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Mr Steve Ong  
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Hong Kong Institute of Certified Public Accountants  
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213 Queen's Road East  
Wanchai, Hong Kong

(Fax: 2865 6776)

Dear Mr Ong,

**Invitation to Comment on IASB Exposure Draft:  
Fair Value Option for Financial Liabilities**

Thank you for your letter of 8 June 2010, inviting the Audit Commission to comment on the captioned subject.

We support the limited changes to the accounting for liabilities. We agree that, for all liabilities designated under the fair value option, changes in the credit risk of the liability should not affect profit or loss, unless the liability is held for trading. We consider that the portion of the fair value change that is attributable to changes in the credit risk of the liability should be presented in other comprehensive income under the one-step approach with disclosure of the amount realised during the reporting period. The one-step approach is preferred because it is more efficient and less complicated than the two-step approach, and both approaches have the same net result in profit or loss and other comprehensive income.

Yours sincerely,

(John Chu)  
for Director of Audit