



Minutes of the 260th meeting of the Financial Reporting Standards Committee held on Tuesday, 1 December 2020 at 8:30 a.m. via videoconference.

Members present: Mr. Ernest Lee (Chairman), Deloitte Touche Tohmatsu  
Mr. Gary Stevenson (Deputy Chairman), RSM Hong Kong  
Mr. Choy Kai Sing, Proprietor  
Ms. Candy Fong, Foremost Advisers Ltd  
Mr. Kenneth Lau, Crowe (HK) CPA Limited  
Ms. Susanna Lau, Securities and Futures Commission  
Mr. Joe Ng, Ernst & Young  
Ms. Monica Ng, PricewaterhouseCoopers  
Mr. Steve Ong, Stock Exchange of Hong Kong Limited  
Mr. Ghee Peh, IEEFA  
Mr. Richard Poon, AIA Group  
Mr. Simon Riley, BDO Limited  
Mr. Jim Tang, KPMG

Staff in attendance: Ms. Cecilia Kwei, Director, Standard Setting  
Mr. Tiernan Ketchum, Deputy Director, Standard Setting  
Mr. Norman Chan, Associate Director, Standard Setting  
Ms. Carmen Ho, Associate Director, Standard Setting  
Ms. Joni Kan, Associate Director, Standard Setting  
Ms. Katherine Leung, Associate Director, Standard Setting  
Ms. Eky Liu, Associate Director, Standard Setting  
Mr. Anthony Wong, Associate Director, Standard Setting

Apologies: Mr. James Fawls, HSBC  
Ms. Kelly Kong, Jardine Matheson & Co., Limited  
Mr. Brett Shadbolt, Censere  
Mr. Guochang Zhang, The University of Hong Kong

Action

1. **Minutes, work program and liaison log**

The Committee approved the minutes of the 259th meeting.

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

2. **IASB DP/2020/1 Business Combinations – Disclosures, Goodwill and Impairment**

Updates on outreach activities and comment letters

The Committee received an update on the additional comment letters received since the October 2020 FRSC meeting.

The Committee acknowledged that views in the additional comment letters were largely consistent with other stakeholders, with certain comments from banking industry preparers were specifically highlighted by the SSD staff.

Draft submission on the Discussion Paper (DP)

The Committee received and was invited to comment on a draft submission to the IASB's DP. Committee members provided comments on the draft

submission, which generally focussed on drafting and presentational matters and the structure of the cover letter.

SSD staff noted the comments from the Committee. SSD staff's next steps are to finalise the comment letter and circulate the updated submission, incorporating the Committee's comments, for approval out-of-session.

SSD

[Post-meeting note: The Committee has approved the submission on 11 December 2020; and the comment letter has been submitted to IASB on 23 December 2020].

### 3. **Consultation Paper on Sustainability Reporting**

The Committee was briefed in further detail on the proposals in the IFRS Foundation Consultation Paper on Sustainability Reporting (CP). The Committee also was updated on feedback received thus far, and preliminary SSD staff views on the questions in the CP.

The Committee was invited to provide comments by early December for incorporation into the Institute's comment letter in response to the CP. One FRSC member noted that the member's organisation had provided initial views to the SSD staff.

SSD staff will proceed to draft the comment letter and circulate it for the Committee's comments and approval out-of-session.

SSD

[Post-meeting note: The Committee has approved the submission on 23 December 2020; and the comment letter has been submitted to the IFRS Foundation on 30 December 2020].

### 4. **Insurance Contracts**

#### *Draft education guidance on HKFRS 17 Insurance Contracts*

The Committee was presented with draft educational guidance on accounting for the contractual service margin under HKFRS 17. The draft presented at this meeting incorporated additional comments that were received from the October 2020 FRSC meeting.

Two Committee members generally supported the finalisation of the FAQ. One Committee member raised comments on the updates made since the October meeting, and suggested SSD staff may consider seeking further feedback from the Hong Kong Implementation Support Group (HKIISG) on the updated portions of the draft. SSD staff will take these comments into consideration and update the Committee in due course.

#### *Other business - Draft FAQ on the interaction between HKFRS 16 Leases and the Hong Kong Insurance (General Business) (Valuation) Rules*

The Committee was presented with a draft set of frequently asked questions (FAQ) on the interaction between HKFRS 16 *Leases* and the Hong Kong Insurance (General Business) (Valuation) Rules. The Committee noted this FAQ was prepared at the recommendation of the Insurance Regulatory Advisory Panel (IRAP), and its objective is to help Institute members be aware of a circular issued by the Insurance Authority on 29 October and its relation to HKFRS 16. Committee members did not express any concerns on the FAQ, and SSD staff will proceed to finalise and issue the FAQ.

