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## Emerging Economies Group

Date	June 2026
Project	Risk Mitigation Accounting
Topic	Input on the proposals in the Exposure Draft
Contacts	Zhiqi Ni ( <a href="mailto:zni@ifrs.org">zni@ifrs.org</a> ) Fredré Ferreira ( <a href="mailto:fredre.ferreira@ifrs.org">fredre.ferreira@ifrs.org</a> ) Riana Wiesner ( <a href="mailto:rwiesner@ifrs.org">rwiesner@ifrs.org</a> )

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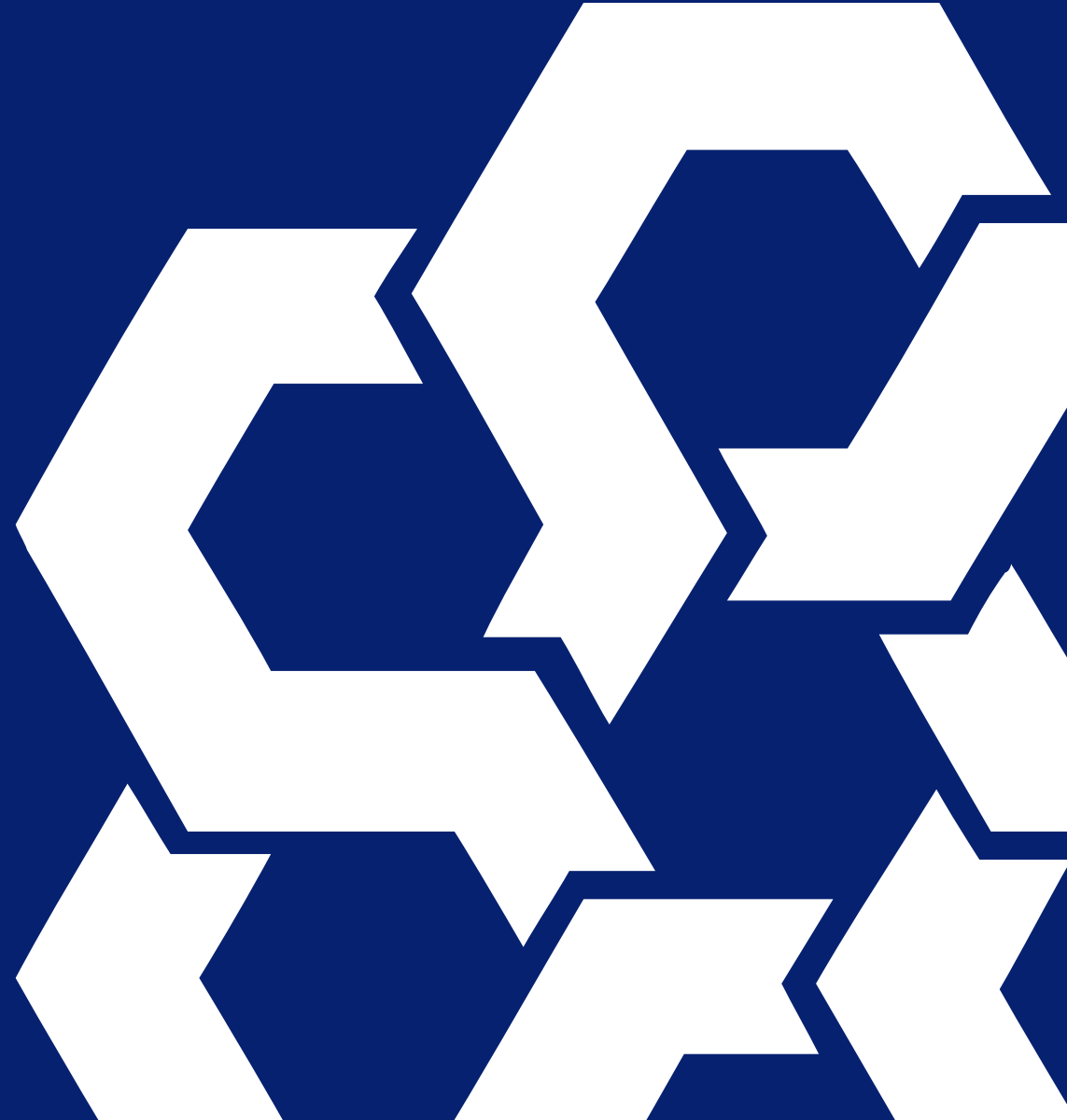
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## Purpose of this session



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## Purpose of this session

- Provide EEG members with an overview of the IASB's proposals in the Exposure Draft *Risk Mitigation Accounting*, and an opportunity to ask questions and share views about the proposed amendments.
- Seek input from EEG members on the use of IAS 39 hedge accounting requirements in their jurisdictions.

