



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

Local Updates

1. Impact of Coronavirus on Audits and Financial Reporting

The Institute's [Issue 32](#) and [Issue 33](#) of *Financial Reporting, Auditing and Ethics Alert* highlight some specific issues which are anticipated to pose an impact on a client's audit risks and financial reporting.

2. Invitations to Comment

The Institute is seeking comments on:

- [Exposure Draft PN 830 \(Revised\)](#)
Reports by the Auditor under the Banking Ordinance by **19 March**.
- [IESBA Exposure Drafts: Proposed Revisions to the Non-Assurance Services Provisions of the Code and Proposed Revisions to the Fee-Related Provisions of the Code](#) by **3 April**.
- [IASB Exposure Draft: ED/2019/7 General Presentation and Disclosures](#) by **22 May**.
- [IASB Request for Information: Comprehensive Review of the IFRS for SMEs Standard](#) by **12 June**.

3. Financial Reporting Standards Committee Minutes

Minutes of the [254th meeting](#) are now available.

International Updates

4. Audit and Assurance

- [IFAC Preparing for Changes to ISA 540 on Auditing Accounting Estimates](#)

5. Ethics

- [IFAC Exploring the IESBA Code: Third Installment](#)

- [IESBA Webinar to explain Proposed Revisions to International Independence Standards](#)

- [IESBA Technology Working Group's Phase 1 Report](#) explores the ethical implications of technology on the accounting, assurance, and finance functions.

6. IFRS Updates

- February 2020 IASB [update](#) and [podcast](#)
- IFRS 17 *Insurance* [podcast](#) covering the February IASB meeting
- Request for Information: Comprehensive Review of the *IFRS for SMEs* Standard [webcast](#)
- Exposure Draft *General Presentation and Disclosures* [webinar recording](#)

Technical Learning and Support

7. New Programme

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

- [Definition of a Business \(Amendments to HKFRS 3 Business Combinations\) - \(Re-run\)](#) (22 April 2020)
- [Small and Medium-sized Entity Financial Reporting Framework and Financial Reporting Standard \(E-seminar\)](#)

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](#)

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

Advocacy and Practice Development/ Member Support

Professional Accountants in Business

10. COSO New ERM Guidance: Creating and Protecting Value

Enterprise risk management (ERM) has been receiving increased attention from boards and executives, and it continues to evolve in its development and uses. The Committee of Sponsoring Organizations of the Treadway Commission (COSO) has recently [published](#) a new guidance [Creating and Protecting Value: Understanding and Implementing Enterprise Risk Management](#) offering succinct, tangible steps to implement an effective ERM programme.

The updated COSO ERM Framework clarifies the relationship between strategy and risk, and that the objective of ERM is to assist organizations in achieving their strategy and business objectives. Organizations can enhance their abilities to be successful in both addressing risks and taking advantage of opportunities by enhancing their ERM processes and integrating ERM fully into their strategy setting and performance processes.

Corporate Finance

11. Institute's Comments on the proposals by HKEX on Review of Chapter 37 – Debt Issues to Professional Investors Only

The Institute issued [a submission](#) on 10 February 2020, in response to [the consultation proposals](#) by HKEX on Review of Chapter 37 – Debt Issues to Professional Investors Only (see the January 2020 issue of "TechWatch").

The Institute's submission indicates support for the underlying objective of the HKEX's initiative to protect the interests of investors and maintain an effective listing platform for bond market development in Hong Kong, while expressing reservations about some of the

specific proposals. In particular, the proposals seem to focus primarily on ensuring the financial strength and capacity of issuers as a way of protecting investors, rather than addressing the apparent problem areas more directly, i.e. discouraging investors who do not, or should not, qualify as professional investors from investing in debts issues under Chapter 37 of the Listing Rules. In this regard, it is suggested that the definition of “professional investor” needs to be revisited.

