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By fax 2865 6776 & by post

Mr Steve Ong
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Hong Kong Institute of Certified Public Accountants
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Wanchai
Hong Kong

2009 AUG 31 AM 11:50

INFOPA

Dear Mr Ong

**Urgent Exposure Draft issued by International Accounting Standards Board (IASB)
on Proposed Amendments to IAS 32 - Classification of Rights Issues**

Thank you for your letter dated 11 August 2009 regarding the above.

Our members highly appreciate the IASB's decision in giving priority to this issue and issuing the Exposure Draft in a timely manner. Further, our members are in support of the proposal to amend IAS 32 *Financial Instruments: Presentation* to clarify the classification of instruments as discussed in the Exposure Draft.

The comments of our members on the specific questions in the Exposure Draft are as follows:

Question 1 – Specifying the characteristics of the rights issue

The proposed amendment applies to instruments (rights) to be offered pro rata to all existing owners of the same class of equity instruments and the exercise price to be a fixed amount of cash in any currency. Do you agree with the proposal to limit the amendment to instruments with these characteristics? If not, why? Are there any other instruments that should be included and why?

We agree with the proposal as we consider that classifying rights as derivative liabilities is not consistent with the substance of the transactions.

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

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



Question 2 – Specifying the currency of the exercise price

The proposed amendment specifies that the fixed amount of cash the entity will receive can be denominated in any currency. If that currency is not the entity's functional or reporting currency, the proceeds it receives from the issue of its shares will vary depending on foreign exchange rates. Do you agree with the proposal to permit an entity to classify rights with the characteristics set out above as equity instruments even when the exercise price is not fixed in its functional or reporting currency? If not, why?

We agree with the proposal.

Question 3 – Transition

The proposed change would be required to be applied retrospectively with early adoption permitted. Is the requirement to apply the proposed change retrospectively appropriate? If not, what do you propose and why?

We agree with the proposed change.

Yours sincerely

Jennifer Cheung
Secretary

c.c. Chief Executive, Hong Kong Monetary Authority