



29 April 2004

To: **HKSA members**  
**Finance Directors of listed companies**  
**All other interested parties**

**INTERNATIONAL ACCOUNTING STANDARDS BOARD EXPOSURE DRAFT:  
PROPOSED LIMITED AMENDMENT TO IAS 39 *FINANCIAL INSTRUMENTS:  
RECOGNITION AND MEASUREMENT ON THE FAIR VALUE OPTION***

The International Accounting Standards Board (IASB) has issued an exposure draft (ED) of a proposed limited amendment to IAS 39 *Financial Instruments: Recognition and Measurement* on The Fair Value Option.

A copy of the IASB's press release and the ED has been posted on the Hong Kong Society of Accountants (HKSA) web site at:

<http://www.hksa.org.hk/professionaltechnical/accounting/exposedraft>. The IASB's press release and the ED can also be found on-line at: <http://www.iasb.org.uk>.

The HKSA Financial Accounting Standards Committee (FASC) invites comments from any interested party and would like to hear from both those who do agree and those who do not agree with the proposals contained in the ED. Comments should be supported by specific reasoning and should preferably be submitted in written form.

On 10 July 2002 and 20 August 2003 the FASC issued invitations to comment on the IASB's proposed improvements to the financial instruments accounting standards and the IASB's proposed amendments to IAS 39: fair value hedge accounting for a portfolio hedge of interest rate risk. Copies of the invitations to comment, and the IASB's exposure drafts, can be accessed on the HKSA website at:

<http://www.hksa.org.hk/professionaltechnical/accounting/exposedraft/finacialinstruments.pdf> and <http://www.hksa.org.hk/professionaltechnical/accounting/exposedraft/ED-IAS39mh-i2c.pdf>. As of the date this invitation to comment is issued, the IASB has finalised the above exposure drafts and the HKSA intends to issue an accounting standard that is converged with the latest version of IAS 39 that has taken into account the changes resulting from the above exposure drafts. The ED to which this invitation to comment relates should be read in the context of the latest version of IAS 39.

Following from the IASB's final approved changes to IAS 39, the FASC intends to recommend the adoption of similar changes so that the Hong Kong Financial Reporting Standards maintain conformity with the IASB's standards.

The FASC will not issue a specific Hong Kong exposure draft on the matters covered in the IASB exposure draft unless any changes made by the IASB to the ED are so significant as to warrant, in the opinion of the FASC, seeking further comment.

To allow your comments on the ED to be considered and included in the HKSA's response to the IASB, the FASC requests your comments on the accompanying ED by **7 July 2004**.

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

Mr. Simon Riley  
Technical Director (Financial Reporting)  
Hong Kong Society of Accountants  
4<sup>th</sup> floor Tower Two, Lippo Centre  
89 Queensway  
Hong Kong

Fax number: (+852) 2865 6776

E-mail: [commentletters@hksa.org.hk](mailto:commentletters@hksa.org.hk)

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