HSBC

**Iain J Mackay**
*Group Finance Director*

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

31 January 2011

Dear Sir David

**Request for Views on Effective Dates and Transition Methods**

We welcome the opportunity to respond to the 'Request for Views on Effective Dates and Transition Methods'('Request for Views') and thank the Board for enabling us to participate in this debate.

HSBC is one of the largest banking and financial services organisations in the world, with assets of US$2,418 billion at 30 June 2010. Headquartered in London, HSBC serves customers worldwide from more than 8,000 offices in 87 countries and territories in six geographical regions. HSBC's businesses encompass a very broad range of financial services and products, including personal financial services, commercial banking, global banking and markets, private banking, asset management and insurance.

Given the scale of the proposed changes to IFRSs, HSBC supports the Board's decision to consider the proposals in the context of the broader implementation challenges. The proposals in the Request for Views will affect most of the operating transactions undertaken by financial institutions, affecting nearly every line item in their financial statements. The cumulative impact of the proposals therefore is likely to represent a change of the same order of magnitude to that of the first time adoption of IFRSs.

Considering all of the proposals together, HSBC prefers a single implementation date of no earlier than 1 January 2015, but with the very important condition that relief is given from restating comparatives and on providing certain transition disclosures. HSBC believes that there is a compelling case for earlier mandatory adoption of the changes in accounting for the fair value of own credit risk for financial liabilities designated at fair value, because this represents a vital improvement in the quality of financial information, and could readily be achieved.

HSBC believes comparability is an essential element in providing relevant and reliable information for users of financial statements and for that reason we regard full retrospective application of new standards as the preferred transition method, while noting that for certain proposals (for example, hedge accounting) there are specific reasons which make prospective transition more appropriate. However, there would be significant challenges and potentially

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huge costs involved in restating comparatives. As a consequence, we believe it is essential to provide exemptions from the requirement to restate comparative information, and we therefore encourage the Board to consider suggestions for practical expedients to facilitate retrospective transition for the relevant proposals. We also believe that restricting the requirements of IAS 8, paragraph 28 for transition disclosures would make this transition significantly more achievable in the time frame and would help to contain implementation costs.

There will be many requirements for changes in IT systems arising over the next five years, not only as a result of the proposed accounting changes, but also as a result of mandatory changes arising from legislation and regulation, as well as changes required for business and risk management purposes. It will be challenging for the financial sector to manage these demands with available resources, and there will be huge pressure on expert resources in finance and information systems at every level of organisations adopting these changes worldwide.

It has been difficult to estimate the overall implementation impact of the proposed changes because many of the proposals are still being developed. HSBC is concerned about the Board's timeframe for completing deliberations on Financial Instruments: Phase 2 (Impairment), Insurance Contracts, Revenue from Contracts with Customers and Leases, where extensive follow-up work on issues highlighted throughout the comment process remains to be completed. We believe it is vital that sufficient time be given to the development phase of each standard to ensure that constituents have enough time to consider and comment on proposals and that the Board has enough time to evaluate comments and be certain that proposed changes will provide benefits to the users of financial statements which outweigh the costs of implementation. HSBC is particularly concerned about the remaining timeframe for finalising the Financial Instruments: Phase 2 (Impairment) proposals.

HSBC believes it is vitally important for the Board to ensure that sufficient time is allowed for national and regional endorsement processes to be completed. As an EU company with a US listing, HSBC must prepare its consolidated financial statements in accordance with IFRSs as endorsed by the EU while also explicitly stating, for US listing purposes, that the financial statements are prepared in accordance with IFRSs as issued by the IASB. If EU endorsement were not received by the mandatory effective date of a new standard, EU companies with US listings would be put at a disadvantage relative to their non-EU competitors by having to either prepare two sets of financial statements (one in accordance with IFRSs as endorsed by the EU and one in accordance with IFRSs as issued by the IASB) or alternatively to publish a reconciliation to US GAAP. Furthermore, if EU endorsement were not to be completed in time, multinational companies such as HSBC would be placed in the difficult position of having to adopt an accounting standard in certain subsidiaries incorporated outside the EU earlier than for Group reporting purposes, adding the significant expense of running parallel systems at the subsidiary level. Furthermore, if EU companies with US listings were unable to take advantage of relief from restating comparatives as a result of endorsement delay they would be required by US listing requirements to prepare

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restated comparative information for the previous four years for the purposes of their Annual Reports on Form 20-F.

