



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



TechWatch

News at a glance

Issue 201 • July 2019

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. Invitations to Comment

The Institute is seeking comments on:

- [IASB Exposure Draft ED/2019/2](#) Annual Improvements to IFRS Standards 2018-2020 by **22 July 2019**
- [IASB Exposure Draft ED/2019/3](#) Reference to the Conceptual Framework - Proposed amendments to IFRS 3 by **23 August 2019**
- [IASB Exposure Draft ED/2019/04](#) Amendments to IFRS 17 by **19 August 2019**
- [IAASB Discussion Paper](#) Audits of Less Complex Entities by **12 August 2019**

2. Institute Submissions

The Institute commented on:

- [IAASB Consultation Paper](#) Proposed Strategy for 2020-2023 and Work Plan for 2020-2021
- [IAASB Consultation Paper](#) Extended External Reporting (EER) Assurance
- [IAASB Exposure Drafts](#) Quality Management for Firms and Engagements
- [IASB Exposure Draft ED/2019/1](#) Interest Rate Benchmark Reform - Proposed amendments to IFRS 9 and IAS 39

International Updates

3. International Updates

Audit and assurance

- IFAC Audit of Less Complex Entities [Survey](#)

- IAASB Audits of Less Complex Entities [Webinars](#)
- IAASB Highlights [Podcast](#) of June 2019 Meeting

Ethics

- IFAC articles:
[Dealing with Ethical Dilemmas with Confidence](#)
[Paying Professional Ethics More than Lip Service](#)
- IESBA Highlights [Podcast](#) of June 2019 Meeting
- IESBA [eCode](#)

Financial Reporting

- The June 2019 IASB [Update](#) and [Podcast](#) is now available with the updated [work plan](#).
- The June 2019 [IFRIC Update](#) includes a summary of the decisions reached by the IFRS Interpretations Committee in its public meeting. In particular, it includes an [agenda decision](#) which explains how an entity applies existing IFRS Standards to holdings of cryptocurrencies. The Institute has previously submitted [comments](#) on the related tentative agenda decision.
- A [webcast](#) discussing the application of IAS 23 Borrowing costs and its interaction with IFRS 15 Revenue from Contracts with Customers was recently released in response to an [agenda decision](#) published by the IFRS Interpretations Committee.

Technical Learning and Support

4. New Programme

Click on the titles below to register:

- [Seminar: Open-ended Fund Companies – A New Corporate Fund Regime in Hong Kong](#) (19 July)
- [E-seminar: Forum on Consultation on Quality Management for Firms and Engagements](#)
- [E-seminar: Update on Revised HKSA 540 Auditing Accounting Estimates and Related Disclosures and Consequential Amendments to Other Hong Kong Standards](#)

Useful Resources

5. 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](#)

6. [LinkedIn](#)

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

Advocacy and Practice Development/Member Support

Professional Accountants in Business

7. Companies Registry Announces the Non-Hong Kong Companies Regulation

On 17 June, the Companies Registry ("CR") issued [External Circular No. 2/2019](#) to announce that the [Non-Hong Kong Companies \(Disclosure of Company Name, Place of Incorporation and Members' Limited Liability\) Regulation \(Cap. 622M\)](#) ("the Regulation") will come into operation on 1 August 2019.

The Regulation re-enacts the existing provision of section 792 of the Companies Ordinance (Cap. 622) and aligns the disclosure obligations of non-Hong Kong companies with those of Hong Kong companies.

Detailed requirements for a non-Hong Kong company on the display of its company name and place of incorporation, the disclosure of members' limited liability and related matters are provided in the Regulation. Please also click the CR External Circular for ready reference.

Small and Medium Practices

8. Participation in the IFAC Survey on Audits of Less Complex Entities

Small and Medium Practices are encouraged to participate in the [Audits of Less Complex Entities Survey](#) conducted by IFAC to explore the challenges in applying the International Standards on Auditing (ISAs) in audits of less complex entities and the possible actions to address these challenges. The survey opens until 12 September, which should take less than 5 minutes to complete.

Corporate Governance

9. Best Corporate Governance Awards 2019 Invites Entries

The Institute's Best Corporate Governance Awards ("Awards") are proud to be celebrating their 20th year. The Institute is now inviting listed companies and public sector / not-for-profit organizations to enter the Awards 2019. Take this opportunity to show support for good corporate governance by encouraging your company or public sector organization to participate in the Awards 2019. The deadline for entries is 12 August 2019. See the [pamphlet](#) for more details.

