

APERCU

AUGUST 2021

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WILL THE COVID-19 PANDEMIC REPLACE TRADITIONAL EMPLOYMENT WITH THE 'SLASHIE' CULTURE?



The final episode of a local TV series about the work life of 'slashies' was broadcast at the end of April 2021. The storyline focused on people who have multiple careers in order to pursue a variety of interests and secure several income streams, rather than staying in regular nine-to-five jobs.

What is a 'slashies'? American author Marci Alboher popularised this phrase in her book *One Person/ Multiple Careers: The Original Guide to Slash Careers*, published in 2007. A slash career is one in which a person with many passions and career focuses makes multiple incomes from different careers at the same time. To take one of the main characters in the TV series as an example, he held down many jobs at the same time; he was a waiter, a takeaway courier, a photographer, a personal image consultant and a private investigator, to name just a few of his roles.

To a certain extent, being a slashie is similar to being a freelancer or an independent contractor in the gig economy, but there are some differences.

Freelancers or independent contractors work on an hourly or per project basis, and they are usually hired to match a company's peaks and troughs or for the purpose of bridging a skills gap or staff shortfall in a corporation's existing workforce. On the other hand, the work that slashies do is more formalised, and they would apply for similar roles that full-time employees would apply for.

Since the outbreak of COVID-19 in January 2020, corporations and government offices in many countries have changed their traditional working practices, and the new norm of 'working from home' has changed people's mindsets about work. Technological advances and the economic downturn caused by lockdowns and the need for social distancing during COVID-19 have also led

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to more people being interested in becoming a slashie, a gig worker or self-employed in order to meet their financial needs and achieve a better work-life balance. This is especially true for people whose permanent employment has become less secure.

There are pros and cons of being a slashie, a gig worker or self-employed. Because they don't have a formal employment relationship with their clients, they have more flexibility and choice about where they work, the careers they pursue and how long they work for, making it easier to find a good work-life balance. On the other hand, they don't usually have the stability of a regular salary from a traditional employment relationship, and they cannot benefit from the employee protection that an employer has to provide by law. In addition, there is no guarantee about the amount of work and income they will have, especially when government measures to prevent the spread of COVID-19 stop them from providing services to clients.

In Hong Kong, increasing numbers of slashies, gig workers or self-employed workers are being hired on a full-time or part-time basis due to the growth of online platform businesses (such as food delivery and ride-hailing services). More conventional business sectors, such as retail, banking and finance, and information technology, have also started to hire these workers to bolster their permanent workforce to meet temporary increases in demand. The growth of the demand for such a flexible working population has contributed to a rapid increase in slashies and self-employed workers in Hong Kong.

The statistics do not differentiate between slashies, gig workers and self-employed workers, so estimates of their numbers can only make reference to the Census and Statistics Department's 2019 statistics on self-employed people. According to the 2019 statistics, there were 224,100 self-employed workers, representing 6.4% of the total employed population. The above statistic does not account for the impact of the economic downturn caused by the COVID-19 pandemic. However, we anticipate that there has been a significant increase in the number of self-employed workers since the 2019 statistics were published.

For organisations that are considering hiring one or more individuals to provide services, it is important to evaluate the costs and benefits, and to consider the law that applies when employing someone or engaging a self-employed worker. In Hong Kong, however, the law is unclear about the distinction between 'employee' and 'self-employed worker'. According to the Labour Department, there is no single and conclusive test that distinguishes an employee from a contractor or self-employed worker, and in court cases all the relevant factors are considered on a case-by-case basis. In general, the important factors to consider include:

- (a) The control test: does the organisation control the individual's work procedures, their working hours and how they provide services?
- (b) Does the organisation provide the individual with the equipment, tools and materials they need to do their job, or does the individual have to supply those things?
- (c) The economic test: is the individual carrying on a business in their own right, with investment and management responsibilities?
- (d) Is the individual properly regarded as part of the employer's organisation?
- (e) Is the individual free to hire others to assist them in their work?

