



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@hkiipa.org.hk >. Click [here](#) for past issues.

Contents

Standard Setting Developments

Meeting Minutes

1. Ethics Committee
2. Hong Kong Insurance Implementation Support Group

Local Updates

3. Roundtable Discussions on Financial Instruments
4. Feedback Statement on the Post-implementation Review of Accounting Guideline 5 *Merger Accounting for Common Control Combinations*
5. Invitations to Comment

International Updates

6. IFRS Updates

Technical Learning and Support

7. New Programme

Useful Resources

8. Institute's Technical Resource Centres
9. [LinkedIn](#)

Advocacy and Practice Development/ Member Support

Professional Accountants in Business

10. Business Models of the Future

Corporate Finance

11. Institute Comments on HKEX Consultation on Backdoor Listing
12. HKEX Consultation on Review Structure for Listing Committee Decisions
13. HKEX Consultation Conclusion on Exempting Aircraft Leasing Activities from Notifiable Transaction Rules
14. SFC Consults on Proposed Guidelines for Securities Margin Financing Activities

Taxation

15. Announcements by the Inland Revenue Department ("IRD")
16. Institute's Recent Tax Submissions

Legislation & Other Initiatives

17. Anti-Money Laundering/ Counter-Terrorist Financing ("AML/CFT") Notices
18. AML/CFT Guidance

Useful Resources

19. Other Publications

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Standard Setting Developments

Meeting Minutes

1. Ethics Committee

Summary of the **238th meeting** of the Ethics Committee is now available.

2. Hong Kong Insurance Implementation Support Group

The Hong Kong Insurance Implementation Support Group's **26 July** meeting summary and updated **submission log** are now available.

Local Updates

3. Roundtable Discussions on Financial Instruments

The Institute will host a series of roundtable discussions to share the latest thinking on how financial instruments with characteristics of equity will be reported in the future. Preparers, analysts, investors and other users of financial reports are invited to join the roundtable to share their views or concerns on the way issuers report these types of instruments today and the latest thinking:

Preparers of financial reports	30 October 2018
Analyst, investors and other users of financial reports	1 November 2018

Email outreachhk@hki CPA.org.hk your name, organization and contact number if you want to have a say and want to share your views. An education session on the proposals will be provided before each of the discussion.

If you cannot attend the roundtable but would like to share and discuss the topic, please email eky@hki CPA.org.hk.

4. Feedback Statement on the Post-implementation Review of Accounting Guideline 5 *Merger Accounting for Common Control Combinations*

In 2016 the Institute's Financial Reporting Standards Committee (FRSC) issued a Request for Information to conduct a post-implementation review (PIR) of the Accounting Guideline 5 *Merger Accounting for Common Control Combinations* (AG 5).

After consolidating the feedback collected from the PIR, the Institute published this **Feedback Statement** which includes an analysis of the feedback received and the possible next steps the FRSC may take. All the feedback from **comment letters** received and **summaries of outreach meetings** held have also been published.

5. Invitations to Comment

The Institute is seeking comments on:

- IFAC's IAASB Exposure Draft **Proposed International Standard on Auditing (ISA) 315 (Revised), Identifying and Assessing the Risks of Material Misstatement and Proposed Consequential and Conforming Amendments to Other ISAs** by **2 Oct**
- IASB Discussion Paper **DP/2018/1 Financial Instruments with Characteristics of Equity** by **9 Nov**

International Updates

6. IFRS Updates

- New IFRS 17 *Insurance Contracts* **webcast**
- **Summary** of the June 2018 joint Capital Markets Advisory Council and Global Preparers Forum meeting
- **Education modules** to support IFRS for SMEs
- IASB chairman **spoke** about goodwill accounting at a Tokyo conference



- **Lecture** delivered by the IASB board member, Ann Tarca, on the role of accounting information and its relevance

Technical Learning and Support

7. New Programme

Seminar: **HKFRS 15 Revenue from contracts with customers (Re-run)** (23 October)

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. Business Models of the Future

ACCA has recently published a report entitled **Business models of the future: systems, convergence and characteristics**, which explores what lies behind business model innovation. The report identifies twelve characteristics that business models of the future are putting together in different combinations – and their 'plug and play' nature – which is driving business model design today.

The report also assesses today's socio-economic landscape against which value creation takes place. It outlines a set of approaches for professional accountants to consider when they look to apply business model of the future characteristics to their own work and build new value for their organizations, now and into the future.

