



Our Ref.: C/FRSC

**Sent electronically through the IASB Website ([www.ifrs.org](http://www.ifrs.org))**

15 August 2019

Mr Hans Hoogervorst  
International Accounting Standards Board  
Columbus Building  
7 Westferry Circus  
Canary Wharf  
London E14 4HD  
United Kingdom

Dear Hans,

**IASB Exposure Draft ED/2019/2 *Annual Improvements to IFRS Standards 2018-2020***

The Hong Kong Institute of Certified Public Accountants is the only body authorised by law to set and promulgate standards relating to financial reporting, auditing, and ethics for professional accountants, in Hong Kong. We are grateful for the opportunity to provide you with our comments on this Exposure Draft.

We welcome the IASB's annual improvements to make necessary, but non-urgent, amendments to IFRS Standards that address inconsistencies in the application of Standards and clarify the wording in a Standard.

We have comments on the proposed amendments to the following Standards:

**IFRS 9 *Financial Instruments***

We support the IASB's proposal to clarify the fees that an entity includes in assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability.

Some Stakeholders in the banking industry also request to clarify in paragraph B3.3.6 of IFRS 9 whether fees/amounts paid to cover fair value changes are to be included in the calculation. They also suggest similar clarification be made in paragraph 5.4.3 of IFRS 9.

**Illustrative Examples accompanying IFRS 16 *Leases***

We support the IASB's intention to remove the potential confusion regarding the treatment of lease incentives in Illustrative Example 13 accompanying IFRS 16.

However, we think the removal from the example would not improve the understanding of IFRS 16. We suggest the IASB instead clarifies the example by providing more background/information about the nature of the payment related to leasehold improvements and the reasons why it did not meet the definition of lease incentives in IFRS 16. With additional information and clarification, readers can better understand why the accounting treatment for the payment from the lessor relating to leasehold improvements is different from the reimbursement of the real estate commission in the same example.



**Work undertaken by HKICPA in forming its views:**

The HKICPA:

- (a) issued an Invitation to Comment on the Exposure Draft on 22 May 2019 to our stakeholders;
- (b) sought input from its Financial Instruments Advisory Panel and Leases Advisory Panel comprising technical and industry experts and auditors from accounting firms; and
- (c) developed its views through its Financial Reporting Standards Committee, having reflected on its stakeholder feedback. The Committee comprises of academics, preparer representatives from various industry sectors, investors, regulators, and technical and industry experts from small, medium and large accounting firms.

If you have any questions regarding the matters raised in this letter, please contact me or Norman Chan, Associate Director in the Standard Setting Department ([Normanchan@hki CPA.org.hk](mailto:Normanchan@hki CPA.org.hk)).

Yours sincerely,

A handwritten signature in black ink, appearing to read 'CNg'.

Christina Ng  
Director, Standard Setting

CN/NC  
Encl.