When hiring an individual, it is vital that organisations document properly whether they are doing so under an employment relationship or a principal/self-employed person/contractor relationship. Organisations should provide unambiguous terms of employment or engagement in the employment contract or service agreement between the two parties in order to avoid misunderstandings and legal action for misclassifying an individual's employment status as a self-employed worker or contractor.

Since early 2020, Hong Kong has been facing very challenging economic circumstances due to a heavy blow from the COVID-19 pandemic, amid a combination of internal and external factors including geopolitical uncertainty and volatility in the global financial market. Many business sectors are operating in a harsh business environment and are

having to find ways to reduce their operating costs. Employers who are less ethical may be tempted to avoid providing the employment benefits that their employees are entitled to by making them 'self-employed'. During the pandemic, the Labour Department has received far more complaints from employees about such false self-employment. In response, the Labour Department has taken measures to educate employees about the difference between genuine and false self-employment – and it has taken strong action against those employers who have been involved in cases of false self-employment. Still, perhaps the government of the Hong Kong SAR needs to consider introducing a new law to regulate the scenarios of employment and self-employment, or following the recent approaches taken by the United States and the European Union to enhance the legal labour rights of slashies, gig workers and self-employed workers. On the other hand, employers themselves should be mindful of the possible negative consequences of unilaterally proposing a change in their employees' status to contractors or self-employed workers. Employees could, for example, make a claim for remedies against the employer based on unreasonable changes in the terms of their employment contract under the Employment Ordinance. They could also make a claim for 'termination compensation' from their employer under the Common Law, on the grounds of constructive dismissal. A conviction could be detrimental to the employer's business – possibly resulting in financial costs of compensation, lengthy legal proceedings and damage to the company's reputation.

Speak to our payroll professionals

Feel free to get in touch to find out how we can help you by providing a tailored solution for payroll & HR outsourcing.

JOSEPH HONG

Payroll and HR Outsourcing Services
josephhong@bdo.com.hk



KENNETH YEO HAS BEEN ELECTED AS THE CHAIRMAN OF RIFEC OF THE HKICPA

Director and Head of Specialist Advisory Kenneth Yeo has been elected as the Chairman of the Restructuring and Insolvency Faculty Executive Committee (RIFEC) 2021 of the Hong Kong Institute of Certified Public Accountants (HKICPA). Kenneth's professional knowledge and solid experience in insolvency work will certainly be a valuable asset to HKICPA.



THE MONEY LAUNDERING CASES YOU NEED TO KNOW ABOUT

In the April 2021 issue of APERCU, we set out the lessons learned from the most significant money laundering case of 2020 – the 1Malaysia Development Berhad (1MDB) scandal. In this article, we review the rest of the significant money laundering cases that came to light in 2020.

Significant money laundering cases in 2020

Company	Places affected:	Fine:
Goldman Sachs (the 1MDB case)	USA, Malaysia, Hong Kong	US\$2.9 billion (USA) + US\$2.5 billion (MY) + US\$0.35 billion (HK)
Cases related to Danske Bank	Denmark, Estonia, Russia and other European countries	12 billion Danish kroner (EST) (US\$1.9 billion)
Westpac	Australia	A\$1.3 billion (US\$1 billion)
Commerzbank	UK	£38 million (US\$50 million)

1) DANSKE BANK OF DENMARK (EUROPE)



Background

In September 2020, the US courts dismissed a class action on securities fraud against Danske Bank in relation to a huge money laundering scandal. However, according to one reported estimate, Danske Bank will still have to pay a total of 12 billion Danish kroner (about US\$1.9 billion) in fines and damages to its shareholders and the authorities.

