



Douglas J Flint
Group Finance Director

Fabrice Demarigny
Secretary General
The Committee of European Securities Regulators
11 – 13 avenue de Friedland
75008 Paris
France

20 November 2003

Dear Fabrice

**Committee of European Securities Regulators ('CESR') consultation paper -
Draft recommendation for additional guidance regarding the transition to IFRS**

I welcome the publication of this consultation paper, as it addresses the vital task of informing investors as early as possible of the possible effects of the transfer to IFRS. However, we do not feel that the approach proposed by CESR is entirely satisfactory or realistic.

Of particular concern are CESR's proposals for quantified reconciliations in 2004 reporting on the basis that the proposals require disclosure in advance of the time-scale prescribed in IFRS 1. Such disclosure should be determined by standard-setters and we do not believe CESR should add further requirements to those mandated by the IASB.

In addition, the disclosure will be costly and burdensome for entities to produce 2004 primary statements under IFRS within their normal 2004 year-end reporting period, given the fact that many new developments in IFRS will not be finalised until 2004. This means that there will have been no opportunity for a full 'dry-run' producing 2003 numbers within the normal reporting period, and a large reporting burden will be placed on subsidiaries to submit both old-GAAP and IAS numbers on a timely basis.

Please see the attached appendix for detailed answers to the questions in the consultation paper.

Yours sincerely

A handwritten signature in black ink, appearing to read "Douglas Flint", with a long, sweeping horizontal line extending to the right.

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QUESTIONS POSED IN CESR DRAFT RECOMMENDATION 03-323b

Question 1

Do you consider it useful that CESR Members provide recommendations to European listed companies on how to disclose financial information to the markets during the phase of transition from local GAAP to IFRS?

We do not believe that CESR should be providing such recommendations. It is for the IASB to mandate disclosure and recommendations from other bodies can only result in confusion for users of accounts.

Question 2

Do you agree that European listed companies should be encouraged to prepare the transition from local GAAP to IFRS as early as possible?

We agree that European listed companies should be encouraged to prepare the transition from local GAAP to IFRS as early as possible. However, given the late finalisation of many IASs, it is unlikely that the full impact of transition will be known prior to 2005 deadline.

Question 3

Do you agree that those companies should also be encouraged to communicate about the transition process? If yes, are the 4 milestones identified by CESR for such communication appropriate?

We agree companies should discuss the transition from local GAAP to IFRS in their financial statements. However, we believe the nature of the information given in the third and fourth milestones should be as prescribed by IFRS 1 'First-time Adoption of International Financial Reporting Standards'. For the first and second milestones, disclosure should be narrative that identifies major GAAP differences. The practicality of providing such information will be determined by the IASB's timetable for finalising new IFRSs and amendments to existing standards.

Question 4

What are your views on an encouragement to listed companies to disclose narrative information about their process of moving to IFRS and about the major identifiable differences in accounting policies this transition will bring about? Do you consider it appropriate to include such information in the 2003 annual report or in the notes to the 2003 financial statements?

Communication with regard to the transition process should consist of narrative explanation of GAAP differences regarding comparative figures as envisaged by IFRS 1. If earlier communication is deemed to be useful, the recommendation should consist of reporting major GAAP differences identified at 2004 year-end.

Question 5

Do you believe that listed companies should be encouraged not to wait until beginning 2006 for communicating about the impact of the transition to IFRS on the 2004 financial statements if such information is available earlier? Do you agree that quantified information in this regard should be given as soon as possible?

We do not believe it is appropriate to recommend disclosure of quantitative information on the impact of the change to IAS/IFRS before publication of an entity's first IFRS accounts.

Question 6

Is it appropriate to refer to the Implementation Guidance published by IASB in connection with the IFRS 1 for defining which quantified information should be disclosed as a result of the recommendations in #11 and #12? Do you believe other disclosures should be envisaged? Do you agree with inclusion of such information in the annual report or in the notes to the financial statements?

This recommendation is envisaging numerical disclosure and reconciliations in the 2004 accounts. See answer to Question 5 above.

Question 7

Do you agree with the principle that any interim financial information published as of 2005 by listed companies should be prepared using the accounting standards that are to be used by those companies for the 2005 year end financial reporting, ie IFRS, in the way indicated here under?

We agree but we read this to be a requirement under IFRS 1 paragraph 2(b).

Question 8

Do you agree that when listed companies do not elect to apply IAS 34 for quarterly information published in 2005, they should be encouraged to prepare and disclose financial data by applying IFRS recognition and measurement principles to be applicable at the year end?

We believe that all IFRS should apply to all interim financial reports presented for part of the period covered by an entity's first IFRS financial statements, as envisaged by paragraph 2(b) of IFRS 1.

Question 9

Do you agree with the proposed encouragement for European listed companies to either fully apply IAS 34 for half yearly reporting as from 2005 or, if this standard is not applied, to prepare the key half-year financial data that are to be published, in conformity with IFRS recognition and measurement principles to be applicable at year end?

We agree that European listed companies should be encouraged to fully apply IAS 34 'Interim Financial Reporting' for half-yearly reporting as from 2005, as this will result in full application of IFRS.

Question 10

CESR considered different possibilities for the presentation of comparative information for the corresponding period(s), but concluded that the above proposed solution could appropriately serve users of financial information without imposing too burdensome requirements on issuers. Do you concur with the proposed solutions? In particular, do you agree with the proposals that (a) comparative figures should be provided and restated using same accounting basis as for the current year; (b) previously published information for the previous period may be provided again; (c) explanation of restatement of comparative figures should be given; (d) in case of presentation of financial statements over 3 successive periods the restatement of the first (earliest) period could not be required; (e) indicative format ("bridge approach") for the presentation of comparative information on the face of the financial statements when the first period presented is not restated?

We do not agree. In the year of the first IFRS financial statements, anything other than strict adherence to IFRS 1 paragraphs 36 to 43 could cause confusion.

Question 11

Do you agree that, in addition to the presentation of comparative information in conformity with IFRS 1 (ie prepared on the basis of IFRS provisions), it could be deemed useful to present again the comparatives prepared on the basis of previously applicable accounting standards?

See answer to Question 10 above.

Question 12

Do you agree that, when presentation of financial statements over 3 successive periods is required, it would be acceptable not to require the restatement to IFRS of the first (earliest) period? If yes, do you agree with the indicative format ("bridge format") for the presentation of comparative information on the face of the financial statements when the first period presented is not restated?

We believe that CESR should not require restatement to IFRS of the earliest period when financial statements are presented over three successive periods, in order to accord with IFRS 1 (see also answer to Question 10 above).