
Accounting Standards Advisory Forum meeting

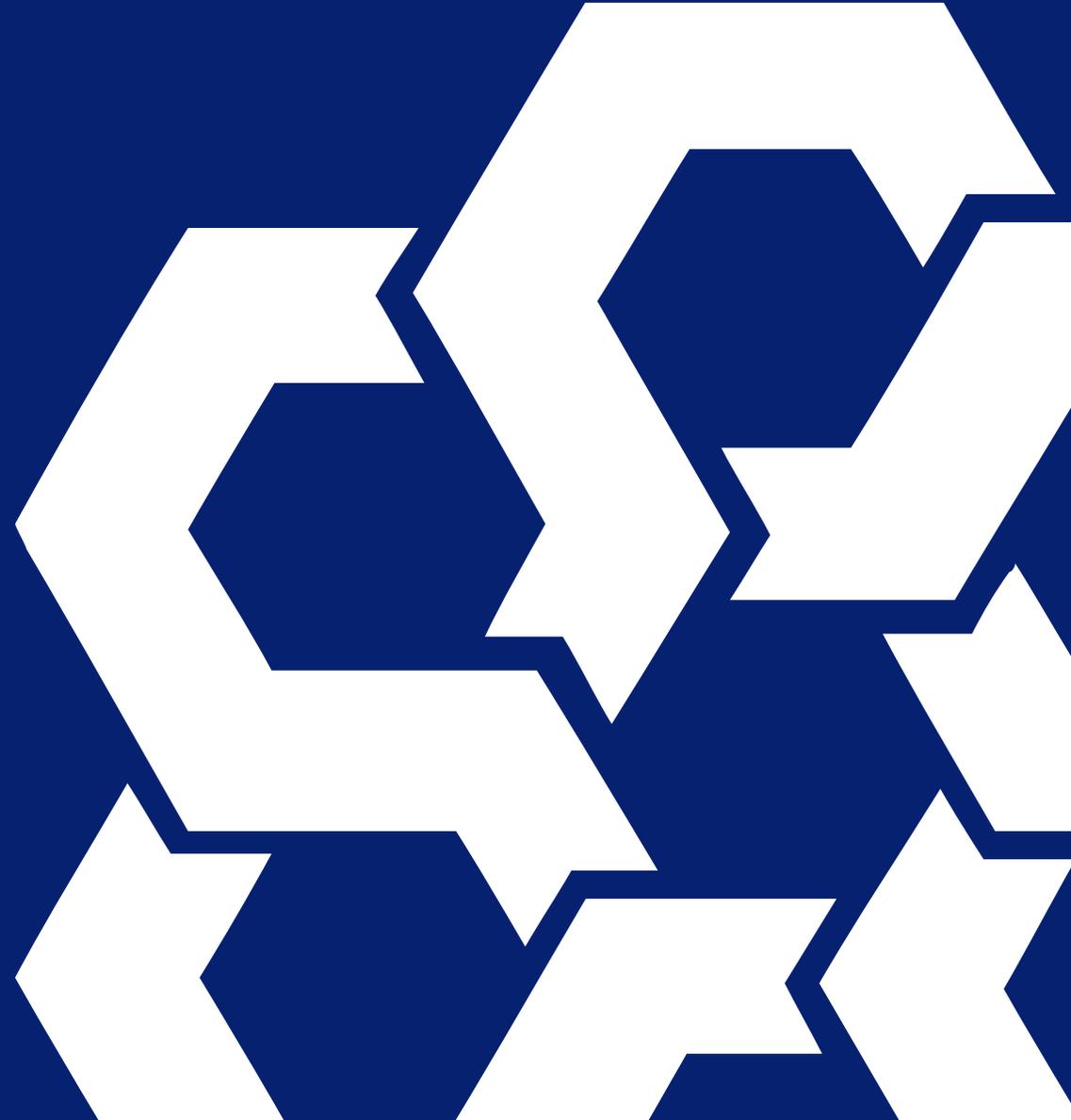
Date	March 2026
Project	Risk Mitigation Accounting
Topic	Preliminary input on the proposals in the Exposure Draft
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Contents

