



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 Update

#### 1. Handbook Update No.199

**Update No.199** contains amendments to HKAS 40 *Investment Property*.

### Audit & Assurance

#### 2. Institute's Auditing and Assurance Standards Committee Meeting Minutes

The **minutes** for 363<sup>rd</sup> Auditing and Assurance Standards Committee meeting held on 28 February 2017 is available.

#### 3. New Invitations to Comment

The Institute issued the following invitations to comment:

- **PN 860.1 (Revised):** *The Audit of Retirement Schemes*. Comments are requested by 25 May 2017.
- **IAASB exposure draft:** Proposed International Standard on Auditing (ISA) 540 (Revised), *Auditing Accounting Estimates and Related Disclosures Comments*. Comments are requested by 1 July 2017.

### Ethics

#### 4. New Partner Rotation Requirements for Engagements with PIE

The IESBA issued **revised provisions** (under the current structure of the Code) on *Long Association of Personnel with an Audit or Assurance Client*, which aim at strengthening the partner rotation regime for audits and reviews of public interest entities ("PIEs"). The revised provisions will be effective for financial periods beginning on or after 15 December 2018.

The IESBA will formally issue the revised standard in 2018 in the format of its restructured Code. The Institute's Ethics Committee has in principle, approved the revised provisions (based on the current structure of the Code) and will issue the final standard in Hong Kong upon IESBA's issuance.

#### 5. IESBA Strategy Survey Questionnaire

The IESBA is seeking input from stakeholders to help shape its future strategic direction in this **survey questionnaire**. Responses to the survey will be considered by the IESBA in its development of a formal consultation paper on its strategy and work plan beyond 2018.

Send your comments to [<commentletters@hkicpa.org.hk>](mailto:commentletters@hkicpa.org.hk) by 15 June 2017.

### Financial Reporting

#### 6. New Invitations to Comment

The Institute issued the following invitations to comment:

- **IASB Discussion Paper DP/2017/1:** *Disclosure Initiative – Principles of Disclosure*. Comments are requested by 5 August 2017.
- **IASB Exposure Draft ED/2017/2:** *Improvements to IFRS 8 Operating Segments (Proposed Amendments to IFRS 8 and IAS 34)*. Comments are requested by 9 July 2017.
- **IASB Exposure Draft ED/2017/3:** *Proposed amendments to IFRS 9 – Prepayment Features with Negative Compensation*. The comment period to the Institute ended on 16 May 2017.

The Institute's outreach to date indicates that such prepayment features are not common in Hong Kong. Despite that, the Institute tentatively proposes to recommend the IASB to clarify the principle of 'reasonable additional compensation' in IFRS 9 paragraph B4.1.11 (b) instead of creating an exception.

If you have additional or different views, please contact the Standard Setting Department <[commentletters@hkicpa.org.hk](mailto:commentletters@hkicpa.org.hk)> or directly respond to the IASB by 24 May 2017.

## 7. International Updates

- This [IASB Investor Update](#) summarizes amendments now effective for IAS 7 *Statement of Cash Flows* and proposed amendments to IFRS 8 *Operating Segments*.
- This [article](#) on the recent IFRS Foundation and CFA Institute investors' event discussed communication in financial markets and areas of improvements in IFRS Standards.

## Technical Learning and Support

### 8. New Programmes

Click on the titles below to register:

- [Guardian Role of Professionals in Upholding Ethical Governance](#) (12 June 2017)
- [Refresher Course on Current Financial Reporting Standards](#) (June and July 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

[Join](#) the Institute's Standard Setting Department's discussions on LinkedIn, and stay up to date on key developments in financial reporting, auditing and ethics.

### 11. Publication

This ICAEW [publication](#) aims to help retailers and external users of their accounts understand the key challenges arising from the new IFRS 16 *Leases*, effective on or after 1 January 2019.

## Advocacy and Practice Development/Member Support

### Professional Accountants in Business

#### 12. Arrangements for Electronic Filing of Disclosure of Interests Notifications

The Securities and Futures Commission ("SFC") **announced** that it has recently published new prescribed forms for disclosure of interests notifications ("DI notices") for use when mandatory electronic filing takes effect on 3 July 2017. The new forms include enhanced versions of the existing six DI notices for substantial shareholders, directors and chief executives. In addition, a new form will be introduced for listed corporations to report the results of their investigations of share ownership under section 329 of the Securities and Futures Ordinance ("SFO").

Substantial shareholders, directors and chief executives of listed corporations are reminded that as of 3 July, DI notices with respect to their interests in securities of listed corporations should be submitted electronically.

