



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](mailto:commentletters@hkicpa.org.hk) >. Click [here](#) for past issues.

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## Standard Setting Developments

### Members' Handbook

#### 1. Handbook Updates No. 187-188

- **Handbook Update No.187** relates to the issuance of *Classification and Measurement of Share-based Payment Transactions* (Amendments to HKFRS 2 *Share-based Payment*).
- **Handbook Update No.188** contains revised HKSAs and Practice Notes in relation to the amendments on auditors reporting.


### Audit & Assurance

#### 2. Updates to the Institute's Auditing & Assurance Resources

- **Conforming amendments** to HKSA 700 (Revised) *Forming an Opinion and Reporting on Financial Statements* will become effective for audits of financial statements for periods ending on or after 15 December 2016 as a result of HKSA 800 (Revised) and HKSA 805 (Revised) issued in Update No.188.
- SSD has issued a **technical Q&A** on Practice Note 840 (Revised), *Reporting on Solicitors' Accounts under the Solicitors' Accounts Rules and the Accountant's Report Rules*.
- Example **bank confirmation** request forms for use in the PRC has been published by the Ministry of Finance and is available on the Institute's website.

### Financial Reporting

#### 3. Open for Comment

- The Institute issued a **Request for Information**  on the Post-implementation Review of Accounting Guideline 5 *Merger Accounting for Common Control Combination*. A PIR is a key part of our standard-setting process to proactively seek constituents' feedback on and assess the benefits, challenges and other effects of applying our pronouncement. The Institute welcomes feedback from everyone. Your comments are requested by 2 December 2016.
- Your comments on IASB's ED/2016/1 *Definition of a Business and Accounting for Previously Held Interests* (Proposed Amendments to IFRS 3 and IFRS 11) are requested by **30 September 2016**.



#### 4. IASB World Standard Setters meeting

The Institute will participate in the IASB's **World Standard Setter meeting** in September. It will also be chairing and presenting the findings of a break-out session on 'reporting financial performance'. If you have views or questions on any topics on the agenda, please send them to [outreachhk@hkicpa.org.hk](mailto:outreachhk@hkicpa.org.hk). We will discuss your views/questions with the IASB.

### Useful Resources

#### 5. 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](#)

## 6. LinkedIn

Click [here](#) to follow the LinkedIn page of the Institute's Standard Setting Department and also join in on our discussions. You will receive prompt updates on the latest standards and developments in financial reporting, auditing and ethics.

## 7. Podcast, publications and webcasts

### (i) Audit and Assurance

- This World Bank [publication](#) highlights the challenges faced by SMPs and provides useful insights in addressing these challenges.

### (ii) Corporate Reporting

- This IASB Chairman's [speech](#) highlights the regulatory progress in accounting, audit and bank capital since the global financial crisis, and future challenges for the global economy.
- A preliminary [overview](#) of the feedback on the draft GRI sustainability reporting standards has been published. Also, the GRI's future work programme for sustainability reporting is open for [comment](#) until 28 September 2016.

### (iii) IASB Updates

- The IASB's ten minute [podcast](#), featuring its July meeting discussion, covers tentative amendments to IFRS 4 (applying IFRS 9 with IFRS 4), tentative decisions on the Conceptual Framework and ongoing research on Financial Instruments with Characteristics of Equity.

### (iv) Insurance contracts

- The IASB published a field [testing questionnaire](#) for interested entities to assess the preliminary impact of the forthcoming insurance contracts standard on an entity's operations and to identify areas that require further clarification.

### (v) Revenue

- Enrol in the FASB and IASB joint [webcast](#) on implementing the requirements in IFRS 15 *Revenue from Contracts with Customers*. The webcast is scheduled to take place on 15 September 2016.

### (vi) Presentation and Disclosure

- This Deloitte [publication](#) explores the key messages from regulators, standard setters and investors about the use of non-GAAP measures, with a particular focus on assisting compliance with European guidelines. It also sets out what is considered to be best practice and provides real-life examples of how entities are presenting non-GAAP performance measures.
- This PwC [newsletter](#) summarizes key items to consider for 2016 interim financial statements, and provides practical examples for the do's and don'ts of non-GAAP reporting. It also provides an IFRS 9 Q&A for hedging, and discusses the impact of the new leases standard on companies' systems and processes.

## Advocacy and Practice Development/Member Support

### Professional Accountants in Business

#### 8. Hong Kong Monetary Authority Grants Stored Value Facilities Licences

On 25 August, Hong Kong Monetary Authority ("HKMA") **announced** that it has granted stored value facilities ("SVF") licences to five SVF issuers under the Payment Systems and Stored Value Facilities Ordinance. Implementation of the SVF licensing regime will facilitate the introduction and adoption of new retail payment means while safeguarding the interests of users.

A **Register of SVF Licensees**, which contains information of the SVF licensees including names, addresses and other particulars, is maintained by the HKMA and is available on the HKMA's website for public inspection.

