



Minutes of the 265th meeting of the Financial Reporting Standards Committee held on Monday, 12 July 2021 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. Park Kwok, HLB Hodgson Impey Cheng Limited  
Ms. Vincyy Lai, Jardine Matheson & Co., Limited  
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. Jim Tang, KPMG  
Mr. William Wong, Stock Exchange of Hong Kong Limited  
Mr. Guochang Zhang, The University of Hong Kong  
Ms. Lisa Zhang, PricewaterhouseCoopers

Guests present: Six representatives from two major utility companies (for item 1 presentation)

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: Ms. Kathryn Ashley, HSBC  
Mr. Choy Kai Sing, Asia Metro Ltd and own-name practice  
Ms. Candy Fong, Foremost Advisers Ltd

1. **IASB Exposure Draft ED/2021/1 Regulatory Assets and Regulatory Liabilities**

Action

The Committee received an update on the SSD's outreach activities on the Exposure Draft (ED) *Regulatory Assets and Regulatory Liabilities*, which included discussions amongst IASB staff, representatives from local utility companies (Preparers) and their respective auditors, and the comment letters received by the Institute.

The Preparers attended the meeting as guests to share their experience and views on the ED, in particular, concerns they had regarding the ED's proposal that the regulatory returns on an asset not available for use do not form part of the total allowed compensation before the asset is available for use. The Committee acknowledged the concerns from the Preparers and considered the views of the Preparers generally reasonable.

The Committee considered and agreed with the SSD staff's recommendation that the Institute should write a submission to the IASB on this ED, in a form of a cover memo, to highlight and reemphasize the major concerns raised by the Preparers.

SSD staff will circulate a draft submission on the ED for the Committee to consider and approve out-of-session.

SSD

[Post meeting note: The Institute's comment letter on the ED was approved by the Committee out-of-session and submitted to the IASB on 30 July 2021.]

## **2. Minutes, work program, IFRS Interpretations Committee (IC) agenda decisions and liaison log**

The Committee approved the minutes of the 264th meeting.

The Committee noted the developments outlined in the FRSC and SSD work program, minutes of Hong Kong Insurance Implementation Support Group meeting on 9 June, and the liaison log.

The Committee noted the IC finalised the following four IFRIC agenda decisions in May and June 2021.

- Attributing Benefit to Periods of Service (*IAS 19 Employee Benefits*)
- Hedging Variability in Cash Flows due to Real Interest Rates (*IFRS 9 Financial Instruments*)
- Preparation of Financial Statements when an Entity is No Longer a Going Concern (*IAS 10 Events after the Reporting Period*)
- Costs Necessary to Sell Inventories (*IAS 2 Inventories*)

The Committee also received an update on the SSD staff analysis and actions on the following IFRIC tentative agenda decisions (TAD) discussed at the June 2021 IC meeting.

- Economic Benefits from Use of a Windfarm (*IFRS 16 Leases*)

The Committee agreed with SSD staff analysis and recommendation that no further action would be taken.

- TLTRO III Transactions (*IFRS 9 Financial Instruments* and *IAS 20 Accounting for Government Grants and Disclosure of Government Assistance*)

The Committee noted that members of the Institute's Financial Instruments Advisory Panel (the Panel) raised some concerns on this TAD. The Committee, however, agreed with the SSD staff analysis that the concerns raised could have wider implications for financial instruments accounting, may not be considered further by the IC within the scope of this TAD, and would potentially be better addressed as part of the post-implementation review (PIR) of IFRS 9. Accordingly, the Committee agreed that no further action would be taken on the TAD. The Committee noted that SSD staff will retain and consider the feedback from the Panel when developing responses to the PIR.

## **3. IASB Discussion Paper DP/2020/2 Business Combinations under Common Control (DP)**

### Updates on comment letters received

The Committee received an update on the additional comment letters received since the June 2021 FRSC meeting. The Committee noted that these comment letters either did not provide substantive comments or provided comments largely consistent with other stakeholders.

