IFRS Accounting

Staff paper

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Project	**Post-implementation Review of IFRS 9—Hedge Accounting**
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Objective of this paper

1. In December 2025, the International Accounting Standards Board (IASB) decided to begin the Post-implementation Review (PIR) of IFRS 9—Hedge Accounting in the first quarter of 2026. This paper sets out a plan for phase 1 of the PIR project.

2. This paper does not include staff analysis or recommendations and the IASB is not asked to make any decisions based on this paper. We welcome questions or comments from IASB members on the plan set out in this paper.

Structure of this paper

3. This paper is structured as follows:

   (a) description of a PIR (paragraphs 4–26);

   (b) background information on the hedge accounting phase of the IFRS 9 *Financial Instruments* project (paragraphs 27–37);

   (c) plan for the PIR of IFRS 9—Hedge Accounting (paragraphs 38–50);

   (d) question for the IASB; and

   (e) Appendix A—IFRS Interpretations Committee agenda decisions relating to the hedge accounting chapter of IFRS 9.

Description of a PIR

4. Because there were different understandings among stakeholders, the IASB discussed clarifications to the description of the objective, process and outcome of a PIR at its September 2022 meeting, following discussions with the Due Process Oversight Committee of the IFRS Foundation Trustees. This clarified description has been published on the website and is set out in paragraphs 6–26.

5. The remaining part of this section is structured as follows:
   (a) context for PIRs (paragraphs 6–7);
   (b) objective of PIRs (paragraphs 8–13); and
   (c) process of PIRs (paragraphs 14–26).

Context for PIRs

6. After issuing a new IFRS Accounting Standard (Accounting Standard) or major amendment (new requirement), the IASB stands ready to act if evidence indicates a need for improvement to financial reporting. This evidence might arise from mechanisms such as:
   (a) discussions by transition resource groups, if set up;
   (b) submissions to the IFRS Interpretations Committee;
   (c) ongoing stakeholder engagement with the IFRS Foundation's IFRS accounting advisory groups (for example, Accounting Standards Advisory Forum, Capital Markets Advisory Committee and Global Preparers Forum) and general discussions (for example, with representatives from the large accounting firms, national standard-setters and securities regulators);
   (d) PIR of each major new requirement;[1] or
   (e) the IASB's five-yearly agenda consultation.

[1] Paragraphs 3.78 and 6.48 to 6.59 of the Due Process Handbook discuss PIRs.

7. A PIR differs from the other mechanisms to raise matters with the IASB in that it:

   (a) provides a planned opportunity to assess questions about the new requirements, compared to other mechanisms which might identify questions on an ad hoc basis at any time (both before and after PIRs);

   (b) provides an opportunity to consider the new requirements in their entirety, compared to other mechanisms which might focus on specific aspects of the new requirements; and

   (c) focuses on whether the new requirements are working as intended, compared to agenda consultations, which provide stakeholders with an opportunity to recommend further improvements to financial reporting, beyond those originally intended by the new requirements.

Objective of PIRs

8. When the IASB issues a new requirement, it includes an effects analysis of the likely benefits and costs arising from the new requirement. Costs comprise initial and ongoing financial and other costs.

9. The objective of a PIR is to assess whether the effects of applying the new requirements on users, preparers, auditors and regulators of financial statements are as intended when the IASB developed those new requirements.

10. A PIR includes consideration of how contentious matters that the IASB considered during development of the new requirements and how market developments since those new requirements were issued are being addressed in practice.

11. A PIR concludes with a determination of whether:

    (a) overall, the new requirements are working as intended. Fundamental questions (that is, 'fatal flaws') about the clarity and suitability of the core objectives or principles in the new requirements would indicate that they are not working as intended.

(b) there are specific questions about the application of the new requirements. If there are specific application questions, the IASB might still conclude that the new requirements are working as intended. However, those specific application questions would be addressed if they meet the criteria for whether the IASB would take further action (see paragraphs 20–23).

12. A PIR is not a standard-setting project and does not automatically lead to standard-setting. It is also not intended to lead to the resolution of every application question.

13. However, PIRs can identify improvements that can be made to a new requirement, to the standard-setting process or the structure of Accounting Standards.

