



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 >. Click [here](#) for past issues.

Contents

Standard Setting Developments

Members' Handbook Updates

1. Handbook Updates No. 210 – 211

Ethics

2. Institute's Submission on IESBA Exposure Draft

Financial Reporting

3. New and Amended HKFRSs for 2017
4. Call for Nominations: Hong Kong Insurance Implementation Support Group
5. HKFRS 17 Insurance Contracts:
 - a. Letter to IASB
 - b. Letter to Hong Kong authorized insurers
6. Mergers and Acquisitions: Survey
7. Institute's Financial Reporting Standards Committee Meeting Minutes
8. International Updates

Technical Learning and Support

9. New Programmes

Useful Resources

10. Institute's Technical Resource Centres
11. [Linked in](#)

Advocacy and Practice Development/Member Support

Professional Accountants in Business

12. Technology Opportunities for the Finance Function
13. Investor Relations Best Practice Guide

Small & Medium Practices

14. Agreed-Upon Procedures Engagements: A Growth and Value Opportunity

Corporate Finance

15. HKEX Concludes on the New Board Concept Paper and Proposes Way Forward to Expand Hong Kong's Listing Regime
16. HKEX Publishes GEM Consultation Conclusions and Changes to GEM and Main Board Listing Rules
17. Guidance Note on Cooperation with the SFC
18. New SFC Compliance Bulletin Highlights Conflicts of Interest
19. SFC Seeks Views on Proposed Refinements to OTC Derivatives Regime and Conduct Requirements

Taxation

20. Announcements by the Inland Revenue Department

Legislation & Other Initiatives

21. Anti-Money Laundering Notices

Useful Resources

22. Other Publications

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Standard Setting Developments

Members' Handbook Updates

1. Handbook Updates No. 210 – 211

Update No. 210 relates to amendments to HKFRS 9 *Financial Instruments*.

Update No. 211 relates to the issuance of HKFRS 17 *Insurance Contracts*.

Ethics

2. Institute's Submission on IESBA Exposure Draft

The Institute submitted **comments** on the IESBA Exposure Draft *Proposed Revisions to the Code Pertaining to the Offering and Accepting of Inducements*.

Financial Reporting

3. New and Amended HKFRSs for 2017

This **table** summarizes new and amended HKFRS Standards and Interpretations issued, that are applicable to December 2017 year-end and subsequent periods.

A **comparison** between HKFRSs and IFRSs as at 31 December 2017 is also available.

4. Call for Nominations: Hong Kong Insurance Implementation Support Group

HKICPA established a Hong Kong Insurance Implementation Support Group ("HKIISG") to provide a forum for experienced insurers and insurance practitioners to raise and discuss questions on and challenges in implementing HKFRS 17.

HKICPA is seeking 10 candidates for membership of the HKIISG. **Click** for more details on how to apply.

5. HKFRS 17 *Insurance Contracts* :

a. Letter to the IASB

The Institute **wrote** to the IASB Chairman to share market concerns in relation to implementing HKFRS 17 *Insurance Contracts* by 2021. The letter also provides recommendations for the IASB to consider.

b. Letter to Hong Kong authorized insurers

The Institute **wrote** to authorized insurers in Hong Kong to communicate its considerations for issuing HKFRS 17.

6. Mergers and Acquisitions: Survey

Are you an institutional or retail investor, analyst, or other user of publicly listed financial statements with an interest in mergers and acquisitions? If you are, please complete this 5 minute **survey**. The deadline is 28 February 2018.

The Institute's Standard Setting Department is conducting this **survey** to understand how investors/analysts view the substance of M&As with third parties and M&As under common control.

The findings of this **survey** will help us consider whether all M&As should be accounted and reported in the same way. The more feedback we receive, the more useful our analysis will be. For enquiries, please contact outreachhk@hkicpa.org.hk.