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## Questions to EEG members



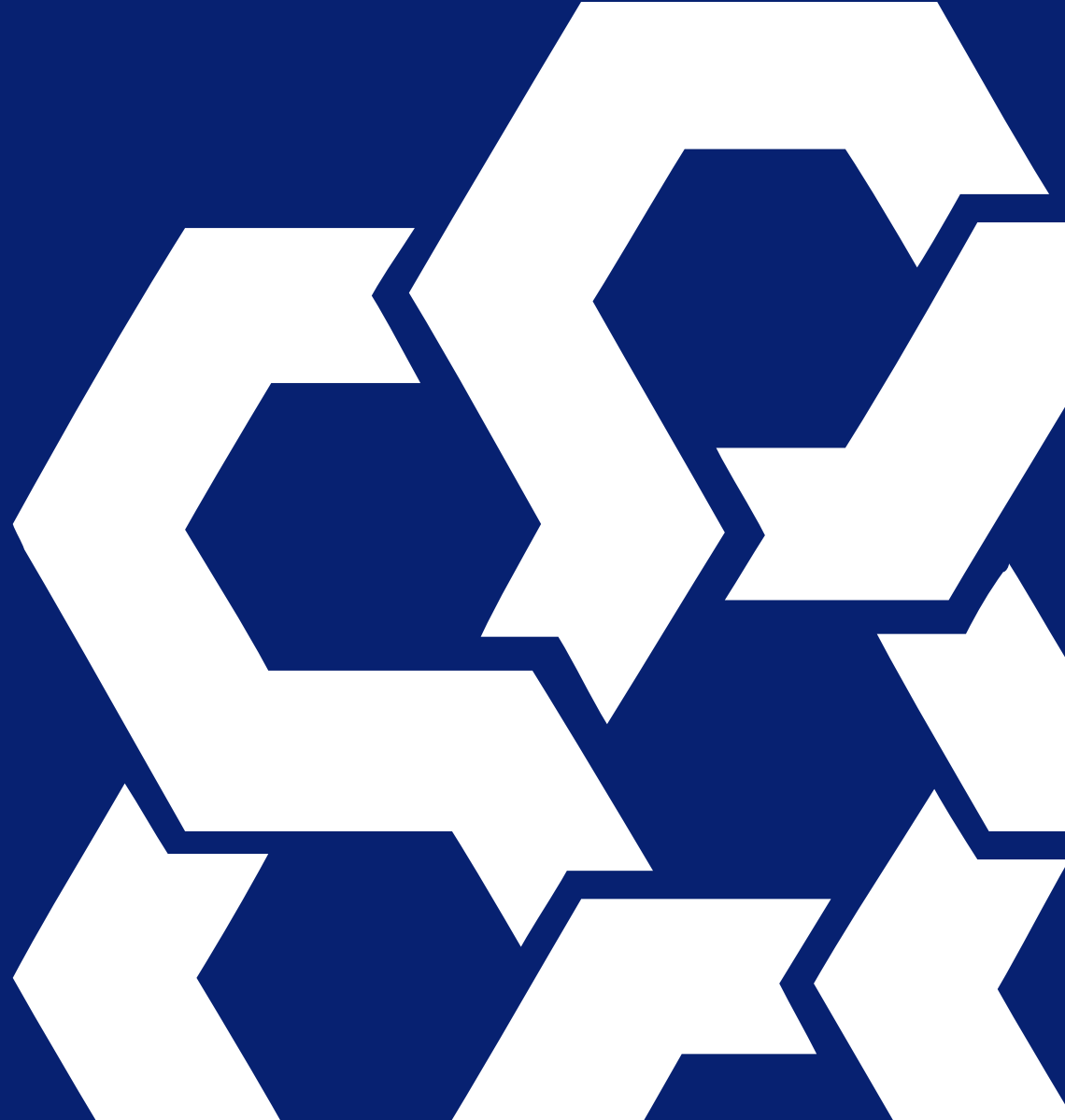
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## Question to EEG members

1. Do you have any questions regarding the proposals in the Exposure Draft?
2. Do you have any initial views on the proposals in the Exposure Draft (also refer to slide [36](#)), and if so, why? In your response, please consider:
  - whether the proposals would result in companies providing useful information about their repricing risk management activities;
  - whether the presentation and disclosure proposals (summarised in slides [28–34](#)) would provide users with decision-useful information;
  - the key practical challenges to implementation; and
  - any potential unintended consequences.
3. Can you provide an indication the extent of entities in your jurisdiction still applying IAS 39 hedge accounting requirements, and whether they are aware of the IASB's proposal in the Exposure Draft to withdraw IAS 39?

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# Introduction

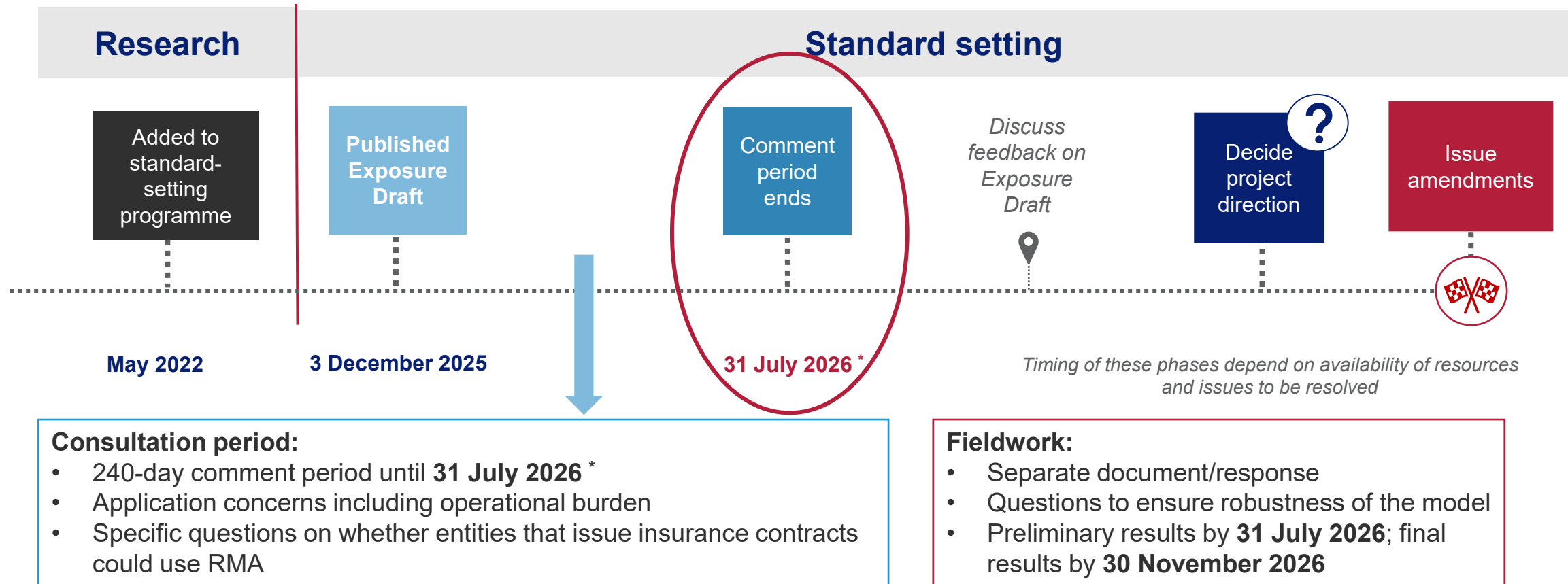


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# Introduction

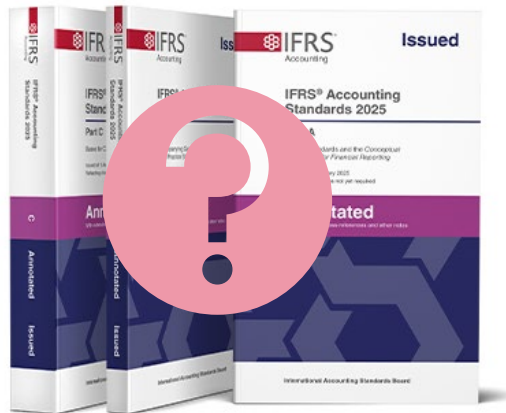
- The IASB published the Exposure Draft *Risk Mitigation Accounting* in December 2025, with a public comment period open until 31 July 2026.
- In the Exposure Draft, the IASB proposes a new accounting model designed to better reflect how financial institutions manage interest rate risk.
- Once finalised, Risk Mitigation Accounting would supplement the general hedge accounting requirements in IFRS 9 and inform how and when IAS 39 could be withdrawn
- The proposals are developed for entities that manage repricing risk on a net basis and are expected to be directly relevant to entities that rely on ‘macro’ hedge accounting for interest rate risk under IAS 39.
- The IASB also requested stakeholders, in particular banks and insurers to carry out fieldwork to assess the likely effects of the proposed risk mitigation accounting model. Final fieldwork results are due by 30 November 2026




# RMA project—status



\* The IASB may consider, at its May 2026 meeting, stakeholders' feedback on extending the comment period to 30 November 2026 to align it with the deadline for final fieldwork results.

