HSBC

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Dear Sirs

EFRAG draft endorsement advice(s) and draft effects study report(s) on IFRS 10, IFRS 11, IFRS 12, IAS 28 (2011) and IAS 27 (2011)

We welcome the opportunity to provide comments on the draft endorsement advice on the standards set out above ('the standards').

HSBC is one of the world's largest banking and financial services organisations, with total assets of US$2,556 billion at 31 December 2011. Headquartered in London, HSBC has an international network of 7,200 offices in 85 countries and territories, representing both established and faster-growing markets, organised in six geographical regions. HSBC serves around 89 million customers through four global businesses: Retail Banking and Wealth Management, Commercial Banking, Global Banking and Markets, and Global Private Banking.

We agree with the positive endorsement advice for the standards and with the conclusion of the cost/benefit analysis. We do not agree with EFRAG's proposals that the effective date of the standards should be 1 January 2014 with early adoption permitted, rather than 1 January 2013 as set out in the standards.

In our view, many companies will have begun implementation projects on a timely basis, which are likely to be well advanced at this stage. HSBC believes that it will be able to comply with the 1 January 2013 effective date. Although these new standards require significant judgement, they were issued in May 2011, which, in our view, has provided a reasonable period of time in which to discuss internally, and externally with auditors and financial institutions, and to form interpretations. There have been industry-wide discussions around the implications of these new standards, and some consensus views have already emerged, and been used to analyse transactions. We do not believe that an additional year is required to explore the application of concepts further or to manage the implementation process.

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In addition, we are not of the opinion that outstanding consultations on the treatment of investment entities or amendments to transition will cause any delay in an implementation project. The transition amendments merely clarify what is already in the standard. Any changes arising from the investment entities exposure draft may require changes to accounting for investment entities at a Group level, which could require additional resource, but not to the extent that the whole standard should be delayed by a year.

If EFRAG believe that the effective date must be postponed, then we agree that it is crucial that early adoption is permitted. European-domiciled Foreign Private Issuers (FPIs) in the United States must comply with both IFRSs as endorsed by the European Union and with IFRSs as issued by the IASB in order to avoid having to prepare a reconciliation to US GAAP. Most FPIs no longer have US GAAP reconciliation processes and therefore must be able to apply the new standards from January 2013 in order to meet US reporting requirements, regardless of the European effective date. It is therefore essential that the new standards can be applied from this date, even if they are not mandatory in Europe, and we agree that the endorsement mechanism should facilitate this approach.

However, that this could result in inconsistency between European entities, with some applying the new standards from 2013 and others not. We also note that adoption by 2013 by some entities may put market pressures on others to follow the same timetable, thereby lessening the perceived benefit of the delay. Therefore, we believe that it would preferable for the European Union to endorse the standards with their stated effective date.

Yours sincerely

Russell Picot