1. Purpose of the session	4
2. Questions to ASAF members	6
3. Introduction to RMA project	8 – 13
4. Overview of proposals in the Exposure Draft <i>Risk Mitigation Accounting</i>	15 – 29

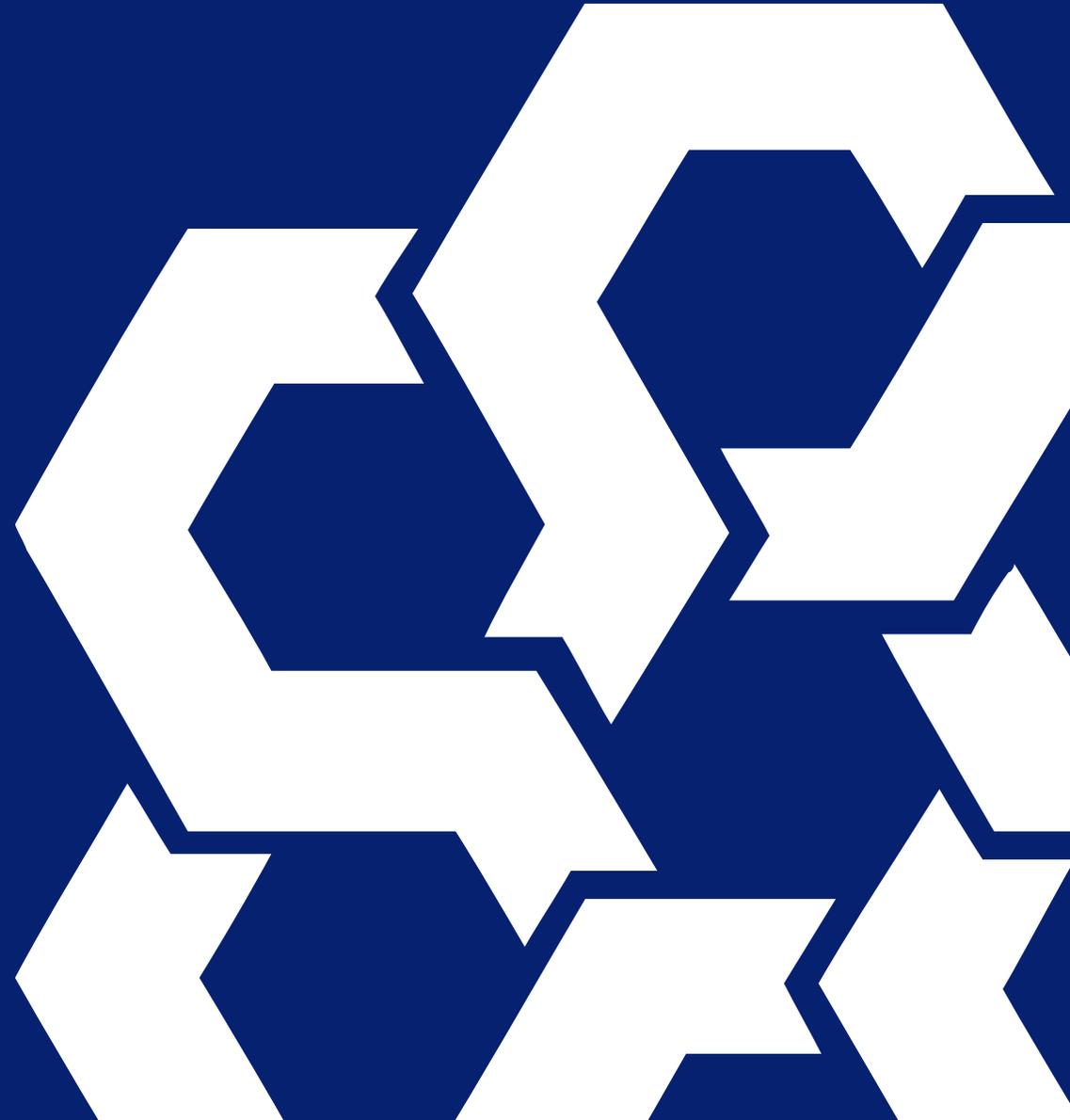
Purpose of this session



Purpose of this session

- Provide ASAF 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.
- Gather initial feedback on the level of stakeholder engagement across different jurisdictions and areas of focus in their discussions.
- Seek input from ASAF members on priority areas for the IASB's education and outreach efforts.

