Comments on IASB Request for Information - Post-implementation Review of IFRS 10 "Consolidated Financial Statements, IFRS 11 "Joint Arrangements" and IFRS 12 "Disclosure of Interests in Other Entities"

Name and contact details of the person(s) with whom The Hong Kong Institute of Certified Public Accountants (HKICPA) or its consultants may contact in relation to your comments provided below:

Bank Name: Bank of China (Hong Kong)

Contact Person: Harvey Ho

Contact No. 319 88370

Email address: harveyho@bochk.com

Question No	IASB Question	Concern / Recommendation (*please provide detailed rationale and suggested alternatives where appropriate*)
Information about the respondent		
1	To understand whether groups of stakeholders share similar views, the Board would like to know: (a) your principal role in relation to financial reporting. Are you a user or a preparer of financial statements, an auditor, a regulator, a standard-setter or an academic? Do you represent a professional accounting body? If you are a user of financial statements, what kind of user are you, for example, are you a buy-side analyst, sell-side analyst, credit rating analyst, creditor or lender, or asset or portfolio manager? (b) your principal jurisdiction and industry. For example, if you are a user of financial statements, which regions do you follow or invest in? Please state whether your responses to questions 2–10 are unrelated to your principal jurisdiction or industry.	(a) Preparer of financial statements. (b) Principal jurisdiction is Hong Kong and the principal industry is banking industry.

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IFRS 10 *Consolidated Financial Statements*		
2(a)	In your experience: (i) to what extent does applying paragraphs 10–14 and B11–B13 of IFRS 10 enable an investor to identify the relevant activities of an investee? (ii) are there situations in which identifying the relevant activities of an investee poses a challenge, and how frequently do these situations arise? In these situations, what other factors are relevant to identifying the relevant activities?	(i) Those paragraphs in IFRS 10 provide a number of guidelines and application examples for determining the relevant activities of an investee, in order to assess the existence of "control". However, investor may not be able to identify which activities to be "significantly affecting investee's return" in order to conclude whether the investor has power over the investee. (ii) Yes, but it does not happen frequently for our Group. For example, an investee's operating activities such as rendering of services or running the daily operation of business will be decided or performed by the CEO while CEO is appointed by one of the investor, although the operating activities seems to be most significantly affect Company's return, and so do the investor can affect the CEO's decision, there could be other activities such as dividend distribution, which are also included in B12 as examples, requiring unanimous approval from all investors. It creates challenges in determining which relevant activities should be considered at a greater weight in the assessment of control.
2(b)	In your experience: (i) to what extent does applying paragraphs B26–B33 of IFRS 10 enable an investor to determine if rights are protective rights? (ii) to what extent does applying paragraphs B22–B24 of IFRS 10 enable an investor to determine if rights (including potential voting rights) are, or have ceased to be, substantive?	(i)&(ii) The relevant paragraphs provide adequate guidelines. .

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2(c)	In your experience: (i) to what extent does applying paragraphs B41–B46 of IFRS 10 to situations in which the other shareholdings are widely dispersed enable an investor that does not hold a majority of the voting rights to make an appropriate assessment of whether it has acquired (or lost) the practical ability to direct an investee's relevant activities? (ii) how frequently does the situation in which an investor needs to make the assessment described in question 2(c)(i) arise? (iii) is the cost of obtaining the information required to make the assessment significant?	(i) Albeit a number of guidance and application examples in para B41 to B56, it still requires us to exercise judgement over certain areas, such as to what extent voting rights held by more than one party are substantive or how many shareholders would need to rally together to achieve required voting threshold. (ii) Seldomly occurred. (iii) Not significant, but time cost is incurred in gathering relevant information such as historical voting patterns and previous disagreement on the resolution.
3(a)	In your experience: (i) to what extent does applying the factors listed in paragraph B60 of IFRS 10 (and the application guidance in paragraphs B62–B72 of IFRS 10) enable an investor to determine whether a decision maker is a principal or an agent? (ii) are there situations in which it is challenging to identify an agency relationship? If yes, please describe the challenges that arise in these situations. (iii) how frequently do these situations arise?	(i) The relevant paragraphs provide provide adequate guidelines.. (ii) None noted in our Group. (iii) N/A
3(b)	In your experience: (i) to what extent does applying paragraphs B73–B75 of IFRS 10 enable an investor to assess whether control exists because another party is acting as a de facto agent (ie in the absence of a contractual arrangement between the parties)? (ii) how frequently does the situation in which an investor needs to make the assessment described in question 3(b)(i) arise?	(i) The relevant paragraphs provide some guidelines without application example for de facto agent assessment. (ii) None noted in our Group. (iii) N/A

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	(iii) please describe the situations that give rise to such a need.	
4(a)	In your experience: (i) to what extent does applying the definition (paragraph 27 of IFRS 10) and the description of the typical characteristics of an investment entity (paragraph 28 of IFRS 10) lead to consistent outcomes? If you have found that inconsistent outcomes arise, please describe these outcomes and explain the situations in which they arise. (ii) to what extent does the definition and the description of typical characteristics result in classification outcomes that, in your view, fail to represent the nature of the entity in a relevant or faithful manner? For example, do the definition and the description of typical characteristics include entities in (or exclude entities from) the category of investment entities that in your view should be excluded (or included)? Please provide the reasons for your answer.	(i) The existing definition and description on investment entity from IFRS 10 should lead to consistent outcomes. No inconsistent outcomes arisen so far. (ii) The existing definition and description on investment entity from IFRS 10 adequately represent the nature of the entity in a relevant manner.
4(b)	In your experience: (i) are there situations in which requiring an investment entity to measure at fair value its investment in a subsidiary that is an investment entity itself results in a loss of information? If so, please provide details of the useful information that is missing and explain why you think that information is useful. (ii) are there criteria, other than those in paragraph 32 of IFRS 10, that may be relevant to the scope of application of the consolidation exception for investment entities?	(i) None noted in our Group. (ii) None noted in our Group.
5(a)	In your experience: (i) how frequently do transactions, events or circumstances arise that: a. alter the relationship between an investor and an investee (for example, a change from being a parent to being a joint operator); and	(i) a. Not frequent. b. Not encountered any cases that not addressed in IFRS Standards. (ii) Assessment from respective areas such as changes in shareholding, contractual arrangement, board composition, resolution procedures etc. which trigger the loss of control and will further examine how