Our detailed responses to the questions set out in the Request for Views are attached as an appendix to this letter. As always, we are available to discuss our comments with you in further detail if this would be helpful.

Yours sincerely,

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## APPENDIX

**Q1 Please describe the entity (or individual) responding to this request for views. For example:**

**(a) Please state whether you are primarily a preparer of financial statements, an auditor, or an investor, creditor or other user of financial statements (including regulators and standard-setter). Please also say whether you primarily prepare, use or audit financial information prepared in accordance with IFRSs, US GAAP or both.**

HSBC prepares consolidated financial statements in accordance with IFRSs. HSBC's subsidiaries prepare separate financial statements in accordance with the accounting standards applied in each national jurisdiction, including where applicable, IFRSs or US GAAP.

**(b) If you are a preparer of financial statements, please describe your primary business or businesses, their size (in terms of the number of employees or other relevant measure), and whether you have securities registered on a securities exchange.**

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HSBC has securities listed on the London Stock Exchange, Hong Kong Stock Exchange, New York Stock Exchange, Euronext Paris and Bermuda Stock Exchange.

**(c) If you are an auditor, please indicate the size of your firm and whether your practice focuses primarily on public entities, private entities or both.**

Not applicable.

**(d) If you are an investor, creditor or other user of financial statements, please describe your job function (buy side/sell side/regulator/credit analyst/lending officer/standard-setter), your investment perspective (long, long/short, equity, or fixed income), and the industries or sectors you specialise in, if any.**

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HSBC responds primarily as a preparer of financial statements, however, HSBC is also a user of financial statements when providing lending, asset management or equity services (research, sales and trading). Our businesses operate across a broad range of industrial and commercial sectors and we therefore have a clear interest in transparent and reliable information on which to base decisions.

**(e) Please describe the degree to which each of the proposed new IFRSs is likely to affect you and the factors driving that effect (for example, preparers of financial statements might explain the frequency or materiality of the transactions to their business and investors and creditors might explain the significance of the transactions to the particular industries or sectors they follow).**

HSBC believes it is appropriate to differentiate between the proposals by referring to two different categories.

**Category 1: Fair Value Measurement, Financial Instruments (IFRS 9 – Classification and Measurement, Impairment and Hedging), Revenue from Contracts with Customers, Insurance Contracts and Leases**

Category 1 proposals will have the biggest impact on our businesses. We believe the Category 1 proposals should be considered together as they are interrelated and will have a more pervasive impact because of the fundamental change they represent in the way performance is measured and reported in the financial statements. The changes represented by the Category 1 proposals will affect most operating transactions undertaken by financial institutions which will in turn impact nearly every line item in the consolidated income statement, statement of comprehensive income, and balance sheet.

**Category 2: Post-Employment Benefits, Presentation of items of Other Comprehensive Income, Consolidation and Joint Arrangements**

We believe Category 2 proposals, while important, have a less pervasive impact on the financial statements, and will be more straightforward to implement. Our view on the Consolidation and Joint Arrangements proposals is based on the available information pending publication of the final IFRSs on these subjects by the IASB, expected in the near future. Depending on the extent of disclosure requirements, however, the Consolidation proposals could be of the same scale of operational difficulty as the Category 1 proposals.

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**Q2 Focusing only on those projects included in the table in paragraph 18 above:**

**(a) Which of the proposals are likely to require more time to learn about the proposal, train personnel, plan for, and implement or otherwise adapt?**

Category 1 proposals (as defined in our response to question 1) are likely to require the most time to implement, as in our opinion, the cumulative effect of the changes proposed is likely to be of the same order of magnitude to that of the first time adoption of IFRSs. In general, the time and cost involved in adopting any new standard will depend on the pervasiveness of the impact of the standard, the ability to make the changes operational given current systems, the effort needed to generate new information requirements, and the nature of transitional requirements including those relating to comparative information and transition disclosures.

It is difficult to estimate the amount of time needed to implement the proposals, because many of the proposals are still being developed. HSBC is concerned by the amount of work which it believes is still needed in certain cases, for example Revenue from Contracts with Customers and Leases, to finalise high quality and operational standards. We believe it is vital that sufficient time be given to the development phase of each standard to ensure that constituents have enough time to consider and comment on proposals and that the Board has enough time to evaluate comments and be certain that proposed changes will provide benefits to the users of financial statements which outweigh the costs of implementation. HSBC is particularly concerned about the remaining timeframe for finalising the Financial Instruments: Phase 2 (Impairment) proposals.

