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By post and email: commentletters@hkicpa.org.hk

Mr. Simon Riley
Director, Standard Setting
Hong Kong Institute of Certified Public Accountants
37th Floor, Wu Chung House
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Wanchai
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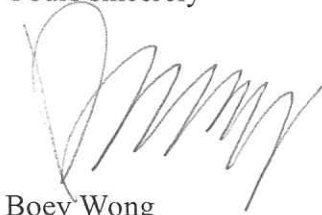
Dear Mr. Riley

IASB's Exposure Draft of Defined Benefit Plans: Employee Contributions

We refer to your letter dated 27 March 2013 inviting our comments on the International Accounting Standards Board's Exposure Draft of Defined Benefit Plans: Employee Contributions.

Our comments on the specific questions raised in the exposure draft are attached. Should you have any questions, please do not hesitate to contact our Assistant Manager, Mr. Timothy Tam, at 2526 6080.

Yours sincerely



Boey Wong
Secretary

Enc.

Chairman Standard Chartered Bank (Hong Kong) Ltd
Vice Chairmen Bank of China (Hong Kong) Ltd
The Hongkong and Shanghai Banking Corporation Ltd
Secretary Boey Wong

主席 渣打銀行（香港）有限公司
副主席 中國銀行（香港）有限公司
香港上海匯豐銀行有限公司
秘書 黃凱儀

**Responses of the Hong Kong Association of Banks (“HKAB”) to Specific Questions
in the International Accounting Standards Board’s Exposure Draft on
Defined Benefit Plans: Employee Contributions**

Question 1 – Reduction in service cost

The IASB proposes to amend IAS 19 to specify that contributions from employees or third parties set out in the formal terms of a defined benefit plan may be recognized as a reduction in the service cost in the same period in which they are payable if, and only if, they are linked solely to the employee’s services rendered in that period. An example would be contributions that are a fixed percentage of an employee’s salary, so the percentage of the employee’s salary does not depend on the employee’s number of years of service to the employer. Do you agree? Why or why not?

We agree with the proposed operational expediency as this will align with current practice in many cases. We believe that, without the operational expediency, the determination of service cost and the defined benefit obligation under IAS 19 could present significant complexity.

Question 2 – Attribution of negative benefit

The IASB also proposes to address an inconsistency in the requirements that relate to how contributions from employees or third parties should be attributed when they are not recognized as a reduction in the service cost in the same period in which they are payable. The IASB proposes to specify that the negative benefit from such contributions is attributed to periods of service in the same way that the gross benefit is attributed in accordance with paragraph 70. Do you agree? Why or why not?

We support the amendment which will clarify the calculation when the operational expediency is not otherwise available to an entity. We believe that the gross benefit and the negative benefit from employee contributions should be allocated (e.g., straight line) to periods of service on a consistent basis.

Question 3 – Other comments

Do you have any other comments on the proposals?

We have no further comments.