



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



TechWatch

News at a glance

Issue 173 • March 2017

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.

Contents

Standard Setting Developments

Audit & Assurance

1. Institute's Auditing and Assurance Standards Committee Meeting Minutes
2. Translation of Other Information in Annual Reports
3. International Updates

Ethics

4. New Invitation to Comment
5. Revised Ethics Circular

Financial Reporting

6. Institute's Financial Reporting Standards Committee Meeting Minutes
7. International Updates

Technical Learning and Support

8. New Programmes

Useful Resources

9. Institute's Technical Resource Centres
10. LinkedIn
11. Publication

Advocacy and Practice Development/Member Support

Professional Accountants in Business

12. The Accountancy Profession Playing a Positive Role in Tackling Corruption

Corporate Finance

13. SFC Proposes to Standardize Rules for Prescribing Professional Investors
14. HKEX Publishes Revised Policy Statement on Listing Rules Enforcement

Taxation

15. Announcements by the Inland Revenue Department

Legislation & Other Initiatives

16. Corporate Registers Forum 2017
17. Consultations on Anti-money Laundering Regulation and Disclosure of Beneficial Ownership
18. Anti-Money Laundering Notices

Useful Resources

19. Library Resources
20. Other Publications

Standard Setting Developments by:
Christina Ng (Editor), Kam Leung, Daisy Xia

Advocacy and Practice Development by:
Peter Tisman (Editor), Eric Chiang, Elena Chai, Wallace Wong

Member Support by:
Mary Lam (Editor), Eddy Wong, Denise Wong

TechWatch is prepared by the Hong Kong Institute of CPAs and is intended for general guidance only. Professional advice should be taken before applying the content of this publication to your particular circumstances. While the Institute endeavours to ensure that the information in this publication is correct, no responsibility for loss to any person acting or refraining from action as a result of using any such information can be accepted by the Institute. This publication contains certain links to resources located on servers, or websites, maintained by third parties, over whom we have no control. Accordingly, the Institute accepts no responsibility or liability for any of the material contained on those servers or the accuracy or legality of information contained on other websites.

Standard Setting Developments

Audit & Assurance

1. Institute's Auditing and Assurance Standards Committee Meeting Minutes

The [minutes](#) for the 362nd AASC meeting held on 20 December 2016 is now available.

2. Translation of Other Information in Annual Reports

A new [FAQ](#) is available: how to apply the requirements of HKSA 720 (Revised), *The Auditor's Responsibilities Relating to Other Information*, to annual reports that are presented in more than one language.

3. International Updates

- The IAASB [Work Plan for 2017-2018](#) is guided by three underlying objectives: a continued focus on high quality audits; emerging needs of stakeholders; and collaboration with others to address relevant public interest matters.
- This [IAASB video](#) provides an update of the audit data analytics project, including activities performed to date and the vision for the way forward.

Ethics

4. New Invitation to Comment

The Institute is seeking comments on [proposed revisions to the Code of Ethics](#) to improve its structure (due by 24 April 2017), revise the safeguards, and clarify PAIB provisions (due by 22 March 2017).

5. Revised Ethics Circular

The Institute issued a [Revised Ethics Circular 1 Guidance for Small and Medium Practitioners on the Code of Ethics for Professional Accountants](#), which supersedes the previous version issued in May 2015.

Financial Reporting

6. Institute's Financial Reporting Standards Committee Meeting Minutes

The [minutes](#) for the 233rd FRSC meeting held on 13 December 2016 is now available.

7. International Updates

- The [IASB February meeting update](#) is now available. Key developments include:
 - the forthcoming insurance contracts standard: the IASB made tentative changes to the accounting for contractual service margin and a narrow exemption for contracts with regulatory-affected pricing; and
 - IFRS 9 *Financial Instruments*: an Exposure Draft is expected to be issued with a 30-day comment period to allow contracts with symmetric prepayment options to qualify for amortized cost measurement.
- This [podcast](#) featuring the IASB chair and vice-chair also provides a high-level summary of the technical topics discussed at the Board's February meeting.
- This [IASB debrief video](#) provides an overview of the IFRS for SMEs. Minor changes and clarifications to the standard have become effective on 1 January 2017.
- This [communiqué](#) summarizes the topics discussed and views expressed during the Asian-Oceanian Standard-Setters Group meeting held in November 2016. The Institute led a discussion at this meeting on the possible conceptual underpinnings for accounting for business combinations under common control.