Each of the Category 1 proposals represents a significant change, and implementing them concurrently would be a major programme of work, requiring at least 2 to 3 years, potentially more for impairment and insurance, assuming no comparative data was required.

Despite the Board's efforts to address the operational challenges of the Financial Instruments: Phase 2 (Impairment) model proposed in the exposure draft, we continue to expect very significant operational challenges, particularly in establishing processes to derive initial and subsequent estimates of lifetime expected losses by portfolio. To give some perspective, in order to support the Basel II process, HSBC has some 380 models to generate probability of default, loss given default, and exposure at default in arriving at 12 month expected losses. These models cover only those parts of the Group which are permitted to use such models for regulatory purposes. Subject to finalising the details of the Board's expected loss model, it is possible that at least a similar number of models may need to be developed.

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In our response to the exposure draft 'Insurance Contracts' dated 30 November 2010, we expressed concern about the Board's time frame for completing follow-up work on contentious issues highlighted. We were also concerned that due to the short comment period on the exposure draft it was not possible to perform any form of comprehensive field-testing, making it difficult to comment on the proposals when the full impact had yet to be determined. Given these uncertainties, together with the significant implementation considerations, HSBC supports a lengthy implementation period.

A major consideration in determining the implementation effort required is the nature and extent of comparative data requirements and transition disclosures. These are discussed further under question 4.

**(b) What are the types of costs you expect to incur in planning for and adapting to the new requirements and what are the primary drivers of those costs? What is the relative significance of each cost component?**

The costs of implementing Category 1 proposals could be as significant as those incurred on initial adoption of IFRSs, with IT systems changes and development, changes in operational processes, expert resources and personnel being the most significant costs.

Even small changes to financial accounting systems require careful planning, impact assessments, provision of guidance and training to the businesses, system updates and process updates to collect the data. To give some perspective, for any update to ledger accounts, whether small or large, there is a minimum process that must be followed which will last around six months; this process allows for the update of related upstream and downstream systems and rigorous user acceptance testing.

The cumulative effect of the proposals will be to require an extensive re-design of HSBC's accounting systems and processes in order to deal with the large number of new or amended data requirements for the financial statements including disclosures. The re-design of group consolidation systems would have a cascading effect on all accounting systems, product systems and related interface systems, throughout the Group's operations. To illustrate the scale of this change, currently the HSBC consolidation system uses over 7,000 codes and over 12,000 data points to collect the data required for the consolidated financial statements. The changes that are proposed would first need to be captured by downstream accounting, product and interface systems, then mapped into national and regional consolidation systems, then finally mapped into the Group consolidation ledger. This process will need to be undertaken in each of the 87 countries and territories in which HSBC has operations.

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There will be many requirements for changes in IT systems arising over the next 5 years, including mandatory changes arising from legislation and regulation, as well as changes required for business and risk management purposes. It will be challenging for the financial sector to manage these demands with available resources, and there will be huge pressure on expert resources in finance and information systems at every level of our organisation.

It will be necessary for companies to invest significantly in training and education. This will need to be both internally focused on employees within business, finance and other functions, and externally focused on key stakeholders to ensure they understand the impact of the new standards. Internal training will need to be provided at various levels depending on the needs of different functions. This will range from general awareness, application of the principles of the new standards in terms of detailed accounting policies, down to the level of detailed manuals and procedures designed to support new systems and accounting processes.

**Q3 Do you foresee other effects on the broader financial reporting system arising from these new IFRSs? For example, will the new financial reporting requirements conflict with other regulatory or tax reporting requirements? Will they give rise to a need for changes in auditing standards?**

Given the magnitude of the proposed changes, we appreciate the Board's consideration of the broader effects of the proposals. It is vitally important that the Board allows sufficient time between completion of final standards and the effective dates of the standards in order for the broader effects to be identified and for the due processes of regulators and governmental organisations to take place.

*Regional and national endorsement*

HSBC is required to prepare its consolidated financial statements in accordance with IFRSs as endorsed by the EU. In addition, EU companies with US listings must explicitly state that their financial statements are prepared in accordance with IFRSs as issued by the IASB. If EU endorsement were not to be received by the mandatory effective date of a new standard, EU companies with US listings would be put at a disadvantage relative to their non-EU competitors by having to either prepare two sets of financial statements (one in accordance with IFRSs as endorsed by the EU and one in accordance with IFRSs as issued by the IASB) or alternatively to publish a reconciliation to US GAAP from IFRSs as adopted by the EU.

