

REVIEW TIMES

MARCH 2018



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1. Technical Updates

RT brings to you the latest Technical Updates on Audit and Assurance, Financial Reporting, Business Regulation and Ethics in Singapore and other global regulatory bodies and their implications thereof.

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1. FINANCIAL REPORTING

(SINGAPORE)

1.1 ASC makes narrow-scope amendments to four standards

On 7 March 2018, the Singapore Accounting Standards Council (ASC) made narrow-scope amendments to four standards by issuing *Annual Improvements to SFRS(I)s 2015-2017 Cycle and Improvements to FRSs (March 2018)*.

The amendments made are as follows:

Amended Standard	The amendments clarify that:
SFRS(I) 3/ FRS 103 <i>Business Combinations</i>	A company remeasures its previously held interest in a joint operation when it obtains control of the business.
SFRS(I) 11/ FRS 111 <i>Joint Arrangements</i>	A company does not remeasure its previously held interest in a joint operation when it obtains joint control of the business.
SFRS(I) 1-12/ FRS 12 <i>Income Taxes</i>	A company accounts for all income tax consequences of dividend payments in the same way.
SFRS(I) 1-23/ FRS 23 <i>Borrowing Costs</i>	A company treats as part of general borrowings any borrowing originally made to develop an asset when the asset is ready for its intended use or sale.

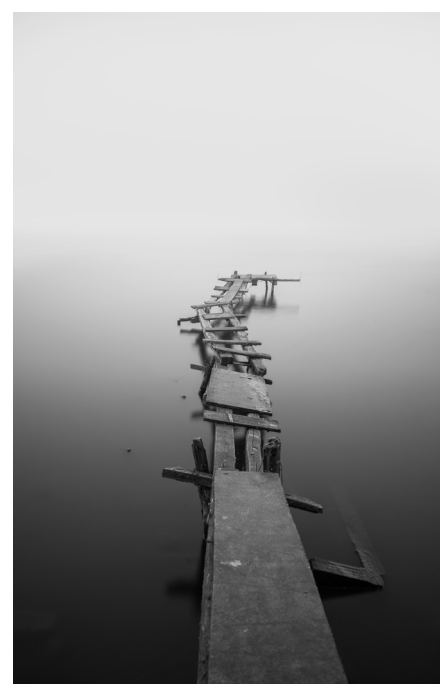
The amendments are effective from 1 January 2019, with early application permitted.

1.2 ASC issues guidance on accounting for financial guarantee contracts under the SFRS for Small Entities

On 7 March 2018, the ASC issued a guidance for the Singapore Financial Reporting Standard (SFRS) for Small Entities in the form of a question-and-answer document (Q&A) which advises how an issuer should account for financial guarantee contracts.

The Q&A is known as follows: "SFRS for Small Entities Q&A Section 12, Issue 1: Accounting for financial guarantee contracts in individual or separate financial statements of issuer"

To access the Q&A, please go to the following URL: <http://bit.ly/2pch6Ox>



2. ETHICS (SINGAPORE)

2.1 ISCA issues FAQs on definition, identification and determination of Key Audit Partners



On 14 March 2018, the Institute of Singapore Chartered Accountants (ISCA) announced that it has issued Ethics Pronouncement (EP) 100 Implementation Guidance (IG) 2.

EP 100 IG 2 is issued to provide clarification on the definition, identification and determination of Key Audit Partners (KAPs).

Matters discussed include “key decisions or judgment” and indicators to identify significant subsidiaries and divisions. In certain situations, an audit partner responsible for the audit of significant subsidiaries or divisions may not be determined to be an “other KAP” of the group audit engagement. Paragraph 1.2 of EP 100 IG 2 highlights the need for the engagement team to document its basis in arriving at this conclusion.

The FAQs in EP 100 IG 2 are meant to provide broad guidance when assessing if a partner is a KAP. They address certain illustrative scenarios and are not meant to be an exhaustive list.

To access EP 100 IG 2, please go to the following URL: <http://bit.ly/2Ds3N0M>

2.2 FATF issues Guidance on Private Sector Information Sharing and Revised INR.18

The Financial Action Task Force (FATF), the international standards setter for anti-money laundering and counter-financing of terrorism (AML/CFT), has published a Guidance on Private Sector Information Sharing ("the Guidance"). FATF has also made revisions to its Interpretative Note to Recommendation 18 (INR.18) which relates to financial groups' internal controls, and their foreign branches and subsidiaries. These developments underpin the importance of effective information sharing, as one of the cornerstones of a well-functioning AML/CFT framework.

The Guidance clarifies the FATF's Standards on information sharing: a) on a group-wide basis; and b) between financial institutions not belonging to the same financial group. It highlights some legal constraints (e.g. requirements arising from differing data protection and privacy regimes) and operational challenges (e.g. restriction on outsourcing arrangements) that could hinder such information sharing and recommends ways to address them. It also provides an update on international developments on information sharing and country examples to facilitate information sharing within the group and between financial institutions not part of the same group, beyond that envisioned under the FATF Standards.