# Future of IAS 39



	<b>Proposal</b>	Withdrawal of IAS 39
	<b>Reasoning</b>	Not fit for purpose / superseded by IFRS 9 and RMA *
	<b>Your view</b>	... and related evidence

\* The IASB may consider to extend the RMA ED comment period to ensure that all preparers still applying IAS 39 hedge accounting requirements are aware of the proposed withdrawal of IAS 39 and can provide comments either through the RMA project or the PIR of IFRS 9 hedge accounting requirements.

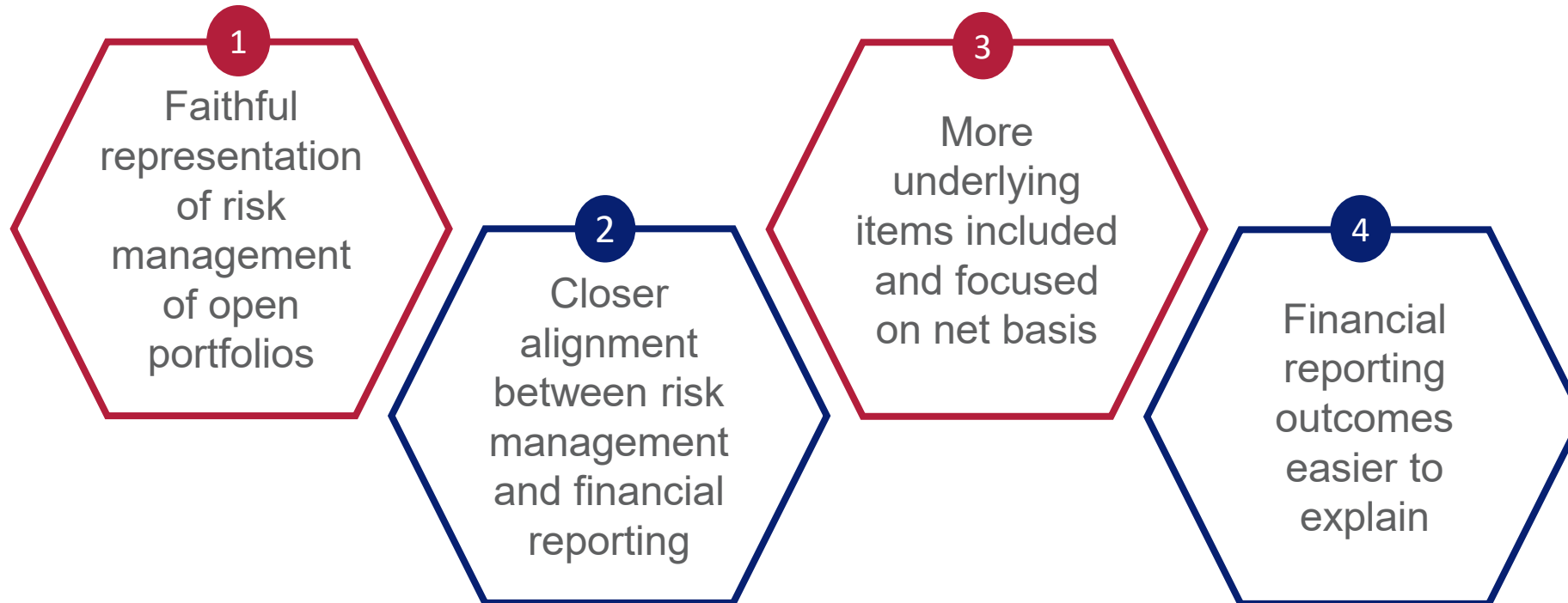
# Interaction with Hedge Accounting PIR

The IASB will consult on both...		How to contribute
... the hedge accounting requirements in IFRS 9	... the related disclosure requirements in IFRS 7	
<ul style="list-style-type: none"> <li>PIR outreach focuses on stakeholders with practical experience (preparers, users or auditors)</li> </ul>	<ul style="list-style-type: none"> <li>Disclosure requirements affect all stakeholders that applies hedge accounting (both IFRS 9 and IAS 39)</li> </ul>	<ul style="list-style-type: none"> <li><b>Submit a comment letter to the RFI based on your experience (H2 2026)</b></li> </ul>

Benefits of overlapping the comments on RMA ED and Hedge Accounting PIR
<ul style="list-style-type: none"> <li>Feedback on hedge accounting disclosures may also inform the usefulness of RMA disclosures</li> <li>Opportunity to assess the scope of entities qualifying for RMA in the context of IFRS 9 hedge accounting</li> <li>Insights into whether risk mitigation activities are sufficiently addressed by IFRS 9 (with RMA)</li> <li>Information to support decision on how and when to withdraw IAS 39</li> </ul>

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## Expected benefits of RMA for preparers



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## Expected benefits of RMA for users



improved transparency regarding interest rate risk management



better understanding of drivers of net interest variability and extent to which it is protected



anchor point for other non-GAAP numbers or queries about interest rate risk management



better economic decision-making

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# Insurers

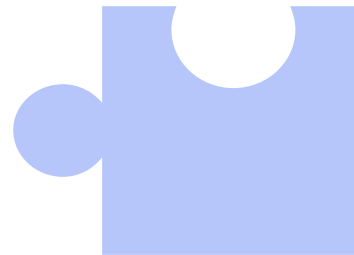
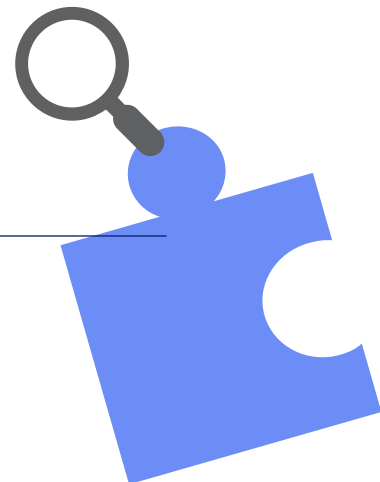
Understanding the  
need for RMA



Does RMA complement  
IFRS 17 and help insurers?

