



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

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Standard Setting Developments

Local Updates

1. Circular on Reporting under Section 20 of the Product Eco-responsibility (Regulated Electrical Equipment) Regulation (Cap. 603B)

Suppliers registered with the Environmental Protection Department of The Government of the Hong Kong Special Administrative Region (the "EPD") to distribute regulated electrical equipment (REE) are required to submit periodic returns to the EPD on the quantities of REE distributed and used for the first time and the quantities of recycling labels within the reporting periods covered by the returns. Suppliers are also required to submit an audit report to the EPD every year in respect of the returns submitted. The audit report must be prepared by a certified public accountant holding a practicing certificate under the Professional Accountants Ordinance (Cap. 50).

This [Circular](#) provides general guidance to practising members of the Institute for the reporting as mentioned above.

2. Invitations to Comment

The Institute is seeking comments on:

- The IAASB's [Consultation Paper](#) on Proposed Strategy for 2020-2023 and Work Plan for 2020-2021 by **4 May 2019**.
- The IAASB's [Consultation Paper](#) on Extended External Reporting by **21 May 2019**.
- The IAASB's [Exposure Drafts](#) on Quality Management for Firms and Engagements by **24 May 2019**.
- The IESBA's [Exposure Draft](#), Proposed Revisions to Part 4B of the Code to Reflect Terms and Concepts Used in ISAE 3000 (Revised) by **27 May 2019**.

3. Invitation to observe meetings of the Hong Kong Insurance Implementation Support Group

[Register](#) to observe meetings of the HKIISG which discusses hot topics on HKFRS 17 *Insurance Contracts*. Meeting papers and summaries can be found [here](#). The next HKIISG meeting will be held on 26 April 2019.

4. Minutes

[Minutes](#) of the 373rd meeting of the Auditing and Assurance Standards Committee.

5. Institute Submission

The Institute commented on the [IAASB's Exposure Draft, Proposed ISRS 4400 \(Revised\), Agreed-Upon Procedures Engagements](#).

International Updates

6. International Updates

Audit and assurance

- [IAASB Highlights Podcast: March 2019 Meeting](#)
- [IAASB Video: Proposed Quality Management Standards](#)
- [IAASB Publication: Focus on Professional Skepticism](#)

Ethics

- [IESBA Highlights Podcast: March 2019 Meeting](#)
- [IFAC Webinar: Raising Awareness on the 2018 Code of Ethics](#)

Financial Reporting

- [IASB position on agenda decisions published by the IFRS Interpretations Committee](#)
- [March 2019 IASB Update](#)
- [March 2019 IFRIC Update](#)



- [Project Summary on IFRS 8 Operating Segments](#)
- [Project Summary on Disclosure Initiative—Principles of Disclosure](#)

Technical Learning and Support

7. New Programme

[Workshop](#) on Understanding and Managing Corporate Fraud Risks on **7 May 2019**

Useful Resources

8. 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](#)

9. [LinkedIn](#)

Follow our [LinkedIn](#) for key developments in financial reporting, auditing and ethics.

Advocacy and Practice Development/Member Support

Professional Accountants in Business

10. IMA Enhanced Management Accounting Competency Framework

With technology redefining the role of management accountant and significantly changing the business landscape and the management accounting profession at an unprecedented speed, Institute of Management Accountants ("IMA") has released an enhanced [Management Accounting Competency Framework](#). The enhanced Framework reflects the skills management accountants need to remain relevant and be future-ready, and serves as a guide for skills assessment, career development and talent management.

The enhanced Framework identifies six domains of core knowledge, skills, and abilities that finance and accounting professionals need to remain relevant in the digital age and perform their current and future roles effectively:

- **Strategy, Planning and Performance** – lead strategic planning performance, assess current state of the business and plan for the future
- **Reporting and Control** – measure and report business/organization's performance in compliance with relevant standards and obligations
- **Technology and Analytics** – manage data to enhance a company's analytics and embrace technology to move the organization forward
- **Business Acumen and Operations** – work cross-functionally across the business to transform operations throughout the organization
- **Leadership** – inspire teams to achieve personal and organizational goals

- **Professional Ethics and Values** – demonstrate professional values, ethical behaviors and legal compliance essential to an ethical and sustainable career/business

Corporate Finance

11. HKEX's Guidance on Reasons for Rejected Listing Applications in 2018

On 22 March 2019, the HKEX published [Guidance](#) on reasons for rejected listing applications in 2018.

In particular,

- The HKEX's tightened scrutiny of commercial rationale for listing lead to a significant increase in rejected listing applications
- Rejections were not sector specific. The focus, in fact, was on whether rationale for listing was supported by the applicant's expected growth and hence the need for funding
- Results have helped maintain market quality and the HKEX will continue exercising discretion to assess suitability

The HKEX advised that the applicant's commercial rationale for listing is a primary focus of assessing its suitability. In order to maintain market quality, more consideration is also given to whether the proposed use of proceeds and funding needs are consistent with its business strategies and future plans.