7. Institute's Financial Reporting Standards Committee Meeting Minutes

The minutes from the **239th** meeting of the Financial Reporting Standards Committee are now available.

8. International Updates

- The December 2017 [IASB Update](#) is now available.
- IFRS 17 *Insurance Contracts*:
 - This IASB staff [webcast](#) discusses the transition requirements of the standard;
 - This [article](#) summarizes all the available tools provided by the IASB to facilitate implementation.

Technical Learning and Support

9. New Programmes

Click on the title below to register:

- [Seminar and workshops on HKFRS 16 Leases](#) (17 January – 22 January 2018)
- [Workshops on HKFRS 15 Revenue from Contracts with Customers](#) (February and March 2018)

Useful Resources

10. 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](#)

11. LinkedIn

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

Advocacy and Practice Development/Member Support

Professional Accountants in Business

12. Technology Opportunities for the Finance Function

The Association of Chartered Certified Accountants has recently [published](#) a report which explores the opportunities and challenges that technology presents for the future CFO function in the face of extraordinary digital change impacting businesses.

The [report](#) shares insights from leading executives across the world on the technologies changing the face of the finance function, and examines how finance can harness the explosion in digital capabilities to help drive long term corporate value.

13. Investor Relations Best Practice Guide

The Hong Kong Investor Relations Association has issued its first publication contributed by 10 investor relations ("IR") professionals from leading Hong Kong listed companies.

The [guide](#) focuses on IR practices particular to Hong Kong as well as regulations and best practice in other parts of the world. By examining the role of investor relations officers ("IROs"), the stakeholders etc., it also addresses some of the unique characteristics of the Hong Kong market. It takes a detailed look at the tools IROs use to communicate investment proposals and build comprehensive IR programmes, as well as providing valuable practical tips every step of the way.

Small & Medium Practices

14. Agreed-Upon Procedures Engagements: A Growth and Value Opportunity

The SMP Committee of the International Federation of Accountants has recently **released** a publication which outlines what an agreed-upon procedures engagement is, identifies the benefits to clients of offering such services, and when such engagements are appropriate. It also covers examples of financial and non-financial information agreed-upon procedures engagements and six short case studies with example procedures that might be applied.

Corporate Finance

15. HKEX Concludes on the New Board Concept Paper and Proposes Way Forward to Expand Hong Kong's Listing Regime

On 15 December, the Hong Kong Exchanges and Clearing ("HKEX") **published** the conclusions to the **New Board Concept Paper**, which summarized 360 responses from a broad range of respondents representing all relevant stakeholders.

Based on the feedback received, the HKEX has determined to proceed to expand Hong Kong's listing regime to facilitate listings of companies from emerging and innovative sectors by introducing two new chapters to the Main Board Listing Rules; as well as to modify the existing Listing Rules in relation to overseas companies (and also make consequential changes to the 2013 Joint Policy Statement) to create a new concessionary secondary listing route. Formal consultation on the proposed Rule amendments is expected to be launched in the first quarter of 2018.

Read the **consultation conclusions** for further details.

16. HKEX Publishes GEM Consultation Conclusions and Changes to GEM and Main Board Listing Rules

On 15 December, HKEX also **published** the conclusions on the Consultation Paper on the Review of the Growth Enterprise Market ("GEM") and Changes to the GEM and Main Board Listing Rules ("GEM Consultation Paper").

Based on the 100 responses received, HKEX decided to implement substantially all of the proposals in the GEM Consultation Paper with Listing Rules amendments to reflect the new role of GEM as a market for small and mid-sized companies, effective on or after 15 February 2018 with transitional arrangements.

Read the **consultation conclusions** and the **FAQs** for further details.

17. Guidance Notes on Cooperation with the SFC

On 12 December, the Securities and Futures Commission ("SFC") **published** an updated **guidance note** highlighting the benefits of cooperating with the SFC in its investigations and enforcement proceedings. It replaces the previous version issued in March 2006.

