



Minutes of the 276th meeting of the Financial Reporting Standards Committee held on Tuesday, 21 February 2023 at 8:30 a.m. via videoconference.

Members present: Mr. Gary Stevenson (Chairman), RSM Hong Kong
Mr. Jim Tang (Deputy Chairman), KPMG
Mr. Joe Ng (Deputy Chairman), Ernst & Young
Ms. Kathryn Ashley, HSBC
Ms. Fanny Hsiang, BDO Limited
Ms. Vincyy Lai, Jardine Matheson & Co., Limited
Mr. Mateusz Lasik, Deloitte Touche Tohmatsu
Mr. Kenneth Lau, Crowe (HK) CPA Limited
Ms. Joan Ng, Securities and Futures Commission
Mr. Ghee Peh, IEEFA
Mr. Richard Poon, AIA Group
Mr. William Wong, Stock Exchange of Hong Kong Limited
Ms. Lisa Zhang, PricewaterhouseCoopers

Staff in attendance: Ms. Cecilia Kwei, Director, Standard Setting
Ms. Eky Liu, Deputy Director, Standard Setting
Mr. George Au, Associate Director, Standard Setting
Ms. Carrie Lau, Associate Director, Standard Setting
Ms. Kennis Lee, Associate Director, Standard Setting
Ms. Katherine Leung, Associate Director, Standard Setting
Mr. Anthony Wong, Associate Director, Standard Setting
Mr. Sam Chan, Manager, Standard Setting

Observer: Ms. Tracy Chan, Accounting and Financial Reporting Council
Ms. Kristin Ko, Accounting and Financial Reporting Council

Action

1. Welcome and Introductions

The Chairman welcomed Ms. Joan Ng as new member of the Committee.

The Committee noted the following:

- i) the general confidentiality rules in relation to minutes and agenda papers;
- ii) expectation of chair and members and performance evaluation exercise;
- iii) 2023 meeting dates; and
- iv) induction pack, including an overview of HKICPA's standard-setting functions.

The Committee also considered and approved the terms of reference and the standard operating procedures for financial and sustainability reporting standard-setting.

2. Composition and Terms of Reference of FRSC's Advisory Panels

The Committee noted and approved the composition and terms of reference of the following FRSC's Advisory Panels.

- i) Business Combinations and Reporting Entity Advisory Panel
- ii) Companies Ordinance Application Issues (Financial Reporting) Advisory Panel
- iii) Conceptual Framework Advisory Panel

- iv) Disclosure Initiative Advisory Panel
- v) Employee Benefits Advisory Panel
- vi) Financial Instruments Advisory Panel
- vii) Financial Reporting Valuation Advisory Panel
- viii) Income Tax/Deferred Tax Advisory Panel
- ix) Insurance Advisory Panel
- x) Leases Advisory Panel
- xi) Revenue Recognition Advisory Panel
- xii) SME-FRF & SME-FRS Advisory Panel
- xiii) Sustainability Advisory Panel

3. **Minutes, work program and liaison log**

The Committee approved the minutes of the 275th meeting.

The Committee noted the developments outlined in the FRSC and SSD work program and liaison log.

4. **Strategic Planning**

2023 focus

In line with the 3-year plan, the Committee noted that SSD will continue to promote the consistent application of HKFRS in Hong Kong and to provide implementation support activities. The Committee noted that SSD will be working on at least 25 major projects this year. The Committee agreed that further re-prioritisation among projects that are initially identified as high priority may be needed as the year progresses. The Committee also approved the policy for determining the nature, timing and extent of implementation support activities for high priority projects.

Roadmap to issuing sustainability disclosures standards in Hong Kong

The Committee noted that since the Council approved the action plan for setting up the sustainability standard setting function in October last year, SSD have reached out to key stakeholders, including members of the Green and Sustainable Finance Cross-Agency Steering Group and the AFRC to explain the Institute's direction of travel and to prepare them for further outreach activities. The Committee considered and approved SSD's stakeholder engagement plan and its tentative timeline for potentially adopting the IFRS Sustainability Disclosure Standards as the local reporting framework in Hong Kong.

Post-implementation review (PIR) of the SME-FRF & SME-FRS

The Committee noted that the Institute conducts a PIR of the SME-FRF & SME-FRS every five years according to the *Preface to Hong Kong Financial Reporting Standards*. The most recent PIR commenced in October 2018 and hence the next PIR will be conducted in 2023. The Committee agreed that, as the first step, SSD staff should reach out to the Small and Medium Practices Committee and its technical issues working group to identify any application issues of the SME-FRF & SME-FRS. SSD staff will present the feedback received, the staff's analysis thereof and recommendation for next steps for the Committee's consideration at a future meeting.