[Post-meeting note: The FAQ was finalised and issued on 22 December 2020].

*Other business – Request from the Actuarial Society of Hong Kong to write a letter of support to the Insurance Authority*

The Committee was asked, via the mechanism of the IRAP, to provide feedback on a request for a letter of support, requested by the Actuarial Society of Hong Kong (ASHK) in relation to ASHK's proposal to amend the Hong Kong's insurance regulations to require an additional professional qualification requirement for actuaries performing statutory roles in Hong Kong. Committee members generally took the view that this request was out of the scope of the FRSC's remit. SSD staff will relay the Committee's feedback internally and to the IRAP.

**5. Leases**

*Educational material: Determination of the lessee's incremental borrowing rate for a lease under HKFRS 16 Leases*

The Committee received an update on the proposed educational material relating to determination of the lessee's incremental borrowing rate (IBR) for a lease. The Committee was updated in particular on SSD staff's further consultation with IASB staff, the IASB staff's comments, and the Leases Advisory Panel (Panel) responses on the status of the guidance.

The Committee noted comments raised, from both technical and non-technical aspects, by IASB staff on the draft educational material regarding the timing of its publication and the non-prescriptive nature of the requirements for determining IBR.

The Committee noted the SSD staff's recommendation not to publish educational material relating to determination of the lessee's IBR on the basis that SSD staff shared similar views to IASB staff, and noted additional reasons not to proceed with the publication of the educational material.

The Committee also noted that majority of the Panel members who responded to SSD staff shared IASB and SSD staff views and supported the SSD staff recommendation.

Further to the Committee's consideration, the Committee agreed with SSD staff recommendation not to proceed with the publication of the educational material but rather to convert it into training material e.g. e-learning, seminar or other forms of presentation.

[Post-meeting note: An email was sent to the IASB staff on 22 December 2020 to update the FRSC's decision on the above HKFRS 16/IFRS16 matters.]

*Application issue: Waiver of lease payments with partial extinguishment of a lease liability*

The Committee received an update on SSD staff's further clarification with IASB staff regarding the issue on the scope and application of IFRS 16 Leases and IFRS 9 Financial Instruments to a waiver of lease payments with the partial extinguishment of a lease liability.

The Committee noted that SSD staff had noted during the discussion with IASB staff that, as laid out in the IASB's educational material issued 10 April

2020 Accounting for covid-19-related rent concessions applying IFRS 16 Leases, if a change in lease payments results in the extinguishment of a part of a lessee's obligation specified in the contract (for example, a lessee is legally released from its obligation to make specifically identified payments), the lessee would consider whether the requirements for derecognition of a part of the lease liability are met applying paragraph 3.3.1 of IFRS 9.

Given that at present there is no indication of any material and/or prevalent diversity in practice on this issue, the Committee noted and agreed with the SSD staff recommendation to continue to monitor the prevalence of this issue, and in the meantime to refrain from further addressing this issue locally.

6. **Accounting Guideline 5 Merger Accounting for Common Control Combinations (AG 5)**

The Committee received a summary of feedback from stakeholders on the Institute's Exposure Draft of Proposed Amendments to AG 5 (ED) (refer to [HKICPA website](#) for comment letters received). The ED was published on 17 July 2020 with responses due by 16 October 2020.

The Committee noted that most respondents to the ED supported the proposals and did not suggest other amendments to AG 5. The Committee also noted that one respondent suggested the Committee to provide more guidance on the expected contents of the brief descriptions of the controlling party and the combining entities in paragraph 19 of the ED, such as the nature of the entities' operations and businesses. Two Committee members did not agree with adding the suggested additional guidance to paragraph 19 of the ED because they considered that doing so could result in more stringent requirements than those in existing HKFRSs.

After considering feedback from these two Committee members, the Committee agreed to finalise the amendments as proposed in the ED. The Committee approved the Amendments to AG 5 with an effective date of 1 January 2022.

The Committee noted that SSD will closely monitor the development of the IASB's Business Combinations under Common Control (BCUCC) project and assess its impact on AG 5. Unless significant issues arise, the Committee agreed not to carry out any further review of AG 5 before the IASB finalises its BCUCC project.

[Post-meeting note: Amendments to AG 5 was issued on 17 December 2020.]

7. **Other business**

**Vote of thanks**

The Chairman reported that the meeting is the last meeting for the extant Committee and that Mr. James Fawls, Ms. Monica Ng and Mr. Steve Ong will retire from the Committee. The Chairman thanked the retiring members and the rest of the Committee for their contributions.

Due to the overrun of the meeting, the Committee decided to carry forward the remainder of the agenda on considering the priority of the IASB's projects to the next FRSC meeting. The meeting closed at 12:55 p.m.

28 January 2021

ERNEST LEE  
CHAIR