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	b. are not addressed in IFRS Standards? (ii) how do entities account for these transactions, events or circumstances that alter the relationship between an investor and an investee? (iii) in transactions, events or circumstances that result in a loss of control, does remeasuring the retained interest at fair value provide relevant information? If not, please explain why not, and describe the relevant transactions, events or circumstances.	the relationship varied as a result of the event and the corresponding accounting treatment. (iii) Yes.
5(b)	In your experience: (i) how do entities account for transactions in which an investor acquires control of a subsidiary that does not constitute a business, as defined in IFRS 3? Does the investor recognise a non-controlling interest for equity not attributable to the parent? (ii) how frequently do these transactions occur?	(i) No such transaction noted from our Group. (ii) N/A
IFRS 11 *Joint Arrangements*		
6	In your experience: (a) how widespread are collaborative arrangements that do not meet the IFRS 11 definition of 'joint arrangement' because the parties to the arrangement do not have joint control? Please provide a description of the features of these collaborative arrangements, including whether they are structured through a separate legal vehicle. (b) how do entities that apply IFRS Standards account for such collaborative arrangements? Is the accounting a faithful representation of the arrangement and why?	(a) There can be a collaborative arrangement not meeting the definition of joint arrangement but commercially doesn't make sense. The said arrangement involves two shareholders and two independent directors, and requires a majority consent (ie. more than 75% of the voting rights) from the shareholders and the independent directors for any resolution, in which the majority consent could be achieved via more than one pattern and resulting in the assessment on such classification as associate under para B8 of IFRS 11. Accordingly, even though the investee is structured as a separate legal vehicle and designed as joint arrangement between two shareholders, due to the inclusion of independent directors per regulatory requirement and more than one voting pattern on achieving majority consent, both shareholders appeared to have no control or joint control over the arrangement but only significant influence. . And the conclusion of the assessment on such "joint arrangement" as an associate are commercial absurdities.

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		(b) For the case mentioned in (a), in considering the arrangement not classifying as "joint arrangement", both shareholders can only be viewed as having significant influence over the investee, and thus not able to classify as joint venture but associate. However, in considering the structure as well as the shareholding, it would be rare in practice for a collaborative arrangement with both shareholders presenting it as an associate in the financial statements.
7	In your experience: (a) how frequently does a party to a joint arrangement need to consider other facts and circumstances to determine the classification of the joint arrangement after having considered the legal form and the contractual arrangement? (b) to what extent does applying paragraphs B29–B32 of IFRS 11 enable an investor to determine the classification of a joint arrangement based on 'other facts and circumstances'? Are there other factors that may be relevant to the classification that are not included in paragraphs B29–B32 of IFRS 11?	(a) The consideration of other facts such as right and obligations of shareholders to investee's assets and whether we are liable to investee's liability for determining the classification of joint arrangement are carried out in every assessment. (b) Para B29-B32 of IFRS 11 provide a number of guidance and application examples in classification assessment based on "other facts and circumstances". None noted in our Group.
8	In your experience: (a) to what extent does applying the requirements in IFRS 11 enable a joint operator to report its assets, liabilities, revenue and expenses in a relevant and faithful manner? (b) are there situations in which a joint operator cannot so report? If so, please describe these situations and explain why the report fails to constitute a relevant and faithful representation of the joint operator's assets, liabilities, revenue and expenses.	(a) Our Group does not involve in any joint operation. (b) N/A
IFRS 12 ***Disclosure of Interests in Other Entities***		

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9	In your experience: (a) to what extent do the IFRS 12 disclosure requirements assist an entity to meet the objective of IFRS 12, especially the new requirements introduced by IFRS 12 (for example the requirements for summarised information for each material joint venture or associate)? (b) do the IFRS 12 disclosure requirements help an entity determine the level of detail necessary to satisfy the objective of IFRS 12 so that useful information is not obscured by either the inclusion of a large amount of detail or the aggregation of items that have different characteristics? (c) what additional information that is not required by IFRS 12, if any, would be useful to meet the objective of IFRS 12? If there is such information, why and how would it be used? Please provide suggestions on how such information could be disclosed. (d) does IFRS 12 require information to be provided that is not useful to meet the objective of IFRS 12? If yes, please specify the information that you consider unnecessary, why it is unnecessary and what requirements in IFRS 12 give rise to the provision of this information.	(a) IFRS 12 disclosure requirement is clear and straightforward enough to meet the objective of IFRS 12. (b) Yes, the disclosure requirements are straightforward and relevant to the objective of IFRS 12. (c) N/A (d) N/A
Other topics		
10	Are there topics not addressed in this Request for Information, including those arising from the interaction of IFRS 10 and IFRS 11 and other IFRS Standards, that you consider to be relevant to this Post-implementation Review? If so, please explain the topic and why you think it should be addressed in the Post-implementation Review.	None noted in our Group.