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China Accounting Alert

This edition of *China Accounting Alert* provides news and updates about financial reporting in Mainland China, IFRS and EY publications.

Mainland news and updates

- ▶ The Ministry of Finance (MOF), the State-owned Assets Supervision and Administration Commission of the State Council (SASAC) and the National Administration of Financial Regulation (NAFR) release *Notice on Strengthening the Verification of Audit Reports*

To strengthen the information-based regulation of the certified public accountant profession and enhance verification of audit reports, the MOF, the SASAC and the NAFR have released the [Notice on Strengthening the Verification of Audit Reports](#) (Cai Kuai, [2023] No.15) (The Notice). According to the Notice, an audit firm shall, as required, upload the report it issued for the audit engagement as prescribed in Article 14 of the *Law of the People's Republic of China on Certified Public Accountants* (hereinafter referred to as the "audit report") to the unified supervision platform of Chinese CPA profession (hereinafter referred to as the "unified supervision platform") and apply for a verification code. The audited entities, banks, general public, regulatory authorities and other users of audit reports may via the unified supervision platform verify whether the audit report is issued by an audit firm which has obtained the practicing license pursuant to the law, whether the audit report is filed with the unified supervision platform and the corresponding national unified verification code is obtained.

- ▶ China Securities Regulatory Commission (CSRC) issues and implements the *Measures for the Administration of Corporate Bond Issuance and Trading* and the *Standard for Contents and Formats of Information Disclosure of Companies Offering Securities to the Public No.24 - Application Documents for the Offering of Corporate Bonds to the Public*

In order to ensure stable and orderly work arrangements for corporate bonds after the transition period, the CSRC has issued and implemented the [Measures for the Administration of Corporate Bond Issuance and Trading](#) (CSRC Order [No.222], the *Administrative Measures*) and the [Standard for Contents and Formats of Information Disclosure of Companies Offering Securities to the Public No.24 - Application Documents for the Offering of Corporate Bonds to the Public](#) (CSRC Announcement [2023] No.53, the *Standard No.24*), which became effective upon release on 20 October 2023.

The amendments to the *Administrative Measures* mainly cover five aspects:

- ▶ Firstly, implementing the requirements for the reform and deployment of the Communist Party of China (CPC) and state institutions, and incorporating corporate bonds into the regulatory scope of the *Administrative Measures*, to better promote the coordinated development of corporate bonds and enterprise bonds.
- ▶ Secondly, reinforcing the requirements for preventing and combating frauds, confirming the issuer's obligations as the first responsible person for information disclosure, and improving the mechanism for systematic on-site inspection of the CSRC.
- ▶ Thirdly, strengthening the fund-raising supervision, further refining the relevant requirements for information disclosure on fund-raising, and improving the relevance of information disclosure.
- ▶ Fourthly, intensifying the supervision of non-public issuance and clarifying that the controlling shareholders, actual controllers, directors, supervisors and senior managers of the issuer shall not participate in non-public issuance.

- ▶ Fifthly, according to the *Provisions of the China Securities Regulatory Commission on the Procedures for the Implementation of Administrative Licensing* (Revised in 2023), the investigation of the principal underwriters and securities agencies and their relevant personnel will no longer be treated as a situation in which the review and registration should be suspended, so as to further enhance the standardization of the implementation of administrative licensing.

The amendments to the *Standard No.24* mainly cover two aspects:

- ▶ Firstly, for funds raised by bonds that are invested into fixed assets, it is required to provide compliance and legal documents for land, environmental assessment and planning of the investment projects, so as to strengthen the compliance of such projects.
- ▶ Secondly, clarifying the requirements for some bond issuers to provide the issuer's asset list and relevant explanatory documents of the most recent year issued by audit firms, to further confirm the responsibility of intermediaries as the "gatekeeper".