A report on the non-resident portfolio at Danske Bank's Estonian branch, prepared by Danish law firm Bruun & Hjejle, was issued in September 2018. The bank's Chief Executive Officer resigned after admitting that around €200 billion of questionable money had flowed through the Danish bank's Estonian branch from 2007 to 2015. To put this figure in context, the gross domestic product (GDP) of Estonia in 2017 was €29 billion and the GDP of Denmark itself was €324 billion. It was believed to be the largest ever figure for money laundering case.

Facts

How did it start?

- In 2007, Danske Bank acquired the Finnish-based Sampo Bank, which had a subsidiary in Estonia with a portfolio of non-resident customers (the non-resident portfolio). The presence of these customers was due to the strong ties between the Baltic States and Russia at the time.
- The non-resident portfolio was managed by a separate group of employees. They were, named the International Banking Department from 2013 and renamed the International Banking Division (IBD) in March 2015. By the end of 2015, the IBD had been disbanded and most of the accounts in the non-resident portfolio had been terminated. From 2007 to 2015, the non-resident portfolio included approximately 10,000 customers in total. These were all under investigation. The money that flowed in and out of the non-resident portfolio to external parties was estimated to be €200 billion.

Why did the anti-money laundering procedures fail?

- The Estonian branch operated its own IT platform, which was not covered by the same customer systems and transaction and risk-monitoring procedures as the rest of the banking group. A lot of the customer information was kept in Estonian or Russian. The bank's management wrongly believed that the potential threats of high-risk non-resident customers were being mitigated by appropriate anti-money laundering procedures.
- In 2014, following a whistle-blower alert and a new report from Group Internal Audit (GIA), Danske Bank Group became aware that their misconceptions and noted the following failures:
 - a) The anti-money laundering procedures for the non-resident portfolio were insufficient and inadequate.
 - b) All the control functions that made up the bank's lines of defence failed, including the business functions, Group Compliance and Anti-Money Laundering and GIA. In particular:
 - (i) there was insufficient knowledge of customers, their beneficial owners and controlling interests, and their sources of funds;
 - (ii) screening of customers and payments were done manually and were insufficient; and
 - (iii) there was lack of response to suspicious customers and transactions.

Outcomes of the investigation

- When 6,200 customers in the non-resident portfolio were examined, most were found to be suspicious. The customers who were deemed suspicious were reported to the relevant Estonian authority.
- Former and existing employees of the Estonian branch, along with former agents of the branch, were examined for suspicious activity. Of these, 42 were found to have been involved in some suspicious activity.

Action taken

- At the end of 2015, Danske closed down the bulk of its non-resident portfolio in Estonia.
- By March 2016, Denmark's financial regulator reported Danske Bank to the police for breaching anti-money laundering rules and censured it for failing to identify and reduce 'significant money laundering risks' in its Estonian branch.

Red flags and missed opportunities

- In 2007, the Estonian financial services regulator issued a critical inspection report. In addition, the Danske Bank Group received specific information from the Russian Central Bank, through the Danish regulator, pointing to possible 'tax and custom payments evasion' and 'criminal activity in its pure form, including money laundering', estimated at 'billions of roubles monthly'. However, Danske Bank missed this first opportunity to correct the problem.
- In 2008, plans to migrate the Baltic banking activities to the group's IT platform were abandoned due to costs.
- Business presentations on the Estonian branch included little or no information about the non-resident portfolio, despite its importance for the profitability of the branch.
- From 2011 to 2013, reporting on the Estonian branch from Group Compliance was reassuring overall, and the reporting from GIA was also generally positive.
- In 2013, a correspondent bank clearing USD transactions out of the Estonian branch ended the correspondent banking relationship on the grounds of anti-money laundering.
- Despite these red flags, the whistle-blower's alert and GIA report in 2014, the relationship with the non-resident portfolio was not terminated until 2015.

Lessons learned

Compliance due diligence is as important as financial due diligence during an acquisition, especially when the target is in a regulated industry.