Corporate Finance

11. Institute Comments on HKEX Consultation on Backdoor Listing

The Institute issued a **submission** responding to HKEX's proposals to tighten the backdoor listing rules and tackle shell activities in order to maintain market quality and reputation. While we support the general direction of HKEX's proposals, the submission suggests that some greater flexibility may be called for. Among the considerations raised by the Institute are:

- To avoid tightening the rules in a way that could restrict issuers' normal business activities, which might include disposing of/ changing some business lines for the long-term benefit of shareholders
- Not to preclude the possibility of smaller "growth" and "new economy" companies expanding via acquisitions

- To allow sufficient flexibility to facilitate the rescue of issuers in financial difficulty through the injection of new assets
- To provide further explanation and clarification of certain terms and concepts and how they are to be applied

12. HKEX Consultation on Review Structure for Listing Committee Decisions

On 10 August, HKEX released a [consultation paper](#) to seek views on proposals to revise the review structure for listing committee decisions. This represents the HKEX's response to the [Joint Consultation](#) with the SFC, concluded in September 2017, on "Proposed Enhancements to the HKEX's Decision-Making and Governance Structure for Listing Regulation". One of the conclusions was that HKEX would conduct a separate consultation on replacing the listing committees with independent committee(s) and simplifying the review structure. The current proposals aim to enhance the transparency, accountability and consistency of the decision-making process. A summary of the proposals is set out in the [press release](#).

The deadline for responding to the Consultation Paper is **12 October 2018**.

13. HKEX Consultation Conclusion on Exempting Aircraft Leasing Activities from Notifiable Transaction Rules

The HKEX published [Consultation Conclusions](#) on its proposed exemption for qualifying aircraft leasing activities on 17 August.

Qualified aircraft leasing activities carried out by qualified aircraft leasing lessors, subject to certain criteria and conditions, are not required to fulfil specific disclosure and/or shareholders' approval requirements applicable to notifiable transactions. Instead, alternative disclosure by way of announcements in their interim/ annual reports will be required. The exemption addresses the practical difficulties that relevant issuers have in complying with the notifiable transaction requirements, in relation to transactions that are carried out in their

ordinary and usual course of businesses. A summary of the amendments is set out in the [press release](#).

The amendments will be effective on **15 October 2018**.

14. SFC Consults on Proposed Guidelines for Securities Margin Financing Activities

On 17 August, the SFC [launched](#) a [consultation](#) on proposals to implement and adjust the guidelines for securities margin financing (SMF) activities, to enhance the risk management practices for margin lending and increase SMF brokers' ability to overcome the stock market volatility. In particular, the SFC proposes to strengthen controls and implement new guidelines to avoid excessive leverage and reduce concentration risk in both securities collateral and individual margin clients.

The deadline for responding to the Consultation Paper is **18 October 2018**.

Taxation

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

Members may wish to be aware of the following matters:

- [Double taxation agreement with Saudi Arabia enters into force](#)
- [New advance ruling case published](#)
- [Gazettal of a legal notice](#) to effect the change in the rate of interest payable on Tax Reserve Certificates
- The [government's plan](#) to expand the list of reportable jurisdictions for the implementation of AEOI
- [List of qualifying debt instruments](#)

16. Institute's Recent Tax Submissions

The Institute's Taxation Faculty has responded to the [proposed legislative amendments on adoption of fair value accounting for financial instruments for tax reporting](#).

Legislation & Other Initiatives

17. Anti-Money Laundering/ Counter-Terrorist Financing ("AML/CFT") Notices

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

- **Government notice (extraordinary) 48:** An updated list of terrorists and terrorist associates has been specified under the United Nations (Anti-Terrorism Measures) Ordinance.
- An **updated list** of relevant persons and entities under the United Nations Sanctions (Democratic People's Republic of Korea) Regulation.
- **Specially designated nationals and blocked persons list**, published by the U.S. Treasury's Office of Foreign Assets Control. More details on the **Resource Centre of the Treasury**.

18. 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

19. Other Publications

(i) The HKEX has published:

- **FAQ** on Listing Regime for Companies from Emerging and Innovative Sectors
- **Report** on initial public offering applications, delisting and suspensions as at 31 August

(ii) SFC has published:

- **Code** of Conduct for Persons Licensed by Registered with the Securities and Futures Commission

(iii) Financial Services Development Council has published:

- **Response** to the SFC Consultation on Anti-Money Laundering and Counter-Terrorist Financing Guidelines

(iv) Other publications:

- **Your Brand Has Value. Time to Realize Its Tangible Benefits!** By IFAC
- **The Once and Future Audit (Podcast)** by Accounting Today
- **Impact of technology on FS** by ICAS
- **The Pulse of Fintech 2018 – Biannual global analysis of investment in fintech** by KPMG
- **Cryptocurrencies: New Asset, New Accounting Puzzle** by FTI Consulting
- **How to Strengthen Your Communications with the Board** by Deloitte



- **How to Employ the Right Staff for Your Accounting Practice** by In the Black
- **Focus on blockchain's risks before the rewards** by Financial Management
- **Blockchain, machine learning, and a future accounting** by Journal of Accountancy