Questions to ASAF members



Question to ASAF members

Questions to ASAF members

1. Do you have any questions regarding the proposals in the Exposure Draft?
2. Do you have any initial feedback on the level of stakeholder engagement in your jurisdiction and the areas of focus in their discussions? In your view, what should be the priority areas for the IASB's education and outreach efforts?
3. Do you have any initial views on the proposals in the Exposure Draft, including:
 - whether it could result in companies providing useful information about their repricing risk management activities;
 - the key practical challenges to implementation; and
 - whether there are any potential unintended consequences.

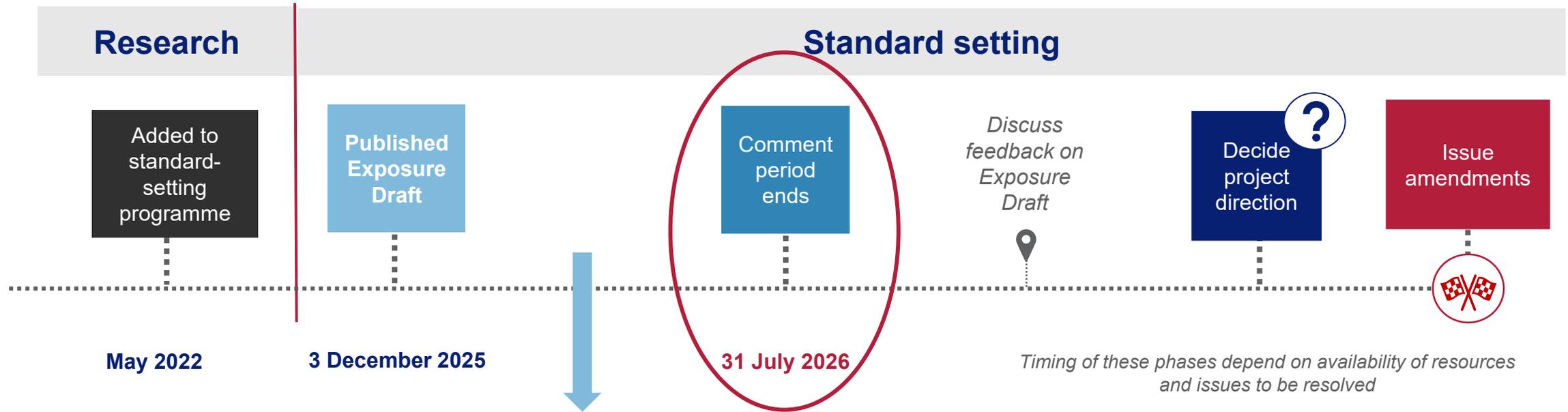
Introduction



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



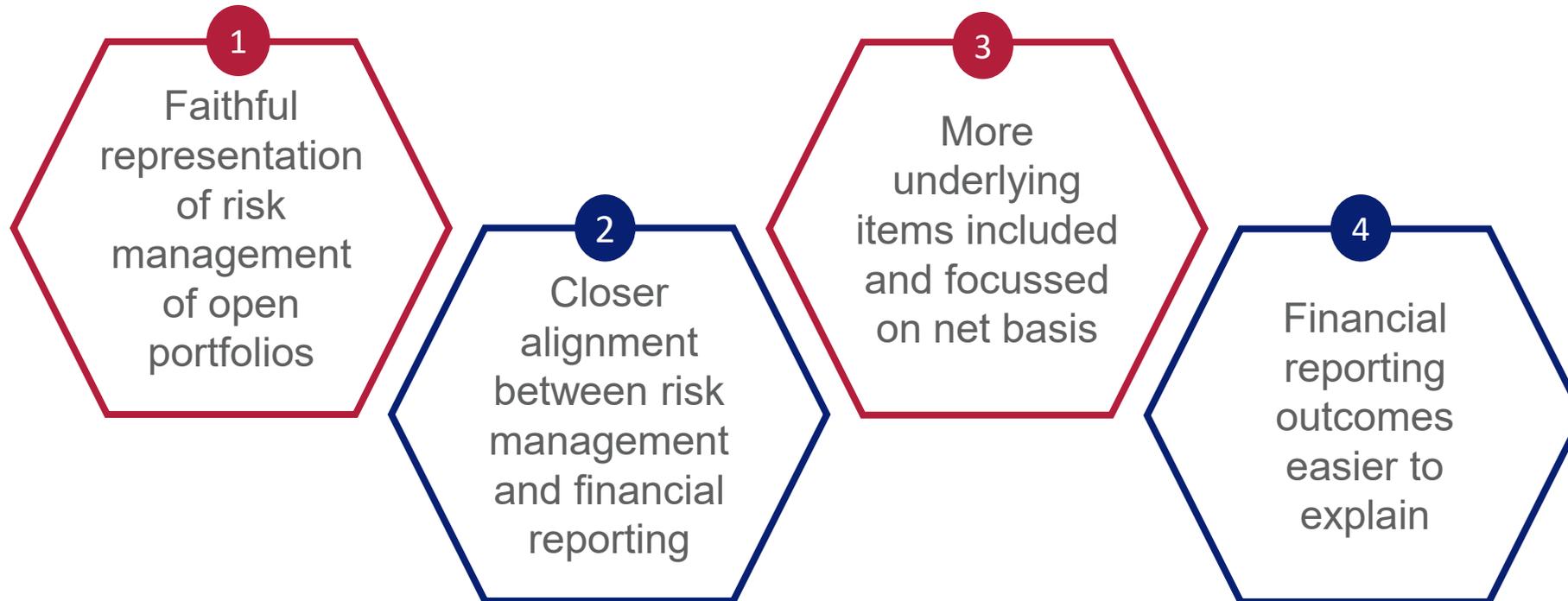