- Missed opportunities to rectify potential non-compliance can cost a company millions or even billions of dollars.
- Inconsistently applying control procedures, including compliance and anti-money laundering procedures, can lead to misleading results and information gaps that allow non-compliance to go undetected.
- A centralised IT system can be critical for compliance and performance monitoring.
- All lines of defence (including compliance and IA) should perform their role with diligence to identify significant risks in the business units.

AUSTRALIA

2) WESTPAC (AUSTRALIA)

**Background**

In September 2020, it was reported that Westpac Bank had negotiated the payment of a record fine of A\$1.3 billion for Australia's biggest breach of the law on money laundering.

In 2019, the Australian regulator found that the bank had failed to adequately report over 19 million international transactions. Concerns had been raised when the regulator identified payments made to operators suspected to be involved in child exploitation in the Philippines.

Facts

- The penalty of A\$1.3 billion is the largest ever civil penalty in Australian history.
- The bank failed to report over 19 million international transactions that occurred between 2013 and 2019 and amounted to more than A\$11 billion.
- The bank did not retain records or carry out due diligence checks with potentially high-risk overseas banks. It maintained relationships with offshore banks without assessing their connections, products, customers or payments, even when those banks had relationships with 'high risk or sanctioned countries' (eg Iraq, Lebanon, Ukraine, Zimbabwe and Congo).
- The bank should have carried out appropriate customer due diligence in relation to suspicious transactions associated with possible child exploitation.
- The bank failed to pass on information about the origin of fund transfers to other banks for their management of money laundering risks, and it failed to keep records on the origin of these fund transfers.

Lessons learned

- Record-keeping is essential in anti-money laundering compliance. Performing work without keeping the associated records cannot be considered sufficient for compliance purposes.
- Relationships with banks cannot be assumed to be low risk without performing due diligence. There are lists of jurisdictions that are considered to be acceptable by the regulators. Elsewhere, these banking relationships should be evaluated in the same way as for all other business relationships.
- Sensitive criminal organisations such as those related to child exploitation should be identified early and be avoided in the initial stage of the business relationship. Of course, identifying these organisations requires experienced staff who have the appropriate skills in anti-money laundering.

3) COMMERZBANK (UK)



Background

In June 2020, the London branch of Commerzbank AG (Commerzbank London) was fined £37.8 million for failing to have adequate anti-money laundering systems and controls between October 2012 and September 2017.

Commerzbank London was aware of these weaknesses, as the UK regulator the Financial Conduct Authority (FCA) had raised concerns about them in 2012, 2015 and 2017. But the bank failed to take reasonable and effective steps to fix them.

Facts

- The weaknesses in Commerzbank London's anti-money laundering process persisted during a period when the FCA was publishing guidance for firms to reduce financial crime risk and was taking action on failures in anti-money laundering controls.
- In late 2012, Commerzbank London was identified that it was not conducting due diligence on all intermediaries (ie introducers and distributors). Further, Internal Audit (in 2016) and the Skilled Person, a party requested to perform a review on Commerzbank London (in 2017), identified shortcomings in the applicable financial crime controls, which were leading to deficiencies in the due diligence undertaken on intermediaries.
- The Skilled Person identified instances in which Commerzbank London identified and considered the risks associated with politically exposed persons was inadequate.
- Certain business processes did not always adhere to Commerzbank London's policy, for example, the process in verifying the beneficial ownership of clients, including high-risk clients, with a reliable and independent source. There were instances where Commerzbank London's staff were too willing to accept assurances from clients on the veracity of information on beneficial ownership.
- No comprehensive documented processes or criteria existed for terminating a relationship with an existing client because of the client's financial crime risk. For example, after Commerzbank London decided in June 2016 to offboard one client, the lack of a documented process meant that the client's account was not closed until November 2017.
- The risk and issue owners were not clearly articulated or understood by Commerzbank London's committees, which led to a lack of clarity around responsibilities.
- Commerzbank London's first and second lines of defence – tasked with carrying out key anti-money laundering controls – were under-staffed, so they could not complete know-your-client (KYC) reviews for new and existing clients in a timely manner. This led to a significant backlog in the KYC process.
- There were no set procedures in compliance for approving extensions for clients who were overdue a KYC refresh, for recording decisions or for monitoring those clients who were granted extensions. Clients were therefore able to continue to transact with Commerzbank London, despite having out-of-date customer due diligence. An internal review by Commerzbank London found that by the end of 2016, the use of the Expiry Exceptions List was out of control.
- Commerzbank London's primary transaction monitoring tool was not fit for purpose, and it did not have access to key information from certain Commerzbank transaction systems. This risked potentially suspicious transactions not being identified.

