



# 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

## Audit & Assurance

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

Several suggested [Chinese translations](#) for example auditor's reports and an auditor engagement letter have been released by the Institute.

### 2. IAASB's September Meeting

The September meeting of the International Auditing and Assurance Standards Board was held at the Institute. The [meeting](#) covered ISA 540, enhancement of audit quality, professional skepticism and other topical issues.

## Financial Reporting

### 3. Open for Comment

Your comments on the Post-implementation Review of Accounting Guideline 5 *Merger Accounting for Common Control Combinations* are requested by [2 December 2016](#).

### 4. IASB World Standard Setters Meeting

The Institute participated in the IASB's [World Standard Setters meeting](#) in September. IASB staff held educational sessions on key topical matters such as IFRS 15 *Revenue from Contracts with Customers*, IFRS 9 *Financial Instruments*, IFRS 16 *Leases* and the forthcoming Insurance Contracts standard.

The SSD director chaired a session discussing the possible principles for characterising Operating Profit as a performance measure. Join our [LinkedIn discussion](#) for more insight on the findings.

### 5. AOSSG Interim Meeting

FRSC chairman and SSD director attended a meeting of the Asian-Oceanian Standard-

Setters Group in London. Topics that were discussed with IASB representatives included: Disclosure Initiative; Conceptual Framework; Insurance Contracts and ED/2016/1 *Definition of a Business and Accounting for Previously Held Interests*.

## Technical Learning and Support

### 6. New Programmes Open for Registration

Click on the event titles below to register:

- [Seminar covering a regulatory update on Securities Market](#) (available on 18 October 2016)
- [ICAC workshop on Ethical Decision Making](#) (available on 21 October 2016)
- [Seminar covering the latest updates of the International Valuation Standards and impacts on fair value measurement](#) (available on 25 October 2016)
- [Workshop on accounting for Income Taxes](#) (available on 28 October 2016)
- [Workshop for audit staff and senior](#) (available October and November 2016)
- [Workshop on HKFRS for Private Entities](#) (available in November 2016)

## Useful Resources

### 7. Institute's Technical Resource Centres

Access the Institute's comprehensive resource centres:

- [New and Major Standards](#)
- [ICAEW's International Accounting, Audit and Ethics](#)
- [New Companies Ordinance](#)
- [HKFRS for Private Entities](#)
- [SMP and SME](#)

## 8. 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.

## 9. Podcast, Publications and Webcasts

### (i) IASB Updates

- This [IFRS September Update](#) discusses the changes in accounting policies and in accounting estimates; conceptual framework and financial instruments with characteristics of equity.
- This [podcast](#) by IASB member Mary Tokar discusses how the IASB and the IAASB are working closely to improve the standards issued by both boards.
- The IASB chairman's [speech](#) discusses the latest developments on the IASB's "better communication" project, the insurance contracts standard and IFRS development around the world.
- The IASB has updated its [workplan](#), which reveals that the new Insurance Contract standard is expected to be published in March 2017.
- The IASB chairman delivered a [welcome speech](#) at the World Standard Setters meeting, covering the board's developments in the last 12 months, priorities for 2017 and beyond, and cooperation with national standard-setters.
- This updated [online IFRS quiz](#) covers IFRS standards, IFRS Foundation structure and the standard-setting process.

### (ii) Insurance contracts

- The IASB issued the [amendments](#) to IFRS 4 *Insurance Contracts* to address concerns arising from implementing IFRS 9 *Financial Instruments*. The amendments are effective for annual periods beginning on or after 1 January 2018.

### (iii) Leases

- Deloitte's free [e-learning modules](#) on IFRS 16 *Leases* cover the key principles of lease accounting, areas of potential judgment when applying the standard, and how to identify whether a contract is within the scope of the standard.

## Advocacy and Practice Development/Member Support

### Corporate Governance

#### 10. HKEX Reports on its Review of Listed Issuers' Corporate Governance Practices Disclosure

The Hong Kong Exchanges and Clearing Limited ("HKEX") has published the findings of its latest review of listed issuers' ("issuers") corporate governance practices. The review covered the corporate governance reports of 81 issuers with the financial year-end date of 30 June 2015 and analyzed their compliance with the Corporate Governance Code and Corporate Governance Report ("the Code") in its Listing Rules.

This review, together with two earlier reviews (for issuers with financial year-end dates of 31 December 2014 and 31 March 2015), examined a total of 1,636 issuers' corporate governance reports. All three reviews show that the issuers' compliance level with the Code was high, however, the quality of explanations given for deviating from Code Provisions was varied and reflected a degree of "boilerplate" use. Furthermore, some issuers did not disclose board diversity policies and did not provide an explanation.

