



19 March 2009

To: **Members of the Hong Kong Institute of CPAs**
All other interested parties

**SEEKING INPUT TO QUESTIONS RAISED BY IASB-US FASB FINANCIAL
CRISIS ADVISORY GROUP**

Responses to be received by 30 March 2009

The Financial Crisis Advisory Group (FCAG) was established by the IASB and US FASB in response to the recent global financial crisis. Its purpose is to advise both boards about the role of accounting during the crisis and potential changes. The group comprises of recognised leaders from the fields of business and government with a broad range of experience in international financial markets.

The Hong Kong Institute of Certified Public Accountants' (Institute) Financial Reporting Standards Committee (FRSC) is seeking written input from constituents to the following seven questions raised by the FCAG to assist them in discussing accounting and reporting matters related to the financial crisis during the next meeting on 20 April 2009 and making recommendations thereon to the IASB and the FASB:

1. From your perspective, where has general purpose financial reporting helped identify issues of concern during the financial crisis? Where has it not helped, or even possibly created unnecessary concerns? Please be as specific as possible in your answers.
2. If prudential regulators were to require 'through-the-cycle' or 'dynamic' loan provisions¹ that differ from the current IFRS or US GAAP requirements, how should general purpose financial statements best reflect the difference: (1) recognition in profit or loss (earnings); (2) recognition in other comprehensive income; (3) appropriation of equity outside of comprehensive income; (4) footnote disclosure only; (5) some other means; or (6) not at all? Please explain how your answer would promote transparency for investors and other resource providers.
3. Some FCAG members have indicated that they believe issues surrounding accounting for off-balance items such as securitisations and other structured entities have been far more contributory to the financial crisis than issues surrounding fair value (including mark-to-market) accounting. Do you agree, and how can we best improve IFRS and US GAAP in that area?
4. Most constituents agree that the current mixed attributes model for accounting and reporting of financial instruments under IFRS and US GAAP is overly complex and otherwise suboptimal. Some constituents (mainly investors) support reporting all financial instruments at fair value. Others support a refined mixed attributes model. Which approach do you support and why? If you support a refined mixed attributes model, what should that look like, and why, and do you view that as an interim step toward full fair value or as an end goal? Whichever approach you support, what improvements, if any, to fair value accounting do you believe are essential prerequisites to your end goal?

¹ *Dynamic provisioning refers to loan loss provisions measured on the basis of expected future losses rather than incurred losses*



5. What criteria should accounting standard-setters consider in balancing the need for resolving an 'emergency issue' on a timely basis and the need for active engagement from constituents through due process to help ensure high quality standards that are broadly accepted?
6. Are there financial crisis-related issues that the IASB² or the FASB have indicated they will be addressing that you believe are better addressed in combination with, or alternatively by, other organisations³? If so, which issues and why, and which organisations?
7. Is there any other input that you'd like to convey to the FCAG?

In accordance with the Institute's Convergence Due Process, written input are invited from any interested party.

To allow your comments to be considered, they are requested to be received by the Institute on or before **30 March 2009**.

Comments may be sent by mail, fax or e-mail to:

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Comments will be acknowledged and may be made available for public review unless otherwise requested by the contributor.

The FCAG invitation can be viewed at:
<http://www.iasb.org/News/Financial+Crisis+Advisory+Group+Seeking+Input+from+Constituents.htm>

² Overview of IASB relevant projects relating to financial crisis can be viewed at
<http://www.iasb.org/About+Us/About+the+IASB/Response+to+the+credit+crisis.htm>

³ Members of the FCAG and their respective organizations can be viewed at
<http://www.iasb.org/About+Us/About+Advisory+Groups/Financial+Crisis+Advisory+Group+members.htm>