The revisions to INR.18 clarify the requirements on the sharing of information relating to unusual or suspicious transactions within the financial group. Amendments have also been made to Recommendation 21, to clarify that tipping off provisions are not intended to inhibit information sharing as required under Recommendation 18.

To access the Guidance, please go to the following URL: <http://bit.ly/2pg1Klh>



2.3 FATF Issues Updated Public Statement on Strategic Deficiencies in AML/CFT Regimes

The Financial Action Task Force (FATF) has issued an updated Public Statement that highlighted the strategic deficiencies in some anti-money laundering and counter-financing of terrorism (AML/CFT) regimes. Accountants should accord due consideration to the FATF Statement and take appropriate actions and level of due diligence measures in accordance with Ethics Pronouncement 200.

Separately, the FATF also issued an updated Statement on its on-going process to improve global AML/CFT compliance. This statement provides information on a list of jurisdictions that have committed to action plans to address and strengthen their respective AML/CFT deficiencies, and would assist financial institutions and relevant non-financial institutions in risk assessment and mitigation.

To access the February 2018 FATF Statement, please go to the following URL: <http://bit.ly/2IpRupD>

3. FINANCIAL REPORTING (MALAYSIA)

3.1 MASB issues narrow-scope amendments to pension accounting

On 15 March 2018, the Malaysian Accounting Standards Board (MASB) issued *Plan Amendment, Curtailment or Settlement (Amendments to MFRS 119)*. The amendments to MFRS 119 *Employee Benefits* are word-for-word *Plan Amendment, Curtailment or Settlement (Amendments to IAS 19)* issued by the International Accounting Standards Board.

The amendments require an entity to use updated actuarial assumptions to determine current service cost and net interest for the remainder of the annual reporting period after the plan amendment, curtailment or settlement when the entity remeasures its net defined benefit liability (asset). Using updated assumptions provide more useful information to users of financial statements and enhance the

understandability of financial statements. Before the amendments, MFRS 119 did not require an entity to use updated assumptions to determine current service cost and net interest for the period when changes to a defined benefit pension plan occur.

The amendments are effective for annual periods beginning on or after 1 January 2019. Earlier application is permitted.

For further information, please go to the following URL: <http://bit.ly/2IriYLr>

4. REGULATORY & BUSINESS (MALAYSIA)

4.1 Stamp duty exemption on trades in shares of small and mid-cap companies on Bursa Malaysia

Bursa Malaysia Securities has announced that from 1 March 2018 until 28 February 2021, stamp duty on trades in shares of small and mid-cap companies will be waived. The stamp duty exemption is applicable to companies listed on Bursa Malaysia Securities with a market capitalisation ranging from RM200 million – RM2 billion as at 31 December 2017 for eligibility in 2018. For eligibility in 2019, 2020 and 2021, the list of companies will be based on their market capitalization as at 31 December 2018, 31 December 2019, and 31 December 2020 respectively. The list of companies will be static until the annual reviews.

To access the full list of those companies, please go to Bursa Malaysia's website at the following URL: <http://bit.ly/2DrrzKr>

5. REGULATORY & BUSINESS (ASEAN)

5.1 Retail investors in Malaysia, Singapore and Thailand to have wider access to fund managers across the three countries

The Securities Commission Malaysia, the Monetary Authority of Singapore, and the Securities and Exchange Commission of Thailand have signed a Memorandum of Understanding to enhance the ASEAN Collective Investment Schemes (CIS) Framework. The Framework enables fund managers operating in one jurisdiction to offer funds constituted and approved in that jurisdiction to retail investors in the other two jurisdictions under a streamlined authorisation process.

The revised Framework, which incorporates feedback from extensive industry consultations, seeks to promote more cross-border offerings of ASEAN funds and allow fund managers to offer a broader range of fund products to investors in the region. The key enhancements to the Framework will:

- enable a wider range of fund managers to participate in the framework by lowering qualifying criteria to US\$350 million assets under management from the US\$500 million;
- shorten the time-to-market for the launch of funds, as the signatories have committed to reviewing within 21 calendar days a complete application from fund managers for the authorisation of a fund; and
- give participating fund managers more flexibility to delegate the investment management of a fund by increasing from 20% to 100% the proportion of the fund's assets that can be sub-managed by a manager that is not regulated by a signatory.

The revised Framework took effect on 23 February 2018.

The new set of "Standards of Qualifying CIS" which fund managers under the ASEAN CIS Framework have to adhere to can be found at the following URL: <http://bit.ly/2FFE7DG>

2. Viewpoint from RT ASEAN

Our experts from across RT ASEAN are proud to bring you the latest talk and buzz in the Financial, Digital & Legal Industry.

