



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 by:
Christina Ng (Editor), Michelle Fisher, Selene Ho, Carmen Ho, Grace Lau

Advocacy and Practice Development by:
Peter Tisman (Editor), Eric Chiang, Wallace Wong, Nicolas Cheng
Member Support by:
Mary Lam (Editor), Eddy Wong, Frances Chan

Standard Setting Developments

Local Updates

1. Auditing and Assurance Standards Committee Minutes

Minutes of the **376th meeting** are now available.

2. Members' Handbook Update No. 232

Update No. 232 contains conforming amendments as a result of the **Code of Ethics for Professional Accountants** issued in November 2018, and revisions to the Insurance related practice notes to incorporate changes arising from the Insurance (Financial and Other Requirements for Licensed Insurance Broker Companies) Rules issued by the Insurance Authority which came into operations on 23 September 2019.

3. Institute Submission

The Institute commented on:

- **IAASB's Discussion Paper** on *Audits of less complex entities: Exploring Possible Options to Address the Challenges in Applying the International Standards of Auditing*.
- **IASB Exposure Draft ED 2019/4** *Amendments to IFRS 17*.

4. Invitations to Comment

The Institute is seeking comments on:

- **IASB Exposure Draft ED/2019/6** *Disclosure of Accounting Policies* by **11 October 2019**.
- **IASB Exposure Draft ED/2019/5** *Deferred Tax related to Assets and Liabilities arising from a Single Transaction* by **14 October 2019**.

- **Exposure Draft Proposed Amendments to the Small and Medium-sized Entity Financial Reporting Framework and Financial Reporting Standard** by **31 January 2020**.

International Updates

5. Ethics

- IESBA International **Webinar** on Proposed Changes for Role and Mindset Expectations

6. IFRS Update and Articles

- August 2019 IFRS for SMEs **Update**
- September 2019 IFRS Interpretations Committee **Update** and **Podcast**
- September 2019 IASB **Update**
- **Proposed amendments to IFRS 17 Insurance Contracts**
In this **article**, Nick Anderson, a member of the International Accounting Standards Board (IASB), offers insight into the new disclosures the IASB is proposing to add to IFRS 17 *Insurance Contracts*, which will make it easier for insurers to explain their results.
- **Better Information about Business Combinations**
In its goodwill and impairment project, the IASB is investigating how companies can provide users of financial statements with better information about business combinations at a reasonable cost. It is also considering the challenging question of how to account for goodwill after a business combination. In this **article**, Tom Scott, a member of the IASB, discusses the IASB's preliminary views on these matters and encourages stakeholders to respond to the IASB's discussion paper expected to be issued around the end of 2019.

➤ **Amendments to IFRS standards in response to the Interest Rate Benchmark Reform (IBOR)**

The IASB has amended some of its hedge accounting requirements in its new and old financial instruments Standards, IFRS 9 *Financial Instruments* and IAS 39 *Financial Instruments: Recognition and Measurement*, as well as the related Standard on disclosures, IFRS 7 *Financial Instruments: Disclosures* to provide relief from potential effects of the uncertainty caused by the IBOR reform. The IASB has also published a [project summary](#) that provides further information on the work related to the IBOR reform.

- [HKFRS for Private Entities](#)
- [SMP and SME](#)

9. **LinkedIn**

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

Technical Learning and Support

7. New Programme

Click on the title below to register for the seminar/workshop:

- [HKFRS 17 Insurance Contracts for general insurers](#) (28 and 29 October)
- [HKFRS 17 Insurance Contracts for life insurers](#) (30 and 31 October)
- [Industry update relating to Investment Funds](#) (5 November)
- [HKFRS 15 Revenue: Sharing application experience](#) (13 November and 16 December)
- [HKAS 36 Impairment of Assets: How to apply and practical issues](#) (22 November)

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](#)

Advocacy and Practice Development/ Member Support

Corporate Finance

10. Institute Comments on Proposals for Codification of General Waivers and Principles Relating to IPOs and Listed Issuers and Minor Rule Amendments

The Institute issued [a submission](#) on 23 September 2019, in response to [the proposals](#) by HKEX for codification of general waivers and principles relating to IPOs and Listed Issuers and Minor Rule Amendments, which were reported in the September 2019 issue of TechWatch.