Insurance Advisory Panel (IAP)

The Committee noted the following developments of the standing public IAP meetings:

- the number of submissions received and IAP meetings held have been decreasing since 2019;
- the IASB Transition Resource Group has not held any meetings since April 2019; and

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- the industry’s desire to have a period of calm for setting up and testing their systems and processes in the run-up to the effective date of HKFRS 17 and in the first few years of application.

In light of the above, the Committee agreed to reduce the number of standing public IAP meetings to twice a year. Additional meetings will be held if necessary.

5. **Abolition of the MPF-LSP “offsetting” mechanism in Hong Kong**

Update on the discussions with IASB staff and working group

The Committee received an update on the SSD staff’s discussions with the IASB staff and the working group relating to the implications of the Employment and Retirement Schemes Legislation (Offsetting Arrangement) (Amendment) Ordinance 2022 (i.e. abolition of the MPF-LSP “offsetting” mechanism) on the accounting for long service payment.

The Committee noted that the IASB staff acknowledged there is a linkage between a defined benefit plan and a defined contribution plan in the MPF-LSP “offsetting” mechanism and that IAS 19 *Employee Benefits* does not provide specific guidance in this area. Given the fact pattern of the extant “offsetting” mechanism and the abolition thereof are too jurisdiction specific, coupled with the lack of guidance in IAS 19, the IASB staff was not in a position to provide a conclusive technical view on the appropriate accounting for this issue.

The Committee also noted that after the working group members’ discussions with their respective network firms at the global level, as well as further deliberations locally, two broad tentative approaches to analysing the issue have emerged. However, each of these approaches requires further deliberation to address various outstanding issues before it could be concluded as relevant and practicable. The Committee noted that the working group will continue to deliberate the outstanding issues with the aim of publishing comprehensive guidance to stakeholders following due process.

Proposed Alert

Considering that the abolition has a pervasive impact on companies in Hong Kong and the impact could be material depending on facts and circumstances, the Committee agreed with the working group’s recommendation to issue an Alert as soon as possible to raise public awareness of the issue and provide directional guidance for the two tentative approaches. The Committee considered the draft Alert developed by SSD staff and the working group, provided comments and approved its issuance.

[Post-meeting note: The Alert was circulated to the Institute’s members on 22 February 2023.]

Proposed form and topics of the guidance

For the purpose of publishing comprehensive guidance to stakeholders, the Committee considered and provided comments on the SSD staff’s analysis of the form in which the guidance should take. In order for the Committee to conclude on the form of guidance, SSD staff will present an analysis of whether this issue meets the criteria of issuing a local interpretation at the next meeting.

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The Committee also considered and provided comments on the proposed topics to be covered by the guidance. SSD staff will start preparing the guidance based on the committee’s comments and the outcome of

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deliberations of the outstanding issues with the aim of circulating the first draft of the guidance for the working group's comment as soon as practicable.

Change management of relevant stakeholders

The Committee noted that this issue was communicated to the public via the Committee's October 2022 and December 2022 minutes, and that the Alert will be circulated to the Institute's members after this meeting. At this meeting, SSD requested the representatives from the Hong Kong Stock Exchange and the Securities and Futures Commission to communicate this issue to the relevant departments in their organizations. One Committee member suggested that the actuarial community be made aware of this issue given most entities would engage actuaries to estimate their LSP position.

6. **IASB Exposure Draft (ED) Third edition of the IFRS for SMEs Accounting Standard**

The Committee received an update on the feedback received from SSD staff's outreach activities on the ED since the December 2022 Committee meeting, which included:

- targeted outreach with preparers, audit practitioners and user of SMEs' financial statements; and
- comment letters received.

The Committee considered the feedback received, SSD staff's analysis and the Institute's draft submission. The Committee provided no additional comments and approved the draft submission. SSD staff will proceed to finalise and submit the final submission to the IASB after the meeting.

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[Post-meeting note: The Institute's comment letter was submitted to the IASB on 21 February 2023.]

7. **IASB Exposure Draft (ED) International Tax Reform—Pillar Two Model Rules (Proposed amendments to IAS 12)**

The Committee received an update on the feedback received from SSD staff's outreach activities on the ED, which included comments from the Income Tax/Deferred Tax Advisory Panel and comment letters received.

The Committee considered the feedback received and SSD staff's analysis, and provided comments on the Institute's draft submission. SSD staff will incorporate the Committee's comments into the Institute's submission and circulate it to the Committee for approval out-of-session.

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[Post-meeting note: The Institute's comment letter was approved by the Committee out-of-session and submitted to the IASB on 6 March 2023.]

8. **Other business**

Administrative matter

The Committee noted that they are welcome to propose agenda items for the next FRSC meeting no later than 15 working days prior to the meeting date.

It was noted that the next meeting was scheduled on 14 April 2023.

There being no further business, the meeting closed at 11:45 a.m.

GARY STEVENSON
CHAIR

3 April 2023