



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

Local Updates

1. Members' Handbook Updates No. 224-226

Update No. 224 relates to the issuance of Definition of a Business (Amendments to HKFRS 3 *Business Combinations*).

Update No. 225 contains amendments to Definition of Material in HKAS 1 *Presentation of Financial Statements* and HKAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*.

Update No. 226 contains conforming amendments as a result of HKSA 250 (Revised) *Consideration of Laws and Regulations in an Audit of Financial Statements* and HKSAE 3000 (Revised) *Assurance Engagements Other than Audits or Reviews of Historical Financial Information*.

2. New and Amended HKFRSs for December 2018 year-ends

List of new and amended Standards and Interpretations issued that are applicable to financial reports with December 2018 year-ends and subsequent periods.

3. HKFRS and IFRS Comparison

Comparison between Hong Kong Financial Reporting Standards and International Financial Reporting Standards as at 31 December 2018.

4. HKFRS 17 *Insurance Contracts* – Pocket Summary on Contract Boundary

The Institute has just released its second **pocket summary** on HKFRS 17, which focuses on the Contract Boundary requirements, supplemented by a decision tree and illustrative examples.

5. Circular issued by the Securities and Futures Commission

On 25 January 2019, the Securities and Futures Commission issued a **circular** to

licensed corporations (LCs) on the revised financial return. The revision pertains to Form 2 of the financial return, which is revised to enable LCs to report excluded lease liabilities. The form is effective from 1 February 2019 and it supersedes all previous versions and shall be used for a return required to be submitted under section 56 of the Securities and Futures (Financial Resources) Rules.

6. Circular on Reporting related to the Private Columbaria Ordinance

The holder of a licence to operate a private columbaria is required to submit a written report on the compliance by the columbarium with the restrictions set out in Condition No. 24(d) of the **Application Guide for Private Columbarium Licence and Other Specified Instruments**. The report must be prepared by a certified public accountant holding a practicing certificate or a firm or a corporate practice registered under the Professional Accountants Ordinance (Cap. 50).

This **Circular** provides general guidance for practising members of the Institute for the reporting as mentioned above.

7. Invitation to Comment

The Institute is seeking **comments** on the IASB Exposure Draft ED/2018/2 *Onerous Contracts – Cost of Fulfilling a Contract (Proposed Amendments to IAS 37)* by **8 March 2019**.

8. Invitation to observe meetings of the Hong Kong Insurance Implementation Support Group

Register to observe meetings of the HKIISG which discusses hot topics on HKFRS 17 *Insurance Contracts*. Meeting papers and summaries can be found **here**.

9. Institute Submissions

The Institute has submitted comments on the

- **IASB Discussion Paper DP/2018/1 Financial Instruments with Characteristics of Equity**



- [Insurance Authority's Consultation on the Draft Insurance \(Financial and Other Requirements for Licensed Insurance Broker Companies\) Rules](#)
- [Insurance Authority's Consultation on the Revised Draft Guideline on Enterprise Risk Management](#)

International Updates

10. International Updates

- [December 2018 IAASB Meeting Highlights and Decisions](#)
- [December 2018 IESBA Meeting Highlights and Decisions](#)
- [January 2019 IASB Update](#)
- [January 2019 IFRIC Update](#)

Technical Learning and Support

11. New Programmes

ICAC Workshop on 26 February 2019: [Ethical Decision Making](#) (Re-run)

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](#)

Follow our [LinkedIn](#) for key developments in financial reporting, auditing and ethics.

Advocacy and Practice Development/Member Support

Professional Accountants in Business

14. ACCA and IFAC Launch Global Public Financial Management Series

Public financial management ("PFM") refers to the collection, management and expenditure of public finances throughout an economy, the core objective of which is to improve citizens' lives through better management of public money. Strong public financial management processes and systems are essential for effective and efficient delivery of public services, transparent public finances, and trust between government and citizens.

Professional accountants have an essential role to play in supporting good financial management practices. International Federation of Accountants ("IFAC") and the Association of Chartered Certified Accountants ("ACCA") are launching a global series that will identify, document and share success stories in PFM and showcase how such strong systems make a difference when public sector spending is under intense scrutiny.

Public sector finance leaders from Tanzania, Australia and Canada have already shared their stories in videos which are available [online](#).

Small and Medium Practitioners

15. Transforming Your Practice for the Future

Representatives of three small- and medium-sized practices ("SMPs") shared their insights and perspectives on how SMPs can transform into the "[Practice of Tomorrow](#)" during the [IFAC SMP Committee](#) meeting in London on 9 October 2018. This echoed the [2018 IFAC Global SMP Survey](#), focusing on:-

- Technology developments and specifically, on migration to the cloud;
- Transition to advisory services as a future frontier; and

- Talent management and the firm's culture, capitalizing on the relevancy and trust in the professional accountants. What will be the business model of the future?

Read the [summary of the discussion](#) and other useful resources.

