

16 September 2015

Mr Hans Hoogervorst  
Chairman  
International Accounting Standards Board  
30 Cannon Street  
London EC4M 6XH  
UNITED KINGDOM

Dear Hans,

**AOSSG comments on the IASB's recent discussion in addressing  
the consequences arising from different effective dates of  
IFRS 9 and the upcoming insurance standard**

The Asian-Oceanian Standard-Setters Group (AOSSG) would like to express its views on the interaction between the application of IFRS 9 *Financial Instruments* and the upcoming insurance standard, and the approach to address concerns expressed thereto. In providing this feedback, the AOSSG sought input from its constituents within each jurisdiction. Please note that the level of concerns from each AOSSG member jurisdiction varies, which reflects the extent of IFRS applied in our region.

In general, AOSSG members welcome the IASB's continued efforts to develop a high quality standard for insurance contracts and appreciate many positive developments during the re-deliberations of the Revised Exposure Draft, *Insurance Contracts*. However, a concern was expressed over the IASB's latest discussions in addressing possible consequences resulting from different effective dates between IFRS 9 and the upcoming insurance standard.

In its July 2015 meeting, the IASB tentatively decided to adopt a possible approach so as to solve temporary accounting mismatch and volatility in financial statements resulting from different effective dates of the upcoming insurance standard and IFRS 9. The IASB's tentative decision would allow insurers to remove from profit or loss and recognize in other comprehensive income the difference between (i) the amount that would be recognized in profit or loss in accordance with IFRS 9 and (ii) the amounts recognized in profit or loss in accordance with IAS 39 *Financial Instruments* for specified assets.

AOSSG members fully appreciate the challenges to solve the issue but some members think that the IASB's July 2015 tentative decision would not cater well for insurers that are a part of a larger finance entity, and would not cater for insurance activities that are a part of a group that has already applied IFRS 9. In addition, many AOSSG members believe that the tentative decision could even complicate the insurers' presentation of performance reporting and may escalate the view that the amounts flowing through OCI would not be a source of useful information.

Many AOSSG members have been informed that the alignment of the effective dates of IFRS 9 and the upcoming insurance standard will be the most operationally-friendly approach for insurance companies. Accordingly, these members suggest that the IASB considers offering a choice for insurers to apply IAS 39 until the entity qualifying under 'appropriate criteria' applies the upcoming insurance standard. Some AOSSG members suggest that the local insurance regulation of respective jurisdictions should determine the basis for identifying insurance activities that qualify for the option to align the effective dates of IFRS 9 and the insurance standard.

Some member jurisdictions also suggest that the IASB considers providing an option for entities to apply IFRS 9 twice: first when IFRS 9 becomes effective on 1 January 2018; and second when the upcoming insurance standard becomes effective on the basis that insurers may make a different assessment of their business models in light of the new insurance standard.

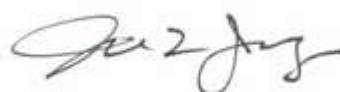
In light of the above views, the majority of AOSSG members would like to express support for the option for insurers to align the effective dates of IFRS 9 and the upcoming insurance standard. If the IASB decides not to provide the option to align the effective dates of those standards, the AOSSG would like to support the IASB's ongoing efforts to explore further approaches other than its July 2015 tentative decision.

If you would like to discuss our comments further, please do not hesitate to contact either one of us.

Yours faithfully



Clement Chan  
AOSSG Chair



Jee In Jang  
AOSSG Vice-Chair and Insurance  
Contracts Working Group Leader