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Current risk management  
practices



Any changes required?

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## Resources on IFRS Foundation website



**Snapshot: Exposure Draft Risk Mitigation Accounting—Proposed amendments to IFRS 9 and IFRS 7**



**Request for fieldwork: Exposure Draft Risk Mitigation Accounting—Proposed amendments to IFRS 9 and IFRS 7**



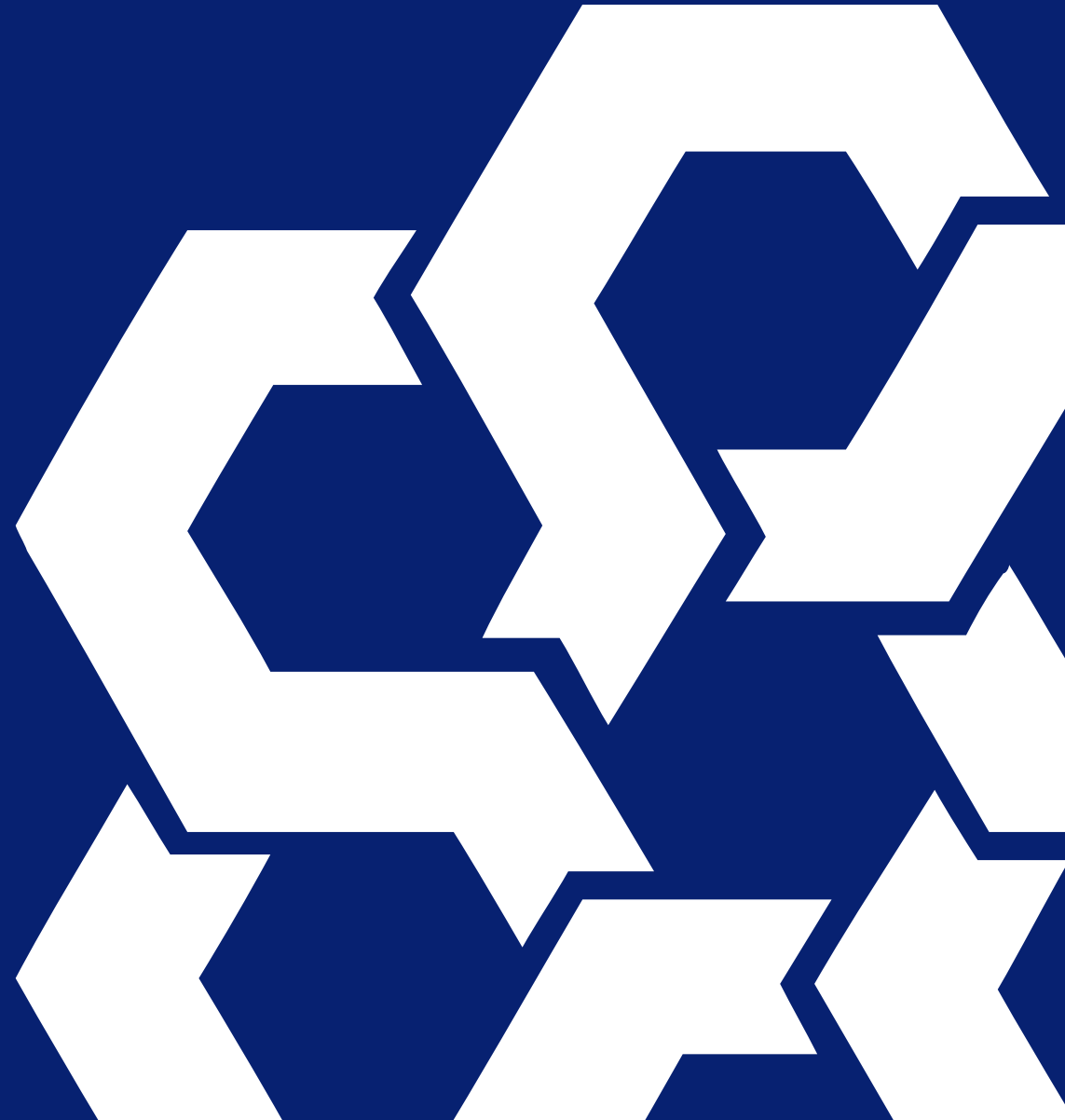
**Exposure Draft: RMA**  
**Exposure Draft: RMA—Basis for Conclusions**  
**Exposure Draft: RMA—Illustrative Examples and Implementation Guidance**



**Webcast 1: Introducing the Risk Mitigation Accounting consultation**  
**Webcast 2: Risk Mitigation Accounting—what it means in practice**  
**Webcast 3: Explanations on some proposals in the Exposure Draft**


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## Overview of proposals in the Exposure Draft Risk Mitigation Accounting



## Who can use RMA? (paragraphs 7.1.4–7.1.5)

- An entity can only apply RMA if its risk management activities have these characteristics:

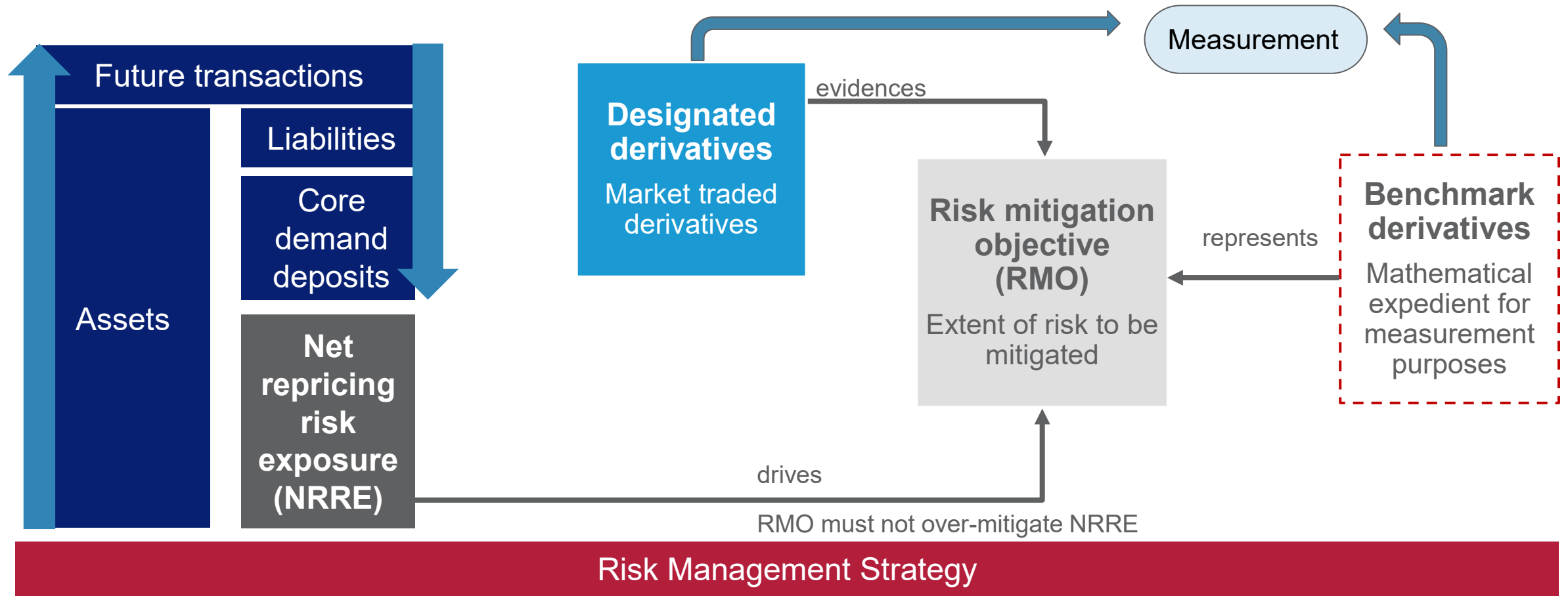
Business activities that give rise to <i>repricing risk</i> <sup>1</sup>	
Risk management strategy specifies risk limits and <i>mitigated rate</i> <sup>2</sup>	
Mitigation of risk from underlying portfolios on a net basis using derivatives	

- RMA is **voluntary** for entities with applicable risk management activities. However, some qualitative disclosures are required for those with qualifying activities who do not apply RMA.

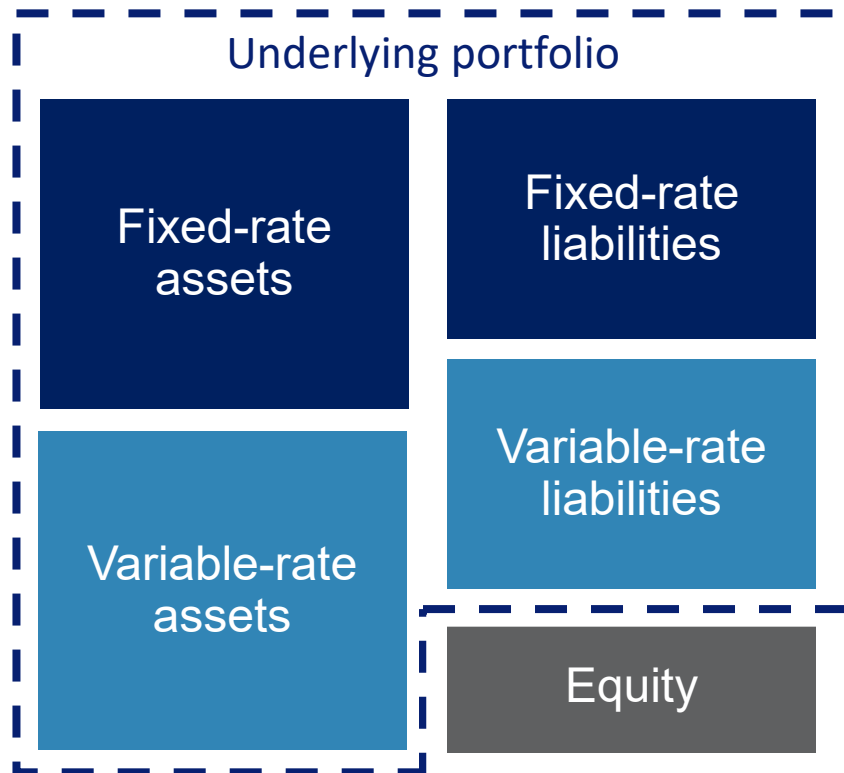
<sup>1</sup> Repricing risk—A type of interest rate risk that refers to the variability in the cash flows from, and fair value of, financial instruments arising from differences in the timing of when financial instruments reprice to benchmark interest rates; and the amount of financial instruments that reprice in a particular period

<sup>2</sup> Mitigated rate—A benchmark interest rate based on which an entity manages repricing risk and for which risk limits are specified in the entity's risk management strategy.

# Elements of the RMA model



## Eligible underlying portfolios (paragraphs 7.2.1-7.2.4)



Financial instruments are eligible to be include in the underlying portfolios only if they are:

- financial assets at amortised cost or FVOCI;
- financial liabilities at amortised cost; or
- some future transactions.

A hedged exposures that affects an entity's exposure to repricing risk is also eligible.

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## Modelled equity as a proxy (paragraphs B7.2.17)

- Companies use various approaches and methodologies to determine their exposure to repricing risk
- Some model and manage equity as if it was a fixed-rate liability when mitigating repricing risk
- In doing that, company may decide either:

### **Variable-rate assets**

Include some variable-rate assets and mitigate the variability in net interest income when modelled equity is considered to provide funding for variable-rate assets

### **Fixed-rate assets**

Exclude some fixed-rate assets and accept the variability in economic value of equity when modelled equity is considered to provide funding for fixed-rate assets

- ED requires that net repricing risk exposure determined consistently with risk management strategy and practices
- BUT modelled equity should represent repricing risk arising from company's underlying portfolios and should not exceed the amount of the assets for which it is a proxy
- The use of modelled equity method may also cover the risk mitigation on some AT1 instruments.