The Institute organizes an annual IT Conference to keep members updated of the latest IT trends and developments. This year's conference is scheduled for 15 October, at which Ian Chan of Tencent Holdings will speak about the new future-oriented payment and Fintech services. **Click** for details and enrolment.

#### 9. IFAC Calls for Action by the G-20 to Create Sustainable Growth

2016 is a crucial year for G-20 countries and the global economy, with new opportunities to create an environment of sustainable, inclusive growth. Given the increasingly interconnected economy, achieving this kind of growth depends on improving integrity and transparency and, in turn, restoring trust in business and government alike.

IFAC has recently released comprehensive recommendations to G-20 members entitled, **Trust and Integrity: The Accountancy Profession's Call for Action by the G-20**,

which calls on G-20 members to enhance sustainable growth through:

- Stronger governance for trust and integrity in business and the public sector; and
- Creation of a cooperative, consistent, and smart global regulatory environment.

Strong financial management, transparency, accountability and enhanced governance are essential for sustainable, long-term economic growth that benefits the world's citizens. Organizations and individuals must be empowered by strong governance in the business and public sectors, underpinned by a coherent public policy and regulatory environment. To these ends, IFAC urges policy consensus backed up by ongoing cooperation among G-20 countries and across the globe.

### Corporate Finance

#### 10. Regulators Announce Shenzhen-Hong Kong Stock Connect

The Securities and Futures Commission ("SFC") and the China Securities Regulatory Commission ("CSRC") **announced** on 16 August the approval, in principle, of the structure of Shenzhen-Hong Kong Stock Connect ("SZ-HK Stock Connect"), which will provide mutual stock market access between Hong Kong and Shenzhen via a northbound and a southbound trading link. There will be no aggregate quota under SZ-HK Stock Connect. The SFC and CSRC **joint announcement** of the same date also announced the abolishment of the aggregate quota under Shanghai-Hong Kong Stock Connect with immediate effect.

The launch of SZ-HK Stock Connect is subject to the finalization of all necessary regulatory approvals, market readiness and relevant operational arrangements. In this connection, the Institute has invited Mr. Tae Yoo of the Hong Kong Exchanges and Clearing to explain the key features of SZ-HK Stock Connect on 3 October. Interested members please **click** for details and enrolment.

## Taxation

### 11. Announcements by the Inland Revenue Department ("IRD")

Members may wish to be aware of the following matters:

- **A newly published Advance Ruling Case No. 58** on the amalgamation on companies within a group
- **The Departmental Interpretation and Practice Notes No. 52** on the taxation of corporate treasury activity
- **Reference materials** have been uploaded on the IRD website in relation to the legislation on automatic exchange of financial account information, which is now in effect. The materials provide guidance for financial institutions and other parties
- **Fraudulent email** purportedly issued by the IRD
- **Taxpayers convicted of falsely claiming certain deductions**
- **List of approved institutes** for research and development and other purposes, under sections 16B and 16C of the Inland Revenue Ordinance

## Legislation & Other Initiatives

### 12. Anti-Money Laundering/Combating the Financing of Terrorism ("AML/CFT") Notices

Members may wish to note the following notices and publications in relation to AML/CFT:

- **Government notice 4532:** An updated list of terrorists and terrorist associates has been specified under the United Nations (Anti-Terrorism Measures) Ordinance.

- **Government notice 4533:** An updated list of relevant persons and entities has been specified under the United Nations Sanctions (Afghanistan) Regulation 2012.
- **US executive order 13224:** The list relating to "Blocking property and prohibiting transactions with persons who commit, threaten to commit or support terrorism".

For a list of AML-related circulars issued by the office of the commissioner of insurance in 2016, click [here](#).

For more background information on the current law in Hong Kong relating to AML/CFT, see the Institute's **Anti-money Laundering Bulletin 1**, "Requirements on anti-money laundering, anti-terrorist financing and related matters", and the **supplement** on suspicious transaction reporting.

## Useful Resources

### 13. Library Resources

**Featured titles** and **new books** for members' reference are now available.

In addition, members can **login** to the **e-Library** and access e-journals and e-books on a wide range of business subjects.

### 14. Other Publications

- (i) HKEX has published a **report** on initial public offering applications, delisting and suspensions (as at 31 Aug)
- (ii) Other publications:
  - **Disqualification Order Against Senior Executives of a Listed Company under the Securities and Futures Ordinance** by ONC Lawyers
  - **Tomorrow's Firm – Think Big, Think Advisory** by IFAC



- **How to Build a More Valuable Accounting Practice** by Accounting Today
- **Helping Accountants Do the Right Thing** by Business Times
- **How Technology is Changing the Accounting and Bookkeeping Industry** by Forbes
- **"Big Four" Accounting Firms Meet to Consider Blockchain Consortium** by CoinDesk
- **Digital in industry: From buzzword to value creation** by McKinsey & Company