

Phase II *IBOR Reform and its Effects on Financial Reporting*

Accounting Standards Advisory Forum meeting
July 2019
ASAF Agenda Paper 3

Objective

The objective of this meeting is to request feedback from the ASAF members on potential accounting issues that should be considered by the Board during Phase II of the *IBOR Reform and its Effects on Financial Reporting* project.

The staff would ask the ASAF members to reach out to stakeholders in advance of the July 2019 ASAF meeting to help identify such potential accounting issues.

Issues addressed in Phase I

In May 2019, the Board published an Exposure Draft that proposes amendments to IFRS 9 *Financial Instruments* and IAS 39 *Financial Instruments: Recognition and Measurement* to provide relief from specific hedge accounting requirements.

As a result of the reform, existing interest rate benchmarks will likely be replaced with an alternative interest rate. However, uncertainties regarding what the alternative interest rate will be and when the replacement will occur could result in discontinuation of hedge accounting.

In view of this, the Exposure Draft addresses the following hedge accounting requirements:

- (a) the highly probable requirement
- (b) prospective assessments
- (c) separately identifiable risk components

The Board decided to address these issues as a priority, because they may affect financial reporting before the reform is enacted. Other potential accounting issues will be addressed in Phase II.

Feedback request to the ASAF – Phase II

At the time of the discussions leading to the Exposure Draft, the Board noted that a range of issues could arise at different points in time due to the uneven timing of the replacement coupled with different approaches to replacement and different interest rate benchmarks being considered in different markets. These issues would be addressed during Phase II.

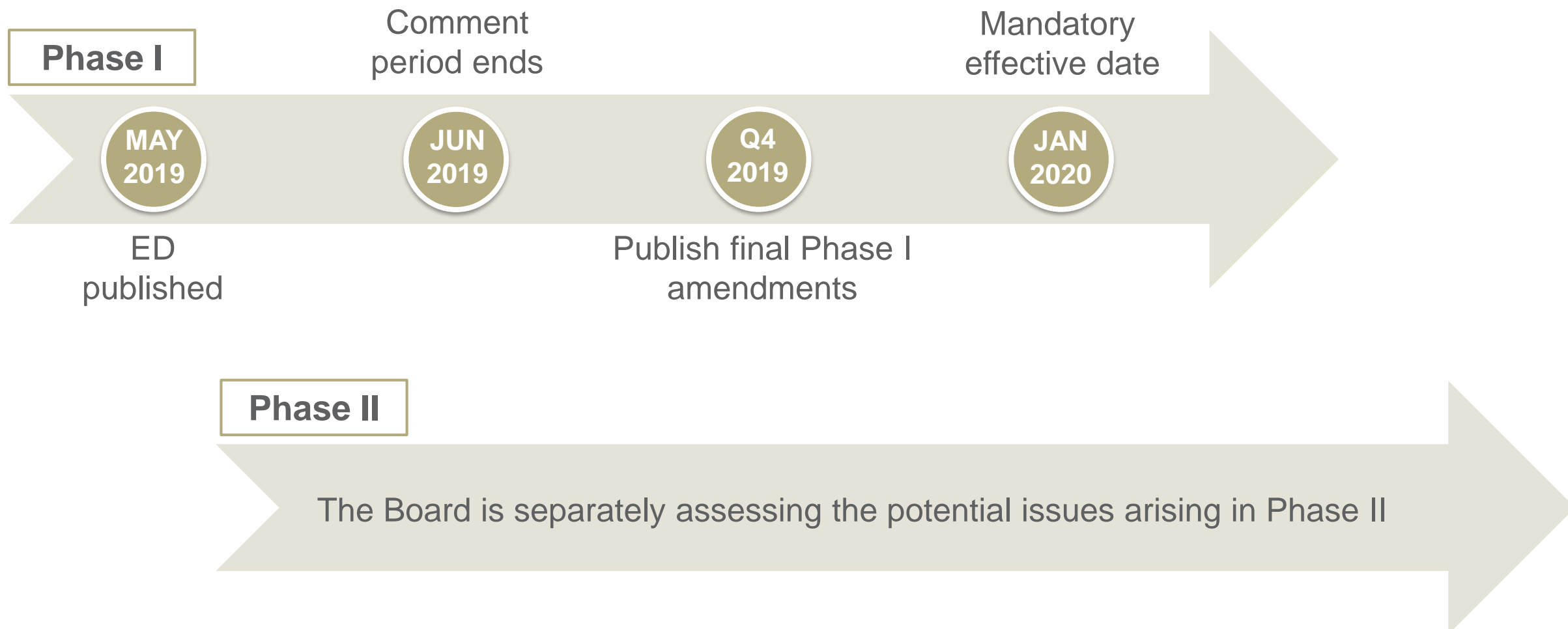
While the specific conditions and details of the reform have yet to be finalised, the staff started considering the potential accounting issues that could affect financial reporting when an existing interest rate benchmark is replaced with an alternative interest rate, ie Phase II issues.

The objective of Phase II is to assess the potential accounting implications of the reform, that were not considered in Phase I, and determine whether the Board should take further action.

Feedback request to ASAF members:

- 1) Are you aware of potential accounting implications of the reform that should be considered by the Board during Phase II?

Appendix A – Timeline and next steps



Thank you

