



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

Member's Handbook

1. Handbook Updates No. 189 and 190

- **No. 189** contains updated Statement 1.102 *Corporate Practices (Registration) Rules* and Statement 1.103 *(Professional indemnity) Rules*
- **No. 190** contains Practice Notes for the changes resulting from new and revised Auditor Reporting standards

Audit & Assurance

2. Bank Confirmation Request Forms for Use in China

Please be reminded that examples of **bank confirmation request forms** for use in China have been published by the Ministry of Finance.

3. New Invitations to Comment on Exposure Drafts

The Institute issued new Invitations to comment on **Exposure Draft HKSIR 400 (Revised)**, *Comfort Letters and Due Diligence Meetings* and **Exposure Draft HKSIR 200 (Revised)** *Accountants' Reports on Historical Financial Information in Investment Circulars*. Comments are requested by 3 December 2016.

4. Institute's Auditing and Assurance Standards Committee Meeting Minutes

The **minutes** for the AASC 359th meeting held on 19 July 2016 is now available.

5. Practice Review Selection Process

The Institute issued an **Alert**, which sets out the new elements added to the practice review selection process and the potential consequences of an audit failure.

6. New FAQ, Q&As and Circulars

- The Institute has issued new **Q&As** on audit of financial statements of owners' corporation of building and a **FAQ** in relation to the signature of engagement partner when issuing an auditor's report under HKSA 700 (Revised).

- New auditing circulars are now available:

Circular on Reporting on the Audit of Schools

Circular on Reporting to Grantees of the Quality Education Fund

Circular on Reporting to Grantees of the Language Fund

7. International Updates

The IAASB has issued **ISA 250 (Revised) Consideration of Laws and Regulations in an Audit of Financial Statements**, and conforming amendments to other international standards, in response to new requirements in the IESBA's *Code of Ethics for Professional Accountants* addressing NOCLAR.

Ethics

8. Institute's Ethics Committee Meeting Minutes

The **minutes** of the Ethics Committee 234th meeting held on 10 March 2016 is now available.

Financial Reporting

9. Open for Comment

Your comments on the Post-implementation Review of Accounting Guideline 5 *Merger Accounting for Common Control Combinations* are requested by **2 December 2016**.

10. Institute's Financial Reporting Standards Committee Meeting Minutes

The [minutes](#) of the FRSC 231st meeting held on 12 July 2016 is now available.

11. International Updates

IASB developments:

- This [podcast](#) summarizes the September 2016 IASB meeting.
- This [webcast](#) covers the 2016 IASB research forum held in conjunction with the Contemporary Accounting Research Conference.
- [Amendments](#) to IFRS 4 *Insurance Contracts* have been issued by the IASB to address concerns arising from implementing IFRS 9 *Financial Instruments*. The amendments are effective for annual periods beginning on or after 1 January 2018.

This IFRIC [update](#) covers tentative decisions on IAS 12 *Income Taxes*, IAS 19 *Employees Benefits*, IFRS 9 *Financial Instruments* and IAS 28 *Investment on Associates and Joint Ventures*.

Technical Learning and Support

12. New Programmes Open for Registration

Click on the event titles below to register:

- [Seminar covering practical and complex issues applying HKFRS 15 Revenue from Contracts with Customers](#) (available on 29 November 2016)
- [Seminar covering the Guardian Role of Professionals in Upholding Ethical Governance](#) (available on 8 December 2016)

- [Refresher Course on Current Auditing Standards](#) (multiple sessions available in December 2016)
- [Seminar covering Application issues of HKFRS 15 Revenue from Contracts with Customers, HKFRS 9 Financial Instruments and new and revised HKFRSs for 2016 financial year-end](#) (available on 16 December 2016)

Useful Resources

13. 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](#)

14. LinkedIn

Click [here](#) to follow the LinkedIn page of the Institute's Standard Setting Department and also join in on our discussions. You will receive prompt updates on the latest standards and developments in financial reporting, auditing and ethics.

15. Podcast, Publications and Webcasts

- (i) Financial Instruments
 - This PwC [podcast series](#) helps to demystify IFRS 9's new impairment requirements by highlighting key issues and practical implications. The series focuses on how to identify significant increases in credit risk and incorporate forward looking information.

(ii) Integrated Reporting developments

- The International Integrated Reporting Council published this [guide](#) to help CFOs understand how technology can enable progressive business management and reporting practice.

Advocacy and Practice Development/Member Support

Professional Accountants in Business

16. SFC Seeks Compensation and Disqualification Orders Against Former and Current Directors

The Securities and Futures Commission ("SFC") has commenced legal proceedings to seek disqualification orders against ten former and current directors of a listed company, Freeman FinTech Corporation Limited, for breaching their director duties in approving transactions. It is also seeking a compensation order against the managing director and a former non-executive director who caused the company to suffer loss and damage.

Read the SFC [press release](#) for detail.

Corporate Finance

17. HKMA and InvestHK Publish Case Studies on Corporate Treasury Activities

As reported in [TechWatch no. 164](#) (item 16), in order to encourage a greater level of corporate treasury activities, the Hong Kong government amended the Inland Revenue Ordinance to allow, under specified conditions, the deduction of interest expenses in calculating profits tax for intra-group financing business of corporations, and reduce profits tax for specified treasury activities by 50% for qualifying corporate treasury centres. The Inland Revenue (Amendment) (No. 2) Ordinance 2016 was gazetted and came into operation on 3 June 2016.