Process for PIRs

14. This section is structured as follows:

(a) starting a PIR (paragraphs 15–16);

(b) research (paragraphs 17–19);

(c) matters identified and their prioritisation (paragraphs 20–23);

(d) outcomes (paragraphs 24–25); and

(e) reporting (paragraph 26).

Starting a PIR

15. The earliest a PIR would start is after the new requirements have been implemented for at least 24 months. However, financial statements that reflect 24 months of implementation are generally available in practice only about 30–36 months after the effective date of the new requirements.

16. The start date depends on the availability of information, such as:

(a) trend data from financial statements applying the new requirements;

(b) academic research; and

(c) the level of experience in practice (while balancing the risk that practice might become so embedded that resistance to improvements might develop), which might depend on the level of change arising from the new requirements.

Research

17. The PIR process consists of two phases. During both phases, the IASB reviews relevant academic research and other reports.

18. Phase 1—the IASB identifies matters to be examined, drawing on discussions with the IFRS Interpretations Committee, the IFRS Foundation's IFRS accounting advisory groups and other interested parties. The IASB consults publicly on the matters identified in the first phase of the PIR.

19. Phase 2—the IASB considers the comments from the public consultation along with the information it has gathered from any additional analysis and other consultative activities.

Matters identified and their prioritisation

20. As part of phase 2, the IASB considers whether to take any action on matters identified in PIRs and the prioritisation of those matters.

21. Whether to take action—the IASB takes action, subject to the prioritisation criteria (see paragraph 22), if there is evidence that:

(a) there are fundamental questions (that is, 'fatal flaws') about the clarity and suitability of the core objectives or principles in the new requirements;

(b) the benefits to users of the information arising from applying the new requirements are significantly lower than expected (for example, there is significant diversity in application); or

(c) the costs of applying some or all of the new requirements and auditing and enforcing their application are significantly greater than expected (or there is a significant market development since the new requirements were issued for which it is costly to apply the new requirements consistently).

22. Prioritisation criteria—the prioritisation of matters as high, medium or low would depend on the extent to which evidence gathered during the PIR indicates:

    (a) the matter has substantial consequences;

    (b) the matter is pervasive;

    (c) the matter arises from a financial reporting issue that can be addressed by the IASB or the IFRS Interpretations Committee; and

    (d) the benefits of any action would be expected to outweigh the costs. To determine this, the IASB would consider the extent of disruption and operational costs from change and the importance of the matter to users.

23. Depending on the above assessment:

    (a) high priority matters would be addressed as soon as possible. This category is expected to be used rarely, for those matters:

        (i) that relate to the core objective or principles of a new requirement that lead the IASB to conclude in the PIR that the new requirement is not working as intended; or

        (ii) for which most of the prioritisation characteristics are present to a large extent, the benefits of any action are expected to exceed the costs and solutions are needed urgently.

    (b) medium priority matters would be added to the IASB's research pipeline or the IFRS Interpretations Committee's pipeline. This category consists of those matters for which most of the prioritisation characteristics are present to a large extent and for which the benefits of any action are expected to exceed the costs. The IASB will endeavour to make pipeline projects active before the next agenda consultation.

    (c) low priority matters would be considered in the next agenda consultation and explored if the IASB decides, in its deliberations on the feedback to that agenda consultation, to take action. This category consists of those matters for which:

(i) some of the prioritisation characteristics are present to some extent; and

(ii) the remainder of the prioritisation characteristics are not met or there is insufficient information to conclude whether the characteristic is present.

(d) no action matters. This category consists of those matters for which few or none of the prioritisation characteristics are met. Matters in this category will not be explored unless:

(i) stakeholders identify the matters as a priority in their feedback on a future agenda consultation; and

(ii) the IASB decides, in its deliberations on the agenda consultation feedback, to take action.

Outcomes

24. Actions arising from phase 2 of the PIR might involve continued monitoring of a matter or some level of research by the IASB or the IFRS Interpretations Committee that might lead to:

(a) a standard-setting project;

(b) an agenda decision; or

(c) educational materials.