Corporate Finance

10. SFC and CSRC Hold High-level Enforcement Cooperation Meeting

The Securities and Futures Commission ("SFC") and the China Securities Regulatory Commission ("CSRC") recently held the eighth regular high-level meeting in Nanning to discuss a range of matters concerning cross-boundary enforcement cooperation.

The SFC and the CSRC, during the meeting, reached an agreement on a cooperative framework to facilitate coordinated investigations into cases of mutual concerns, under which they may jointly tackle high impact or urgent cross-boundary cases.

The two regulators also explored ways to strengthen cross-boundary enforcement cooperation, including:

- a notification mechanism for cases involving companies listed both in Hong Kong and the Mainland (i.e. issuers of A and H shares), and an evidence sharing mechanism under the IOSCO Multilateral Memorandum of Understanding; and
- organising thematic joint training and case study workshops to share investigation techniques and experiences.

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

Taxation

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

Members may wish to be aware of the following matters:

- [Comprehensive avoidance of double taxation agreement with Cambodia](#)
- [Tax obligations of property owners](#)
- [Tax obligations of taxpayers and employers](#)
- [Stamp Duty statistics \(May 2019\)](#)
- [Filing tips for 2018/19 profits tax returns](#)
- [IRD Performance Pledges 2019/20](#)

Legislation & Other Initiatives

12. Anti-Money Laundering/ Counter-Terrorist Financing ("AML/CTF") News

[The Financial Action Task Force \("FATF"\)'s Mutual Evaluation Report \("ME Report"\) of Hong Kong](#) was examined at the FATF plenary meeting on June 20 in the United States. The ME Report assesses the compliance and effectiveness of Hong Kong's anti-money laundering and counter-terrorist financing ("AML/CTF") regime against the international standards. While there will still be some follow-up work to do, Hong Kong's system has been assessed to be compliant and effective overall, making it the first jurisdiction in the Asia-Pacific region to have achieved an overall compliant result. So far only five out of 23 assessed jurisdictions have been rated overall compliant by the FATF. The final ME Report is expected to be published later in the year.

The FATF also recently published its [ME Report on the People's Republic of China](#).

13. AML/CTF Notices

(i) [FATF Public Statement](#)

A [Public Statement](#) was published on 21 June 2019 regarding one jurisdiction subject to an FATF call to apply counter-measures to protect the international financial system from the on-going and

substantial money laundering and terrorist financing risks emanating from the jurisdiction, namely Democratic People's Republic of Korea ("DPRK"), and one jurisdiction subject to a FATF call to apply enhanced due diligence measures proportionate to the risks arising from the jurisdiction, namely Iran.

(ii) **Jurisdictions which have strategic AML/CFT deficiencies which have developed action plans with the FATF**

In another document entitled **Improving Global AML/CFT Compliance: On-going Process**, FATF has identified 12 jurisdictions (namely, The Bahamas, Botswana, Cambodia, Ethiopia, Ghana, Pakistan, Panama, Sri Lanka, Syria, Trinidad and Tobago, Tunisia, Yemen) with strategic AML/CFT deficiencies. These jurisdictions have developed an action plan with FATF.

- (iii) 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.

14. AML/CFT Guidance

- (i) The FATF has published an updated **Guidance for a Risk based Approach for the Accounting Profession**. This guidance includes a general presentation of the risk-based approach ("RBA") and provides specific guidance for individual professionals, firms, and supervisors.

RBA guidance for:

- **Trust and Company Service Providers**; and
- **Legal Professionals**

have also been published by the FATF for the first time.

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"**.

- (ii) 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.
- (iii) 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

15. Other Publications

- (i) The HKEX has published:
- **Report** on initial public offering applications, delisting and suspensions as at 28 June 2019
 - Findings of **Cash Market Transaction Survey 2018**
- (ii) The SFC has published:
- **Annual Report 2018-19**
 - **Takeovers Bulletin (June 2019)**
 - **SFC Compliance Bulletin: Intermediaries (May 2019)**
- (iii) Other publications:
- **Encouraging Successful Exit Strategies-Passing the Baton** by IFAC SMPC
 - **Global Risk Landscape Report 2019** by BDO



- **Top Soft Skills Needed in Business Valuation** by AICPA
- **The Way Forward** by CPA Canada
- **Let's Talk Technology** by IAASB
- **The CA's guide to technology** by ICAS
- **How We Successfully Implemented AI in Audit** by Journal of Accountancy
- **Why finance leaders need a digital leadership mindset** by In The Black
- **What Mindfulness Can Do for a Team** by Harvard Business Review