Consultation period:

- 240-day comment period until **31 July 2026**
- Application concerns including operational burden
- Specific questions on whether entities that issue insurance contracts could use RMA

Fieldwork:

- Separate document/response
- Questions to ensure robustness of the model
- Preliminary results by **31 July 2026**; final results by **30 November 2026**

Expected benefits of RMA for preparers



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



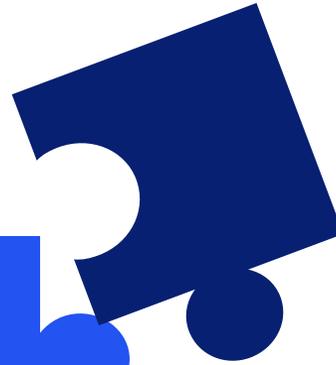
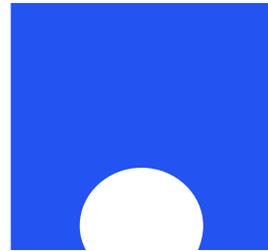
anchor point for other non-GAAP numbers or queries about interest rate risk management



better economic decision-making

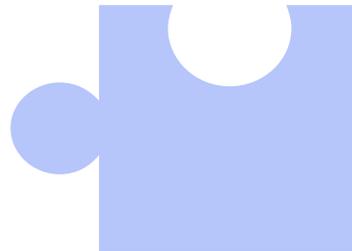
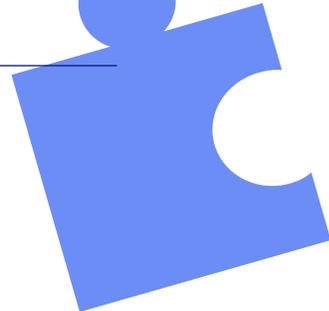
Insurers

IFRS 17 application



Does RMA complement IFRS 17?

Current risk management practices



Any changes required?

