

March 13, 2012

Circular No.TEC/020/03/2012/W

MALAYSIAN ACCOUNTING STANDARDS BOARD

MINOR AMENDMENTS TO FINANCIAL INSTRUMENT STANDARDS

The Malaysian Accounting Standards Board ("MASB") has recently issued minor amendments to the financial instrument standards. These pronouncements are identical to those issued by the International Accounting Standards Board ("IASB") and will affect the related standards in both the Malaysian Financial Reporting Standards ("MFRS") Framework and the Financial Reporting Standards ("FRS") Framework.

The pronouncements are as follows:

(a) Amendments to MFRS

1. *Mandatory Effective Date of MFRS 9 and Transition Disclosures* (Amendments to MFRS 9 (IFRS 9 issued by IASB in November 2009), MFRS 9 (IFRS 9 issued by IASB in October 2010) and MFRS 7)
2. *Disclosures – Offsetting Financial Assets and Financial Liabilities* (Amendments to MFRS 7)
3. *Offsetting Financial Assets and Financial Liabilities* (Amendments to MFRS 132)

(b) Amendments to FRS

1. *Mandatory Effective Date of FRS 9 and Transition Disclosures* (Amendments to FRS 9 (IFRS 9 issued by IASB in November 2009), FRS 9 (IFRS 9 issued by IASB in October 2010) and FRS 7)
2. *Disclosures – Offsetting Financial Assets and Financial Liabilities* (Amendments to FRS 7)
3. *Offsetting Financial Assets and Financial Liabilities* (Amendments to FRS 132)

Mandatory Effective Date of MFRS 9 / FRS 9 and Transition Disclosures

(Amendments to MFRS 9 / FRS 9 (IFRS 9 issued by IASB in November 2009), MFRS 9 / FRS 9 (IFRS 9 issued by IASB in October 2010) and MFRS 7 / FRS 7)

IASB has undertaken the project to replace IAS 39, *Financial Instruments: Recognition and Measurement*, which is equivalent to MFRS 139 or FRS 139, in the following three (3) phases:

- Phase 1: Classification and measurement (published as IFRS 9 in November 2009; and revised in October 2010)
- Phase 2: Impairment methodology (published as an exposure draft in 2009)
- Phase 3: Hedge accounting (published as an exposure draft in 2010)

The IASB is still deliberating Phase 2 and Phase 3 of the aforementioned project.

In view that IASB has extended its timeline for the completion of the remaining phases of the project beyond June 2011, these amendments were published to allow all phases of the IASB's financial instruments project to have the same mandatory effective date.

These amendments defer the mandatory application MFRS 9 / FRS 9 from January 1, 2013 to January 1, 2015. Early application continues to be permitted. The amendments to MFRS 9 / FRS 9 (IFRS 9 issued by IASB in November 2009), MFRS 9 / FRS 9 (IFRS 9 issued by IASB in October 2010) and MFRS 7 / FRS 7 are effective immediately.

These amendments also provide relief from the requirement to restate comparative financial statements for the effect of applying MFRS 9 / FRS 9, which was originally only available to companies that opted for the early application of MFRS 9 / FRS 9 prior to January 1, 2012. Additional transition disclosures will be required to aid investors' understanding of the effect of the initial application of MFRS 9 / FRS 9 on the classification and measurements of financial instruments.

***Disclosures – Offsetting Financial Assets and Financial Liabilities
(Amendments to MFRS 7 / FRS 7)***

These amendments introduce additional disclosure requirements which are intended to enable users of an entity's financial statements, in particular investors, to better gauge the effect or potential effect of offsetting arrangements on an entity's financial position.

These amendments also aim to improve transparency in the reporting of how companies mitigate credit risk, including disclosure of related collateral pledged or received.

The amendments to MFRS 7 / FRS 7 are effective for annual periods on or after January 1, 2013.

***Offsetting Financial Assets and Financial Liabilities
(Amendments to MFRS 132 / FRS 132)***

The amendments to MFRS 132 / FRS 132 clarify the following requirements for offsetting financial instruments:

- (i) the meaning of 'currently has a legally enforceable right of set-off'; and
- (ii) that some gross settlement systems may be considered equivalent to net settlement.

The amendments to MFRS 132 / FRS 132 are effective for annual periods beginning on or after January 1, 2014 and are required to be applied retrospectively.

These new amendments to financial instrument standards represent the first batch of issuance subsequent to MASB's announcement on its new MFRS Framework on November 19, 2011. The due process of the MFRS Framework aligns the MASB's due process timeline to that of the IASB with the objective of putting the new or amended standards in place for adoption and application within a timely manner. This is to ensure that the effective date of the new or amended standards will be the same as that of IFRSs.

These pronouncements are available at MASB website (<http://www.masb.org.my>) or from MASB after March 16, 2012 at:

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