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27 August 2009

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

(Fax: 2865 6776)

Dear Mr Ong,

**Invitation to Comment on IASB Exposure Draft
*Financial Instruments: Classification and Measurement***

Thank you for your letter of 20 July 2009, inviting the Audit Commission to comment on the captioned subject.

We support the proposals to simplify the classification and measurement of financial instruments because these make it easier for users to understand financial statements. We agree that entities should continue to be permitted to designate any financial asset or financial liability at fair value through profit or loss if such designation eliminates or significantly reduces an accounting mismatch. We support the prohibition of the reclassification of financial assets and financial liabilities between the amortised cost and fair value categories.

Yours sincerely,

(John Chu)
for Director of Audit