Furthermore, if EU endorsement was not received by the mandatory effective date of any new standard, multinational companies such as HSBC may be prevented from adopting the accounting standard both regionally and at the group level on a consistent date. For example, there could be situations where, in non-EU countries where IFRSs are used for statutory financial reporting, parallel accounting systems

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would need to be maintained, one in accordance with IFRSs as issued by the IASB for statutory reporting purposes and one in accordance with IFRSs as endorsed by the EU for group reporting purposes.

IFRS 9 is a good example of the potential additional costs that could be imposed on multinational companies as a result of delays in national or regional endorsement procedures. In order for financial institutions such as HSBC to successfully implement IFRS 9, comprehensive impact assessment and planning for the necessary systems and process changes must take place. A start to preparations can be made, but the resources to deliver significant systems and process changes can only be committed once requirements are finalised. The EU decision to postpone endorsement of IFRS 9 until all phases of the financial instruments proposals are complete was understandable, but has, on the basis of the current published mandatory effective date, reduced the time available for implementation. Further risk of delay exists if endorsement is further postponed until all issues of importance, such as portfolio hedge accounting, are finalised. If, as a result, EU companies with US listings were unable to take advantage of the exemption in IFRS 9 paragraph 8.2.12 from restating comparative information, they would be required by SEC regulations to prepare restated comparative information for the previous four years for the purposes of their Annual Reports on Form 20-F.

It is therefore vitally important to ensure that sufficient time is allowed for national and regional endorsement processes to be completed, and that the transitional provisions including necessary reliefs are formulated in a way that makes them practically available to multinational companies including EU companies with US listings.

*Regulatory*

Given the significant ongoing changes in banking regulation we believe it particularly important that financial institutions and their national and regional regulators are given sufficient time to properly consider the impact of accounting changes on banking regulation and to resolve any issues in order to avoid the risk of new regulations having unintended consequences. For example, under the proposal for Financial Instruments: Phase 2 (Impairment), consideration must be given to the relationship between the proposed expected loss model and regulatory capital adequacy objectives to ensure no double counting of provisions for credit losses, and that the characteristics of the combined accounting and regulatory approaches in the context of economic cycles are properly understood. It will be necessary to understand how new types of assets, such as those created by the Leases proposal, will be treated for regulatory purposes in order to fully understand their effects on regulatory capital. The effect of the proposed accounting changes on new regulatory measures such as the leverage ratio will also need to be considered.

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*Taxation*

The proposals are likely to have an effect on taxation, particularly where, as in the UK, IFRSs are used for statutory financial reporting. For example, in response to the proposal on Leases, HM Revenue & Customs has published draft legislation to freeze lease accounting for tax purposes so they have adequate time to understand the proposals and develop appropriate tax guidance. If adequate time is not allowed for this to be completed, companies may be required to account for leases using two sets of books in order to meet both statutory and tax requirements.

**Q4 Do you agree with the transition method as proposed for each project, when considered in the context of a broad implementation plan covering all the new requirements? If not, what changes would you recommend, and why? In particular, please explain the primary advantages of your recommended changes and their effect on the cost of adapting to the new reporting requirements.**

HSBC believe comparability is an essential element in providing relevant and reliable information for users of financial statements and for that reason we acknowledge that full retrospective application of new standards would in general be the preferred transition method. For Fair Value Measurement and Hedging, we agree in principle with the proposed prospective application of the standards as there are specific reasons in these cases which make this approach more appropriate. However, while in general we support full retrospective transition we are also concerned about the cumulative impact of the proposals, which represent a change in the same order of magnitude to that of the first time adoption of IFRSs. Consequently, we encourage the Board to consider suggestions for practical expedients to facilitate retrospective transition for the relevant proposals.

*Comparative information*

Given the significant challenges and potentially huge cost associated with restating comparatives, we believe it is essential to make retrospective transition operational by providing exemptions from the requirement to restate comparative information for those proposals where the cost and time to provide the comparable data would outweigh the benefits. Considering the cumulative effect of adopting the proposals, we believe this criterion would be met for Financial Instruments, Revenue from Contracts with Customers, Insurance Contracts and Leases. We believe that any decision to provide comparative information should be on a best endeavours basis, for example as part of unaudited proforma communications, and should be for the directors to determine in the light of the practical circumstances of each entity and in consideration of their stakeholders' wishes.