The guidance note introduces new measures to encourage the types of cooperation which help the SFC investigate more serious legal or regulatory breaches and achieve timely and desirable enforcement outcomes. It also outlines the factors the SFC takes into account when assessing cooperation. In recognition of cooperation, sanctions may be reduced by an amount which varies according to when a case is resolved.

The guidance note will not apply to criminal cases. Refer also to the **frequently asked questions** to gain a better understanding.

18. New SFC Compliance Bulletin Highlights Conflicts of Interest

On 19 December, the SFC **published** the first issue of its **SFC Compliance Bulletin: Intermediaries** to provide guidance to intermediaries and market practitioners on the SFC's regulatory and supervisory priorities.

The bulletin aims to enhance communication with Managers-In-Charge of core functions of licensed corporations and highlights the importance of managing conflicts of interest in selling practices and asset management using case studies identified in the SFC's recent on-site inspections and off-site monitoring.

19. SFC Seeks Views on Proposed Refinements to OTC Derivatives Regime and Conduct Requirements

On 20 December, the SFC **published** a consultation paper on over-the-counter ("OTC") derivatives and conduct risks.

The **consultation** proposes to refine/narrow the scope of certain regulated activities to provide more clarity about the OTC derivatives licensing regime. It also includes proposals related to risk mitigation, client clearing, record keeping and other conduct requirements for OTC derivatives transactions, as well as licensing fees, insurance, competence and training requirements under the new OTC derivatives licensing regime.

The deadline for responding to the consultation paper is 20 February 2018.

Taxation

20. Announcements by the Inland Revenue Department

Members may wish to be aware of the following matters:

- **Inland Revenue (Amendment) (No. 7) Bill 2017**, to implement a two-tier profits tax rates regime has been introduced into the Legislative Council.

- **Inland Revenue (Amendment) (No. 6) Bill 2017** has been introduced into the Legislative Council. It aims to codify transfer pricing principles into the Inland Revenue Ordinance (Cap. 112) and implement the minimum standards of the Base Erosion and Profit Shifting action plans promulgated by the Organization for Economic Co-operation and Development.
- **Webpage** relating to Country-by-Country Reporting which has been updated to set out the implementation framework provided under the Inland Revenue (Amendment) (No. 6) Bill 2017 and the voluntary filing arrangement for accounting periods beginning between 1 January 2016 and 31 December 2017.
- **A notification** which reminds employers to notify IRD if they change their postal address.
- **Stamping Circular No. 01/2018** on Filing of Return of Stock Borrowing Transactions

21. Anti-Money Laundering Notices

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

- **Government notice 9942**: An updated list of relevant persons and entities has been specified under the United Nations Sanctions (Democratic People's Republic of Korea) Regulation.
- **Specially designated nationals and blocked persons list**, published by the U.S. Treasury's Office of Foreign Assets Control. More details on the **Resource Centre of the Treasury**.

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. Other Publications

- (i) HKEX has published:
 - **2017 market statistics** up to 15 December 2017
 - **Report** on initial public offering applications, delisting and suspensions as at 29 December 2017

- (ii) SFC has published:
 - Takeovers Bulletin **issue no 43**

- (iii) The Competition Commission has published model “Non-collusion clauses” for inclusion in tender documents and contracts. Check the **user guide** for the model clauses.

- (iv) Other publications:
 - **Guideline to Disciplinary Committee for Determining Disciplinary Orders** by HKICPA
 - **The Changing Face of the Accountancy Profession** by International Federation of Accountants
 - **What worries boards and management most in 2018** by CGMA Magazine
 - **Existing clients: is your accounting firm making the most of them?** by In the Black
 - **Using Audit Data Analytics in Performing a Risk Assessment Procedure** by Journal of Accountancy
 - **Blockchain: The New Technology of Trust** by Goldman Sachs
 - **The future of risk management in the digital era** by McKinsey & Company