At the same time, in focusing on the ensuring size and financial strength of permitted issuers, the proposals could over-regulate the market for genuine professional investors and affect Hong Kong’s competitiveness as a debt market and regional financing hub.

Taxation

12. Announcements by the Inland Revenue Department (IRD)

Members may wish to be aware of the following matters:

- [New CbCR exchange arrangements between Hong Kong and Mainland China](#)
- Gazettal of:
 - [Inland Revenue \(Amendment\) \(Tax Concessions\) Bill 2020](#)
 - [Rating \(Exemption\) Order 2020 and Revenue \(Reduction of Business Registration Fees and Branch Registration Fees\) Order 2020](#)
- [List of Qualifying Debt Instruments](#) (as at 31 December 2019)
- [Renewable energy facilitation measure takes effect](#)
- [Tax measures proposed in 2020-21 Budget](#)
- [2020-21 Budget – Concessionary Measures](#)
- [Advance Ruling Case No. 66](#)
- [Stamp Duty statistics](#)

13. Institute indicates support for 2020-21 Budget

Responding to the 2020-2021 Budget, the Institute indicated support for the one-off relief

measures intended to help the Hong Kong public mitigate the negative impacts of the coronavirus outbreak, the aftermath of last year’s social unrest, and the US-China trade tensions. As the Institute has previously urged the government to study the potential impact of international tax developments and undertake a broader review of Hong Kong’s tax system, the announcement that the government would be canvassing opinions from economists, experts and the wider business community was also welcomed. See [the press release](#).

Legislation & Other Initiatives

14. 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.

15. Financial Action Task Force (FATF)’s publication on high-risk and other monitored jurisdictions

The FATF published a statement on 21 February 2020 regarding [High Risk Jurisdictions Subject to a Call for Action](#), calling on its members and all jurisdictions to apply specific measures and actions on Democratic People's Republic of Korea and Iran.

FATF also issued a notice on [Jurisdictions under Increased Monitoring](#), stating that 18 other jurisdictions have been identified to have strategic anti-money laundering/ counter-terrorist financing (AML/CFT) deficiencies, and are working with the FATF to address these deficiencies.

16. Anti-Money Laundering/ Counter-Terrorist Financing 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 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**, issued by the Companies Registry.

FATF also published guidance, in October 2019, entitled, "**Best Practices on Beneficial Ownership for Legal Persons**", which aims to provide suggested solutions to the disclosure of beneficial ownership, supported by cases and examples of best practices from delegations of member jurisdictions of FATF.

Members should ensure that they are 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

17. Other Publications

- (i) The HKEX has published:
 - Research paper on **retail bond offering in Hong Kong** with details on issuing channels, listing requirements and the post-trade settlement process
 - **Report** on initial public offering applications, delisting and suspensions as at 28 February 2020
- (ii) The SFC has published:
 - **Quarterly report Oct – Dec 2019**
 - **Research Paper No. 66: A Review**

of the Global and Local Securities Markets in 2019 (Featuring Stock Connect and Short Selling)

- (iii) Financial Services Development Council paper no. 40 **Hong Kong as the Regional Wealth Management Hub – Sector Survey Paper**, the corresponding **infographic** and **press release**
- (iv) Other publications
 - **Ten Improvements in Data Quality Provided by the Internet of Things** by ICAEW
 - **Explainable AI: Putting the user at the core** by ACCA
 - **Insights from EFAA's Digital Competency Rating Tool** by European Federation of Accountants and Auditors for SMEs
 - **SME Risk Management: How Can Your Accountant Help?** by Accountancy Europe
 - **Integrated thinking and how to develop it** by Financial Management
 - **Integrating ESG into your business** by KPMG
 - **Every Leader Needs to Navigate These 7 Tensions** by Harvard Business Review
 - **Develop Your Team – or Lose Them** by Journal of Accountancy
 - **4 Ways to Unlock Your Inner Creativity** by Entrepreneur online
 - **How to demonstrate 3 important soft skills during an interview** by Fast Company