



Minutes of the 239th meeting of the Financial Reporting Standards Committee held on Tuesday, 31 October 2017 at 8:30 a.m. in the Board Room of the Hong Kong Institute of Certified Public Accountants, 37/F., Wu Chung House, 213 Queen's Road East, Wanchai, Hong Kong.

Members present: Ms. Shelley So (Chairman), PricewaterhouseCoopers
Mr. Ernest Lee (Deputy Chairman), Deloitte Touche Tohmatsu
Mr. James Fawls, HSBC
Ms. Candy Fong, Foremost Advisers Ltd
Ms. Kelly Kong, Jardine Matheson & Co., Limited
Ms. Susanna Lau, Securities and Futures Commission
Mr. Joe Ng, Ernst & Young
Mr. Steve Ong, Stock Exchange of Hong Kong Limited
Mr. Gary Poon, Poon & Co.
Mr. Gary Stevenson, RSM Hong Kong
Ms. Sanel Tomlinson, KPMG
Ms. Florence Wong, Financial Reporting Council
Mr. Guochang Zhang, The University of Hong Kong

Guest present: Five representatives of a major insurance company (for item 2 presentation)
Mr. Kumar Dasgupta, IASB (for item 3)

Staff in attendance: Ms. Christina Ng, Director, Standard Setting
Ms. Winnie Chan, Associate Director, Standard Setting
Ms. Kam Leung, 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
Ms. Daisy Xia, Manager, Standard Setting

Apologies: Mr. Simon Riley, BDO Limited

Action

1. Minutes, work program and liaison log

The Committee approved and the Chairman signed the minutes of the 237th and 238th meetings.

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

2. IFRS 17 Insurance Contracts

The Committee noted a letter from the Insurance Authority (IA). The letter expressed concern that small insurers might face challenges in implementing the Hong Kong equivalent IFRS 17 by 1 January 2021. The challenges are due to:

- a shortage of actuarial resources in the market; and
- the concurrent development of Risk-Based Capital regime, which would require insurers to provide detailed data to the IA for quantitative impact studies. This would impose substantial strain on HK small insurers as they would be required to comply with both financial reporting and regulatory capital requirements at the same time.

The IA suggested that the Committee considers providing small insurers a longer transition period when implementing HKFRS 17, for example, two years after 2021. If that proves impossible, IA suggested that HKICPA enhances its training support for implementing HKFRS 17.

Five representatives from a major insurance company, which had previously raised a concern on the adoption of IFRS 17 in Hong Kong soon after it is issued, presented to the Committee their concerns on the possibility of an inconsistent adoption or application of the standard globally, and therefore the possible unlevel playing field for Hong Kong insurers with global operations. This stakeholder recommended the Committee to:

- wait for findings from Business & Finance Impact Assessments performed by insurance companies;
- wait for confirmation of IFRS 17 endorsement in other major jurisdictions; and
- determine mitigating actions to protect Hong Kong as an international financial centre.

The Committee considered IFRS 17 to be a higher quality standard than the current Hong Kong standard on insurance and, in principle, the due process for issuing HKFRS 17 had been met. They were also concerned by the resources strain on small insurers as outlined in the IA's letter. Several members were sympathetic to the concern raised from a major insurance company and considered the potential impact on adoption date.

At its next meeting, the Committee will consider a balanced strategy for adopting IFRS 17 in Hong Kong.

3. Financial Instruments with Characteristics of Equity (FICE)

IASB Technical Director, Mr. Kumar Dasgupta, provided an update on the IASB FICE research project and the tentative views to be included in the Discussion Paper that is expected to be published in the first half of 2018.

Due to the non-urgent nature of the remainder of the agenda, the Committee decided to carry forward the remaining items on accounting policy and definition of materiality, and amendments to HKFRS 9 *Financial Instruments* to the next FRSC meeting. The meeting closed at 12:00 p.m.

SHELLEY SO
CHAIR

9 November 2017