



TechWatch

News at a glance

Issue 177 • July 2017

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:
Christina Ng (Editor), Kam Leung, Daisy Xia

Advocacy and Practice Development by:
Peter Tisman (Editor), Eric Chiang, Elena Chai, Wallace Wong

Member Support by:
Mary Lam (Editor), Eddy Wong

Standard Setting Developments

Members' Handbook Updates

1. Handbook Updates No.202 – 203

Update No. 202 relates to the issuance of Hong Kong (IFRIC) Interpretation 22 *Foreign Currency Transactions and Advance Consideration*.

Update No. 203 relates mainly to the issuance of Revised Hong Kong Standards on Auditing and Practice Notes.

Audit & Assurance

2. Feedback Requested: The Revised Auditor's Report

Auditor's reports of listed entities are now required to describe key audit matters ("KAMs"). The Institute's Standard Setting Department is conducting a **survey** on the benefits and challenges of reporting KAMs.

Your feedback will help the Institute understand how the profession could respond to challenges and whether the new requirement serves users' needs.

Don't miss out on this opportunity – share your view by 31 July 2017.

Ethics

3. Institute's Ethics Committee Meeting Minutes

The **minutes** for the 236th Ethics Committee meeting held on 9 March 2017 is now available.

4. International Update

This **IESBA staff Q&A** explains the application of the revised audit partner rotation provisions in the Code of Ethics for Professional Accountants.

Financial Reporting

5. Institute's Comment on IASB Exposure Draft

The Institute has **commented** on the IASB Exposure Draft ED/2017/3 *Prepayment Features with Negative Compensation – Proposed Amendments to IFRS 9*.

6. Invitations to Comment

The Institute is **seeking comments** on the IASB Request for Information: Post-Implementation Review – IFRS 13 *Fair Value Measurement*.

Comments should be submitted by 15 August 2017.

The Institute is also **seeking comments** on the IASB Exposure Draft ED/2017/4 *Property, Plant and Equipment – Proceeds before Intended Use* (Proposed amendments to IAS 16).

Comments should be submitted by 15 September 2017.

7. Virtual Conference on IFRS 16 Leases

A virtual conference on IFRS 16 *Leases* by the IASB and the ICAEW is scheduled to take place on 10 October 2017.

Click [here](#) to register.

The conference covers insights from some of the world's leading experts on IFRS 16 and provides the opportunity to participate in interactive Q&A sessions.

8. New and Amended Standards and Interpretations

The Institute published **an updated list** of new and amended standards and interpretations that are:

- applicable to accounting periods beginning on or after 1 January 2017; and
- not yet effective, but may be adopted early.

9. Comparison between HKFRS and IFRS

The Institute published a [comparison table](#) between Hong Kong Financial Reporting Standards and International Financial Reporting Standards as at 30 June 2017.

10. International Update

The June [IASB Update](#) and the June [IFRIC Update](#) are now available.

Technical Learning and Support

11. New Programmes

Click on the titles below to register:

- [Seminar on IFRS 17 Insurance Contracts](#)
(24 July 2017)
- [Workshop on HKAS 36 Impairment of Assets](#) (29 July 2017)
- [Workshop on HKFRS for Private Entities](#)
(24 August 2017)
- [Workshop on applying the Audit Practice Manual \(2016 edition\)](#)
(3 August and 10 September 2017)

Useful Resources

12. 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](#)

13. LinkedIn

[Join](#) the Institute's Standard Setting Department's discussions on LinkedIn, and stay up to date on key developments in financial reporting, auditing and ethics.

Advocacy and Practice Development/Member Support

Corporate Governance

14. Best Corporate Governance BCGA 2017 Invites Entries

Now in their 18th year, the Institute invites companies and organisations in the private and public sectors to submit entries for Best Corporate Governance Awards ("BCGA") 2017. Last year the Organising Committee conducted an extensive review of the Awards and introduced a number of changes. The 2017 Awards will build on these changes and fine tune them with the experience gained from last year. The 2017 Awards:

- Expand the existing group of categories for non-Hang Seng Index ("HSI") companies by introducing a new category for mid-market capitalisation companies. This aims to expand opportunities for companies of a range of different sizes, allowing them to benchmark themselves against their peers, thus giving them more incentive to take steps to raise their CG standard.
- Offer Commendations for: (i) internal control and risk management; (ii) board and audit committee operation and functioning; and (iii) website corporate governance information. The purpose is to recognise organisations that have performed strongly in these particular and important areas of CG, but which may not yet have achieved the all-round performance needed to win a diamond, platinum or gold award in one of the main categories.
- Adopt a self-nomination approach for the Significant Improvement Awards ("SIA"), so that those organisations which have taken significant measures to improve their CG practices and disclosures can put themselves forward for consideration, explaining the progress that they have made. Shortlisted candidates may be invited for an interview.

