



Hong Kong Institute of
Certified Public Accountants
香港會計師公會



TechWatch

News at a glance

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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. Auditing and Assurance Standards Committee Minutes

Minutes of the **377th meeting** are now available.

2. Members' Handbook Update No. 233

Update No. 233 contains amendments to Statement 1.500 Continuing Professional Development (Revised October 2019) as a result of the *International Education Standard 7, Continuing Professional Development (Revised)* issued in December 2018.

3. Institute Submission

The Institute commented on:

- **IESBA Exposure Draft** *Proposed Revisions to the Code to Promote the Role and Mindset Expected of Professional Accountants.*

4. Invitations to Comment

The Institute is seeking comments on:

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

5. Publication on Common Control Combinations

The Institute has published **Common control combinations – How they were reported in Hong Kong**. The study documents how business combinations under common control (BCUCC) were reported by Hong Kong listed companies and whether the accounting method used was influenced by specific characteristics of the combinations. The study also analyses when and how companies applied the

predecessor method to a BCUCC and what information was disclosed.

6. ICAC Ethics Resources for Accounting Professionals

ICAC **Ethics Resources for Accounting Professionals** are now available.

International Updates

7. Audit and Assurance

- IAASB **publication** *Focus on Professional Skepticism*
- IAASB September Meeting **Highlights and Podcast**
- IFAC **Article** Audit Quality in a Multidisciplinary Firm

8. Ethics

- IESBA **Webinar** explaining the newly effective Code of Ethics
- IESBA September Meeting **Highlights and Podcast**
- IFAC **Article** Case Studies On Compliance with the IESBA Code of Ethics

9. IFRS Updates

- October 2019 IASB **Update** and **Podcast**
- The IFRS Interpretations Committee has published its first biannual **Compilation of Agenda Decisions** which brings together agenda decisions from January to September. The Committee publishes agenda decisions when, following consultation, it decides further standard-setting is not required to deal with a question raised, for example if existing IFRS requirements are adequate to answer the question.

- The IFRS foundation held the **2019 IASB Research Forum** to discuss some of the latest accounting research that is relevant to the IASB's work. Academics, practitioners, standard-setters and regulators participated in the Forum, and topics covered include earnings management under principles-based/rules-based accounting standards, impact of IFRS 10 on consolidated financial reporting, and capitalisation of intangibles assets by firms in Japan that adopt IFRS Standards.

Technical Learning and Support

10. New Programme

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

- **E-seminar: Companies (Amendment) (No. 2) Ordinance 2018: Implications on financial reporting** (October 2019 to October 2020)
- **Workshop on IFRS/HKFRS 17 Insurance Contracts – General Insurance (Re-run)** (25 and 26 November 2019)
- **Industry Update related to Banks** (2 December 2019)
- **Workshop on IFRS/HKFRS 17 Insurance Contracts – Life Insurance (Re-run)** (10 December 2019)
- **Definition of a Business (Amendments to HKFRS 3 Business Combinations)** (18 December 2019)
- **Classification of financial instruments under HKAS 32: Debt vs Equity (Re-run)** (6 January 2020)
- **HKFRS 15: Sharing application experience (Re-run)** (8 January 2020)
- **HKAS 36: How to apply practical issues (Re-run)** (13 February 2020)

Useful Resources

11. 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**

12. LinkedIn

Follow our **LinkedIn** for key developments in financial reporting, auditing and ethics.

Advocacy and Practice Development/ Member Support

Corporate Finance

13. HKEX Enhances Guidance for Overseas Companies Seeking to List in Hong Kong

On 29 October, Hong Kong Exchanges and Clearing Limited (HKEX) published enhancements to guidance materials for overseas companies seeking to list in Hong Kong, with a view to facilitate the listing application process for these overseas issuers. In particular, the HKEX has:

- Formulated alternative procedures for U.S. "Domestic Issuers" within the meaning of the U.S. Securities Act with an offering of a security subject to Regulation S
- Published a standardised template for first movers from jurisdictions new to listing in Hong Kong
- Simplified Central Clearing and Settlement System (CCASS) related information, provided Frequently Asked Questions and revised CCASS admissions forms on HKEX website

In particular, in accordance with the Joint Policy Statement regarding the Listing of Overseas Companies issued by the Securities and Futures Commission (SFC) and HKEX, applicants from overseas, incorporated in jurisdictions that have not been accepted for listing in Hong Kong, must prove that their domestic laws, rules and regulations, amongst others, meet the key shareholder protection standards, at least equivalent to those provided in Hong Kong. Accordingly, HKEX has published a standardised template for these issuers to understand the key shareholder protection standards of Hong Kong and check whether the equivalent standards of their home jurisdictions have reached those applied in Hong Kong.

