities of the actual controllers or beneficial owners of a counterparty to a transaction may be required:

- Acquisitions, disposals, capital injections, and formation of joint ventures
- Money lending
- Issuance of shares, convertible bonds and options
- Private funds and similar arrangements

Corporate Finance

16. SFC adopts New Approach to Virtual Asset Trading Platforms

The SFC issued a [position paper](#) on 6 November, setting out a new regulatory framework for virtual asset trading platforms. In particular, platforms which operate in Hong Kong and offer trading of at least one security token can apply to be licensed by the SFC.

According to the position paper, licences will be granted by the SFC only to platform operators meeting robust regulatory standards, which are comparable to those which apply to licensed securities brokers and automated trading venues. Additional requirements are also imposed to address specific risks associated with virtual assets.

Please refer to the [press release](#) for details.

Corporate Governance

17. Results of the Best Corporate Governance Awards 2019

The Best Corporate Governance Awards (Awards) 2019 were successfully concluded with the presentation ceremony held at a luncheon on 5 December. The guest of honour was Secretary for Financial Services and the Treasury, Mr. James H. Lau Jr., JP.

This year, in all there were 26 awardees, which is a record number. This included eight first-time winners and, among these, were the first winner of a Self-nomination Award, the first company in the Non-Hang Seng Index (Small Market Capitalization) Category to win a Sustainability and Social Responsibility Reporting Award, and the first-ever government department to gain recognition in the Awards.

The [full list](#) of winners of the Awards 2019 is now available. The [Judges' Report](#) contains commentaries on the winners' CG practices, general observations by the judges, references to recent local and international CG developments, as well as other background information. A media briefing to announce the results was held immediately before the presentation ceremony. It was hosted by Institute president, Patrick Law, Organizing Committee chair, Loren Tang, and Review Panel chair, Patrick Rozario. A [press release](#) highlighting the results and some of the findings was also issued.

Taxation

18. Announcements by the Inland Revenue Department (IRD)

Members may wish to be aware of the following matters:

- [Conditional waiver of surcharges for settlement of 2018/19 tax bill by instalments](#) (See also the government [press release](#) on the latest relief measures)
- [Comprehensive avoidance of double taxation arrangement \(Arrangement\) between Hong Kong and Macao](#)

- [Reply to question on Legislative Council regarding enhanced tax deduction for research and development expenditures](#)
- [Tax Guide for Charitable Institutions and Trusts of a Public Character \(Chinese Version\)](#)
- [Passage of Inland Revenue \(Amendment\) \(Tax Concessions\) Bill 2019](#)
- [Stamp Duty statistics \(October 2019\)](#)

19. Annual meeting with the IRD – 2019

The minutes of the 2019 annual meeting (as well previous years' meeting minutes) between representatives of the Institute and the commissioner and other senior officers of the IRD are now available on the Institute's website.

Legislation & Other Initiatives

20. Anti-Money Laundering Notices

For the current lists of terrorists, terrorist associates and relevant persons/ entities under United Nations (UN) sanctions, members should refer to [the Institute's AML webpage](#) which is updated regularly. The United Nations Sanctions webpage of the [Commerce and Economic Development Bureau](#) contains consolidated lists of UN sanctions currently in force in Hong Kong.

21. Anti-Money Laundering/ Counter-Terrorist Financing (AML/CFT) Guidance

For mandatory guidelines and information from the Institute on the AML/CFT requirements for members, see the Institute's ["Guidelines on Anti-Money Laundering and Counter-Terrorist Financing for Professional Accountants"](#). Member practices may also find the FATF's ["Guidance for a Risk-Based Approach for the Accounting Profession"](#) to be a useful reference when developing their own risk-based approach to applying the AML/CFT requirements.

Members who are licensed to provide trust or company services 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

22. Other Publications

(i) HKEX has published:

- [Report](#) on initial public offering applications, delisting and suspensions as at 29 November 2019
- [Listed Issuers Regulation Newsletter Issue 1](#) covering post-implementation of amended rules regarding delisting regime and highly dilutive capital raisings, HKEX effort in targeting shell activities and some disclosure requirements applicable to all listed issues

(ii) SFC has published:

- [Statement](#) on the Disclosure of Actual Controllers or Beneficial Owners of Counterparties to a Transaction
- [Quarterly Report for July to September 2019](#) summarizing key developments and a brief summary in the corresponding [press release](#)
- Keynote speech entitled [Asset Management in an Evolving Landscape](#) by Mr. Tim Lui, Chairman
- Keynote speech entitled [Fintech: A Regulatory Strategy for a Dynamic Industry](#) by Mr. Ashley Alder, CEO

(iii) Financial Services Development Council has released [paper no. 39 on revamp of Disclosure of Interests regime in Hong Kong](#) and the corresponding [press release](#)

(iv) Other publications

- [3 ways CFOs can lead data-powered transformation](#) by CFO.com
- [Empowering employees in digital transformation](#) by Financial Management
- [Cybersecurity Is Critical for all Organizations – Large and Small](#) by Cherry Bekaert LLP and IFAC
- [Pivoting to Digital Maturity: Seven Capabilities Central to Digital Transformation](#) by Deloitte
- [New Tool for SMPs Aims to Improve Digital Competency](#) by European Federation of Accountants and Auditors for SMEs
- [The most important soft skills for your career](#) by CNBC
- [4 financial tips for entrepreneurs](#) by AICPA
- [The 4 best technologies for CPAs](#) by Journal of Accountancy
- [What Companies that are Good at Innovation](#) by Harvard Business Review
- [Biggest Mistakes People Make in Job Searches](#) by Fast Company