- Continue to recognise outstanding sustainability and social responsibility/ environmental, social and governance ("ESG") reporting, against the background of the upgrading of some of the disclosures in HKEX's ESG Reporting Guide to "comply or explain".

With the introduction of a new category mentioned above, there will be six main categories of awards in BCGA, namely:

- HSI companies;
- Non-HSI for large, medium, and small companies by market capitalisation;
- H-share companies and other Mainland enterprises; and
- Public sector/not-for-profit organisations.

Diamond, platinum and gold awards, as well SIAs, will be available to be won in all of the above categories.

The BCGA focus on and encourage voluntary disclosures of governance and sustainability information in annual and sustainability reports that is useful for stakeholders and which is indicative of a good corporate governance culture. The judges and reviewers may also look at other sources of information that may provide insights into a company's or organisation's actual corporate governance practices.

Take this opportunity to show support for good corporate governance by encouraging your company or public sector organisation to participate in BCGA. The deadline for entries is 14 August. Click for the [press release](#) and the [entry form](#).

Professional Accountants in Business

15. IFAC's Call for Action by G20 Countries to Support Global Economy

In advance of the G20 Summit 2017 in Hamburg, Germany on 7-8 July, IFAC issued [recommendations](#) for G20 countries and other key stakeholders in the global economy to collaborate on:

- **Raising governance standards** across all economic sectors to increase transparency and accountability, and help restore trust and inspire confidence in business and government. Good governance is the key to accomplishing the G20's objectives to build resilience, improve sustainability, and assume responsibility.
- **Fostering greater transparency and regulatory consistency** to achieve growth, confidence, and stability. This requires an inclusive digital and economic environment for businesses of all sizes, as well as implementation and adoption of high-quality internationally-accepted regulations and standards.

Corporate Finance

16. SFC Consults on Legal and Regulatory Requirements Applicable to Open-ended Fund Company

The Securities and Futures Commission ("SFC") has recently launched a two-month **consultation** on the detailed legal and regulatory requirements applicable to the new open-ended fund company ("OFC") structure, which will enable investment funds to be established in corporate form in Hong Kong, in addition to the current unit trust form.

The consultation sets out the SFC's proposed Securities and Futures (Open-ended Fund Companies) Rules ("OFC Rules") and Code on Open-ended Fund Companies ("OFC Code"), which include requirements relating to the OFC's formation, its key operators, ongoing maintenance, termination and winding-up, and will be applicable to all OFCs.

The deadline for comments is 28 August 2017. Implementation of the new OFC regime is envisaged in 2018.

17. Consultation Conclusions on OTC Derivatives Regulatory Regime

On 27 June, the Hong Kong Monetary Authority ("HKMA") and the SFC published **conclusions** to implement the proposed adjustments to the

scope of "OTC derivative product" under the over-the-counter ("OTC") derivatives regulatory regime, i.e., to:

- prescribe certain additional markets and clearing houses so that products traded and cleared through them will not be regarded as "OTC derivative products"; and
- exclude Delta One Warrants from the definition of "OTC derivative product".

The conclusions paper also provides further clarification as to how Delta One Warrants will be defined.

18. SFC Clarifies Competence Requirements for Licensees Seeking to Enter Asset Management Business

On 23 June, the SFC issued a **circular** to clarify competence requirements for existing licensed persons seeking to be licensed for Type 9 regulated activity (asset management) and to provide further guidance on how the SFC assesses the competence of a corporation or a responsible officer to carry on asset management activities. The circular also highlights the eligibility criteria of, and restrictions on permitted activities for, licensed persons seeking conditional exemptions from passing the required examination papers in order to meet the SFC's requirements.