For many of the proposals, the underlying data needed to produce comparative data may not exist in the necessary form. For example, information for proposals which may require a change in measurement basis, as in the case of financial instruments, or

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for proposals which use radically different accounting concepts, such as Revenue from Contracts with Customers, Insurance Contracts and Leases, may need to be generated from other sources, including extraction from the original source documents, which may not be readily available. Collecting and analysing historical data from alternative sources will significantly increase the expected time and cost to adopt the proposals; such time and costs will increase with each comparative year required. In some circumstances it may not be possible to obtain reliable information from other sources.

As discussed in the answer to question 3, if the restatement of comparatives is required by each relevant IFRS, US registrants would be required by SEC regulations to publish restated comparative information for the previous four years in their Annual Reports on Form 20-F. Therefore, a mandatory adoption date of 1 January 2015 would involve restatement of comparatives back to 1 January 2011, a very significant operational challenge.

*Transition disclosures*

We believe that restricting the requirements of IAS 8 paragraph 28 for transition disclosures would make transition significantly more operational. The requirement for transitional disclosures on initial application of an IFRS as set out in IAS 8 paragraph 28 has a significant effect on the scale of implementation work. In particular, the requirement to show the effect of changes by line item for each financial statement for the current period and each prior period presented, to the extent practicable, requires parallel running of accounting systems. Management must assess practicability in the context of whether the requirement is feasible, accepting that additional time and resources would be required to obtain this information. We question the usefulness of this information in the context of the demand on resources that it would require. We strongly encourage the Board to consider disclosures similar to those for the original transition to IAS 32/39, for example restricting the requirements of IAS 8 paragraph 28 to clauses (a) – (e) and (f)(i), and stipulating that paragraph 28(f)(i) should only apply to amounts presented in the balance sheet at the comparative period's reporting date.

*Comments on specific standards*

We believe that the time and cost involved in preparing comparative restatements for Financial Instruments, Revenue from Contracts with Customers, Insurance Contracts and Leases would exceed the benefits to users of financial statements. In each case, taking into consideration the experience of the original transition from UK GAAP to IFRSs in 2004/2005, we do not see any merit in the restatement of comparatives where hindsight must inevitably affect the judgements management would have been required to make had the new standard been applied, for example in estimating expected cash flows for the recognition and measurement of impairment.

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We believe that, to the extent possible, the transition approach for Insurance Contracts should mirror that for Financial Instruments in order to help reduce accounting mismatches between insurance liabilities and related financial assets. We are concerned that the proposed limited retrospective transitional requirements for the measurement of existing insurance contracts will not reflect the economic reality of an insurance entity's in-force book on transition, with a negative impact on reported results in future years. We believe that a residual margin should be permitted to be recognised on transition to ensure that insurance liabilities are calculated consistently at transition and in subsequent reporting periods.

In the case of Revenue from Contracts with Customers, and Leases, we believe that simplified proposals should be developed in order to make the proposed standards more operational. As currently drafted it may not be possible to apply the new standards retrospectively at the date of adoption. While a fully retrospective transition approach is desirable for these proposed standards, this may not be practicable, in which case we believe grandfathering of the existing accounting approaches for leases and contracts with customers should be permitted.

**Q5 In thinking about an overall implementation plan covering all of the standards that are the subject of this Request for Views:**

**(a) Do you prefer the single date approach or the sequential approach? Why? What are the advantages and disadvantages of your preferred approach? How would your preferred approach minimise the cost of implementation or bring other benefits? Please describe the sources of those benefits (for example, economies of scale, minimising disruption, or other synergistic benefits).**

HSBC prefers a single date approach. Considering the significant and fundamental changes represented by the Category 1 proposals (as defined in our response to question 1), we believe the single date approach will provide a more stable environment for users to understand the changes and how those changes affect their use of the financial statements. We believe the Category 1 proposals are interrelated because of the scale of their combined effect on the way performance is classified, measured and reported in the financial statements. However, where there is a compelling case for an earlier adoption of a proposal which represents a vital improvement in the quality of financial information, and could be easily achieved, we believe mandatory early adoption would be appropriate. We believe that there is a compelling case for the early adoption of the changes in accounting for the fair value of own credit risk for financial liabilities designated at fair value, given strong investor demand.

While Category 2 proposals have a less pervasive impact on the financial statements, and are likely to be less challenging for preparers to implement, they are part of the very significant change in the accounting landscape for the users of financial statements. Financial statements would be more understandable for users with a single transition date, subject to the above comments about the fair value of own credit risk for financial liabilities designated at fair value. Accordingly, HSBC's preferred approach is to include these changes in the single date approach described above.