Failures

- The FCA's investigation identified the following failures at Commerzbank London:
 - a) *It failed to conduct timely periodic due diligence on its clients.*
By 1 March 2017, 1,772 clients were overdue for their updated due diligence checks. A significant number of these clients were allowed to continue to transact because of the exceptions process, which was not adequately controlled or monitored and which became 'out of control' by the end of 2016.
 - b) *It did not address long-standing weaknesses in its automated tool for monitoring the risk of money laundering.*
In 2015, there were 40 high-risk countries missing in the tool, and 1,110 high-risk clients had not been added.
 - c) *It did not have adequate policies and procedures in place when undertaking customer due diligence on clients.*

Lessons learned

Again, rectifying non-compliance matters in a timely manner is important. Missed opportunities can cost millions of pounds. If Commerzbank London had acted promptly in response to the regulator's initial findings, the fine of £38 million might have been avoided.

- Failing to comply with the rules, in particular those on anti-money laundering, should not be taken lightly. It is essential to have enough competent compliance staff to be able to perform a proper anti-money laundering process (eg clearing alerts, refreshing KYC information) to meet the operational need and the regulator's requirements.
- IT systems should be properly designed or enhanced to make sure they are fit for purpose. Otherwise, accurate information and reports may not be available or in place to meet the regulatory reporting requirements.
- Roles and responsibilities should be properly defined with the appropriate level of accountability. Confusion about management or oversight responsibilities is no longer taken lightly by the regulators.

Summary

We should all learn from the expensive lessons of these catastrophic failures and avoid them in our own organisations. These control failures were not new, but continued to exist in these international firms. We need to be diligent about identifying the potential gaps in our

systems or procedures, and rectify them before the regulators order us to do so.

We hope the information in this article helps you think again about your company's systems and processes and enhance your control procedures.

If you have any questions about anti-money laundering or compliance, please don't hesitate to contact the author of this article.

PETER PANG
Risk Advisory Services
peterpang@bdo.com.hk



XERO GLOBAL PARTNER STATUS AWARDED TO BDO

BDO is delighted to announce that we have been awarded Xero Global Partner status by Xero, and BDO is the first to receive this status. As part of a new three year global agreement, Xero will become BDO's preferred accounting solution for Business, Services and Outsourcing clients of small to medium businesses. By combining Xero's cloud-based accounting software platform with BDO's business expertise and insights, businesses can access greater support and information to build resilience and succeed.

For details, please refer to the press release: <https://www.bdo.global/en-gb/news/2021/xero-global-partner-status-awarded-to-bdo>.

BDO in Hong Kong has been a Xero Champion Partner and Certified Xero Advisor for over five years. For enquiries on Xero implementation, please contact our Business Services and Outsourcing team via csd@bdo.com.hk.



BDO IS THE DOUBLE AWARDS WINNER AT THE ASIA RECRUITMENT AWARDS 2021

BDO is pleased to announce that BDO in Hong Kong has once again been crowned as a Double Awards Winner at the Asia Recruitment Awards 2021 (ARA).

We are proud to receive, for the third year running, Gold Award – Best Client Service and the first time Bronze Award - Best Recruitment Transformation – Agency, a newly added category we entered into this year!