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

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 *repricing risk*¹

Risk management strategy specifies risk limits and *mitigated rate*²

Mitigation of risk from underlying portfolios on a net basis using derivatives

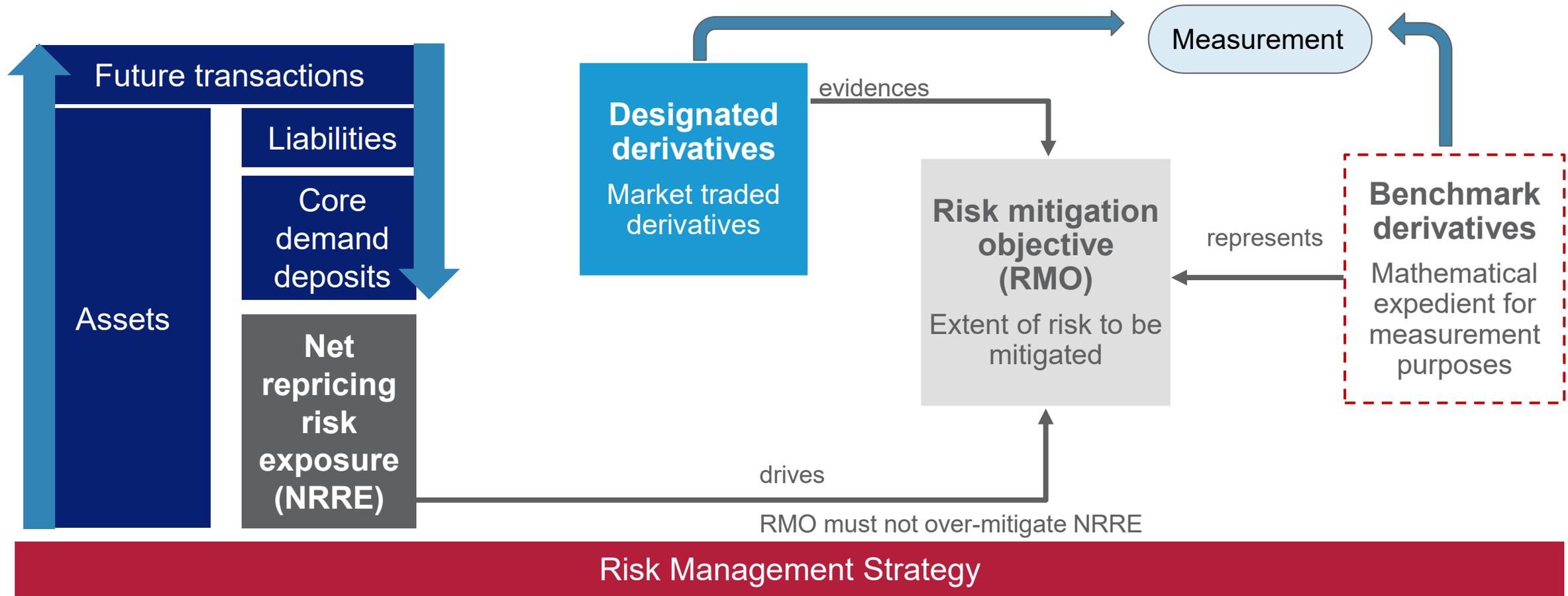


- RMA is **voluntary** for entities with applicable risk management activities. However, some qualitative disclosures are required for those with qualifying activities who do not apply RMA.

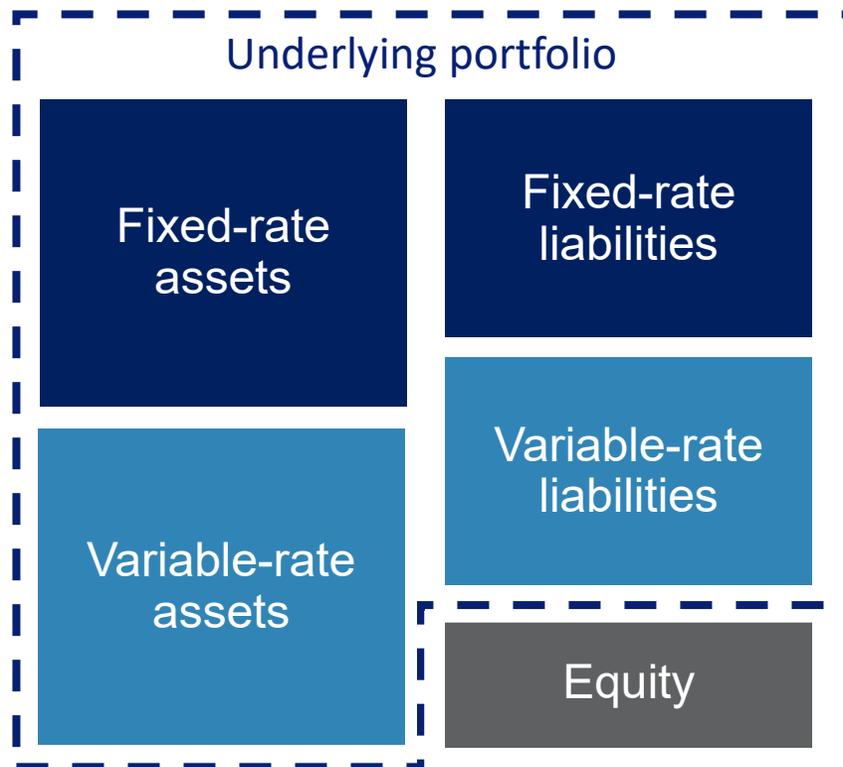
¹ Repricing risk—A type of interest rate risk that refers to the variability in the cash flows from, and fair value of, financial instruments arising from differences in the timing of when financial instruments reprice to benchmark interest rates; and the amount of financial instruments that reprice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