25. The IASB might also conclude that no further action is needed.

Reporting

26. At the end of the PIR, the IASB publishes a Report and Feedback Statement summarising the matters identified and any actions it plans to take as a result of the PIR.

Background information on the hedge accounting phase of the IFRS 9 project

27. The IASB divided its overall project on financial instruments into three phases—classification and measurement, impairment and hedge accounting. Having published versions of IFRS 9 that introduced new classification and measurement requirements (in 2009 and 2010) and a new hedge accounting model (in 2013), in July 2014 the IASB published the final version of IFRS 9 including the new impairment requirements. The July 2014 version replaced earlier versions of IFRS 9 and completed the IASB's project to replace IAS 39 *Financial Instruments: Recognition and Measurement*. IFRS 9 became effective for annual periods beginning on or after 1 January 2018.

28. The objective of the hedge accounting phase of the IFRS 9 project (as set out in the Project Summary published in July 2014) is to represent, in the financial statements, the effect of an entity's risk management activities that use financial instruments to manage exposures arising from particular risks that could affect profit or loss (or other comprehensive income, in the case of investments in equity instruments for which an entity has elected to present changes in fair value in other comprehensive income).[2]

29. The remaining part of this section is structured as follows:

    (a) overview of the hedge accounting requirements in IFRS 9 and IFRS 7 *Financial Instruments: Disclosures* (paragraphs 30–33); and

    (b) subsequent amendments to the hedge accounting requirements in IFRS 9 (paragraphs 34–37).

Overview of the hedge accounting requirements in IFRS 9 and IFRS 7

30. An entity may, as an accounting policy choice:

    (a) continue to apply IAS 39 to all hedge relationships; or

    (b) apply IFRS 9, either to:

[2] See paragraph 6.1.1 of IFRS 9.

(i) all hedge relationships; or

(ii) all hedge relationships except for fair value hedges of the interest rate exposure of a portfolio of financial assets or financial liabilities (macro hedge accounting), for which it may apply the specific requirements in IAS 39.[3]

31. IFRS 9 retains the three types of hedge relationships (cash flow hedge, fair value hedge and hedge of a net investment in a foreign operation) and retains the hedge accounting mechanics of IAS 39 rather than replacing them with a new model.

32. However, IFRS 9 introduces other changes to the hedge accounting requirements. Specifically, IFRS 9:

(a) allows for more qualifying hedged items that are not eligible under IAS 39, for example, IFRS 9 allows an entity to designate as the hedged item:

(i) individual risk components of non-financial items if they are separately identifiable and can be measured reliably; and

(ii) a net position of a group of items containing offsetting risk positions;

(b) allows for more qualifying hedging instruments that are not eligible under IAS 39, for example, IFRS 9 allows an entity to designate as the hedging instrument non-derivative financial assets and liabilities at fair value through profit or loss;

(c) introduces a new 'cost of hedging' approach for the accounting treatment of excluded components of hedging instruments, specifically:

(i) for purchased options: subsequent changes in the time value of the option are recognised in other comprehensive income (OCI); and

[3] The IASB has a separate Risk Mitigation Accounting project which addresses this issue and for which it has published an Exposure Draft in December 2025.

(ii) for forward points in forward contracts (and foreign currency basis spreads in cross-currency swaps): subsequent changes can be recognised in OCI;

(d) removes the retrospective effectiveness test and the 80–125% 'bright line' for hedge effectiveness and introduces principles-based hedge effectiveness criteria that require:

(i) the existence of an economic relationship between the hedged item and the hedging instrument;

(ii) that the effect of credit risk does not dominate the value changes that result from that economic relationship; and

(iii) that the hedge ratio of the hedging relationship is the same as that resulting from the quantity of the hedged item that the entity actually hedges and the quantity of the hedging instrument that the entity actually uses to hedge that quantity of hedged item;

(e) requires a 'basis adjustment' for specific hedge relationships (for example, cash flow hedges of a forecast transaction which results in the recognition of a non-financial item)—that is, requires that the carrying amount of the hedged item be adjusted for the accumulated gains or losses recognised in equity at initial recognition in the statement of financial position; and

(f) removes the option to voluntary de-designate a hedging relationship, but rather introduces the concept of 'rebalancing', that is, allows for the adjustment of the designated quantities of either the hedged item or the hedging instrument of an existing hedging relationship for the purpose of maintaining a hedge ratio that complies with the hedge effectiveness requirements (continuation of hedge accounting instead of de-designation and re-designation).

