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4 March 2013

來函檔號 Your ref.

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(Attn: Mr Simon Riley, Director,  
Standard Setting Department)

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HKICPA

Dear Mr Riley,

- Invitation to Comment on Consultation Documents issued by  
International Accounting Standards Board ("IASB") &  
International Valuation Standards Council ("IVSC") on**
- (i) IVSC – Discussion Paper Investment property ("CD (1)")**
  - **(ii) IASB – Exposure Draft of Classification and Measurement:  
Limited Amendments to IFRS 9 ("CD (2)")**
  - **(iii) IASB – Exposure Draft of Proposed Amendments to IAS 16 and IAS 38 -  
Clarification of Acceptable Methods of  
Depreciation and Amortisation ("CD (3)")**

I refer to your letter of 11 December 2012, inviting us to comment on the captioned consultation documents. We have already given our comments on CD (1) on 4 February 2013.

We have carefully studied CD (2) and CD (3) and have the following comments to the questions therein:

For CD (2):

- (a) For questions 1-3, the modified economic relationship test would involve judgemental considerations, in terms of both identifying a "benchmark instrument" and whether cash flows are "modified". The application guidance provides further references for the preparation of financial

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statements in a consistent and accurate classification. As this is very relevant to our regulatory framework, particularly areas involving judgemental considerations, we would welcome more guidance for better implementation of IFRS 9.

- (b) On question 4, as one of the conditions for adopting this FVTOCI measurement method is that the assets should be held within a business model which are managed to collect contractual cash flows or are held for sale, we suggest that more guidelines, e.g. factors for consideration of the definition / interpretation, and more examples on this definition be given for better implementation.
- (c) On questions 5-6, the factors governing business model assessment may not be so distinct during practical application. As the elements of significance and frequency of sales activities to be deemed integral or incidental to the business model assessment is highly judgemental, the provision of more descriptive examples and application guidance would be useful for preparing financial statements in the course of selecting a suitable business model.
- (d) On question 7, sufficient disclosure should be made to allow users of financial statements to have an easy identification of which IFRS 9 version an entity has applied to its financial statements.

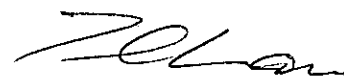
We expect that there will be another round of consultation on insurance contracts liabilities as this would be critical to our supervision of insurance companies.

Apart from the above, we do not have comments on the other questions in CD (2).

For CD (3), we do not have comments.

Thank you for giving us the opportunity to comment on the consultation documents.

Yours sincerely,



(Tony Chan)

for Commissioner of Insurance