

TechWatch 173

The latest standards and technical developments

Audit and assurance

Translation of other information in annual reports

A new frequently asked question is available: how to apply the requirements of HKSA 720 (Revised) *The Auditor's Responsibilities Relating to Other Information* to annual reports that are presented in more than one language.

Ethics

Revised ethics circular

The Institute issued a Revised Ethics Circular 1 *Guidance for Small and Medium Practitioners on the Code of Ethics for Professional Accountants*, which supersedes the previous version issued in May 2015.

Professional accountants in business

The accountancy profession playing a positive role in tackling corruption

This International Federation of Accountants' study, conducted by the Centre for Economics and Business Research, summarizes research into the crucial role professional accountants play, alongside other key actors in the economy, including business leaders, governments, and the financial sector, to tackle corruption globally. It shows that the accountancy profession, acting in the public interest, is an important part of the cure, and also confirms that the accountancy profession is a necessary part of strong national governance architectures that confront corruption,

in partnership with good government and strong businesses.

The study also shows that professional ethics, education, and oversight, at the core of the global accountancy profession, are key to the positive impact in tackling corruption.

Corporate finance

SFC proposes to standardize rules for prescribing professional investors

On 1 March, Securities and Futures Commission launched a consultation on proposed amendments to the Securities and Futures (Professional Investor) Rules.

The SFC proposes to allow joint accounts with non-associates and assets held in investment vehicles owned by individuals to be counted in ascertaining whether individuals meet the monetary threshold to qualify as professional investors. In addition, the categories of professional investors would be expanded to include corporations which have investment holding as their principal business and are wholly owned by one or more professional investors, as well as corporations which wholly own another corporation that is a qualified professional investor. Alternative forms of evidence would also be allowed to demonstrate qualification as a professional investor.

Under the proposals, the SFC envisages that more persons will qualify as professional investors. Nevertheless, intermediaries remain subject to the suitability requirement and other

fundamental requirements when serving them.

HKEX publishes revised policy statement on listing rules enforcement

Hong Kong Exchanges and Clearing has announced revised themes for enforcement of the Listing Rules and published a revised policy statement on its approach to enforcement (revised Enforcement Policy Statement) to reflect current practice and bring the statement up to date.

Modifications to the statement are as follows:

- The initial themes concerning late financial reporting resulting from internal control deficiencies and "heavily" qualified accounts have now been merged and expanded to become financial reporting – delays, or internal controls and corporate governance issues.
- As for the initial theme concerning failure of issuers (subject to prolonged trading suspension) and their directors to address the HKEX's concerns in a timely manner to procure trading resumption as soon as possible, it has now been expanded to become delayed trading resumption which also covers prolonged trading halts.
- Inaccurate, incomplete and/or misleading disclosure in corporate communication; failure to comply with procedural requirements in respect of notifiable or connected transactions; and repeated breaches of the Listing Rules are introduced as new themes.



It should be noted that HKEX also pursues any other breaches of the Listing Rules that may demonstrate sufficiently egregious conduct.

Taxation

Announcements by the Inland Revenue Department

Members may wish to be aware of the following matters:

- The Inland Revenue (Amendment) Bill 2017 gazetted, to implement the concessionary revenue measures proposed in the 2017-18 Budget.
- The new tax treaty between Hong Kong and Pakistan.
- An extension of the interim administrative measure to file 2016-17 profits tax returns on a fair value basis.
- The Departmental Interpretation and Practice Notes No. 53 on tax treatment of regulatory capital securities.
- The expiry of the Revenue (Reduction of Business Registration Fees) Order 2016.
- Inland Revenue (Amendment) (No.2) Bill 2017 gazetted. The bill proposes profits tax concessions in relation to the aircraft leasing business.

Legislation and other initiatives

Corporate Registers Forum 2017

The Corporate Registers Forum is an annual platform for authorities of corporate and business registers around the world to exchange experience and information on current operation

and future development initiatives of corporate registration systems, and review the latest developments in corporate and business registers.

The 14th annual Corporate Registers Forum, with the theme of "Corporate Registries – Challenges and Opportunities, Today and Tomorrow," took place in Hong Kong on 7-10 March. The programme featured discussions of topics on corporate registries, including disclosure of beneficial ownership of companies, technological collaboration and results of the international business registers survey.

Details about the forum are available on its official website, including the presentation materials.

Consultations on anti-money laundering regulation and disclosure of beneficial ownership

The government has recently conducted two consultations on related issues, namely, *Enhancing Anti-Money Laundering Regulation of Designated Non-Financial Businesses and Professions* and *Enhancing Transparency of Beneficial Ownership of Hong Kong Companies*. The Institute has responded to these consultations.

In its submission on the AML consultation, the Institute indicates support, in principle, for legislation on customer due diligence and record-keeping and agrees that the relevant professional bodies or authorities should be charged with regulating their own sector for AML compliance. At the same time, various potential regulatory gaps are pointed out and, in relation to the proposed

licensing of trust and company services providers, the Institute recommends that a longer transitional period be allowed for the existing service providers to apply for licences.

In the submission on the beneficial ownership consultation, while the Institute is supportive of the setting up of beneficial ownership registers, to reinforce Hong Kong's transparency as an international financial centre and to facilitate the adoption of international standards, it is recommended that the registers should not be made fully accessible to the public at this stage. The Institute also suggests that greater clarity is needed on the definition of the threshold for disclosure and the responsibilities and potential liabilities of the different parties who may be involved in the arrangements.



Please refer to the full version of TechWatch 173, available as a PDF on the Institute's website: www.hkicpa.org.hk