

STAFF PAPER

March 2019

IASB® Meeting

Project	IBOR Reform and its Effects on Financial Reporting		
Paper topic	Due process steps		
CONTACT(S)	Uni Choi	uchoi@ifrs.org	+44 (0) 20 7246 6933
	Kumar Dasgupta	kdasgupta@ifrs.org	+44 (0) 20 7246 6902

This paper has been prepared for discussion at a public meeting of the International Accounting Standards Board (the Board) and does not represent the views of the Board or any individual member of the Board. Comments on the application of IFRS® Standards do not purport to set out acceptable or unacceptable application of IFRS Standards. Technical decisions are made in public and reported in the IASB® Update.

Introduction

1. At its meeting in February 2019, the International Accounting Standards Board (the Board) tentatively decided to provide relief from the effects of IBOR reform uncertainties on particular hedge accounting requirements in IFRS 9 *Financial Instruments* and IAS 39 *Financial Instruments: Recognition and Measurement* ([Agenda Paper 14](#)). The proposed relief would require amendments to IFRS 9 and IAS 39.

Purpose of this paper

2. This paper:
 - (a) proposes a comment period of 45 days for the Exposure Draft of the proposed amendments;
 - (b) asks whether any Board member intends to dissent from the proposed amendments;
 - (c) explains the steps in the IFRS Foundation Due Process Handbook (the Due Process Handbook) that the Board has taken in developing the proposed amendments (see Appendix A), and asks the Board to confirm

that it is satisfied that it has complied with the applicable due process requirements; and

- (d) seeks the Board's permission for the Staff to begin the process for balloting the Exposure Draft.

Comment period

3. Paragraph 6.7 of the Due Process Handbook states that the IASB normally allows a minimum period of 120 days for comment on an Exposure Draft. However, if the matter is narrow in scope and urgent, the IASB may consider a comment period of no less than 30 days. This is subject to obtaining approval from the DPOC.
4. The Staff are of the view that the proposed amendments are narrow in scope because they address only those issues arising in the period leading up to IBOR reform. The proposed amendments to IFRS 9 and IAS 39 are designed to assist entities in the (current) period of uncertainty introduced by IBOR reform. Therefore it is critical that they are introduced expeditiously to provide the intended relief.
5. The Staff have also received feedback from stakeholders that have emphasised the urgency of a solution for the financial reporting issues in the period leading up to IBOR reform. The staff note that the proposed amendments would not require entities to implement changes to their financial reporting other than introducing possible additional disclosures, which would be a subset of existing disclosures. Instead, the proposed amendments would allow entities to continue applying the existing hedge accounting requirements. Therefore, implementing the amendments should not be burdensome for preparers and would not result in information loss for the users of financial statements. There is expected to be broad consensus on the topic.
6. The Staff think that the urgency around these proposed amendments is similar to that of the amendments the Board made to IAS 39 in June 2013, which provided relief from discontinuing hedge accounting as a result of novation of contracts arising as a consequence of change in regulation. In that case, the Board set a

comment period of 30 days for the Exposure Draft given the narrow-scope nature of the proposed amendments and the expectation of a broad consensus on them.¹

7. As presented at the February 2019 Board meeting (reproduced below), the Staff are aiming to finalise the amendments before the end of 2019 (subject to the stakeholder feedback on the Exposure Draft and the Board’s decision). To achieve this timetable, a short comment period is necessary. The staff also note that stakeholders are repeatedly emphasising the need to make any amendments as quickly as possible.

Timeline	Project plan
March 2019	Board finishes deliberations, including the comment period, due process steps and permission to ballot. Proceed with drafting those amendments.
April / May 2019	Publish an Exposure Draft
June / July 2019	Comment period ends
September / October 2019	Board re-deliberations
November / December 2019	Issue final amendment

8. Considering the timeline to draft and ballot an Exposure Draft, redeliberate the proposals and finalise the amendment, the staff recommend a comment period of 45 days for the Exposure Draft. Given the narrow scope of the Exposure Draft and its specialised nature, we believe that such a comment period would still provide stakeholders with sufficient time to consider and comment on the proposals. In that regard, the staff have created a project page on the IFRS Foundation website that keeps stakeholders informed about every stage of the project. The staff are of the view that it would be helpful to allow as much time as possible for stakeholders to comment on the Exposure Draft provided that it does not impede

¹ Paragraph BC15 of the ED/2013/2 *Novation of Derivatives and Continuation of Hedge Accounting*, which was exposed for 30 days. In 2017, ED/2017/3 *Prepayment Features with Negative Compensation* was exposed for 30 days for similar reasons.

the timely finalisation of the amendments. The Staff recommendation reflects this balance.

9. The staff provided an update to the DPOC at its January 2019 meeting and, before the March 2019 Board meeting, plan to seek its approval for a comment period of no less than 30 days.

Intent to dissent

10. In accordance with paragraph 6.9 of the Due Process Handbook, we are asking whether any Board member intends to dissent from the proposed amendments to IFRS 9 and IAS 39.

Confirmation of due process steps

11. In Appendix A to this paper, we have summarised the due process steps taken so far in the development of the proposed amendments to IFRS 9 and IAS 39. We note that the applicable due process steps to date have been completed.

Questions

Questions for the Board

1. Comment period—does the Board agree with our recommendation to have a comment period of 45 days for the Exposure Draft of proposed amendments to IFRS 9 and IAS 39?
2. Dissent—does any Board member intend to dissent from the publication of the Exposure Draft?
3. Permission to begin the process for balloting the Exposure Draft—is the Board satisfied that it has complied with the applicable due process steps and that we can begin the process for balloting the Exposure Draft?

Appendix A—Due process steps taken

Step	Actions
Board meetings held in public, with papers available for observers. All decisions are made in public session.	<p>At its December 2018 and February 2019 meetings, the Board discussed the issues affecting financial reporting leading up to IBOR reform and tentatively decided to propose amendments to IFRS 9 and IAS 39.</p> <p>The project webpage has been updated by the staff after every meeting.</p> <p>Agenda Papers were posted on the website before every meeting on a timely basis.</p>
Consultation with the Trustees and the Advisory Council.	<p>The Trustees were informed about the proposed amendments to IFRS 9 and IAS 39 as part of the regular reporting to them (January 2019).</p> <p>The Advisory Council was informed of the research phase of this project at its meeting in September 2018 and will be given an update at its next meeting (19-20 March 2019).</p>
Analysis of the likely effects of the forthcoming Standard or major amendment, for example, initial costs or ongoing associated costs.	<p>We assessed the likely effects of the proposed amendment as being limited because it is narrow in scope and it provides relief to enable entities to continue apply the existing accounting requirements rather than introducing a new requirement.</p> <p>A description of the potential financial reporting effects of the proposed amendment was provided to the IASB at the December 2018 and February 2019 meetings, which will be included in the Basis for Conclusions of the ED.</p>
Due process steps reviewed by the IASB.	This step will be met by this Agenda Paper.
The ED has an appropriate comment period.	To be discussed by the Board at this meeting. We recommend a comment period of 45 days. The Staff plan to seek the approval from the DPOC for a shortened comment period. See paragraphs 3–8 of this agenda paper.
Drafting	
Drafting quality assurance steps are adequate.	The translations, XBRL and editorial teams will review drafts during the balloting process.
Drafting quality assurance steps are adequate.	
Publication	
ED published.	The Exposure Draft will be made available on our website when published.
Press release to announce publication of ED.	A press release will be published with the Exposure Draft.