For events triggering disclosure requirements which occur on or after 3 July 2017, filers should use the new prescribed forms and submit them through a new Disclosure of Interests Online System ("DION System") to be introduced by the Hong Kong Exchanges and Clearing ("HKEX"). Notifications and reports under Part XV of the SFO must be filed electronically through the DION System. Filers will not be required to submit DI notices to the listed corporation concerned or to the SFC, as both will be notified by HKEX. These requirements are subject to a three-month transition period.

DI notices relating to events that occur before 3 July 2017 may be submitted using the old forms and methods.

### Corporate Finance

#### 13. SFC Statement on Listing of Infrastructure Project Companies

Hong Kong's international profile and reputation as a venue for capital raising put it in an excellent position to facilitate infrastructure investment initiatives, such as the opportunities presented by the **Belt and Road initiative**.

On 11 April, the SFC issued a **statement**, which sets out factors it will take into account when reviewing the proposed listing of infrastructure project companies in Hong Kong. These factors are designed to address potential country and related risks, and the objective is to maintain the overall quality of the market whilst providing a pathway for infrastructure project companies to achieve a listing. The factors listed are non-exclusive. Reference should also be made to the **joint policy statement regarding the listing of overseas companies** issued by the SFC and the Stock Exchange of Hong Kong on 27 September 2013.

#### 14. Registration of Prospectus

The Companies Registry has issued an **External Circular No. 3/2017** to remind companies to avoid some common errors found in prospectuses and related documents delivered for registration pursuant to sections 38D and 342C of the Companies (Winding Up and Miscellaneous Provisions) Ordinance, with a view to facilitating timely registration of prospectuses.

The circular also contains a table summarizing and describing the more common errors found in prospectuses and related documents delivered to the Registrar of Companies for registration. Suggestions on how to avoid such errors with reference to the relevant statutory provisions are also provided.

#### 15. SFC Consultations

- (i) New guidelines on online distribution and advisory platforms

On 5 May, the SFC launched a **consultation** on proposed **Guidelines on Online Distribution and Advisory Platforms**, which will apply to all SFC-licensed or registered persons when conducting their regulated activities in providing order execution, distribution and advisory services in respect of investment products via online platforms.

The proposed guidelines aim to provide tailored guidance to the industry on the design and operation of online platforms, as well as clarify how the suitability requirement would operate in the online environment. They also clarify that the posting of factual, fair and balanced materials on online platforms should not in itself trigger the suitability requirement.

Comments are requested by 4 August 2017.

- (ii) Proposals to reduce hacking risks in internet trading

On 8 May, the SFC launched a **consultation** on **proposals to reduce and mitigate hacking risks associated with internet trading**. This follows the SFC's recent thematic review of Hong Kong's brokers' resilience to hacking risks.

The proposals incorporate new guidelines which set out baseline cybersecurity requirements for internet brokers to address hacking risks and vulnerabilities and clarify expected standards of cybersecurity controls. The SFC also proposes to:

- expand the scope of cybersecurity-related regulatory principles and requirements currently apply to electronic trading of securities and futures on exchanges to securities not listed or traded on an exchange (e.g., authorized unit trusts and mutual funds) because they are subject to the same hacking risks; and
- update the definition of "internet trading" to clarify that an internet-based trading facility may be accessed through a

computer, mobile phone or other electronic device.

Comments are requested by 7 July 2017.

## Taxation

### 16. Annual Meeting with the Inland Revenue Department

The annual meeting between representatives of the Institute's Taxation Faculty Executive Committee and the Inland Revenue Department ("IRD") took place on 21 April 2017. At the meeting, the IRD confirmed the due dates for lodging profits tax returns for the year of assessment 2016-17. These are highlighted for members' attention:

Accounting date	Extended due date	Further extended due date (if opting for e-filing)
"N" Code	4 May 2017 (no extension)	18 May 2017
"D" Code	15 August 2017	29 August 2017
"M" Code	15 November 2017	29 November 2017
"M" Code (current year loss cases)	31 January 2018	31 January 2018 (same as paper returns)

### 17. Institute submissions

The Institute has issued submissions on the following bills:

- **Inland Revenue (Amendment) (No.2) Bill 2017 on concessions for aircraft leasing:** The submission supported the proposal while pointing out some technical problems in the drafting.

- **Inland Revenue (Amendment) (No.3) Bill 2017 on AEOI:** The submission raised questions on the approach to extending the list of reportable jurisdictions for AEOI purposes and reiterated the Institute's request for more taxpayer safeguards to be built into the legislative framework.

