



1 March 2013

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

**INVITATION TO COMMENT ON IASB EXPOSURE DRAFT OF NOVATION OF  
DERIVATIVES AND CONTINUATION OF HEDGE ACCOUNTING (PROPOSED  
AMENDMENTS TO IAS 39 AND IFRS 9)**

***Comments to be received by 20 March 2013***

The Hong Kong Institute of Certified Public Accountants' (Institute) Financial Reporting Standards Committee (FRSC) is seeking comments on the IASB Exposure Draft which has been posted on the Institute's website at:

<http://www.hkicpa.org.hk/en/standards-and-regulations/standards/financial-reporting/exposure-drafts/>.

As stated in the IASB's press release, accompanying the Exposure Draft, the objective of the proposed amendments is to introduce a narrow scope exception to the requirement for the discontinuation of hedge accounting in IAS 39 *Financial Instruments: Recognition and Measurement*. Specifically, they propose an exception when a derivative, that has been designated as a hedging instrument, is novated from one counterparty to a central counterparty (CCP), as a consequence of new laws or regulations if specific conditions are met (in this context, novation of the derivative contract is the substitution of the original counterparty to the contract for a new counterparty, being a CCP).

The IASB considered the fact that the legislative changes that would require such novation of derivatives would be widespread across jurisdictions. These legislative changes were prompted by a G20 commitment to improve transparency and regulatory oversight of over-the-counter derivatives in an internationally consistent and non-discriminatory way.

The IASB is aware that these new laws or regulations could come into effect in some jurisdictions very soon. Consequently the IASB has published this Exposure Draft with a short (30-day) comment period.

The FRSC invites your comments on the proposals. Comments should be supported by specific reasoning and should be submitted in written form. To allow your comments to be considered, in developing its response to the IASB, the FRSC requests your comments to be received by the Institute on or before **20 March 2013**.

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.