

July 2019 FASB | IASB Joint Meeting Agenda Ref 14B



Reference Rate Reform

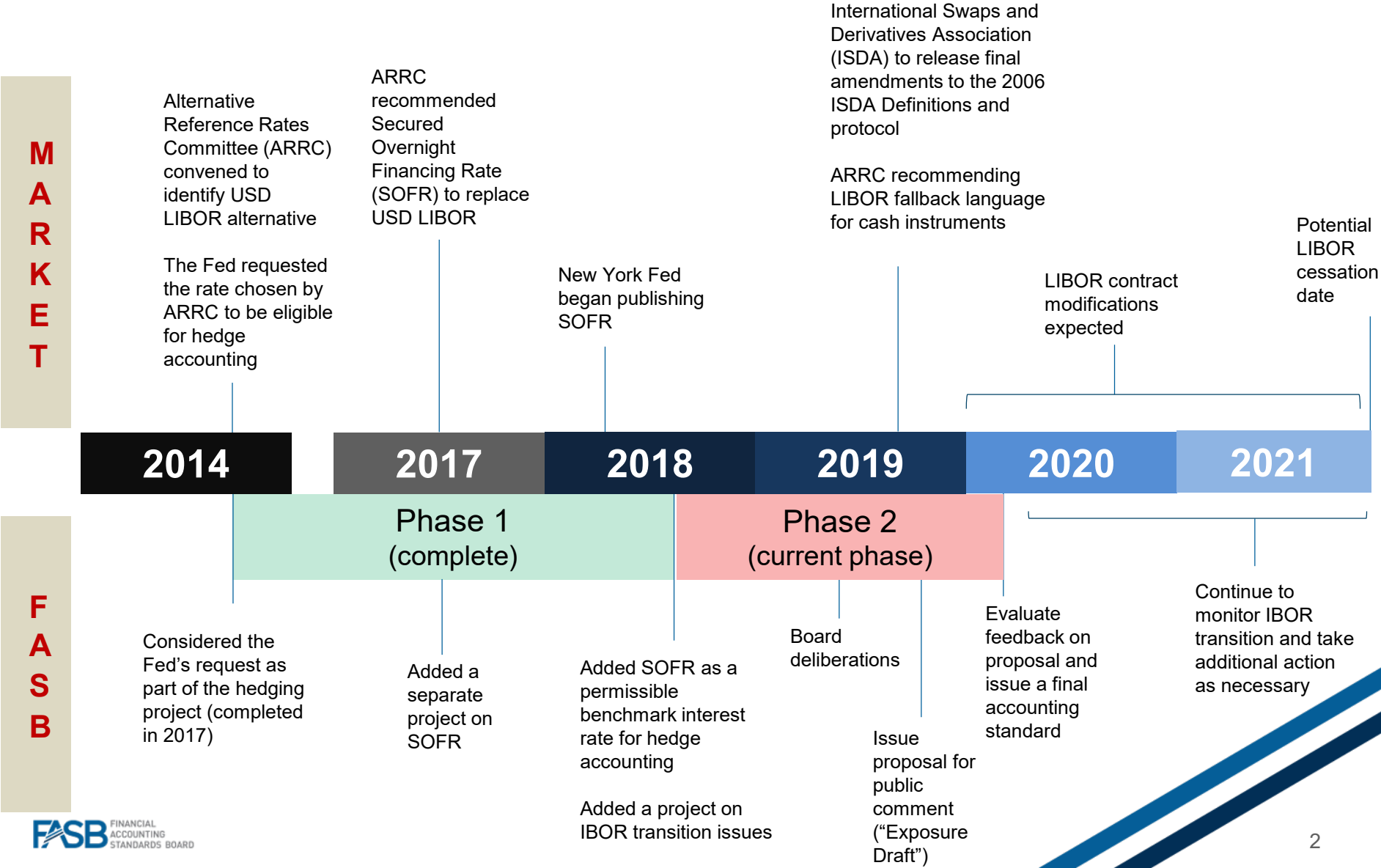
Facilitation of the Effects of the Interbank Offered Rate Transition on Financial Reporting

July 23, 2019

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Moving in Tandem with the Market



Tentative Board Decisions (June 19)

- Option to apply relief
 - Option to apply the relief on a Codification Topic-by-Topic basis
- Scope criteria
 - What contracts?
 - Contracts that reference:
 - The London Interbank Offered Rate, or
 - A rate that has been discontinued or is anticipated to be discontinued
 - What changes?
 - Critical term changes that are either essential to or related to the replacement of an interest rate

Tentative Board Decisions (June 19)

- **Explicit relief guidance**
 - The assessment to determine whether a modification to a loan or debt instrument is a troubled debt restructuring, modification, or extinguishment
 - The lease modification accounting requirements
 - The reassessment of embedded derivatives
- **Principle for all other contract modifications**
 - Allow such modifications to be considered a continuation of the contract

Recent Developments and Path Forward

- July 17 Board meeting:
 - Hedge accounting
 - Change in critical terms
 - Cash flow hedge effectiveness
 - Fair value hedge effectiveness
 - Disclosures
 - Transition
 - Relief period

- Fall 2019: Issue Exposure Draft