² 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.

Residual value

No direct variability in economic value

Not linked to IRR

No direct variability in profit of loss (P&L)

Equity is not eligible but can be used as a **proxy** to determine the exposure to repricing risk arising from variable-rate financial assets not funded by liabilities.

Includes equity AT1

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 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

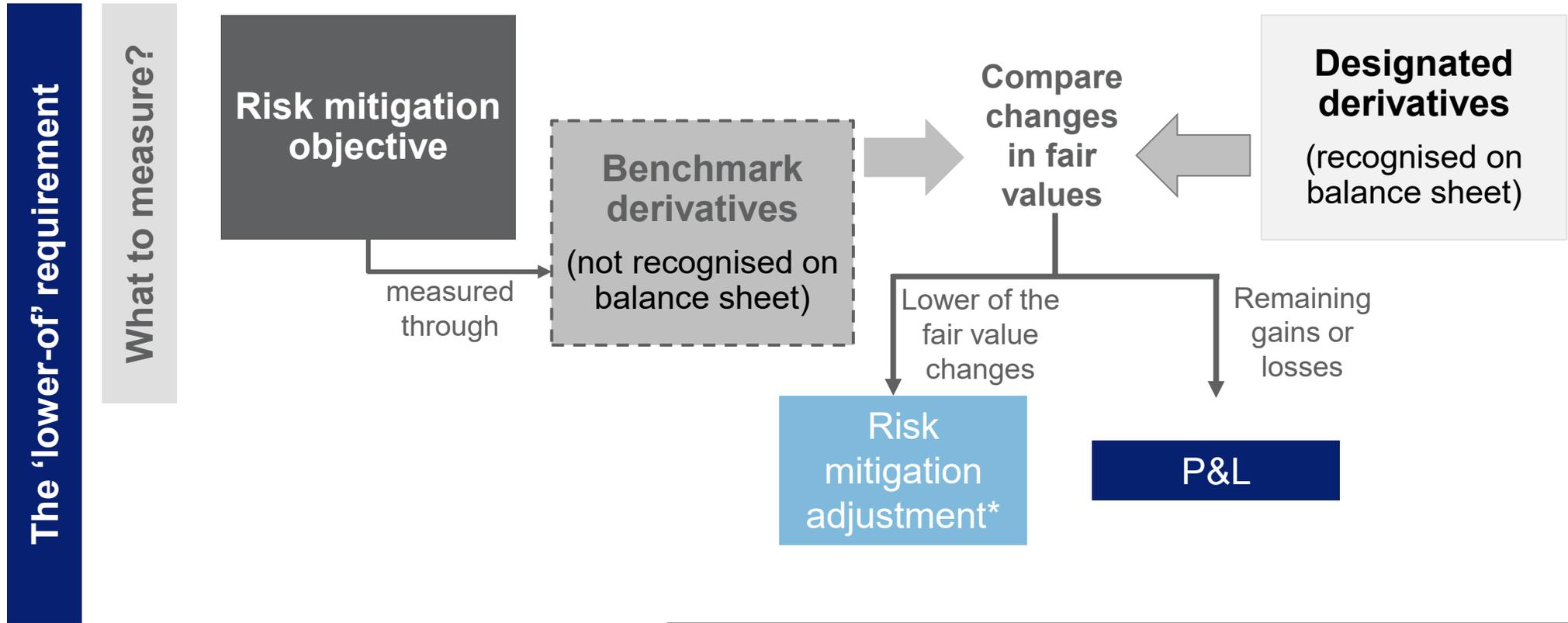
Capped at the amount of risk for each time band in net repricing risk exposure