## Risk mitigation objective (RMO) (paragraphs 7.4.1-7.4.4)

### Risk mitigation objective

The amount of risk to be mitigated. The risk mitigation objective is not directly linked to individual items in underlying portfolios

Dynamic / flexible

Adjusted **prospectively**, taking the market environment into consideration

Evidenced through actions

Evidenced through **actions rather than intentions**—the purchase of derivatives—reflecting the effects of risk management activities

Cannot introduce risk

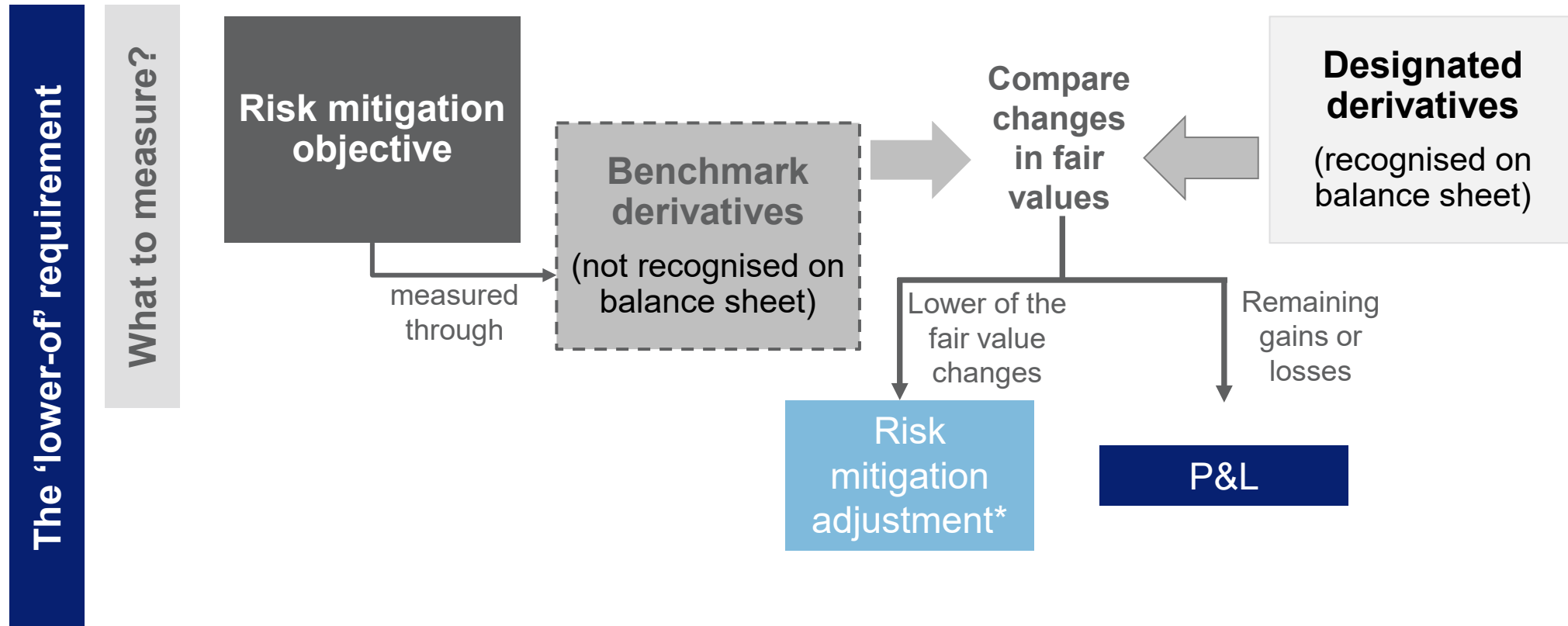
**Capped** at the amount of risk for each time band in net repricing risk exposure

Measured and tracked

**Benchmark derivatives** used to track the history of an entity's risk mitigation objectives and facilitate measurement

Key principle: RMO reflects the dynamic nature of the entity's risk mitigation activities

# Measurement of RMA model (paragraphs 7.4.5-7.4.10)



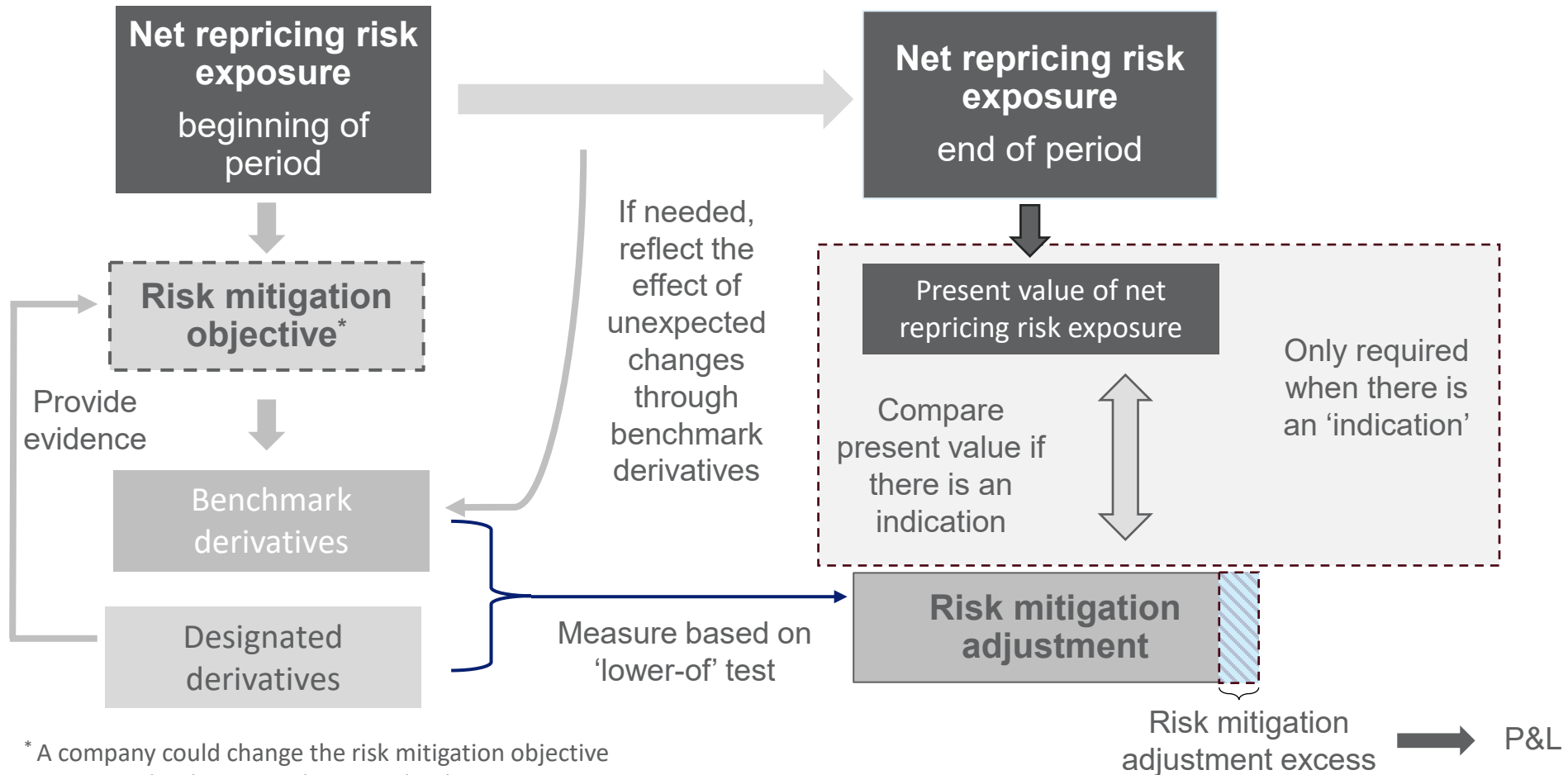
\* This defers the recognition of the gains or losses on designated derivatives in P&L to the same period during which the repricing differences arising from the financial instruments in the underlying portfolios affect P&L.