This is the third time BDO joined ARA – we have entered into this competition since the official launch of Professional Resources Solutions division (PRS) in January 2018. Winning such awards on the roll represents great recognition of our dedicated efforts in upholding our mission to provide

'exceptional client services' and our efforts in promoting recruitment transformation in different dimensions such as cultural, technological, strategic and people change to our clients in need.

We also appreciate our clients for their unwavering support and trust over the years!



BDO GLOBAL RISK LANDSCAPE 2021

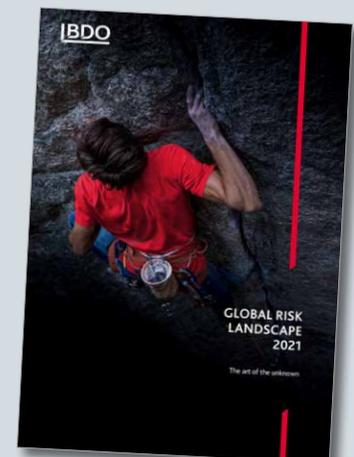
BDO Global Risk Landscape 2021 report has been published to announce the survey results of over 500 senior global business leaders on how to manage internal and external risks within their business.

The year's edition reveals the characteristics of those who have best adapted during the pandemic. From blame culture and obstacles through responsive decision-making to the adoption of technology and its associated risks, the report looks at all aspects of risk management and mitigation.

The survey's headline finding is that companies which embrace risk responded better during the pandemic than those who actively avoid it. Nearly half (48%) of companies found the pandemic to have been worse or much worse than expected. This percentage falls to a quarter (25%) among businesses that welcome risk, while double the number (52%) of risk-averse firms said they had experienced worse impacts than anticipated.

Four white papers have also been published by our global Risk Advisory teams across Europe, Middle East and Africa, Americas and APAC to deliver insight and advice on the local risks affecting their markets.

If you would like to obtain a copy of Global Risk Landscape 2021 report and Asian-Pacific regional white papers, please visit <https://www.bdo.com.hk/en-gb/insights/publications/global-risk-landscape/global-risk-landscape-2021>.



BDO EVENT HIGHLIGHTS

BDO webinars cover a wide range of business topics and hot issues to provide valuable opportunity for our participants to interact with our experienced professionals and to gain insights into today's market update and challenge.

UPDATE ON CONNECTED TRANSACTIONS REQUIREMENTS



Focusing on the definition of connected transaction, latest development of regulations and enforcements taken by the regulators on the listed companies in Hong Kong, the webinar aimed to help directors, in-house counsel, compliance officers of and lawyers acting for Hong Kong companies learn the listing rules of the Hong Kong Stock Exchange.

BDO is pleased to have **Eugene Lai**, Principal of Yang Chau Law Office shared his insights on how to ensure compliance by reviewing and revising the techniques, strategies best practices and corporate governance.



In view of the different corporate governance issues faced by companies, BDO is delighted to have Partner of ONC Lawyers **Angel Wong** and Senior Associate of ONC Lawyers **Maxwell Chan** to speak for our subscribers on the following topics.



Angel Wong

Maxwell Chan

REVIEW FOR VALUATION PROCESS: REQUIREMENTS OF FMCC & PRACTICAL ISSUES



The Fund Manager Code of Conduct (FMCC) issued by the SFC set out requirements for persons licensed by or registered with the SFC whose business involves the management of collective investment schemes (whether authorised or unauthorised) and/or discretionary accounts (in the form of an investment mandate or pre-defined model portfolio). FMCC was amended in November 2018 to include an independent review requirement on the valuation policies, procedures and process periodically (at least annually) by a competent and functionally-independent party such as a qualified independent third party or a person performing an independent audit function.

After carrying out independent review for more than one year, Director of Risk Advisory **Peter Pang** shared his observations on the review process and requirements, and the practical issues faced by the fund managers, such as the considerations of engaging third party or internal resources.