For further information, please see the report [Analysis of Corporate Governance Practice Disclosure in June Year-end 2015 Annual Reports](#) and the [news release](#).

### Professional Accountants in Business

#### 11. Room for Improvement in Shareholder Communications by Hong Kong Listed Companies

The Hong Kong Institute of Chartered Secretaries released its survey report entitled

"[Shareholder Communications for Listed Issuers – Five Imperatives to Break the Monologue](#)" on 21 September. The survey revealed that there was significant room for improvement by listed companies to meet investors' expectations in terms of effective shareholder communications, and that companies' interactions with shareholders were largely driven by compliance with existing rules and regulations. The report also provides a roadmap for developing practical shareholder communications policies.

Read the [press release](#) for a summary of the survey's key findings.

#### 12. Institute Comments on Revisions to COSO Enterprise Risk Management Framework

The public consultation period on the Committee on Sponsoring Organizations of the Treadway Commission ("COSO")'s proposed revised enterprise risk management framework ended on 30 September (see TechWatch Issue 165). The Institute issued a [submission](#), which, amongst other things, called for further implementation guidance to bridge the gap between concept and practice.

#### 13. Global Report on Profitability and Cost Analysis

This [Profitability and cost analysis: An eye on value](#) report, by KPMG and ACCA, uses data collected in January 2016 from over 1,100 finance professionals in more than 90 countries. It looks at how to get the most value from profitability and cost analysis in three key sections, namely:

- opportunity to strengthen the quality and depth of insights
- designing and building a model for efficiency
- developing the optimal organization model

This report also evaluates how the enterprise performance management capability within finance functions is providing the business with insightful profitability and cost analysis through appropriate people, processes and technology.

### Small & Medium Practitioners

#### 14. 2016 IFAC Global SMP Survey Now Open

Small and Medium Practitioners ("SMPs") are encouraged to participate in the [2016 IFAC Global SMP Survey](#), which should take less than 10 minutes to complete and will be closed on 30 November 2016.

The survey is IFAC's seminal annual initiative that helps it and its member bodies better understand and serve SMP constituents, raises awareness of SMPs' needs and challenges and the role and value of SMPs globally. Responses will contribute to global insights for the profession, which will help the Institute and IFAC better direct resources to support SMPs and their clients.

The 2015 survey generated over 6,700 responses from SMPs around the world, represented 169 countries and more than 800,000 SME clients globally which made it the largest survey of SMPs. Click to read the [full report](#) and [summary](#) of the 2015 survey.

#### 15. IFAC Customizable Brochure for SMPs

Designed for use by SMPs, this brochure "[Choosing the Right Service: Comparing Audit, Review, Compilation and Agreed-Upon Procedures Services](#)" explains and differentiates the range of audit, review, compilation, and agreed-upon procedures services that SMPs can provide and tailor to meet the needs of their SME clients. It can also help current and prospective clients understand the range of services available, as well as their benefits.

The brochure is available to view online, or download and print for clients. Please refer to the [print instructions](#).

### Corporate Finance

#### 16. Institute Submits Comments on SFC and HKEX Joint Consultation on Listing Regulation

The Institute has submitted comments on the Securities and Futures Commission ("SFC") and the Stock Exchange of Hong Kong ("the Exchange") [joint consultation paper](#), which proposes measures to enhance the coordination and cooperation between the SFC and the Exchange when developing new policy in listing regulation and in regulatory decision-making without changing the regulatory powers of the SFC under the Securities and Futures Ordinance.

The Institute supports the consultation's objectives of enhancing efficiency and effectiveness of the listing process and listing policy formulation, and enabling better coordination between securities market regulators. In preparing the submission, the Institute focused on whether the proposals in the consultation paper would achieve the stated objectives and, where appropriate, proposed alternatives for consideration by the regulators.

The [press release](#) provides a summary of the Institute's observations and comments. Refer to the Institute's [submission](#) for detail.

#### 17. New HKEX Group Website

HKEX has adopted the [Group website](#) as its designated company website for publication of announcements, notices and other corporate communications. It is home to all of HKEX's corporate information, including the company's background and history, investor relations, corporate governance and corporate social responsibility.

#### 18. SFC Notifies the Industry of Anti-money Laundering Concerns

SFC [announced](#) that its enforcement division is investigating a number of SFC licensed brokerages with suspected inadequate anti-money laundering ("AML") internal controls. It

expects to bring a number of enforcement proceedings as a result.

