

Sir David Tweedie
Chairman
International Accounting Standards Board
30 Cannon Street
London EC4M 6XH

24 November 2009

Dear Sir David

ED/2009/11 Improvements to IFRSs

We welcome the opportunity to comment on the IASB's Exposure Draft on Improvements to IFRSs.

HSBC is one of the largest banking and financial services organisations in the world, with assets of US\$2,422 billion at 30 June 2009.

We would like to draw attention to one particular proposed amendment, relating to IAS 27 *Consolidated and Separate Financial Statements*, paragraph 38. We are concerned that on a literal reading of the changes to paragraph 38, the result would be that cost could only be used as a measurement basis for investments in subsidiaries, jointly controlled entities and associates where their fair value cannot be reliably measured, as set out in IAS 39 paragraph 46(c).

This is contrary to our understanding that the amendment was supposed to clarify '*that in its separate financial statements the investor shall apply the provisions of IAS 39 to test its investments in subsidiaries, jointly controlled entities and associates for impairment*'. However, the actual wording proposed appears to represent a more extensive change in accounting than was intended.

In addition, we would like to highlight that paragraph 38 appears to contradict the scoping provisions of IFRS 5, under which financial instruments continue to be measured in accordance with the provisions of IAS 39.

Furthermore, it appears that the intention is to apply the impairment requirements set out in paragraph 66 of IAS 39 to investments held at cost. If this is the case, it would not be possible to reverse impairment losses on investment in subsidiaries, jointly controlled entities and associates. We do not believe that reversals of impairments on such investments should be prohibited.

Yours sincerely



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