Technical Learning and Support

8. New Programmes

Click on the titles below to register:

- [Workshops](#) for Listing of An Entity on The Hong Kong Stock Exchange (April to June 2017)

Useful Resources

9. 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](#)

10. 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.

11. Publication

- Click [here](#) for a database containing examples of emerging practice in integrated reporting.

Advocacy and Practice Development/Member Support

Professional Accountants in Business

12. The Accountancy Profession Playing a Positive Role in Tackling Corruption

This International Federation of Accountants ("IFAC") [study](#), conducted by the Centre for Economics & Business Research, summarizes research into the crucial role professional accountants play, alongside other key actors in the economy, including business leaders, governments, and the financial sector, to tackle corruption globally. It shows that the accountancy profession, acting in the public interest, is an important part of the cure, and also confirms that the accountancy profession is a necessary part of strong national governance architectures that confront corruption, in partnership with good government and strong businesses.

The study also shows that professional ethics, education, and oversight, at the core of the global accountancy profession, are key to the positive impact in tackling corruption.

Corporate Finance

13. SFC Proposes to Standardize Rules for Prescribing Professional Investors

On 1 March, Securities and Futures Commission ("SFC") launched a [consultation](#) on proposed amendments to the Securities and Futures (Professional Investor) Rules ("PI Rules"), with comments requested by 3 April 2017.

The SFC proposes to allow joint accounts with non-associates and assets held in investment vehicles owned by individuals to be counted in ascertaining whether individuals meet the monetary threshold to qualify as professional investors. In addition, the categories of professional investors would be expanded to include corporations which have investment holding as their principal business and are

wholly owned by one or more professional investors, as well as corporations which wholly own another corporation that is a qualified professional investor. Alternative forms of evidence would also be allowed to demonstrate qualification as a professional investor.

Under the proposals, the SFC envisages that more persons will qualify as professional investors. Nevertheless, intermediaries remain subject to the suitability requirement and other fundamental requirements when serving them.

14. HKEX Publishes Revised Policy Statement on Listing Rules Enforcement

Hong Kong Exchanges and Clearing ("HKEX") has announced revised themes for enforcement of the Listing Rules and published a revised policy statement on its approach to enforcement (revised **Enforcement Policy Statement**) to reflect current practice and bring the statement up to date.

Modifications to the statement are as follows:

- The initial themes concerning late financial reporting resulting from internal control deficiencies and "heavily" qualified accounts have now been merged and expanded to become financial reporting – delays, or internal controls and corporate governance issues.
- As for the initial theme concerning failure of issuers (subject to prolonged trading suspension) and their directors to address the Exchange's concerns in a timely manner to procure trading resumption as soon as possible, it has now been expanded to become delayed trading resumption which also covers prolonged trading halts.
- Inaccurate, incomplete and/or misleading disclosure in corporate communication; failure to comply with procedural requirements in respect of notifiable/connected transactions; and repeated breaches of the Listing Rules are introduced as new themes.

It should be noted that HKEX also pursues any other breaches of the Listing Rules that may demonstrate sufficiently egregious conduct.

Taxation

15. Announcements by the Inland Revenue Department

Members may wish to be aware of the following matters:

- **The Inland Revenue (Amendment) Bill 2017** gazetted, to implement the **concessionary revenue measures** proposed in the 2017-18 Budget
- **The new tax treaty** between Hong Kong and Pakistan
- **An extension of the interim administrative measure** to file 2016/17 profits tax returns on a fair value basis
- **The Departmental Interpretation and Practice Notes No. 53** on tax treatment of regulatory capital securities
- **The expiry** of the Revenue (Reduction of Business Registration Fees) Order 2016
- **Inland Revenue (Amendment) (No.2) Bill 2017** gazetted. The bill proposes profits tax concessions in relation to the aircraft leasing business.