► **Announcement of the Beijing Stock Exchange (BSE) on issuing the *Guidelines for the Continuous Supervision of Companies Listed on the Beijing Stock Exchange No. 7 - Board Transfer***

In order to provide guidance for listed companies on the smooth board transfer and protect the legitimate rights and interests of investors, the BSE has revised the [Guidelines for the Continuous Supervision of Companies Listed on the Beijing Stock Exchange No. 7 - Board Transfer](#) (BSE Announcement [2023]

No.72), which became effective upon release on 8 October 2023. The revision emphasizes the great importance of the protection of investors' rights and interests, with a focus on promoting regular and standardized board transfer arrangements by well-considered steps. The revision mainly includes: 1) facilitating a sound commencement of board transfer for listed companies; 2) confirming the responsibility of intermediaries as the "gatekeeper"; 3) further clarifying the transfer procedures and arrangements; and 4) strengthening the supervision of the "key few".

► **Announcement of the BSE on issuing the *Guidelines for the Continuous Supervision of Companies Listed on the Beijing Stock Exchange No. 8 - Shareholding Reduction and Management***

In order to maintain the smooth functioning of the market, protect the legitimate rights and interests of investors, and further standardize the shareholding reduction activities of shareholders, the BSE has revised the [Guidelines for the Continuous Supervision of Companies Listed on the Beijing Stock Exchange No. 8 - Shareholding Reduction and Management](#) (BSE Announcement [2023] No.75), which became effective upon release on 26 September 2023.

The revision is made in light of the development stages, enterprise characteristics and regulatory priorities of companies listed on the BSE, with an aim to optimize and adjust the scenarios where shareholding reduction is not permitted, further standardize the shareholding reduction activities of controlling shareholders and actual controllers, and maintain the stable functioning of the market.

Specifically, the revision: 1) clarifies on the scenarios where shareholding reduction is not allowed, sending a signal of strict supervision; 2) refines the specific implementation standards to facilitate understanding and implementation; and 3) clarifies the requirements for special entities to follow so as to prevent regulatory arbitrage.

► **Announcement of the BSE on issuing the *Guidelines for the Continuous Supervision of Companies Listed on the Beijing Stock Exchange No. 9 - Fund-raising Management***

In order to further improve the regulatory requirements of the BSE on fund-raising, promote the efficiency of use and effectively protect the rights and interests of investors, the BSE has formulated the [Guidelines for the Continuous Supervision of Companies Listed on the Beijing Stock Exchange No. 9 - Fund-raising Management](#) (BSE Announcement [2023] No.76), which became effective upon release on 28 September 2023.

► **Announcement of the National Association of Financial Market Institutional Investors (NAFMII) on issuing the *Rules for the Registration and Issuance of Debt Financing Instruments of Non-financial Enterprises* and the *Procedures for the Registration of Debt Financing Instruments of Non-financial Enterprises***

In order to further promote the high-quality development of the debt financing instrument market and continuously improve the quality and efficiency in serving the real economy, the NAFMII has revised some narrative descriptions of the *Rules for the Registration and Issuance of Debt Financing Instruments of Non-financial Enterprises* and the *Procedures for the Registration of Debt Financing Instruments of Non-financial Enterprises* in accordance with the *Administrative Measures for Debt Financing Instruments of Non-financial Enterprises in the Interbank Market* (PBoC Decree [2008] No.1) and its relevant self-regulatory rules. Please refer to the [Announcement on Issuing the Rules for the Registration and Issuance of Debt Financing Instruments of Non-financial Enterprises and the Procedures for the Registration of Debt Financing Instruments of Non-financial Enterprises \(NAFMII Announcement \[2023\] No.15\)](#) for details.

IASB news and updates

► *IASB and joint FASB-IASB Update for September 2023*

The [September](#) issue of the *IASB Update* contains the IASB staff summary of the IASB meeting held from 19 to 21 September 2023. In addition, the IASB held a joint meeting with the Financial Accounting Standards Board (FASB) on 29 September 2023. The board discussed:

Work plan overview

- IASB work plan update

Research and standard-setting

- Rate-regulated activities
- Equity method
- Business combinations – Disclosures, goodwill and impairment
- Joint session: Business combinations – Disclosures, goodwill and impairment and Disclosure initiative – Subsidiaries without public accountability: Disclosures
- Business combinations under common control
- Extractive activities
- Second comprehensive review of the IFRS for SMEs accounting standard

