



14 October 2008

Dear Members,

The International Accounting Standards Board issued the following press release yesterday announcing amendments to IAS 39 *Financial Instruments: Recognition and Measurement* and IFRS 7 *Financial Instruments: Disclosures*.

The amendments permit, but only in rare circumstances, reclassification of non-derivative securities (other than those designated in fair value through profit or loss upon initial recognition) out of the trading category (i.e. out of the fair value through profit or loss category). The reclassified asset would be carried at its fair value on the date of reclassification, which will become its new cost or amortized cost, as applicable. The amendments also permit reclassification of a financial asset from the available-for-sale category to the loan and receivable category (cost basis) if the entity has the intention and ability to hold the financial asset for the foreseeable future (loan) or until maturity (debt security).

The deterioration of the world's financial markets during the third quarter of this year is a possible example of "rare circumstances" cited in these IFRS amendments and therefore justifies their immediate publication. The action enables companies reporting according to IFRSs to use the reclassification amendments, if they so wish, from 1 July 2008.

As the licensee to e-IFRS for Hong Kong, we provide you herewith this [link](#) to the Amendment Statement "Reclassification of Financial Assets (Amendment to IAS 39 and IFRS 7) Oct 2008".

The Council of the Institute at its meeting this afternoon has determined that the Hong Kong Institute of CPAs will adopt the IASB amendments for the equivalent HKFRSs. The Hong Kong Amendments will be issued in due course with the same effective date as the IASB Amendments, which is 1 July 2008.

Regards ,

A handwritten signature in black ink, appearing to read 'Winnie C.W. Cheung', written in a cursive style.

Winnie C.W. Cheung
Chief Executive & Registrar

IASB amendments permit reclassification of financial instruments

13 October 2008

The International Accounting Standards Board (IASB) today issued amendments to IAS 39 *Financial Instruments: Recognition and Measurement* and IFRS 7 *Financial Instruments: Disclosures* that would permit the reclassification of some financial instruments.

The amendments to IAS 39 introduce the possibility of reclassifications for companies applying International Financial Reporting Standards (IFRSs), which were already permitted under US generally accepted accounting principles (GAAP) in rare circumstances.

The deterioration of the world's financial markets that has occurred during the third quarter of this year is a possible example of rare circumstances cited in these IFRS amendments and therefore justifies their immediate publication. Today's action enables companies reporting according to IFRSs to use the reclassification amendments, if they so wish, from 1 July 2008.

These amendments are the latest in a series of steps that the IASB has undertaken to respond to the credit crisis. The IASB has worked with a number of other regional and international bodies, including the Financial Stability Forum (FSF), to address financial

reporting issues associated with the credit crisis. In responding to the crisis, the IASB notes the concern expressed by EU leaders and finance ministers through the ECOFIN Council to ensure that 'European financial institutions are not disadvantaged vis-a-vis their international competitors in terms of accounting rules and of their interpretation.'

The amendments today address the desire to reduce differences between IFRSs and US GAAP in a manner that produces high quality financial information for investors across the global capital markets.

Sir David Tweedie, Chairman of the IASB, said:

In addressing the rare circumstances of the current credit crisis, the IASB is committed to taking urgent action to ensure that transparency and confidence are restored to financial markets. The IASB has acted quickly to address the concerns raised by EU leaders and others regarding the issue of reclassification. Our response is consistent with the request made by European leaders and finance ministers; it is important that these amendments are permitted for use rapidly and without modification.

For more information about the IASB's response to the credit crisis, see <http://www.iasb.org/credit+crisis.htm>.

Reclassification of Financial Assets (Amendments to IAS 39 Financial Instruments: Recognition and Measurement and IFRS 7 Financial Instruments: Disclosures) is available for eIFRS subscribers from today.

Those wishing to subscribe to eIFRSs should visit the online shop or contact:
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Printed copies (ISBN 978-1-905590-78-0) will be available shortly, at £ 10.00 plus shipping, from the IASB Foundation Publications Department.

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