Legislation & Other Initiatives

16. Corporate Registers Forum 2017

The Corporate Registers Forum ("CRF") is an annual platform for authorities of corporate and business registers around the world to exchange experience and information on current operation and future development initiatives of corporate registration systems, and review the latest developments in corporate and business registers.

The 14th annual CRF, with the theme of "Corporate Registries - Challenges and Opportunities, Today and Tomorrow", took

place in Hong Kong on 7-10 March. The programme featured discussions of topics on corporate registries, including disclosure of beneficial ownership of companies, technological collaboration and results of the international business registers survey. Details about the forum are available on its [official website](#), including the [presentation materials](#).

17. Consultations on Anti-money Laundering Regulation and Disclosure of Beneficial Ownership

As reported in issues 171 and 172 of TechWatch, the government has recently conducted two consultations on related issues, namely, "[Enhancing Anti-Money Laundering Regulation of Designated Non-Financial Businesses and Professions \('AML consultation'\)](#)" and "[Enhancing Transparency of Beneficial Ownership of Hong Kong Companies \('BO consultation'\)](#)". The Institute has responded to these consultations.

In its [submission](#) on the AML consultation, the Institute indicates support, in principle, for legislation on customer due diligence and record-keeping and agrees that the relevant professional bodies/ authorities should be charged with regulating their own sector for AML compliance. At the same time, various potential regulatory gaps are pointed out and, in relation to the proposed licensing of trust and company services providers, the Institute recommends that a longer transitional period be allowed for the existing service providers to apply for licences.

In the [submission](#) on the BO consultation, while the Institute is supportive of the setting up of beneficial ownership registers, to reinforce Hong Kong's transparency as an international financial centre and to facilitate the adoption of international standards, it is recommended that the registers should not be made fully accessible to the public at this stage. The Institute also suggests that greater clarity is needed on the definition of the threshold for disclosure and the responsibilities and potential

liabilities of the different parties who may be involved in the arrangements.

18. Anti-Money Laundering Notices

Members may wish to note the following notices and publications in relation to AML/ Combating the Financing of Terrorism ("AML/ CFT"):

- **Government notice 780:** An updated list of terrorists and terrorist associates has been specified under the United Nations (Anti-Terrorism Measures) Ordinance.
- **High-risk and non-cooperative jurisdictions:** In February, the Financial Action Task Force ("FATF") issued two documents:
 - **FATF public statement**, identifying jurisdictions with strategic AML/CFT deficiencies that pose risk to the international financial system.
 - **Improving global AML/CFT compliance: on-going process**, identifying jurisdictions with strategic AML/CFT deficiencies, for which they have developed an action plan with the FATF.
- **US executive order 13224:** The list relating to "Blocking property and prohibiting transactions with persons who commit, threaten to commit or support terrorism".

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

19. 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.

20. Other Publications

- (i) HKEX has published the [report](#) on initial public offering applications, delisting and suspensions (as at 28 Feb)
- (ii) SFC has published [Quarterly Report](#) summarizing key developments from October to December 2016.
- (iii) The Financial Services Development Council has released a report entitled "[Turning Crisis into Opportunities: Hong Kong as an Insurance Hub with Development Focuses on Reinsurance, Marine and Captive](#)".
- (iv) Other publications:
 - [Future of Accounting Profession: Three Major Changes and Implications for Teaching and Research](#) – IFAC
 - [Proven ways for accountants to instill ethics in companies](#) – Accounting Today
 - [Reduce your firm's cyber risks with these 8 actions](#) – Accounting Today
 - [The What, Why, and How of Cloud Computing for SMPs](#) – IFAC
 - [Audit tendering helps improve audit confidence](#) – UK Financial Reporting Council
 - [The Rise of AI Makes Emotional Intelligence More Important](#) – Harvard Business Review
 - [The 'virtual reality' of treasury - Global Treasury Benchmark Survey 2017](#) – PwC
 - [Blockchain: A New Hope, or Just Hype?](#) – World Economic Forum