



IFRS Implementation Challenges

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Four Topics

- Note Disclosures
- Opening Balance Sheet Requirement
- Election / Deferral for Type II Brokers
- Valuation, Implications of NI 31-103

Note Disclosures / Related Party Transactions – ex. HSBC

Related party transactions

Related parties of the Group and HSBC Holdings include subsidiaries, associates, joint ventures, post-employment benefit plans for HSBC employees, Key Management Personnel, close family members of Key Management Personnel and entities which are controlled, jointly controlled or significantly influenced, or for which significant voting power is held, by Key Management Personnel or their close family members.

Key Management Personnel are defined as those persons having authority and responsibility for planning, directing and controlling the activities of HSBC Holdings, being the Directors and Group Managing Directors of HSBC Holdings.

Compensation of Key Management Personnel

	HSBC		
	2009 US\$m	2008 US\$m	2007 US\$m
Short-term employee benefits	22	31	62
Post-employment benefits	3	5	4
Termination benefits	–	–	9
Share-based payments	27	16	40
	52	52	115

Note Disclosures / Related Party Transactions (continued)

Particulars of transactions with related parties, disclosed pursuant to the requirements of IAS 24, are shown below. The disclosure of the year-end balance and the highest amounts outstanding during the year in the table below is considered to be the most meaningful information to represent the amount of the transactions and the amount of outstanding balances during the year.

	2009		2008	
	Balance at 31 December US\$000	Highest amounts outstanding during year US\$000	Balance at 31 December US\$000	Highest amounts outstanding during year US\$000
Key Management Personnel¹				
Advances and credits	736,112	1,406,877	217,383	475,048
Guarantees	31,785	34,048	25,249	42,178

¹ Includes Key Management Personnel, close family members of Key Management Personnel and entities which are controlled, jointly controlled or significantly influenced, or for which significant voting power is held, by Key Management Personnel or their close family members.

Some of the transactions were connected transactions, as defined by the Rules Governing The Listing of Securities on The Stock Exchange of Hong Kong Limited but were exempt from any disclosure requirements under the provisions of those Rules.

The above transactions were made in the ordinary course of business and on substantially the same terms, including interest rates and security, as for comparable transactions with persons of a similar standing or, where applicable, with other employees. The transactions did not involve more than the normal risk of repayment or present other unfavourable features.

Note Disclosures – Panel Question

- Describe some of the difficulties obtaining information and meeting the disclosure requirements?

Opening Balance Sheet Requirement – IFRS Transition, ex. Brookfield 2009

NOTE 3: TRANSITION TO IFRS

The company has adopted IFRS effective January 1, 2009 (“the transition date”) and has prepared its opening IFRS balance sheet as at that date. Prior to the adoption of IFRS the company prepared its financial statements in accordance with Canadian generally accepted accounting principles (“Canadian GAAP”). The company’s consolidated financial statements for the year ending December 31, 2010 will be the first annual financial statements that comply with IFRS. The company will ultimately prepare its opening IFRS balance sheet by applying existing IFRS with an effective date of December 31, 2010 or prior. Accordingly, the opening IFRS balance sheet and the December 31, 2009 comparative balance sheet presented in the consolidated financial statements for the year ending December 31, 2010 may differ from those presented at this time.

(a) Elected exemptions from full retrospective application

In preparing these consolidated financial statements in accordance with IFRS 1, “First time Adoption of International Financial Reporting Standards” (“IFRS 1”), the company has applied certain of the optional exemptions from full retrospective application of IFRS. The optional exemptions applied are described below.

Opening Balance Sheet Requirement – IFRS Transition (continued)

(i) Business combinations

The company has applied the business combinations exemption in IFRS 1 to not apply IFRS 3, “Business Combinations” retrospectively to past business combinations. Accordingly, the company has not restated business combinations that took place prior to the transition date.

(ii) Fair value or revaluation as deemed cost

The company has elected to measure owner occupied property at fair value as at the transition date and use that amount as its deemed cost in the opening IFRS balance sheet.

(iii) Cumulative translation differences

The company has elected to set the previously accumulated cumulative translation account, which is included in accumulated other comprehensive income, to zero at January 1, 2009. This exemption has been applied to all subsidiaries.

(iv) Share based payment transactions

The company has elected to apply IFRS 2, “Share based Payments” (“IFRS 2”) to equity instruments granted after November 7, 2002 that have not vested by the transition date.

Opening Balance Sheet Requirement – IFRS Transition (continued)

(c) Reconciliation of equity as reported under Canadian GAAP and IFRS

The following is a reconciliation of the company's total equity reported in accordance with Canadian GAAP to its total equity in accordance with IFRS at the transition date:

(Millions)	Share Capital	Contributed Surplus	Retained Earnings	AOCI	Common Equity	Preferred Equity - Corporate	Non-Controlling Interests	Total Equity
As reported under Canadian GAAP - Dec. 31, 2008	\$ 2,274	\$ —	\$ 1,098	\$ (7)	\$ 3,365	\$ 45	\$ —	\$ 3,410
Reclassification of non-controlling interests to shareholders' equity (i)	—	—	—	—	—	—	593	593
Differences increasing (decreasing) reported amount:								
Investment property (ii)	—	—	2,795	—	2,795	—	147	2,942
Basis of accounting (iii)	—	—	18	—	18	—	(168)	(150)
Financial instruments (iv)	—	—	(25)	—	(25)	—	—	(25)
Revenue recognition (v)	—	—	3	—	3	—	—	3
Deferred taxes (vi)	—	—	(378)	—	(378)	—	(36)	(414)
Cash flow hedges (vii)	—	—	(10)	10	—	—	—	—
Cumulative translation differences (viii)	—	—	12	(12)	—	—	—	—
Borrowing costs (ix)	—	—	—	—	—	—	—	—
Other	—	4	(4)	—	—	—	—	—
As reported under IFRS – Jan. 1, 2009	\$ 2,274	\$ 4	\$ 3,509	\$ (9)	\$ 5,778	\$ 45	\$ 536	\$ 6,359

Opening Balance Sheet Requirement

- What are the implementation challenges for preparing the opening balance sheet reconciliation from Canadian GAAP to IFRS?
 - i.e. - Business combinations
 - Goodwill impairment
 - Pensions

Election / Deferral of IFRS

- Is this a viable option for Type II brokers to defer IFRS for a year?

Valuation of Securities reported on Client Statements

- Discuss the implications of NI 31-103 on the valuation of client securities/statements.

Deloitte.