16. Global Research Report "The SMP of the Future in a Changing World"

A global research report [The SMP of the Future in a Changing World](#) commissioned by the Edinburgh Group – a coalition of 16 accountancy bodies from across the world – examines the landscape ahead for the accountancy profession.

In order to prepare for a rapidly evolving future that sees many changes on the horizon, e.g., digital technologies, regulation and deregulation to the education and skills, SMPs need to be proactive in seeking out new markets for their services and consider growth and diversification of their service offerings. They must also be cognizant of training requirements, recruitment and retention of accountancy-qualified and non-accountancy expertise and/or collaborations with other accountancy firms and service providers.

Corporate Finance

17. HKEX Consultation Conclusions on Proposed Changes to the Review Structure for Listing Committee Decisions

The HKEX published [Consultation Conclusions](#) on proposed changes to the review structure for Listing Committee decisions on 18 January. The Institute issued a [submission](#) responding to this consultation in October 2018.

Under the revised rules:

- Decisions of material significance made by the Listing Committee ("LC") will be subject to only one level of review
- A new independent review committee (the Listing Review Committee ("LRC")) consisting of 20 or more outside market participants with no current LC members

or representatives of the Securities and Futures Commission ("SFC") or HKEX will be formed to replace the existing Listing (Review) Committee and the Listing (Disciplinary Review) Committee

- Decisions of the new LRC for non-disciplinary matters will be routinely published
- The SFC may request a review of any matter, including a decision of the LC by the new LRC.

The revised rules are expected to be effective at around mid-2019. A summary of the consultation conclusions is set out in the [press release](#).

18. Joint Consultation of SFC, HKEX and the Federation of Share Registrars Limited on the Model for an Uncertificated Securities Market

On 28 January 2019, the SFC, HKEX and the Federation of Share Registrars Limited jointly issued a [Consultation Paper](#) proposing a revised operational model for implementing an uncertificated securities market ("USM") in Hong Kong.

Under the proposed USM, investors can hold and transfer securities in their own name without share certificates or paper documents. The digitisation of securities holdings will expedite the post-trade settlement and servicing process, enabling Hong Kong's markets to be more efficient and globally competitive. Implementation will be conducted in phases. A summary of the proposals is set out in the [press release](#).

The deadline for responding to the Consultation Paper is **27 April 2019**.

Taxation

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

Members may wish to be aware of the following matters:

- [Revised Profits Tax Return 2018/19](#): IRD posts the sample revised 2018/19 Profits Tax Returns and supplementary forms on the IRD's website.

- [Suspension of service for eFiling of tax returns for individuals](#)
- [Legislative Council question](#) on tax measures for aviation and maritime industries.
- [Stamp Duty Statistics](#)

Legislation & Other Initiatives

20. Anti-Money Laundering Notices

For the latest updates on lists of terrorists, terrorist associates and relevant persons/entities under United Nations ("UN") sanctions, members should refer to [the Institute's AML webpage](#). The United Nations Sanctions webpage of the [Commerce and Economic Development Bureau](#) contains consolidated lists of UN sanctions currently in force in Hong Kong.

21. 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.

22. Institute Issues Submission on Consultation on Licensing under the Property Management Services Ordinance

The Institute has raised concerns in a [submission](#) responding to the [Consultation on Proposed Licensing Regime for Property](#)

Management Companies and Property Management Practitioners.

The main concern is that, among other things, the proposals would seem to require that a person who may be a qualified accountant working in a supervisory position in a property management company ("PMC"), and involved in e.g., preparing the accounts of a property managed by the PMC, would need to apply for a licence to be a property management practitioner, and would be subject to the regulation of the Property Management Services Authority ("PMSA"). This would mean, that an accountant performing mainstream accounting work, who is likely to be extensively regulated by a professional accountancy body, such as the Institute, could find him/herself also subject to the overlapping regulation of another authority in relation to that work. The Institute has expressed its concerns to the PMSA and will monitor future developments.

Useful Resources

23. Other Publications

- HKEX [report](#) on initial public offering applications, delisting and suspensions as at 31 January 2019
- [Companies Registry statistics for 2018](#)
- SFC Research Paper No. 64: [A Review of the Global and Local Securities Markets in 2018](#)
- Other publications:
 - [Top global business risks and how to tackle them](#) by Financial Management
 - [Enterprise risk management: tools and techniques for effective implementation](#) by the Institute of Management Accountants
 - [Cybersecurity and the risk function](#) by McKinsey & Company
 - [Tech Trends 2019](#) by Deloitte



- **Accountants and data scientists - collaborating for success** by ICAEW
- **12 Common Technology Mistakes You Should Avoid** by Journal of Accountancy
- **Why Automation Is a Positive Turning Point for Accountants** by Accounting Today
- **A Finance Chief's Practical View of Robotics and AI** by CFO.com
- **The 3 Challenges Every New CEO Faces** by Harvard Business Review