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By email: commentletters@hkicpa.org.hk & post

Mr. Steve Ong
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Hong Kong Institute of Certified Public Accountants
37th Floor, Wu Chung House
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Dear Steve

**International Accounting Standards Board's Exposure Draft on
Mandatory Effective Date of IFRS 9**

We refer to your letter dated 15 August 2011 inviting our comments on the International Accounting Standards Board's Exposure Draft on Mandatory Effective Date of IFRS 9 issued in August 2011.

Our response to the specific questions raised in the exposure draft is attached. We would be pleased to further clarify or discuss any of our comments should you so wish.

Yours sincerely

Eva Wong
Secretary

Enc.

Chairman Bank of China (Hong Kong) Ltd
Vice Chairmen The Hongkong and Shanghai Banking Corporation Ltd
Standard Chartered Bank (Hong Kong) Ltd
Secretary Eva Wong Mei Seong

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秘書 黃美嫦



Responses of the Hong Kong Association of Banks (“HKAB”) to the Specific Questions in the Exposure Draft of International Accounting Standards Board (“IASB”) - Mandatory Effective Date of IFRS 9

Question 1:

The Board proposes to amend IFRS 9 (2009) and IFRS 9 (2010) so that entities would be required to apply them for annual periods beginning on or after 1 January 2015. Do you agree? Why or why not? If not, what alternative do you propose?

We strongly support the proposal to defer the mandatory effective dates of IFRS 9 (2009) and IFRS 9 (2010) so that entities would be required to apply them for annual periods beginning on or after 1 January 2015. The principal reasons are that:

- (i) There is a significant amount of work involved for financial institutions in implementing the standards and preparing the necessary documentation for financial reporting and audit purposes regarding business models and contractual cash flow characteristics. Lengthy lead time is required for these preparation works.
- (ii) It is important for preparers and users to understand the different parts of the entire new standard on financial instruments (including hedge accounting and impairment, which are still not yet announced) and how these parts interact with each other.
- (iii) It will be confusing to users if entities are required to apply different parts of a new financial instruments standard on a piecemeal basis (i.e. that part for classification and measurement will be mandatory effective from 2012 and the rest on a later date).

Question 2:

The Board proposes not to change the requirement in IFRS 9 for comparatives to be presented for entities that initially apply IFRS 9 for reporting periods beginning on or after 1 January 2012. Do you agree? Why or why not? If not, what alternative do you propose?

We believe that the relief from presenting comparatives under IFRS 9 should be extended to entities initially applying the requirements for annual periods beginning on or after 1 January 2015. The principal reasons are that:



(i) The changes from IAS 39 are fundamental and the new standards on impairment and hedge accounting may likely be applied prospectively. Such an arrangement may provide a better opportunity for users to compare the financial statements of different entities at the same time.

(ii) Practically speaking, implementation of IFRS 9 is a huge and complicated project, the revamp of systems takes considerable time to complete and may not be ready early enough to capture comparatives until the mandatory effective date.

(iii) It is not persuasive for entities to early adopt IFRS 9 before 1 January 2012 as there is no full picture for the whole standard. It is therefore not appropriate to deprive entities of the comparatives relief from early adoption under these circumstances when there are still so much uncertainties.