In particular, the Institute has been made aware of concerns expressed by members about the proposal to codify the waiver that has been granted, in certain limited cases, to companies whose company secretary does not comply with the qualification or relevant experience requirements under Rule 3.28 of the Listing Rules.

In the submission, the Institute indicates that it does not support this proposal for several reasons. Concerns raised include the following:

- The company secretary of a listed issuer has an important role and responsibilities, which include supporting the board, advising it on governance matters and facilitating directors' professional development. He/she should have sufficient standing within the company to fulfil this role.
- Under the proposal, a waiver may be granted where the person appointed to be company secretary does not meet the requirements of Rule 3.28, where that person is assisted by someone who does comply with the rule, for the period of the waiver, which could be for up to three years. However, the Institute's submission points out that the person assisting the company secretary might be too junior to

have any significant influence with the board or management.

- Ideally, the company secretary of a listed issuer should be a qualified professional who is bound by an ethical code and is subject to a disciplinary framework. He/she should also be familiar with the regulatory and governance environment and culture in Hong Kong.
- Where the person appointed is not a qualified professional, he/she should at least be able to meet the "relevant experience" requirements of Rule 3.28 and be familiar with the Hong Kong laws and regulations specified in the rule.
- The Hong Kong market currently offers some of the highest standards of corporate governance in the region. This is fundamental to investor confidence and the success of the market. We cannot afford to relax requirements in a way that could risk harming Hong Kong's standards or reputation.

Please also refer to [the Chief Executive's update](#) issued to members on 23 September 2019 for details.

11. SFC proposes to regulate Trustees and Custodians of Public Funds

On 27 September, the Securities and Futures Commission (SFC) launched a [consultation](#) on a proposal to regulate depositaries of SFC-authorized collective investment schemes (CIS).

Depositaries operating in Hong Kong would be licensed by, or registered with, the SFC for a new type of regulated activity (RA 13) and be subject to the ongoing supervision of the SFC or the Hong Kong Monetary Authority.

Depositaries refer to trustees for CIS in unit trust form, and custodians for CIS in other forms, who are at the top of the custodial chain. They have the responsibility to safeguard scheme assets and perform independent oversight of scheme operations.



Comments are requested by **31 December 2019**. Please refer to the [press release](#) for details.

Taxation

12. Announcements by the Inland Revenue Department (IRD)

Members may wish to be aware of the following matters:

- [Implementation of Comprehensive Avoidance of Double Taxation Agreement \(CDTA\) with Cambodia and Fifth Protocol to the Mainland CDTA](#)
- [CDTA with Estonia signed](#)
- [Tax Guide for Charitable Institutions and Trusts of a Public Character](#)
- [IRD Penalty Page updated](#)
- [Transfer Pricing Documentation – Master File and Local File](#)
- [Property owners convicted of tax evasion](#)
- [Stamp Duty statistics \(August 2019\)](#)

13. Institute's recent tax submissions

The Institute's Taxation Faculty has responded to the invitation for views on the [proposed profits tax concessions for the insurance sector](#).

Legislation & Other Initiatives

14. Anti-Money Laundering Notices

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

15. Anti-Money Laundering/ Counter-Terrorist Financing (AML/CFT) Guidance

For mandatory guidelines and information from the Institute 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 to provide trust or company services 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 ensure that they are 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

16. Other Publications

(i) The HKEX has published:

- [Report](#) on initial public offering applications, delisting and suspensions as at 30 September 2019
- Three research reports:
 - [Reform and breakthrough of Hong Kong's listing regime](#)
 - [Initial public offering \(IPO\) and listing process on the SEHK with highlights](#)
 - [Hong Kong's ETF market as a door to global investment](#)
- [HKEX in BioTech](#) - Issue No. 2

(ii) Other publications:

- [Building Data Science and Analytics Capabilities in Finance and Accounting](#) by IFAC PAIB
- [Leadership is about people, not just profits](#) by Financial Management



- **Are You Developing Skills That Won't Be Automated?** By Harvard Business Review
- **Why creative thinking is the soft skill accountants need** by In the Black
- **Digital Technologies' Implications for SMPs** by European Federation of Accountants and Auditors for SMEs
- **Enhancing Firm Credit Control and Fee Collection** by IFAC
- **8 Tips for Making the Most of Business Meals** by Journal of Accountancy