



11 December 2015

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

INVITATION TO COMMENT ON
IASB Exposure Draft ED/2015/11
Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts
(Proposed amendments to IFRS 4)

Comments to be received by 22 January 2016

The Financial Reporting Standards Committee (FRSC) of the Hong Kong Institute of Certified Public Accountants (Institute) 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/>

Both IFRS 9 (which was issued in July 2014 and has an effective date of 1 January 2018) and the new Insurance Contracts Standard (which will replace IFRS 4 and have a later effective date) are relevant to companies that issue insurance contracts. Some of those companies have expressed concerns about the need to implement two significant changes in accounting on different dates. They have also highlighted that potential increased accounting volatility could arise in profit or loss if the new requirements for financial instruments were to be applied before the new requirements for insurance contracts.

In order to balance meeting the needs of those stakeholders with the needs of users of financial statements, the IASB has proposed the following amendments to IFRS 4. These proposals supplement existing options within IFRS 4 that could be used to address any accounting volatility that may arise:

- the **overlay approach**: an option for a company that issues insurance contracts to remove from profit or loss the incremental volatility in profit or loss caused by changes in the measurement of financial assets upon application of IFRS 9. This approach would be in place until the new Insurance Contracts Standard comes into force; and
- the **deferral approach**: an optional temporary exemption from applying IFRS 9 that would be available to companies whose predominant activity is to issue insurance contracts. Such a deferral would be available until the new Insurance Contracts Standard comes into effect (but it could not be used after 1 January 2021).

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 for your comments by **22 January 2016**.



Hong Kong Institute of
Certified Public Accountants
香港會計師公會

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

Standard Setting Department
Hong Kong Institute of Certified Public Accountants
37th Floor, Wu Chung House
213 Queen's Road East
Wanchai, Hong Kong

Fax number (+852) 2865 6776
E-mail: commentletters@hkiipa.org.hk

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