CONDUCT AND DUTIES OF DIRECTORS IN CORPORATE ACQUISITIONS OR DISPOSALS



The Securities and Futures Commission (SFC) issued 'Statement on the Conduct and Duties of Directors when Considering the Corporate Acquisitions or Disposals' (the Statement) on 4 July 2019, setting out a reminder to the directors of listed companies and their advisers of their statutory and legal duties when evaluating and approving corporate acquisitions and disposals. The SFC also further issued a regulatory bulletin in February 2020 to address concerns over some dubious transactions and to remind directors of listed issuers of their directors' duties.

To provide guidance to company officers on how to handle corporate acquisitions or disposals from compliance prospective. Angel and Maxwell introduced the Statement, and discussed the common forms of misconduct identified SFC as well as the limits set by the amended reverse takeover rules on corporate acquisitions and disposals.

PRACTICAL GUIDELINES ON DISCLOSURE OF INSIDE INFORMATION



Timely disclosure of the inside information is one of the key compliance obligation of which a listed company and its management is required to fulfil, failure of which may attract disciplinary action, civil liabilities or even prosecution by the SFC. Practically, management of the listed companies may not always be very sure about what information may constitute inside information which warrants disclosure and the extent of disclosure. They may also have difficulty in disclosing inside information in a timely manner.

Angel and Maxwell reviewed the entire regime on disclosure of inside information under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)(the SFO), together with the relevant guidelines issued by the SFC and previous cases, and the examples of failure to disclose inside information in a timely manner and the related consequences.

ROLES AND RESPONSIBILITIES OF INEDS



Nowadays, INEDs of listed companies are playing more important roles in the companies from corporate governance perspectives and they are facing more stringent responsibilities and liabilities. Regulators are now more prepared to go after INEDs when things go wrong with listed companies.

Angel and Maxwell discussed the fundamental principles governing the roles and responsibilities of INEDs under the Companies Ordinance (Cap. 622 of the laws of Hong Kong), the Listing Rules and the Corporate Governance Code and shared real-life cases of regulatory actions taken by the HKEx and SFC against INEDs.

BUSINESS ACTION ON CLIMATE RISKS AND RESILIENCE

MAY 18

The COVID-19 crisis has demonstrated how we should honestly look into the fragility of our traditional socioeconomic systems. However, a bigger, and even with a longer-term of global crisis is waiting for humanity - climate change. On average, losses caused by disasters from natural and man-made hazards cost society over several hundred billion dollars globally per year.

Business should be more resilient to climate change and understand more about the possible climate risks, which not only affect the supply chain but also its implication to company's financial performance. Director & Head of Risk Advisory **Ricky Cheng** and CEO of World Green Organisation **Dr William Yu** discussed the climate risks, policy actions and financial impacts. Business action on resilience and the setup of effective climate governance were also shared.



Ricky Cheng

Dr William Yu

ECL ESTIMATION UNDER HKFRS 9 AND DEEP DIVE INTO CLIMATE-RELATED DISCLOSURE

JUN 25 JUL 15

Recently, the Hong Kong Green and Sustainable Finance Cross-Agency Steering Group announced its plan towards mandatory Task Force on Climate-related Financial Disclosures (TCFD) by 2025, and the SFC and HKMA launched their initiatives on enhancing disclosure of climate-related risks (referencing the TCFD Recommendations) by asset managers and banks respectively.

Director & Head of Risk Advisory **Ricky Cheng** and Principal of Financial Reporting Advisory **Winnie Chan** shared their knowledge on the climate reporting landscape and application of TCFD Framework. They also introduced the ECL requirements under HKFRS 9 and the useful tips in the estimation of ECL on financial assets. Thanks goes to **Roger Leung**, Managing Director of Union Registrars Limited, for being the moderator. A rerun session was conducted on 15 July, following the overwhelming support on the webinar on 25 June.



