



Minutes of the 271st meeting of the Financial Reporting Standards Committee held on Thursday, 2 June 2022 at 8:30 a.m. via videoconference.

Members present: Mr. Gary Stevenson (Chairman), RSM Hong Kong
Mr. Jim Tang (Deputy Chairman), KPMG
Ms. Kathryn Ashley, HSBC
Ms. Fanny Hsiang, BDO Limited
Ms. Vincyy Lai, Jardine Matheson & Co., Limited
Mr. Mateusz Lasik, Deloitte Touche Tohmatsu
Mr. Kenneth Lau, Crowe (HK) CPA Limited
Ms. Susanna Lau, Securities and Futures Commission
Mr. Joe Ng, Ernst & Young
Mr. Ghee Peh, IEEFA
Mr. Richard Poon, AIA Group
Mr. William Wong, Stock Exchange of Hong Kong Limited
Ms. Lisa Zhang, PricewaterhouseCoopers

Staff in attendance: Ms. Cecilia Kwei, Director, Standard Setting
Ms. Eky Liu, Deputy Director, Standard Setting
Mr. Norman Chan, Associate Director, Standard Setting
Ms. Carrie Lau, Associate Director, Standard Setting
Ms. Katherine Leung, Associate Director, Standard Setting
Mr. Anthony Wong, Associate Director, Standard Setting

Action

1. Minutes, work program, IFRS Interpretations Committee (IC) agenda decision and liaison log

The Committee approved the minutes of the 270th meeting.

The Committee noted the developments outlined in the FRSC and SSD work program and the liaison log.

The Committee also noted the IC finalised the agenda decision *Demand Deposits with Restrictions on Use arising from a Contract with a Third Party* (IAS 7 *Statement of Cash Flows*) in April 2022.

2. International Sustainability Standards Board (ISSB)'s consultations

The Committee received an update on the feedback received from SSD staff's outreach activities on ISSB Exposure Drafts IFRS S1 *General Requirements for Disclosure of Sustainability-related Financial Information* and IFRS S2 *Climate-related Disclosures*, which included comment letters received and the following meetings and discussions:

- meeting with the Task Force; and
- public roundtable discussion with ISSB staff and local participants.

The Committee considered the feedback received so far and provided comments on the ISSB proposals. The Committee will consider additional comments received from outreach activities and the Institute's draft submission at its next meeting.

The Committee noted that the IFRS Foundation published the Staff Request for Feedback on the staff draft of the IFRS Sustainability Disclosure Taxonomy and planned to consult the stakeholders on its standard-setting priorities (i.e. agenda consultation) in the second half of

2022. Consistent with the Institute's previous practice on IASB's taxonomy consultation, the Committee agreed with SSD's proposal that the Institute will not perform any work on the Staff Request for Feedback and any future ISSB's consultations on taxonomy. The Committee also agreed that the upcoming ISSB's agenda consultation is a high priority project as it will have significant impact on the future development of sustainability-related information and financial reporting as a whole.

3. Premiums-based profits-tax (PBPT)

The Committee received an update on the PBPT issue. Based on the SSD's discussions with the IASB staff, various life insurers in Hong Kong and their respective auditors since the issue was last discussed in December 2021, the Committee came to the following view:

- An entity considers the nature of PBPT and the entity's own circumstances to determine whether PBPT should be considered an income tax as defined in accordance with HKAS 12 *Income Taxes*.
- If it is determined that PBPT is within the scope of HKAS 12, one will have to consider the potential deferred tax consequences. In particular, the adoption of HKFRS 17 *Insurance Contracts* may result in new temporary differences. The Committee acknowledged that this could be a highly complex issue.
- If it is determined that PBPT is not within the scope of HKAS 12, on adoption of HKFRS 17 one will have to consider whether it forms part of the fulfillment cash flows, particularly in terms of paragraphs B65(i) and B66(f) of HKFRS 17.
- With regard to whether PBPT is within or outside the scope of HKAS 12, both views are considered acceptable.
- Some entities may consider a change in the scoping of PBPT from being an income tax to not being an income tax would overall provide more relevant information to users. Such a change will affect how the PBPT is accounted for in its financial statements with the following potential consequences:
 - Management may have to explain the change to board members, audit committee, senior management, investors and analysts;
 - The change may reduce EBIT, EBITDA, operating profits, etc.
 - The change may impact other KPIs, debt covenants, regulatory solvency ratios and others.

The Committee noted that at present there is no demand from preparers for further HKICPA guidance in this area. Furthermore, given the wide range of factors that entities would need to consider, the Committee is of the view that it would be best to allow preparers and auditors to deal with the issue on a case-by-case basis, and to close the case at the Committee level.

4. SSD planned financial reporting events from July 2022 to June 2023

The Committee received a summary of SSD's planned financial reporting events between July 2022 and June 2023. The Committee will assist to identify appropriate speakers for the events and will provide nominations to SSD staff in due course.

5. Other business

Administrative matter

The Committee noted that they are welcome to propose agenda items for the next FRSC meeting no later than 15 working days prior to the meeting date.

It was noted that the next meeting was scheduled on 12 July 2022.

There being no further business, the meeting closed at 9:15 a.m.

GARY STEVENSON
CHAIR

30 June 2022