Measured and tracked

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

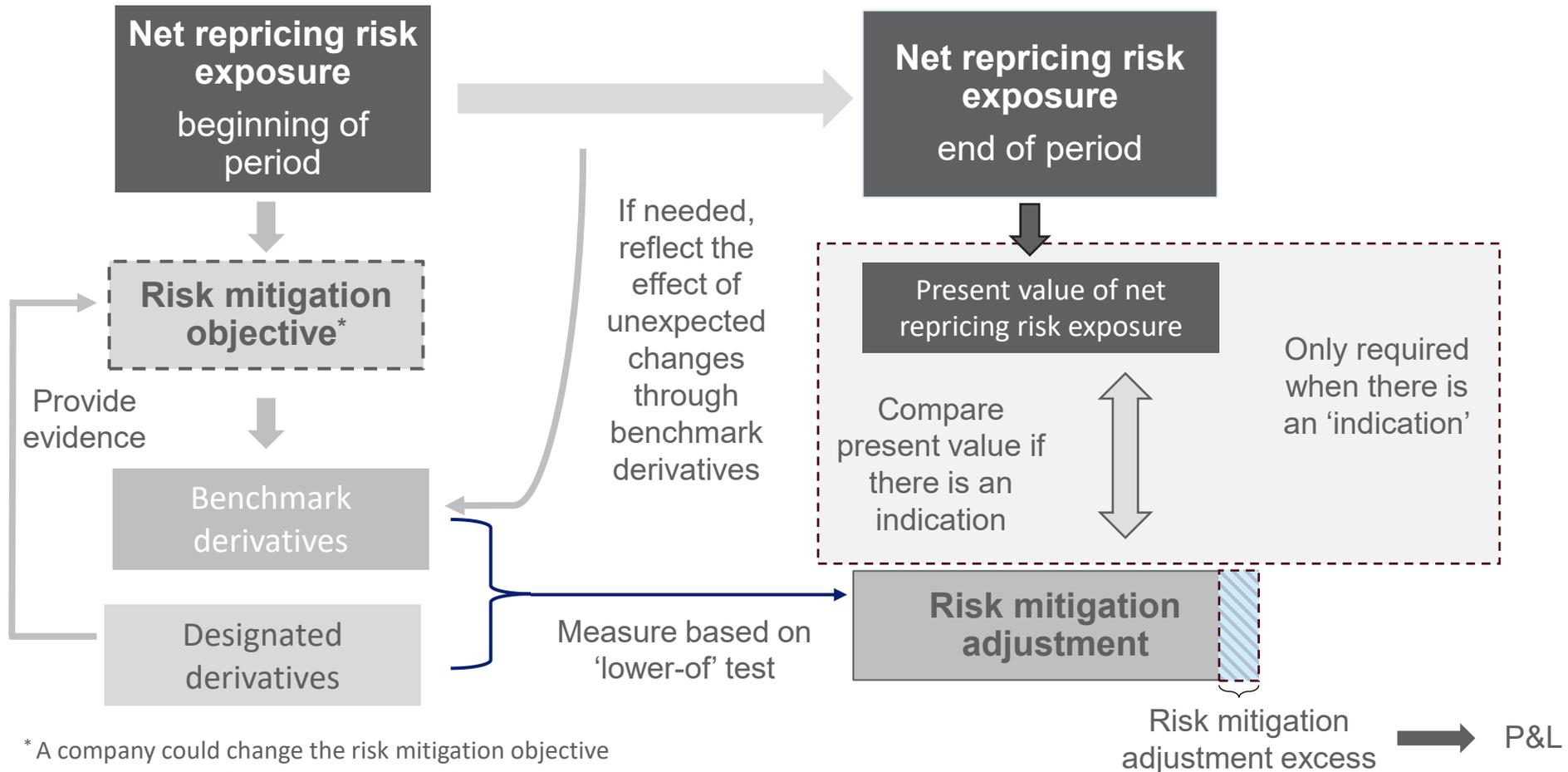
Key principle: Risk mitigation objective reflects the dynamic nature of the entity's risk mitigation activities

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.