(From left to right) Winnie Chan, Roger Leung and Ricky Cheng

PANEL DISCUSSION ON LATEST CORPORATE GOVERNANCE CONSULTATION

JUN 03

In the HKEx's consultation paper on 'Review on Corporate Governance Code and Related Listing Rules', proposals have been made specifically in the areas of corporate culture importance, the strengthening of INED independence, the implementation measures and transparency of board diversity and information, the effectiveness of communication with shareholders, and other corporate transparency promotion. ESG is also one of the highlights in the consultation.

Aiming at responding to the consultation by the submission deadline on 18 June 2021, a panel discussion was held to discuss the consultation and proposals. Director & Head of Risk Advisory **Ricky Cheng**, Director of Risk Advisory **Peter Pang** and Principal of Risk Advisory **Vivian Chow** discussed with fellow attendees on their views of the possible implication of the proposals and potential controversies as well as areas which have not been included in this consultation.



(From left to right) Vivian Chow, Ricky Cheng, Peter Pang

INSIGHTS FROM SOC REPORTING

JUL 16

In this fast-paced and interconnected business climate, organisations must demonstrate adequate controls to mitigate risk, ensure the safety and integrity of their client assets, and meet customer demands without disruption. Service organisation controls (SOC) reporting allows companies to engender trust with stakeholders by proactively taking stock of the outsourced risk and controls in place to mitigate risk and enhancing transparency over the effectiveness of these risk management efforts.

Sean Pascoe, Partner of Advisory – Operations & Governance, BDO in Sydney joined the webinar with Director of Risk Advisory **Peter Pang** and Senior Manager of Risk Advisory **Roger Lo** to discuss the cases and examples of SOC reporting and review in various industries, and highlighted the IT and other risks that cannot be ignored.



Sean Pascoe

Peter Pang

Roger Lo

BDO NEW APPOINTMENT



KENNETH WONG
Principal
Specialist Advisory Services

Kenneth Wong has been appointed as Principal of Specialist Advisory Services with effect from 1 May 2021.

Kenneth specialises in due diligence, working capital and other financial reviews, corporate acquisitions, private equity and fund raisings in a variety of business sectors for the past twelve years.

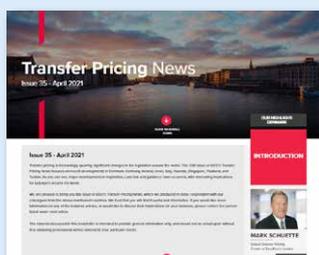
He has vast experience of managing due diligence assignments for acquisition of listed or multinational private companies, serving both private equity groups and global corporations.

Kenneth's industry experience includes company formation and corporate services, records management, IT, human resources, manufacturing, media, property, security services, medical services and equipment, insurance, education and telecoms sectors.

Kenneth is a fellow member of the ACCA.

RECENT BDO PUBLICATIONS

TAX PUBLICATIONS



Transfer pricing news
Issue 35 - April 2021



Indirect Tax News
Issue 2 - June 2021



Hong Kong Tax
June 2021 - Foreign tax deduction

HORIZONS – BDO'S QUARTERLY GLOBAL MID-MARKET REVIEW



Horizons Q2 2021

HKFRS/IFRS UPDATE

- ▶ **HKFRS/IFRS UPDATE 2021/05**
Amendments to HKAS/IAS 1, HKAS/IAS 8 and Practice Statement 2 - Disclosure of accounting policies and definition of accounting estimates
- ▶ **HKFRS/IFRS UPDATE 2021/06**
Amendments to HKAS/IAS 12 - Deferred tax related to assets and liabilities arising from a single transaction
- ▶ **HKFRS/IFRS UPDATE 2021/07**
30 June 2021 period-end HKFRS/IFRS Update



RISK ADVISORY PUBLICATIONS

- ▶ **ESG Updates**
April 2021 Issue
- ▶ **Financial Services Updates**
April 2021 Issue
- ▶ **Technology Updates**
April 2021 Issue



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