



29 July 2021

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

**INVITATION TO COMMENT ON IASB EXPOSURE DRAFT
ED/2021/8 *Initial Application of IFRS 17 and IFRS 9 –
Comparative Information (Proposed amendment to IFRS 17)***

Comments to be received by 20 August 2021

The Financial Reporting Standards Committee (FRSC) of the Hong Kong Institute of Certified Public Accountants (Institute) is seeking comments on the IASB Exposure Draft ED/2021/8 *Initial Application of IFRS 17 and IFRS 9 – Comparative Information (Proposed amendment to IFRS 17)*. The Exposure Draft (ED) is available on the Institute's website:

<https://www.hkicpa.org.hk/en/Standards-and-regulation/Standards/Open-for-comment-documents/fred>

Many insurance entities will apply IFRS 17 *Insurance Contracts* and IFRS 9 *Financial Instruments* for the first time from 1 January 2023. However, some of these insurers have informed the IASB of significant temporary accounting mismatches on initial application of the new Standards that can make the change in accounting more difficult to communicate to investors.

While IFRS 17 requires insurance entities to restate comparative information on initial application, restatement of comparatives on initial application of IFRS 9 is optional. In addition, if an entity does restate IFRS 9 information, it is prohibited from applying IFRS 9 to any assets derecognized before the initial application date. For some entities, the difference in transition requirements for IFRS 17 and IFRS 9 may result in accounting mismatches between insurance contract liabilities and related financial assets. Moreover, if an entity chooses to restate comparative information for IFRS 9, classification differences may occur due to the resulting mixed measurement of financial assets.

To alleviate these issues, the IASB has proposed a narrow-scope amendment to IFRS 17 to permit entities to apply an option to present comparative information for certain financial assets in a manner consistent with IFRS 9. This is in the form of an optional classification overlay for financial assets that are related to insurance contract liabilities in the comparative period(s) in the initial application of IFRS 17 and IFRS 9. The proposed amendment does not affect any other requirements in IFRS 17.

The FRSC invites your comments on the ED by **20 August 2021** to allow your comments to be considered in developing its response to the IASB. Comments should be supported by specific reasoning and should be submitted in written form.

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 respondent.