**(b) Under a single date approach and assuming the projects noted in the introduction are completed by June 2011, what should the mandatory effective date be and why?**

HSBC is concerned about the Board's timeframe for completing the Category 1 proposals, which require extensive follow-up work on issues highlighted throughout the comment process. In particular, we have concerns about whether deliberations on Financial Instruments: Phase 2 (Impairment), Insurance Contracts, Revenue from Contracts with Customers and Leases can be completed within the short period remaining, allowing for comprehensive field-testing on the operability of the proposals. Our response assumes completion of all proposals by June 2011, as stated, and also assumes that the issues highlighted through the comment process regarding operability have been satisfactorily addressed.

Given these assumptions, and the scale of the challenges described above, particularly in the answer to question 2(b), HSBC believes that the mandatory effective date under a single date approach should be no earlier than 1 January 2015.

**(c) Under the sequential approach, how should the new IFRSs be sequenced (or grouped) and what should the mandatory effective dates for each group be? Please explain the primary factors that drive your recommended adoption sequence, such as the impact of interdependencies among the IFRSs.**

Although we prefer a single date approach, if a sequential approach were to be adopted, we believe that the most relevant criteria for phasing the changes would be based on the degree of implementation difficulty and the scale of resources required, and whether proposals which represent a vital improvement in the quality of financial information for users could be implemented quickly. For those proposals requiring a longer implementation period HSBC would recommend that priority be given to financial crisis related projects over other proposals for which there is less pressing need for change, acknowledging that an extended period of time may be needed for Impairment depending on the details of the chosen model. These considerations suggest the following phasing:

*First phase*: Category 2 proposals plus fair value of own credit risk for financial liabilities designated at fair value.

*Second phase*: Financial Instruments (possibly excluding Financial Instruments: Phase 2 (Impairment)), Insurance Contracts, Fair Value Measurement.
*Third phase*: Revenue from Contracts with Customers, Leases, and potentially Financial Instruments: Phase 2 (Impairment) depending on the complexity of the final proposals.

The sequential approach implies a more extended overall time frame than the single date approach, because of the greater number of change programme iterations for systems and processes. We note that if relief from restating comparatives is granted, one of the significant disadvantages of the sequential approach to users and preparers is addressed, which is the serial restatement of comparatives over an extended period of time.

**(d) Do you think another approach would be viable and preferable? If so, please describe that approach and its advantages.**

HSBC's preference is for a single date approach with mandatory early adoption of the changes in accounting for the fair value of own credit risk for financial liabilities designated at fair value, which appear in IFRS 9.

**Q6 Should the IASB give entities the option of adopting some or all of the new IFRSs before their mandatory effective date? Why or why not? Which ones? What restrictions, if any, should there be on early adoption (for example, are there related requirements that should be adopted at the same time)?**

HSBC believes that in general it is desirable to permit early adoption of new standards, as this creates an incentive for the earlier provision of improved financial information to users. However, where the changes proposed are very extensive, as in this case, the need to provide users with financial information which is comparable between companies within the same industries outweighs the benefits of permitting early adoption. An exception for first time adopters should, however, be considered (see Q8).

**Q7 Do you agree that the IASB and FASB should require the same effective dates and transition methods for their comparable standards? Why or why not?**

As HSBC has stated in the past, we strongly encourage the respective Boards to make every effort to produce fully converged standards. HSBC believes it is desirable from a convergence and global comparability perspective for the IASB and FASB to require the same effective date and transition method for their comparable standards. The differences between US GAAP and IFRSs require HSBC's US subsidiaries to prepare financial statements on two bases, and convergence should reduce the cost of producing this information and the complexity of financial information for users. If different effective dates and transition methods are adopted for otherwise comparable standards, HSBC's US subsidiaries could still have to report different numbers for

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transactions for national and group level reporting purposes, with no clear benefit to the users of the financial statements prepared on either GAAP.

**Q8 Should the IASB permit different adoption dates and early adoption requirements for first-time adopters of IFRSs? Why, or why not? If yes, what should those different adoption requirements be, and why?**

It will be very important to provide a stable platform for first-time adopters We believe that it is justified to permit different adoption dates and early adoption requirements for first-time adopters of IFRSs to reflect their different circumstances and enable them to manage their implementation projects in a cost effective manner.

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