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## Unexpected changes (paragraphs 7.4.6, 7.4.11-7.4.14)

- NRRE based on expectations
- Concerns about unintentional ‘over-hedging’ in previous periods due to changes in expectations
- Not interest rate changes, but rather change in ‘capacity’: withdrawals, prepayments etc.
- Update the benchmark derivative for unexpected changes based on available information

# Unexpected changes (paragraphs 7.4.11-7.4.14)



\* A company could change the risk mitigation objective prospectively. This is not shown in the diagram.

## Risk mitigation adjustment excess (paragraphs 7.4.11-7.4.14)

### Assessment

- a reasonableness test required **only at the reporting date**
- to assess whether there is an **indication** that the accumulated risk mitigation adjustment might not be realised in full over the mitigated time horizon due to unexpected changes that are not fully captured in the adjustments to benchmark derivatives
- risk mitigation adjustment excess is measured **only if such an indication exists**



### Measurement

- calculated as extent of risk mitigation adjustment > present value of NRRE
- present value of NRRE represents the RM adjustment if the NRRE at the reporting date had been fully mitigated (using mitigated rate as discount rate)
- to **recognise any excess in P&L** immediately (the effect similar to the acceleration of the recognition of the RM adjustment in P&L)



### Excess

- to consider the **unwinding effect of the excess** in future periods on either a straight-line basis or on another systematic and rational basis
- **reversal** of previously recognised excess is **not permitted**

# Discontinuation (paragraphs 7.5.1-7.5.3)



Is there a change in the entity's risk management strategy?  
(Is there a change in how the entity manages repricing risk?)



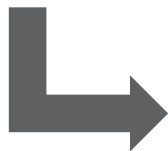
Yes



No

## Examples of changes in managing repricing risk

- change in risk management levels
- change in mitigated time horizon
- change in the risk measure used
- change in mitigated rate



Discontinue risk mitigation accounting

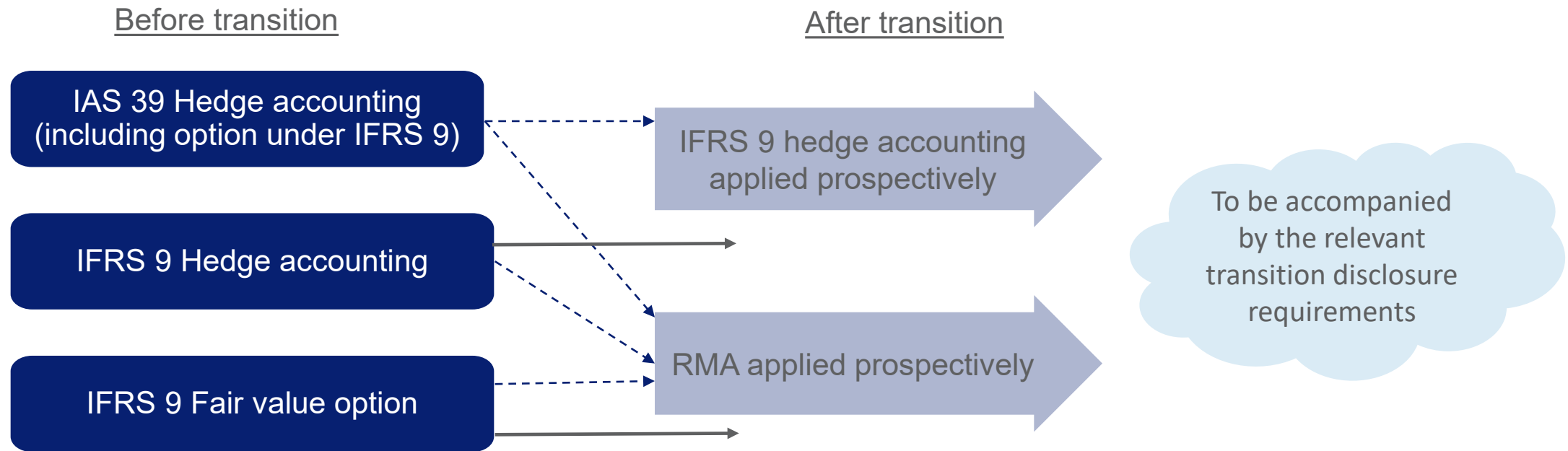
## Examples of changes reflecting dynamic nature

- changes to the risk mitigation objective
- changes to the risk limits
- changes to the underlying portfolios
- changes to the designated derivatives



Continue with risk mitigation accounting

# Proposed transition requirements (Appendix C2.54–C2.61)



This schematic only represents the changes were companies to adopt risk mitigation accounting. The fair value option and hedge accounting under IFRS 9 will continue to be available after the introduction of risk mitigation accounting.