During its onsite inspections of licensees and AML investigations, the SFC identified the following areas of concern:

- failure to scrutinize cash and third party deposits into customer accounts
- ineffective monitoring of transactions in customer accounts
- failure to take adequate measures to continuously monitor business relationships with customers which present a higher risk of money laundering
- inadequate enquiries made to assess potentially suspicious transactions, and lack of documentation of the assessment results
- failure to monitor and supervise the ongoing implementation of anti-money laundering and counter-terrorist financing policies and procedures

## Taxation

### 19. Announcements by the Inland Revenue Department

Members may wish to be aware of the following matters:

- **The tax treaty** between Hong Kong and Korea has come in force
- **A notice** to remind taxpayers to report any change of address to Inland Revenue Department ("IRD")
- Updated list of **qualifying debt instruments** (for the profits tax concession)
- The publication of **2015-16 Annual Report** of IRD

## Legislation & Other Initiatives

### 20. Companies Registry Update – Money Lenders Licences

- (i) Guidelines on Additional Licensing Conditions of Money Lenders Licence

On 3 October, the Companies Registry ("CR") issued a set of new "**Guidelines on Additional Licensing Conditions of Money Lenders Licence**" to provide guidance for money lender licensees on the requirements of the additional licensing conditions, which will be applicable with effect from 1 December 2016.

The additional licensing conditions imposed on money lenders seek to facilitate effective enforcement of the statutory ban on separate fee charging by money lenders and their connected parties, ensure better protection of privacy of intending borrowers, enhance transparency and disclosure, and promote the importance of prudent borrowing.

- (ii) New requirements on applications for or renewal of money lenders licences

With effect from 3 October 2016, all applications for money lenders licences or the renewal of licences submitted to the CR must be accompanied with the relevant supplementary information sheets in addition to the application documents. For more information, please refer to the following information pamphlets on the **<Our Services > Licensing of Money Lenders** section of CR's website:

- **How to Apply for a Money Lenders Licence**
- **How to Apply for Renewal of a Money Lenders Licence**
- **Fees payable under the Money Lenders Ordinance**

- **Guideline on Application for New Issue / Renewal of and Endorsement on Money Lenders Licence**

## 21. Anti-Money Laundering Notices

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

- **Government notice 4941:** An updated list of terrorists and terrorist associates has been specified under the United Nations (Anti-Terrorism Measures) Ordinance.
- **Government notice 5059:** An updated list of relevant persons and entities has been specified under the United Nations Sanctions (Central African Republic) Regulation 2016.
- **Government notice 5197:** An updated list of terrorists and terrorist associates has been specified under the United Nations (Anti-Terrorism Measures) Ordinance.
- **Government notice 5462:** An updated list of terrorists and terrorist associates has been specified under the United Nations (Anti-Terrorism Measures) Ordinance.
- **Government notice 5463:** An updated list of relevant persons has been specified under the United Nations Sanctions (Yemen) Regulation 2015 ("the Yemen Regulation").
- **Government notice 5464:** An updated list of designated persons has been specified for the purpose of arms embargo measures under the Yemen Regulation.
- **Government notice 5465:** An updated list of relevant persons and entities has been specified under the United Nations Sanctions (Afghanistan) Regulation 2012.
- **FATF report to the G20 on beneficial ownership:** The Financial Action Task Force ("FATF") published its report to G20 Finance Ministers and Central Bank Governors. This sets out the FATF's ongoing work to improve the implementation of international standards on transparency,

including on the availability and exchange of beneficial ownership information, to prevent the misuse of companies, trusts, and other corporate vehicles.

- **US executive order 13224:** The list relating to "Blocking property and prohibiting transactions with persons who commit, threaten to commit or support terrorism".
- **FATF mutual evaluation reports:** FATF has recently completed and published several mutual evaluation reports on members' compliance with the FATF AML/CFT Recommendations and the effectiveness of their AML/CFT systems. These include reports on Singapore, Canada and Austria.

For more AML-related circulars from the office of the commissioner of insurance, 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

### 22. 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.

### 23. Other Publications

- (i) HKEX has published:
  - an updated guidance on producing simplified listing documents relating to equity securities for new applications ([HKEX-GL86-16](#))
  - a **report** on initial public offering applications, delisting and suspensions (as at 30 Sep)

(ii) SFC has published:

- **Takeovers bulletin (issue no. 38)**, which covers new filing form for applications for rulings under the Takeovers Code and a quarterly update on the activities of the Takeovers Team
- **Financial Review of the Securities Industry** for the half year ended 30 June 2016
- **Quarterly Report** for financial year 2016-17 summarizing key developments from 1 April to 30 June 2016

(iii) Other publications:

- **9 Habits of Effective Audit Committee Members** by Accounting Today
- **Fraud risk management guidance updated by COSO** by Journal of Accountancy
- **A tip for finance leadership: Kiss down, not up, and kick up when needed** by CFO Innovation
- **Accountants remain most trusted advisor to engine room of global growth** by IFAC
- **These are the issues keeping accountants up at night** by In the Black
- **Agility, adaptability to be an important key for CFOs** by Khaleej Times