## 18. Announcements by the Inland Revenue Department

Members may wish to be aware of the following matters:

- **The passage** of the Inland Revenue (Amendment) Bill 2017, which gives effect to the concessionary revenue measures proposed in the 2017-18 Budget
- **A reminder** to file your tax return on time
- **Stamp Duty (Amendment) (No.2) Bill 2017 gazetted**
- Legislative Council questions on:
  - **Automatic exchange of financial account information ("AEOI") in tax matters**
  - **Signing of comprehensive avoidance of double taxation agreements between Hong Kong and its trading partners**
- Updated webpages on
  - AEOI **Portal** to provide investment funds and umbrella funds further guidance on registration of AEOI Account and reporting requirements
  - **Occupational retirement schemes** to clarify that only occupational retirement schemes registered under the Occupational Retirement Schemes Ordinance (Cap. 426) qualify as non-reporting financial institutions
- **Tax obligations** of taxpayers and employers
- **Post office boxes** used by IRD

## Legislation & Other Initiatives

### 19. Enhancements of IRIS Online Services

The hyperlink "GeoInfo Map" will be added in the "Search Land Register" function of Integrated Registration Information System ("IRIS") Online Services to direct users to the matched lot information page on the "GeoInfo Map" of Lands Department. In addition, new "Go to IRIS Online Services" hyperlink will be shown on the "GeoInfo Map" to facilitate users to search land register of the matched lot. The enhancements will be introduced on 27 May 2017. Click [here](#) for more details.

### 20. AML Notices

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

- **Government notice 1584:** An updated list of terrorists and terrorist associates has been specified under the United Nations (Anti-Terrorism Measures) Ordinance.
- **Government notice 3058:** An updated list of terrorists and terrorist associates has been specified under the United Nations (Anti-Terrorism Measures) Ordinance.
- **Legal notice 79:** The United Nations Sanctions (Central African Republic) Regulation 2017 has been published in the Gazette.
- **Legal notice 80:** The United Nations Sanctions (Yemen) Regulation 2015 (Amendment) Regulation 2017 has been published in the Gazette.
- **FATF consolidated assessment ratings:** On an ongoing basis, peer reviews are conducted to assess how effectively AML/CFT measures work, and how well the technical requirements of the FATF Recommendations are implemented. The overview of ratings for effectiveness and technical compliance should be read in conjunction with the detailed mutual evaluation reports.

- **Specially designated nationals and blocked persons list (“SDN List”)**: The individuals and entities designated as Specially Designated Global Terrorists (“SDGT”) are identified in the SDN List. The SDGT designations include terrorist-related designations under the Executive Order 13224 and other US executive orders, laws and regulations.

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

### 21. 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.

### 22. Other Publications

(i) HKEX has published:

- Listing decision on whether a Growth Enterprise Market (“GEM”) issuer has a sufficient level of operations or assets to meet GEM Rule 17.26 ([HKEX-LD105-2017](#))
- [Report](#) on initial public offering applications, delisting and suspensions (as at 28 Apr)

(ii) SFC has published:

- [Licensing Handbook](#) to provide easier access to licensing information and revamped the [licensing section](#) of its website to improve the user experience. Also see SFC’s [announcement](#) for

detail

- [Report on the fact-finding exercise on retail futures brokers](#), which aimed to understand the business profiles and major risk management controls and practices of 10 major local futures brokers
- [Welcoming remarks](#) (in Chinese only) by Carlson Tong, Chairman and [opening remarks](#) by Ashley Alder, Chief Executive Officer, at the SFC media luncheon
- Speech entitled [Supervision in a time of change](#) by Julia Leung, Executive Director, Intermediaries

(iii) Financial Services Development Council has published:

- [Optimising Hong Kong’s Listed Structured Products Market](#) (paper no. 28)
- [The Future of FinTech in Hong Kong](#) (paper no. 29)
- [Hong Kong – Building Trust Using Distributed Ledger Technology](#) (paper no. 30)

(iv) Other publications:

- [The power of technology: Enhancing business performance](#) by EY
- [Hong Kong FinTech Survey 2017](#) by PwC
- [2016 Board Practices Report: A transparent look at the work of the board](#) by Deloitte
- [How functional leaders become CEOs](#) by McKinsey & Company
- [To-Do List for a New CEO](#) by FTI Consulting



- **To be the disrupted or the disruptor?  
That is the question** by CEO Magazine
- **CFOs embrace next wave of data  
analytics** by CFO.com
- **3 Tech trends for accountants to  
watch in 2017** by CPA Practice Advisor
- **Rethinking the audit** by Journal of  
Accountancy
- **Effective recruiting tactics for  
attracting top talent** by Accounting  
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