19. SFC Intervenes Directly and at Early Stage in Serious Corporate Cases

The SFC is taking steps to intervene in serious cases at an early stage to carry out its statutory objectives, including to protect the investing public and to suppress illegal, dishonourable and improper market practices.

It has recently published an **inaugural issue** of the *SFC Regulatory Bulletin: Listed Corporations* to provide guidance on the manner in which it performs some of its functions under the Securities and Futures (Stock Market Listing) Rules and the Securities and Futures Ordinance in relation to listed corporations and other listing matters. The bulletin uses case studies to aid the market's

understanding of the SFC's approach to performing its functions.

Taxation

20. Announcements by the Inland Revenue Department

Members may wish to be aware of the following matters:

- Legislative Council ("LegCo") questions on **assessments or additional assessments made under section 60 of the Inland Revenue Ordinance, implementation of tax concessions**, and **feed-in tariff scheme for renewable energy power generation installations**
- **Inland Revenue (Amendment) (No.4) Ordinance 2017** on extending profits tax exemption to privately offered open-ended fund companies has been gazetted
- **Orders** on avoidance of double taxation agreements with Latvia, Belarus and Pakistan gazetted
- **AEOI Portal** which has been launched for financial institutions to furnish notifications and file returns on the reporting of financial account information for automatic exchange of financial account information purposes
- **AEOI agreement signed with New Zealand**
- **Tax obligations of taxpayers and employers**
- **Stamping Circular No. 02/2017** on Filing of Return of Stock Borrowing Transactions

Legislation & Other Initiatives

21. Gazettal of AML/CFT Bill and Companies Bill 2017

The **Anti-Money Laundering and Counter-Terrorist Financing (Financial Institutions) (Amendment) Bill 2017**, which extends AML/CFT regulation to certain "designated non-financial businesses and professions", including

accountants, and the **Companies (Amendment) Bill 2017**, which requires private companies incorporated in Hong Kong to keep registers of persons with significant control over the company, were gazetted and introduced into LegCo on 23 June 2017. Please click [here](#) for the press release for more details.

22. Companies Registry Statistics

The Companies Registry released statistics for the first half of 2017 on 9 July 2017. Please refer to the [press release](#) issued on the same date for details.

23. AML Notices

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

- **Government notice 4346**: An updated list of terrorists and terrorist associates has been specified under the United Nations (Anti-Terrorism Measures) Ordinance.
- **Government notice 4808**: An updated list of terrorists and terrorist associates has been specified under the United Nations (Anti-Terrorism Measures) Ordinance.
- **High-risk and non-cooperative jurisdictions**: In June, 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.
- **Specially designated nationals and blocked persons list ("SDN List")**: The individuals and entities designated as Specially Designated Global Terrorists ("SDGT") are identified in the SDN List. The SDGT designations include terrorist-related

designations under the Executive Order 13224 and other US executive orders, laws and regulations.

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

24. 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.

25. Other Publications

(i) HKEX has published:

- [Cash market transaction survey 2016](#) and relevant [press release](#)
- [report](#) on initial public offering applications, delisting and suspensions as at 30 June

(ii) SFC has published:

- [Takeovers Bulletin issue no. 41](#), which provides a summary of the Takeovers Panel's decision concerning TVB and highlights revisions to the Codes to align them with the new resolution regime
- speech entitled [Front Loaded, Transparent and Direct: A New Approach to Regulation for Changing Markets](#) by Ashley Alder, CEO

(iii) Other publications:

- [Digital Technologies' Implications for SMPs](#) by IFAC
- [Board effectiveness – Individual style, team mentality](#) by ICAEW
- [Digital Technologies and Why They Matter to Boards](#) by Deloitte
- Survey findings [2017 China CEO Outlook – Disrupt and Grow](#) by KPMG
- [20th CEO Survey China Report](#) by PwC
- [The Role of Company Secretaries and Directors in Anti-Money Laundering Compliance](#) by ONC Lawyers
- [The accountant of 2022](#) by Accounting Today
- [Why robots won't steal accountants' jobs](#) by The Straits Times
- [Finding a strategic cybersecurity model](#) by McKinsey & Company
- [CFOs don't always qualify as finance leaders](#) by Accounting Today
- [Practical tips for the CFO: How to deliver a powerful financial presentation](#) by CFO Innovation