Please refer to the [press release](#) for details.

12. SFC's Reprimand and Fines Totaling Around HK\$800 million on Financial Institutions

On 14 March 2019, the SFC has reprimanded and fined the following financial institutions for sponsor failures, with fines totaling around HK\$800 million:-

UBS AG and UBS Securities Hong Kong Limited – HK\$375 million
Standard Chartered Securities (Hong Kong) Limited – HK\$59.7 million
Morgan Stanley Asia Limited – HK\$224 million

Merrill Lynch Far East Limited – HK\$128 million

The SFC advised that these enforcement actions for sponsor failures show that they place on very high standards of sponsors' conduct to protect the investors and maintain the integrity and reputation of Hong Kong financial markets. They believe these sanctions deliver a strong and clear message to the market that the SFC will take actions on sponsors for any misconduct seriously. Please refer to the [SFC's webpage](#) for further details.

Taxation

13. Announcements by the Inland Revenue Department ("IRD")

- Gazettal of
 - [Inland Revenue \(Amendment\) \(No. 2\) Ordinance 2019 \(Amendment Ordinance\)](#)
 - [Inland Revenue \(Amendment\) \(Tax Concessions\) Bill 2019](#)
- [EU's removal of Hong Kong from watchlist on tax co-operation](#)
- [Passage of Inland Revenue and MPF Schemes Legislation \(Tax Deductions for Annuity Premiums and MPF Voluntary Contributions\) \(Amendment\) Bill 2018](#)
- [Stamp Duty statistics \(February 2019\)](#)
- [Country-by-Country Reporting – Notification Deadline](#)
The deadline for making [country-by-country \(CbC\) reporting](#) notification to the Inland Revenue Department via the CbC reporting portal for companies with accounting period beginning on 1 Jan 2018 is now [extended to 15 May 2019](#).
- [Block extension scheme for lodgement of 2018/19 tax returns](#)
- Legislative Council questions on [defaults on payments owed to the Government and public organisations](#), and [non-liability for payment, remission and refund of stamp duty](#)

14. Liaison meeting with the Guangdong Provincial Tax Service and the Shenzhen Tax Service

The Taxation Faculty's China Tax Subcommittee has recently held its annual

liaison meetings on cross-border tax issues with the Guangdong Provincial Tax Service and the Shenzhen Tax Service, State Taxation Administration. [The notes of the meetings](#) are now available in Chinese (simplified and traditional versions).

Legislation & Other Initiatives

15. Anti-Money Laundering Notices

For the current lists of terrorists, terrorist associates and relevant persons/ entities under United Nations ("UN") sanctions, members should refer to [the Institute's AML webpage](#) which is updated regularly. The United Nations Sanctions webpage of the [Commerce and Economic Development Bureau](#) contains consolidated lists of UN sanctions currently in force in Hong Kong.

16. Anti-Money Laundering/ Counter-Terrorist Financing ("AML/CFT") Guidance

For mandatory guidelines and information from the Institute on the AML/CFT requirements for members, see the Institute's ["Guidelines on Anti-Money Laundering and Counter-Terrorist Financing for Professional Accountants"](#).

Members who are licensed to provide trust or company services should also see the [Guideline on Compliance of Anti-Money Laundering and Counter-Terrorist Financing Requirements for Trust or Company Service Providers](#), by Companies Registry.

Members should ensure that they are aware of the [Hong Kong Money Laundering and Terrorist Financing Risk Assessment Report](#) (in particular Chapter 6, covering designated non-financial businesses and professions), which indicates ML/TF risks and vulnerabilities in the Hong Kong market.

Useful Resources

17. Other Publications

- (i) The HKEX has published:
 - [Report](#) on initial public offering applications, delisting and suspensions as at 29 March 2019
 - [Updates and Streamlines Guidance Materials](#)
 - [The Listing Committee Report in 2018](#)
- (ii) The Financial Reporting Council has published:
 - [Operations Statistics for Review of Complaints](#) during 2019
 - [Operations Statistics for Investigations and Enquiry](#) during 2019
- (iii) Other publications:
 - [Three priorities for building future finance leaders](#) by Financial Management
 - [What CPAs need to know to succeed in new tech age](#) by Journal of Accountancy
 - [Rise of tech requires CPAs to trust in human abilities](#) by CPA Insider
 - [CFOs Look to AI to Help Drive Digital Transformation](#) by Wall Street Journal
 - [Three Technologies Transforming Accounting, Finance and Tax](#) by Accounting Today
 - [How Technology and Data are Transforming Accounting and Audit](#) by In the Black
 - [How to Grow Your Practice with Automation](#) by CPA Practice Advisor