Extending the long arm of the law – extra territoriality and the General Data Protection Regulation (GDPR)

Currently, application of the EU Data Protection Directive is based upon the location of data processing. This approach attracted criticism because it allows organisations processing the personal data of individuals in the EU to avoid compliance with the Directive by locating their business (and often their servers) outside the EU.

The GDPR seeks to address this loophole by extending the application of the legislation to take into account not only the location of the processing but also the location of the individual whose personal data is being processed. As such, the GDPR will be binding on organisations outside the EU if they process personal data:

1. in the context of an establishment of a controller or a processor in the EU;
2. relating to the offer of goods or services to individuals in the EU (e.g. via a website offering delivery to the EU); or
3. relating to the monitoring of the behaviour of individuals in the EU (e.g. by using cookies to track an individual's activity on the internet).

Offering goods and services

In relation to the offering of goods and services, the GDPR is clear that the absence of payment does not affect the analysis. The recitals to the GDPR provide further explanatory guidance. Recital 23 provides that "the mere accessibility of the controller's, processor's [...] website in the union, of an email address or of other contact details, or the use of a language generally used in the third country where the controller is established, is insufficient to ascertain such intention." Recital 24 then further provides that the following factors are strong indicators of offering goods or services to EU residents:

- **language** – using the language of a Member State where that language is not relevant to customers in the home state (i.e. a Chinese web shop with a website available in English, French and German);
- **currency** – using the currency of a Member State where that currency is not generally used in the home state;
- **delivery** – offering delivery to a Member State; or
reference to citizens – referencing EU residents.

Monitoring

Under Recital 24 of the GDPR "monitoring" is described as relating to the tracking of individuals online, including where this is used to take decisions to analyse/predict personal preferences, behaviours and attitudes (profiling).

The Article 29 Working Party further provides examples of monitoring including:

- online behavioural advertising;
- travel data of individuals using a city's public transport system (e.g. tracking via travel cards);
- profiling and scoring for the purposes of risk assessment (e.g. for purposes of credit scoring, establishment of insurance premiums, fraud prevention, detection of money-laundering);
- location tracking, for example, by mobile apps; and
- monitoring of wellness, fitness and health data via wearable devices.

Perhaps to address concerns regarding enforceability, Article 27 of the GDPR provides that non-EU controllers and processors caught by the requirements of Article 3(2) (i.e. offering goods and services to EU residents, or monitoring their behaviour) must designate a representative in the EU.

The GDPR goes on to say that:

- the representative must be co-located in the Member State "where the data subjects are whose personal data are processed in relation to the offering of goods or services to them, or whose behaviour is monitored";
- the representative must be mandated by the controller or processor to be addressed "in addition to or instead of the controller or the processor by, in particular, supervisory authorities and data subjects, on all issues related to processing, for the purpose of ensuring compliance with the Regulation"; and
- the designation of a representative is without prejudice to legal action that could be initiated against the controller or processor themselves.

Whilst an obvious hook to address concerns regarding enforceability of the GDPR against non-EU entities, these representative provisions do raise the question as to why anyone would want to accept a representative role. Especially given that a representative cannot force their principal to comply, but could still be liable for non-compliance.

Regardless of enforcement issues, it is clear that the GDPR will have far-reaching implications for non-EU entities and as such, its requirements must be taken into account by organisations around the world. Non-EU organisations that were not previously caught by the Directive should be assessing whether their activities will place them within the reach of the GDPR and the EU regulators, and prepare accordingly.



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3. Member of the Month

Each month we bring you insights and “behind-the-scene” information of the members of RT ASEAN.





V Chartered Accountants Co., Ltd

Written By: Seng Savuth

Prioritizing Quality Service and Client Satisfaction in Cambodia

VCA was formed in 2010. The Ministry of Commerce with Reg. No.Co.2042KH2011 and the KICPAA with Reg. No. Co-No. 00049. We started with one office in Sihanouk Ville with a small group of staff with few clients. Eight years later, with experiences and lessons learnt from our clients and government officials, we opened our second office in Phnom Penh and simultaneously increased our staff strength from 5 to 25 staff. The number of Clients grew from 8 to 150 clients (audit, accounting and tax declaration services). Most of our Clients come from

the Hotel/Resort and Spa, Logistic, Listed, Manufacturing/Dealing in precision/Assemble, NGOs, UN projects, Government projects, Power generation and distribution, Telecommunication and Real estate industries in Cambodia. Our services include: auditing, accounting, taxation, business advisory, financial management consultancy, cost and management accounting, and human resources.

Setting Up a HR Service Arm

We recently hired Mr. Savuth Seng who obtained a Master of Business Administration through International Short Course

Programs. Savuth has 22 years' experience with NGOs in the field of human resource management and research and 14 years in senior management role. With his leadership and professionals, we are planning to expand our Human Resource services to our clients.

HR Services:

- Executive Search & Selection
- HR Audit (compliance both Cambodia laws and internal regulations/policies)
- HR strategy and policy development
- Job Evaluation and Job Description (HAY method)
- Training and Development



SAVUTH SENG

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