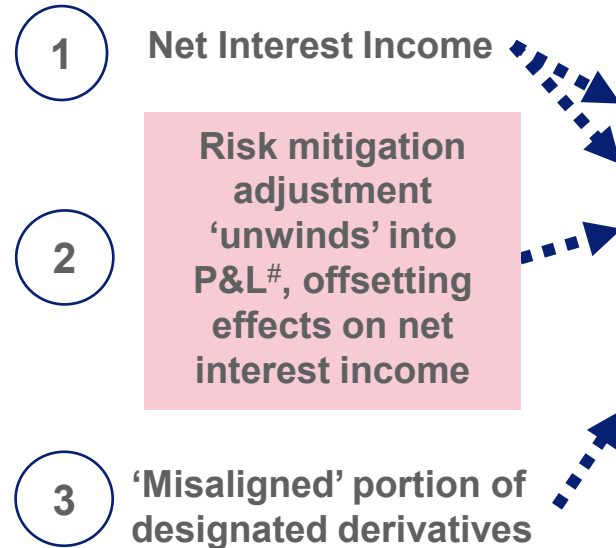
# Presentation in the financial statements (paragraph 30E)

Statement of profit or loss (P&L)	Statement of financial position (B/S)	Notes to financial statements
<ul style="list-style-type: none"> <li>• Net interest income (over time)</li> <li>• <b>Unwinding of Risk mitigation adjustment (over time)</b></li> <li>• ‘Misaligned’ portion of Gain or loss from designated derivatives (immediately)</li> </ul>	<ul style="list-style-type: none"> <li>• Underlying portfolios (at amortised cost or fair value)</li> <li>• Designated derivatives (at fair value)</li> <li>• <b>Risk mitigation adjustment (debit vs credit)</b></li> </ul>	<ul style="list-style-type: none"> <li>• New qualitative and quantitative disclosures related to activities underlying the new line items (in bold)</li> <li>• New qualitative disclosure for entities qualifying but choosing not to apply risk mitigation accounting</li> </ul>

# RMA—Balance Sheet & P&L view (bank\*)

Statement of financial position	
Year ended 20XX	CUm
Financial Assets (FV)	
Financial Assets (AC)	
Designated Derivatives (FV)	
<b>Risk Mitigation Adjustment</b>	
Other Assets	
<b>Total Assets</b>	
Financial Liabilities(FV)	
Financial Liabilities (AC)	
Designated Derivatives (FV)	
Other Liabilities	
<b>Total Liabilities</b>	

Assuming a debit balance of risk mitigation adjustment (shown as part of assets)

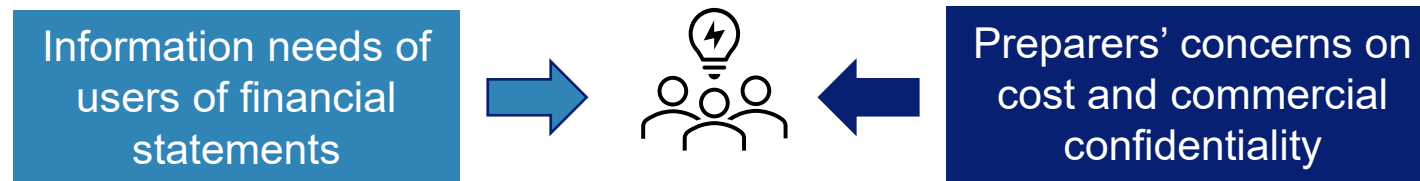


Statement of profit or loss	
Year ended 20XX	CUm
Interest revenue	+/-
Interest expenses	+/-
<b>Unwind of risk mitigation adjustment</b>	-
<b>Net interest income</b>	
<b>Net fee and commission income</b>	
Net trading income	+/-
Credit impairment losses	-
...	
<b>Operating Profit</b>	
...	
<b>Profit before income taxes</b>	

\* Simplified illustration of a bank's P&L to demonstrate how proposed line items might appear.

# Proposed disclosure requirements (paragraphs 30F–30P)

Input received during targeted consultations with a diverse group of investors and analysts from different jurisdictions to understand their information needs on dynamic interest rate risk management.



The RMA disclosure requirements are **based on the existing IFRS 7 hedge accounting disclosures**, and proposal that an entity be required to provide information that enables users of financial statements to understand:

- An entity's dynamic interest rate risk management strategy;
- the amount, timing and uncertainty of cash flows; and
- the effects on financial position and performance.

Next three slides demonstrate some examples of the proposed disclosures.



## Examples of some proposed disclosures (2) (paragraph 30K)

- Disclosure about sensitivity of ‘organic’ underlying portfolios (prior to risk mitigation)—based on reasonably possible changes in the mitigated rate

### **Sensitivity analysis**

The effects of reasonably possible changes in the mitigated rate could affect the cash flows from, and fair value of, underlying portfolios as follows (assuming no changes in how the expected cash flows are estimated):

	Fair value sensitivity		Cash flow sensitivity	
	31 December 20X2 CU million	31 December 20X1 CU million	31 December 20X2 CU million	31 December 20X1 CU million
Parallel shock up by xxx bps	(X)	(X)	X	X
Parallel shock down by xxx bps	X	X	(X)	(X)
Shock of curve steepening	X	X	X	X
Shock of curve flattening	(X)	(X)	(X)	(X)
Other shock scenarios (to specify)	X	X	X	X

## Examples of some proposed disclosures (3) (paragraph 30N(d))

- Disclosure about future effects of risk mitigation—unwinding profile of RM adjustment

As at 31 December 20X2, the Company had a total risk mitigation adjustment of CU X million that will be recognised in profit or loss in future reporting periods, providing protection against future interest variabilities.

	<b>Maturity analysis as at 31 December 20X2</b>				<b>Total</b>
	Less than		More than		
	1 year	1–2 years	2–5 years	5 years	
Risk mitigation adjustment—continued	X	X	X	X	X
Risk mitigation adjustment—discontinued	X	X	X	X	X
<b>Total risk mitigation adjustment</b>	<b>X</b>	<b>X</b>	<b>X</b>	<b>X</b>	<b>X</b>

\* Comparative information is not shown for illustration purpose

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## Proposed disclosure requirements (paragraph 33A)

**Entity qualifying but choosing not to apply risk mitigation accounting:** to provide qualitative explanation to enable investors to understand how it manages its exposure to repricing risk; including:

- how its exposure to repricing risk arises;
- how it identifies, aggregates, monitors and manages its exposure to repricing risk;
- how the entity reports its activities for managing repricing risk in the financial statements.



At the March ASAF meeting, some ASAF members representing the EEG jurisdictions commented on the burden of this disclosure. Given its qualitative nature, could you expand on the reasons for your concerns?

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## Some preliminary feedback themes

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## Main feedback themes

### Eligible underlying portfolios

- FVPL items
- Lease receivables and liabilities
- Equity instruments and equity modelling
- Intercompany transactions

### Net repricing risk exposure

- Use of risk metrics and repricing time bands
- The role of risk mitigation objective and benchmark derivatives

### Measurement and presentation

- Identification of unexpected changes
- Determining risk mitigation adjustment excess
- Location of risk mitigation adjustment

### Transition and disclosure

- Construction of benchmark derivatives on transition
- Extent and nature of proposed disclosures

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## Get involved

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