THE HONG KONG ASSOCIATION OF BANKS
香港銀行公會

Room 525, 5/F., Prince's Building, Central, Hong Kong
Telephone: 2521 1160, 2521 1169 Facsimile: 2868 5035
Email: info@hkab.org.hk Web: www.hkab.org.hk

香港中環太子大廈5樓525室
電話：2521 1160, 2521 1169 圖文傳真：2868 5035
電郵：info@hkab.org.hk 網址：www.hkab.org.hk

31 July 2009

By fax 2865 6776 & by post

Mr Steve Ong
Director, Standard Setting
Hong Kong Institute of Certified Public Accountants
37th Floor, Wu Chung House
213 Queen's Road East
Wanchai
Hong Kong

Dear Mr Ong

International Accounting Standards Board (IASB) Request for Comments on Exposure Draft on Derecognition – Proposed Amendments to IAS 39 and IFRS 7

Thank you for your letter dated 27 May 2009.

After having consulted our members on the above Exposure Draft, we would like to set out comments from some of our members as follows:

Question 4 - Do you agree with the "continuing involvement" filter proposed in paragraph 17A(b), and also the exceptions made to "continuing involvement" in paragraph 18A? If not, why? What would you propose instead, and why?

We agree with the "continuing involvement" proposed in paragraph 17A(b). However, for the exception made to "continuing involvement" in paragraph 18A, we propose to include normal representations and warranties that include compulsory repurchase of transferred assets at the original price (or plus interest) by the transferor due to procedural or documentation defects discovered by the transferee after the completion of the transfer, which is a common clause in the sale of loan assets.

Question 6 - Do you agree with the proposed accounting (both recognition and measurement) for an interest retained in a financial asset or a group of financial assets in a transfer that qualifies for derecognition (for a retained interest in a financial asset or group of financial assets, see paragraph 21A; for an interest in a financial asset or group of financial assets retained indirectly through an entity, see paragraph 22A)? If not, why? What would you propose instead, and why?

We agree with the proposed accounting treatment stipulated in paragraph 21A.

THE HONG KONG ASSOCIATION OF BANKS
香港銀行公會

For the proposed accounting treatment stipulated in paragraph 22A, we think that this is applicable only to consolidated accounts in case the reporting entity purchases a controlling interest in the transferee entity. For non-controlling interest case, as the reporting entity cannot control the cash-flow of the assets transferred and may be incapable of obtaining the necessary information from the transferee entity, it is impracticable to split the equity interest into previously recognized and new assets / liabilities, therefore we propose to recognize the interest as a normal equity investment in the accounts of the transferor without splitting.

Question 7 - Having gone through the steps/tests of the proposed approach to derecognition of financial assets (Questions 1–6), do you agree that the proposed approach as a whole should be established as the new approach for determining the derecognition of financial assets? If not, why? Do you believe that the alternative approach set out in the alternative views should be established as the new derecognition approach instead, and, if so, why? If not, why? What alternative approach would you propose instead, and why?

We agree that the proposed approach as a whole, rather than the alternative approach, should be established as the new approach for determining the derecognition of financial assets.

Yours sincerely

Jennifer Cheung
Secretary

c.c. Chief Executive, Hong Kong Monetary Authority