33. In addition, the hedge accounting phase of the IFRS 9 project introduced amendments to IFRS 7, including the requirement to disclose, for each category of risk, information on:

(a) an entity's risk management strategy;

(b) how the entity's hedging activities might affect the amount, timing and uncertainty of its future cash flows; and

(c) the effect that hedge accounting has had on the entity's financial statements.

Subsequent amendments to the hedge accounting requirements in IFRS 9

34. In September 2019, the IASB amended IFRS 9 and IAS 39 by issuing *Interest Rate Benchmark Reform* to provide specific exceptions to hedge accounting requirements in IFRS 9 and IAS 39 for (a) highly probable requirement; (b) prospective assessments; (c) retrospective assessment (IAS 39 only); and (d) separately identifiable risk components. *Interest Rate Benchmark Reform* also amended IFRS 7 to add specific disclosure requirements for hedging relationships to which an entity applies the exceptions in IFRS 9 or IAS 39.

35. In August 2020, the IASB issued *Interest Rate Benchmark—Phase 2* which amended requirements in IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 relating to:

(a) changes in the basis for determining contractual cash flows of financial assets, financial liabilities and lease liabilities;

(b) hedge accounting; and

(c) disclosures.

36. The Phase 2 amendments apply only to changes required by the interest rate benchmark reform to financial instruments and hedging relationships.

37. In December 2024, the IASB issued *Contracts Referencing Nature-dependent Electricity*. The amendment:

(a) adds application guidance to help entities assess whether a contract to buy electricity generated from a source dependent on natural conditions is held in accordance with the entity's own-use requirements; and

(b) permits an entity to designate as the hedged item a variable nominal amount of forecast electricity transactions that is aligned with the variable amount of nature-dependent electricity expected to be delivered by the generation facility as referenced in the contract referencing nature-dependent electricity that is used as the hedging instrument.

Plan for the PIR of IFRS 9—Hedge Accounting

38. This section is structured as follows:

(a) objective of the PIR (paragraphs 39–42);

(b) outline of phase 1 activities (paragraphs 43–49); and

(c) anticipated timeline for phase 1 (paragraph 50).

Objective of the PIR

39. Consistent with the requirements in the Due Process Handbook and with the objective of PIRs discussed in paragraphs 8–13 of this paper, for the PIR of IFRS 9—Hedge Accounting the IASB will consider whether:

(a) the objective of the new requirements is being met;[4]

(b) the benefits to users from the resulting information are broadly as expected (paragraph 40); and

(c) the costs of applying some or all the new requirements and auditing and enforcing their application are broadly as expected (paragraph 41).

40. The IASB expected that users would be provided with more useful information for their decision-making, allowing them to better understand:

(a) an entity's risk management strategy;

(b) how an entity's hedging activities affect the amount, timing and uncertainty of its future cash flows; and

[4] See paragraph 28 of this paper on the objective of the hedge accounting requirements.

(c) the effect that hedge accounting has had on an entity's financial statements.[5]

41. The IASB expected that preparers would incur:

(a) one-off transition costs for:

(i) the development of new processes, systems and controls to integrate information produced for risk management purposes into their accounting processes;

(ii) creating accounting capabilities for some new eligible accounting treatments (if they are intended to be used—for example, the new accounting for costs of hedging);

(iii) updating of the documentation for existing hedging relationships on transition to the new requirements;

(iv) education of accounting functions to enable them to assess whether the information prepared for risk management purposes would suffice to comply with the new hedge accounting requirements; and

(v) the need to explain to users the difference between the information produced for risk management purposes and the hedge accounting disclosures; and

(b) some ongoing costs, for example, to capture data for disclosure in the notes to the financial statements.[6]

42. The objective of the PIR will determine the questions to discuss with stakeholders in phase 1 outreach. The objective will also provide the IASB with a framework to analyse feedback for the purpose of determining the scope of the request for information.