### Draft submission on the DP

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

comments and suggestions on the draft submission. SSD staff's next steps are to finalise the Institute's submission and circulate the updated submission, after incorporating the Committee's comments, for approval out-of-session. SSD

[Post-meeting note: The Institute's comment letter on the ED was approved by the Committee out-of-session and submitted to the IASB on 11 August 2021.].

4. **Request for Information on the IASB's Third Agenda Consultation (RFI)**

The Committee was briefed on the activities and recommendation of the Working Group, previously established to provide support to the Committee in assessing whether - and if so how - to respond to the RFI. SSD staff provided an update detailing the Working Group's recommendation to respond to the RFI, and recommendations on where to focus the Institute's comments.

The Committee agreed with the Working Group's recommendations and also provided drafting suggestions to be incorporated into the Institute's submission.

SSD staff will prepare the Institute's submission for the Committee's consideration at its next meeting together with additional comment letters received (if any). SSD

5. **IFRS Foundation Exposure Draft on Amendments to the IFRS Foundation Constitution to Accommodate an International Sustainability Standards Board**

The Committee was invited to consider approval of the Institute's draft comment letter in response to the April 2021 IFRS Foundation Exposure Draft (ED) *Proposed Targeted Amendments to the IFRS Foundation Constitution to Accommodate an International Sustainability Standards Board to Set IFRS Sustainability Standards*. This draft comment letter was provided to both the Committee and the Institute's Sustainability Committee in advance of the meeting for consideration.

The Committee noted the feedback received on the Institute's invitation to comment on the ED, and provided no additional comments on the draft submission. The Committee approved the draft submission and agreed that SSD staff should proceed to finalisation and issuance. SSD

[Post-meeting note: The Institute's comment letter on the ED was submitted to the IASB on 27 July 2021.].

6. **Capitalisation of in-process research and development expenditure**

The Committee received an update on further discussions and actions taken by the SSD staff regarding the accounting of in-process research and development (IPR&D) costs subsequent to its June meeting.

The Committee noted that SSD staff reached out to the members of the Asian-Oceanian Standard-Setters Group on whether there are similar issues in their jurisdictions and how companies are accounting for IPR&D costs in commonly-seen scenarios. The Committee also noted that SSD staff communicated with senior management of listed life science companies to gather industry information and their views on the accounting of separately acquired IPR&D costs.

As tasked by the Committee at its last meeting, a small working group (Working Group) was formed and a meeting was held to explore the underlying issues. No consensus was reached on the technical basis on how to carry out the accounting analysis of commonly-seen scenarios. Hence, no educational material will be developed at this stage.

Instead, as suggested by the Working Group, SSD staff will conduct further outreach including reaching out to the Ministry of Finance of the People's Republic of China (MoF) to understand their latest views, and to IASB staff to inform them of the local diversity in views and to seek their views and experience with similar issues in other jurisdictions. SSD

SSD staff will update the Committee on the communications with the MoF and IASB staff, and recommend next steps, at a future FRSC meeting. SSD

**7. IFRIC agenda decisions**

The Committee noted that SSD is continuing to consider ways to improve the access to, and understanding of, IFRIC agenda decisions in Hong Kong.

At its prior meeting, the Committee tasked SSD to further consider the due process concerning IFRIC agenda decisions. The Committee noted that since that meeting SSD has performed a series of outreach activities to explore the status of IFRIC agenda decisions, including reaching out to other standard-setters, and updated the Institute's *Preface to Hong Kong Financial Reporting Standards* to allow for the issuance of invitations to comment on IFRIC tentative agenda decisions from June 2021.

SSD staff further presented the Committee with a work plan and next steps on this issue. SSD will summarise its outreach activities, analyses, and proposed recommendations in further detail at the next Committee meeting. SSD

**8. 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 7 September 2021.

There being no further business, the meeting closed at 11:45 a.m.

ERNEST LEE  
CHAIR

30 August 2021