Please refer to the [press release](#) for details.

14. SFC Concludes Consultation on the Enhanced Investor Compensation Regime

The SFC released [consultation conclusions](#) on proposed enhancements to the Investor Compensation Regime, on 8 October. The compensation limit will be increased from \$150,000 to \$500,000 per investor per default and cover northbound trading under Mainland-Hong Kong Stock Connect.

The changes are expected to be effective in early 2020, subject to the legislative process.

Corporate Governance

15. The Institute's Best Corporate Governance Awards 2019

The Institute's 20th annual Best Corporate Governance Awards are reaching a conclusion. The judges have reviewed the shortlisted entities and have met to decide on the final list of awardees. The results announcement and presentation ceremony will be held on 5 December 2019. Members may wish to consider joining the presentation event, which will be held at the JW Marriott hotel. Further details will be made available soon.

Taxation

16. Announcements by the Inland Revenue Department (IRD)

Members may wish to be aware of the following matters:

- [Inland Revenue \(Tax Concessions\) Bill passed](#)
- [Launch of Government Bill Payment Service through FPS](#)
- [Interest rate increase for Tax Reserve Certificates](#)
- [Country-by-Country \(CbC\) Reporting updated FAQ](#)
- [Acting Financial Secretary responds to "The Chief Executive's 2019 Policy Address"](#)

- [Jail terms for property owners who evaded tax](#) (see TechWatch issue 204)
- [List of Qualifying Debt Instruments \(as at 30 September 2019\)](#)
- [Stamp Duty statistics \(September 2019\)](#)
- [IRD Annual Report 2018-19](#)

Legislation & Other Initiatives

17. Anti-Money Laundering Notices

Members should take note of the Financial Action Task Force (FATF)'s [public statement](#) regarding the Democratic People's Republic of Korea, and its document entitled "[Improving Global AML/CFT Compliance: On-going Process](#)", relating to 12 jurisdictions with strategic AML/CFT deficiencies.

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.

18. 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 may also find the FATF's "[Guidance for a Risk-Based Approach for the Accounting Profession](#)" to be helpful.

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

19. Other Publications

(i) HKEX has published:

- [Report](#) on initial public offering applications, delisting and suspensions as at 31 October 2019
- [Research Report: Rising demand for block trading in the Mainland and Hong Kong securities markets](#)

(ii) SFC has published:

- [Frequently Asked Questions](#) on its guidelines for Securities Margin Financing Activities
- [Takeovers Bulletin Issue No. 50](#)
- A speech entitled [Supervising sponsors in a changing IPO landscape](#) delivered by Ms. Julia Leung, Deputy CEO and Executive Director, Intermediaries

(iii) [Standing Committee on Company Law Reform 2018-19 annual report](#) and corresponding [press release](#)

(iv) [Companies Registry Trading Fund 2018-19 annual report](#)

(v) Other publications:

- [Hong Kong's Data-driven Future – A data analytics guide for finance functions](#) by KPMG & ACCA
- [Reimagining Accountancy's Future](#) by CPA Canada
- [New Technologies, Ethics and Accountability](#) by ICAEW



- **A Short Guide to Building Your Team's Critical Thinking Skills** by Harvard Business Review
- **Leadership skills in an AI world** by Financial Management
- **Planning for data security** by Journal of Accountancy
- **6 Cybersecurity Misconceptions** by CFO.com
- **Firms Business Continuity Planning and Risk Mitigation Strategies** by IFAC
- **Audit Quality in a Multidisciplinary Firm** by CA ANZ and ACCA
- **Applying Professional Skepticism: What Makes an Audit Team More Skeptical?** by CPA Australia