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.

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

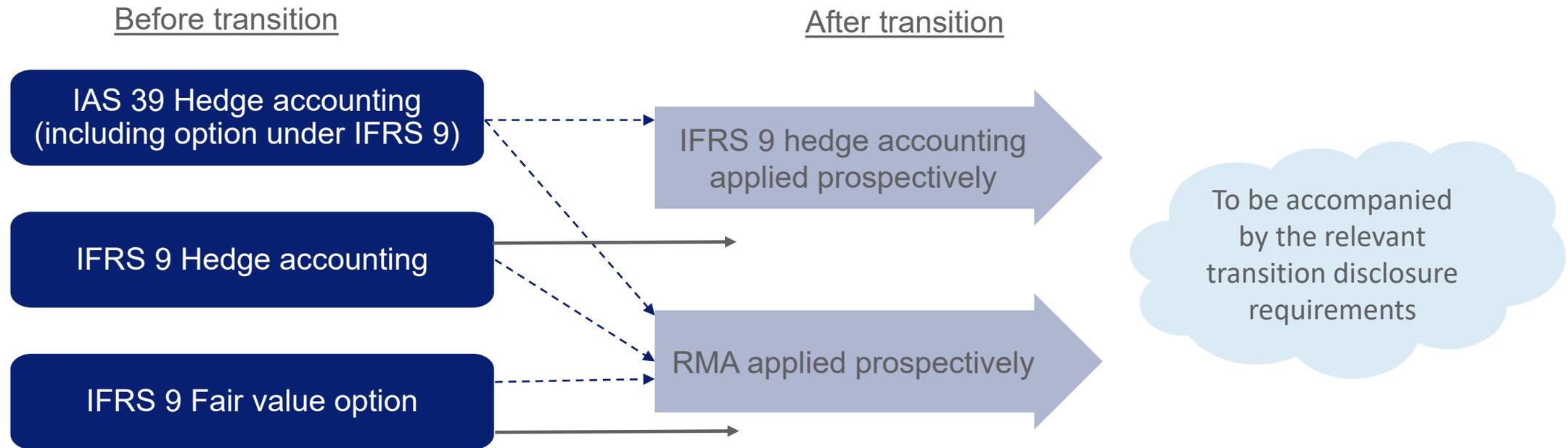
Examples of changes reflecting dynamic nature

- 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.

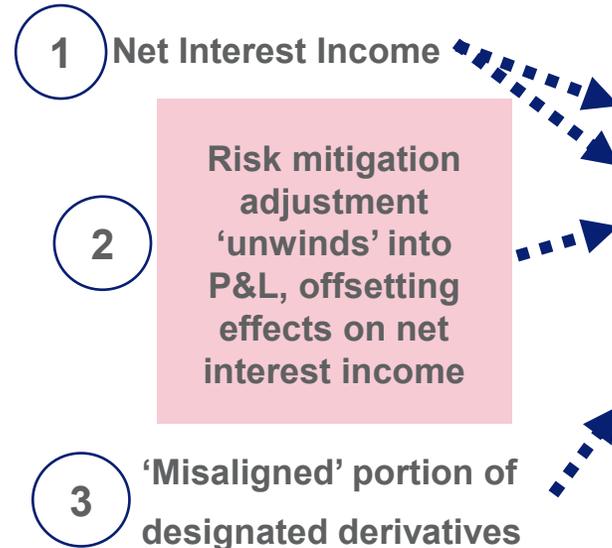
Presentation in the financial statements (paragraph 30E)

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

RMA—Balance Sheet & P&L view (bank*)

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

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	+/-
Unwind of risk mitigation adjustment	-
Net interest income	
Net fee and commission income	
Net trading income	+/-
Credit impairment losses	-
...	
Operating Profit	
...	
Profit before income taxes	

* 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.

	Maturity analysis as at 31 December 20X2				Total
	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
Total risk mitigation adjustment	X	X	X	X	X

* Comparative information is not shown for illustration purpose

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.

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