Maintenance and consistent application

- Climate-related risks in the financial statements (renamed “Climate-related and other uncertainties in the financial statements”)
- Amendments to the classification and measurement of financial instruments

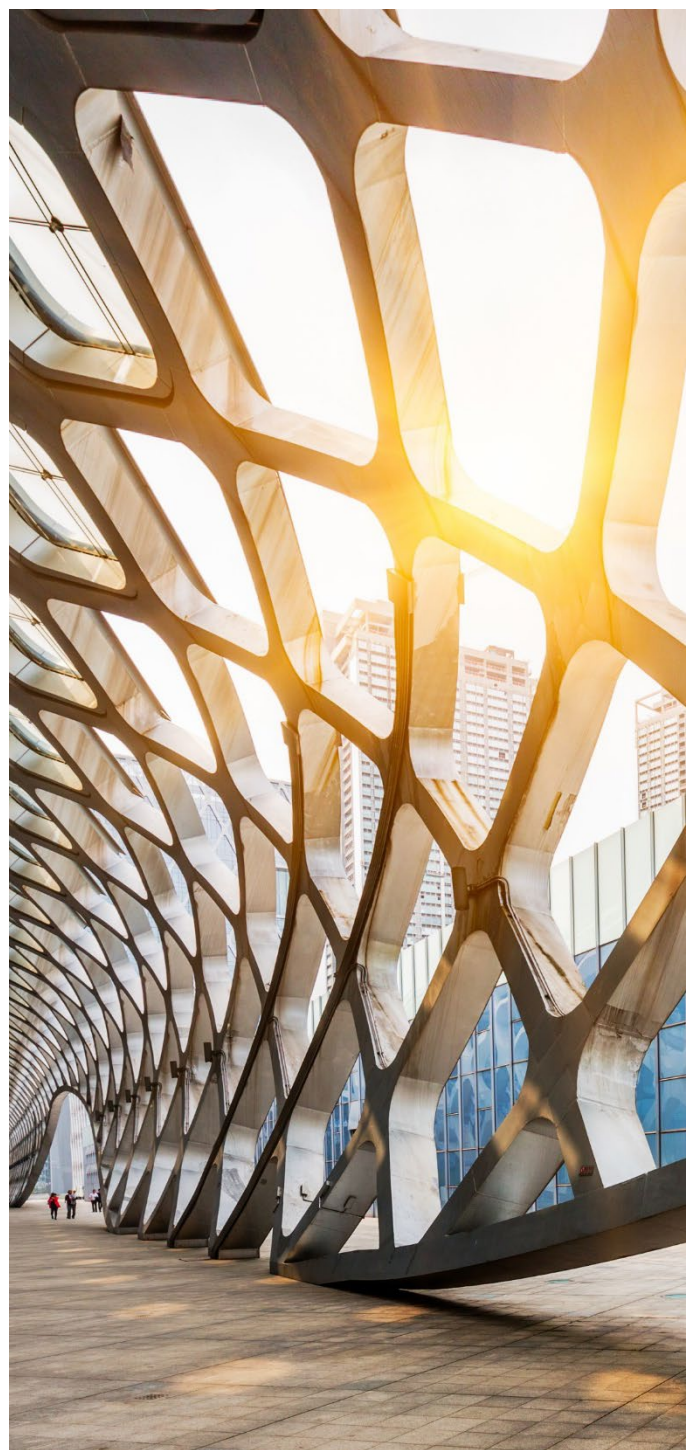
Projects discussed at the joint IASB-FASB meeting

- Discussion points

EY publications

► *IFRS Core Tool: IFRS update of standards and interpretations in issue as at 30 September 2023*

This [edition](#) provides an overview of the upcoming changes in standards and interpretations (pronouncements). It also provides an update on selected active projects. It does not attempt to provide an in-depth analysis or discussion of the topics. Rather, the objective is to highlight key aspects of these changes. Reference should be made to the text of the pronouncements before taking any decisions or actions.



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