[5] See paragraphs BCE.236–BCE.237 of the 'Analysis of the effects of IFRS 9: Hedge Accounting'.

[6] See paragraphs BCE.227–BCE.228 of the 'Analysis of the effects of IFRS 9: Hedge Accounting'.

Outline of phase 1 activities

43. This section is structured as follows:

    (a) outreach (paragraphs 44–48); and

    (b) review of academic research related to the implementation of the hedge accounting requirements in IFRS 9 (paragraph 49).

Outreach

44. During phase 1 we will consult with users, preparers, auditors, regulators and national standard-setters. We will do this by meeting with the IFRS Foundation's IFRS accounting advisory groups, as well as by gathering input from meetings with small groups of stakeholders that have a particular interest in the hedge accounting requirements in IFRS 9.

45. The purpose of the phase 1 outreach will be to provide the IASB with sufficient information to identify the matters for which it will seek further feedback through the request for information. The IASB will therefore seek to balance the extent of input requested from stakeholders in this phase and the feedback obtained from stakeholders in response to the request for information.

46. Paragraph 6.51 of the Due Process Handbook specifies that a PIR considers the issues that were important or contentious during the development of the Accounting Standard, as well as issues that have come to the attention of the IASB after the Accounting Standard was issued. This will include considering:

    (a) market developments since IFRS 9 was issued;

    (b) issues that the IASB is aware of through, for example, implementation support after IFRS 9 was issued or its activities that support consistent application of the requirements;

    (c) feedback that the IASB obtained from its ongoing stakeholder engagement or from general discussions (for example with representatives from the large accounting firms, national standard-setters and securities regulators); and

(d) questions submitted to the IFRS Interpretations Committee—see Appendix A for the agenda decisions relating to IFRS 9.

47. When seeking feedback on such issues, we will ask that stakeholders consider the issues in the context of the objective set out in paragraph 39 of this paper and also the prioritisation criteria in paragraph 22 of this paper. In our view, focusing phase 1 outreach in this way will provide stakeholders with a clear understanding of the purpose of the outreach. This, in turn, will support stakeholders in the activities they carry out to gather and prepare feedback for the IASB. Furthermore, the framework for prioritising and responding to matters identified in PIRs (paragraphs 20–23 of this paper) will help stakeholders understand the actions that could result from this PIR.

48. We understand some stakeholders still have different understandings of the PIR process and we will consider what further explanations we can provide during the PIR process. We will also consider learnings from the active PIR projects, PIR of IFRS 16, which is nearing its conclusion.

Review of academic research related to the implementation of the hedge accounting requirements in IFRS 9

49. During phase 1 the staff will review academic research relevant to this PIR. We will report our findings to the IASB at a future meeting.

Anticipated timeline for phase 1

50. Based on previous PIRs and considering the due process for PIRs, the staff expect the PIR will take around 24 months to complete. The anticipated timeline for phase 1 of the PIR can be summarised as follows:

Activity	Timeline
Phase 1 outreach and feedback to the IASB	March 2026 to May 2026
Phase 1 review of academic research	January 2026 to May 2026
Publication of the request for information	H2 2026

Comment period for the request for information	120 days (subject to future IASB decision)

Question for the IASB

Question for the IASB
Do you have any comments on the project objective, the phase 1 activities or phase 1 timeline?

Appendix A—IFRS Interpretations Committee agenda decisions relating to the hedge accounting chapter of IFRS 9

A1. This appendix includes a list of the IFRS Interpretations Committee agenda decisions relating to the hedge accounting chapter of IFRS 9.

A2. The IFRS Interpretations Committee has considered a few questions submitted to it. These questions related to:

(a) the qualifying items: Application of the Highly Probable Requirement when a Specific Derivative is Designated as a Hedging Instrument (IFRS 9 *Financial Instruments* and IAS 39 *Financial instruments: Recognition and Measurement*)—March 2019;

(b) the designation of hedged items: Fair Value Hedge of Foreign Currency Risk on Non-Financial Assets (IFRS 9 *Financial Instruments*)—September 2019; and

(c) hedges of a net investment in a foreign operation: IFRS 9 Financial Instruments—Determining hedge effectiveness for net investment hedges—March 2016.