The Hong Kong Monetary Authority ("HKMA") and InvestHK have recently produced a booklet consisting of 9 stories to elaborate how multinational corporations make use of their corporate treasury centres in Hong Kong to support their overseas business growth.

The booklet is available in [English](#), [traditional](#) and [simplified Chinese](#).

Taxation

18. 2017 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 2017 to discuss matters of common interest or concern in relation to tax 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 issues, and return the form to the Institute via e-mail to tf@hkicpa.org.hk, by **9 December 2016**.

Questions addressed at past annual meetings can be found in the [minutes of the previous meetings](#).

19. Announcements by the Inland Revenue Department

Members may wish to be aware of the following matters:

- **Further measure** to address the overheated residential property market
- Advance Ruling Case **no. 59** on amalgamation, and **no. 60** on the treatments of distributions of investment portfolios
- **Consultation** on measures to counter base erosion and profit shifting launched. Members who wish to refer their views on the consultation to the Institute may send them to commentletters@hkicpa.org.hk by **14 December**.

- **Hong Kong to commence automatic exchange of financial account information in tax matters with Japan and UK in 2018**

Legislation & Other Initiatives

20. Anti-Money Laundering Notices

Members may wish to note the following notices and publications in relation to Anti-money laundering/ combating the financing of terrorism ("AML/CFT"):

- **Government notice 5651**: An updated list of terrorists and terrorist associates has been specified under the United Nations (Anti-Terrorism Measures) Ordinance.
- **Government notice 5904**: A list of relevant persons has been specified under the United Nations Sanctions (South Sudan) Regulation 2016.
- **Government notice 5905**: A list of relevant persons and entities has been specified under the United Nations Sanctions (Democratic Republic of the Congo) Regulation 2016.
- **Government notice 6031**: An updated list of terrorists and terrorist associates has been specified under the United Nations (Anti-Terrorism Measures) Ordinance.
- **Legal notice 157**: The United Nations Sanctions (Democratic Republic of the Congo) Regulation 2016 has been published in the Gazette.
- **Legal notice 158**: The United Nations Sanctions (South Sudan) Regulation 2016 has been published in the Gazette.
- **High-risk and non-cooperative jurisdictions**: In October, the Financial Action Task Force ("FATF") issued two documents:

- **FATF public statement**, identifying jurisdictions with strategic AML/CFT deficiencies that pose risk to the international financial system.
- **Improving global AML/CFT compliance: on-going process**, identifying jurisdictions with strategic AML/CFT deficiencies, for which they have developed an action plan with the FATF.
- **FATF guidance on correspondent banking**: This guidance explains the FATF's requirements in the context of correspondent banking services. It also highlights that not all correspondent banking relationships carry the same level of money laundering or terrorist financing risks, hence any enhanced due diligence measures have to be commensurate to the degree of risks identified.
- **US executive order 13224**: The list relating to "Blocking property and prohibiting transactions with persons who commit, threaten to commit or support terrorism".

For more AML-related circulars from the office of the commissioner of insurance, click [here](#).

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

21. 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.

22. Other Publications

- (i) HKEX has published:
 - Guidance on issues relating to "controlling shareholder" and related Listing Rules implications ([HKEX-GL89-16](#)) and consequential changes to FAQ ([Series 1 No. 16](#)), Guidance Letter ([HKEX-GL56-13](#)), Listing Decision ([HKEX-LD85-2015](#)) and Rejection Letter ([HKEX-RL5-05](#))
 - Updated guidance on (i) disclosure requirements for substantially complete Application Proofs; and (ii) publication of Application Proofs and Post Hearing Information Packs on the Exchange's website ([HKEX-GL56-13](#))
 - Updated guidance on logistical arrangements for publication of Application Proofs, Post Hearing Information Packs and related materials on the Exchange's website for listing applicants ([HKEX-GL57-13](#))
 - **Report** on initial public offering applications, delisting and suspensions (as at 31 Oct)
- (ii) SFC has published:
 - **Keynote speech at 7th Pan-Asian Regulatory Summit**, by Ashley Alder, SFC Chief Executive Officer
 - **Speech at 7th Pan Asian Regulatory Summit**, by Thomas Atkinson, SFC Executive Director, Enforcement
 - Speech on **Fintech and Regtech: A Securities Regulator's Perspective**, by Bénédicte Nolens, SFC Senior Director, Risk and Strategy
- (iii) **Process Review Panel Report 2015-16 for the SFC** shows the panel's observations and recommendations made during the review of 59 cases in 2015-16 in various areas of the SFC's work



(iv) **Companies Registry Trading Fund 2015-16 annual report**

(v) Other publications:

- **Making data analytics work for you – instead of the other way around** by McKinsey & Company
- **IP cyberattacks expected to rise** by CFO.com
- **The End of Accounting?** by CFO.com
- **How integrated reporting is changing the role of the accounting profession** by Forbes
- **Should the accounting profession be renamed** by Accounting Web
- **SMPs can add value with new services** by CPA Australia
- **Art of accounting: Selling something clients must have and don't want to buy** by Accounting Today