
Financial Instruments Consultative Group meeting

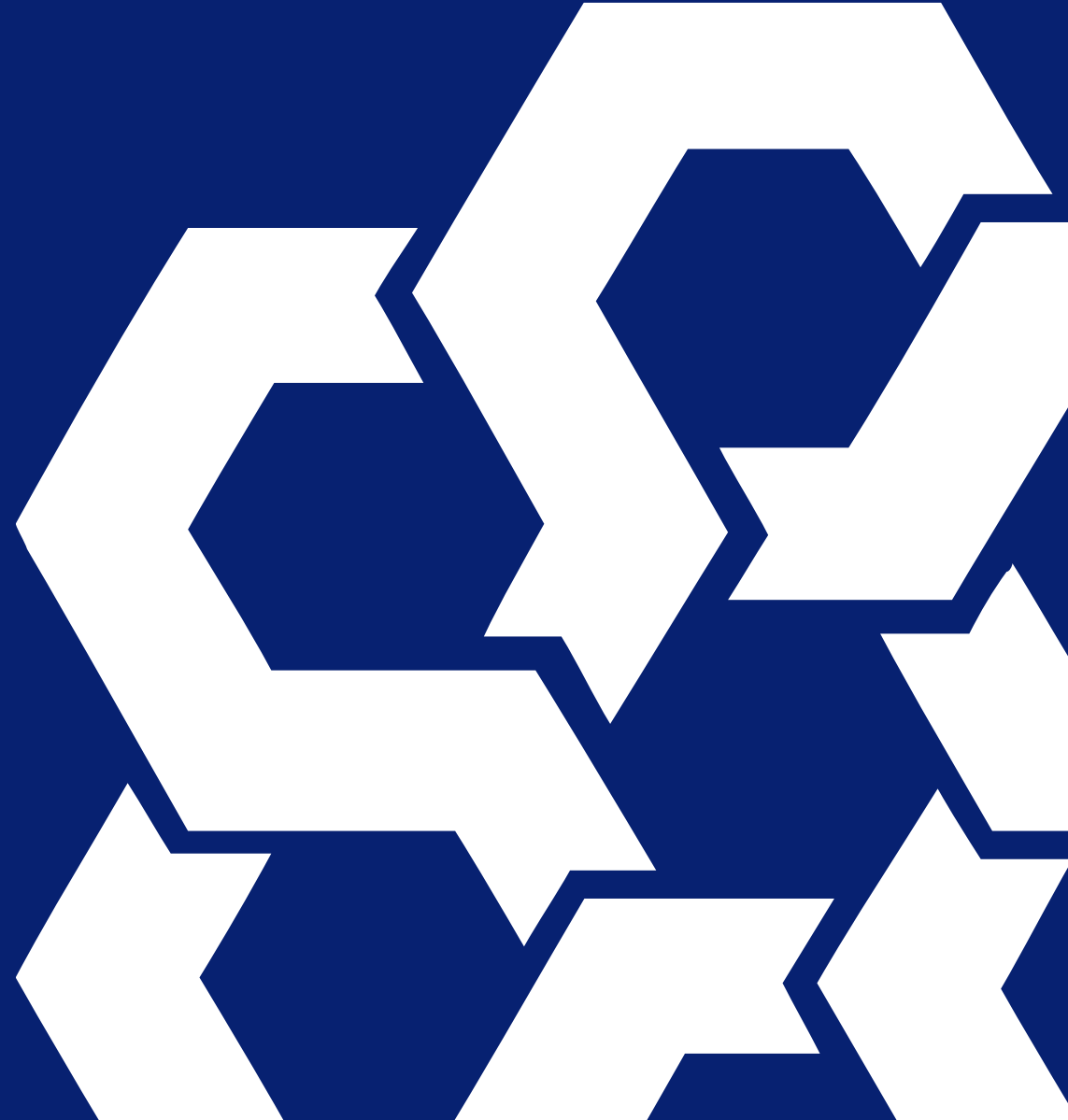
Date	May 2026
Project	Risk Mitigation Accounting
Topic	Feedback on the proposals in the Exposure Draft
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This paper has been prepared for discussion at a public meeting of the Financial Instruments Consultative Group (FICG). This paper does not represent the views of the International Accounting Standards Board (IASB) or any individual IASB member. Any comments in the paper do not purport to set out what would be an acceptable or unacceptable application of IFRS[®] Accounting Standards. The IASB's technical decisions are made in public and are reported in the IASB[®] *Update*.
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Contents

- | | |
|--|---------|
| 1. Purpose of the session | 3 – 4 |
| 2. Questions to FICG members | 5 – 6 |
| 3. Introduction to RMA project | 7 – 16 |
| 4. Overview of proposals in the Exposure Draft <i>Risk Mitigation Accounting</i> | 17 – 38 |
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Purpose of this session



Purpose of this session

- Provide FICG members with an overview of the IASB's proposals in the Exposure Draft *Risk Mitigation Accounting*, and an opportunity to ask questions
- Seek feedback from FICG members about the proposed amendments
- Seek input on priority areas for the IASB's education and outreach efforts

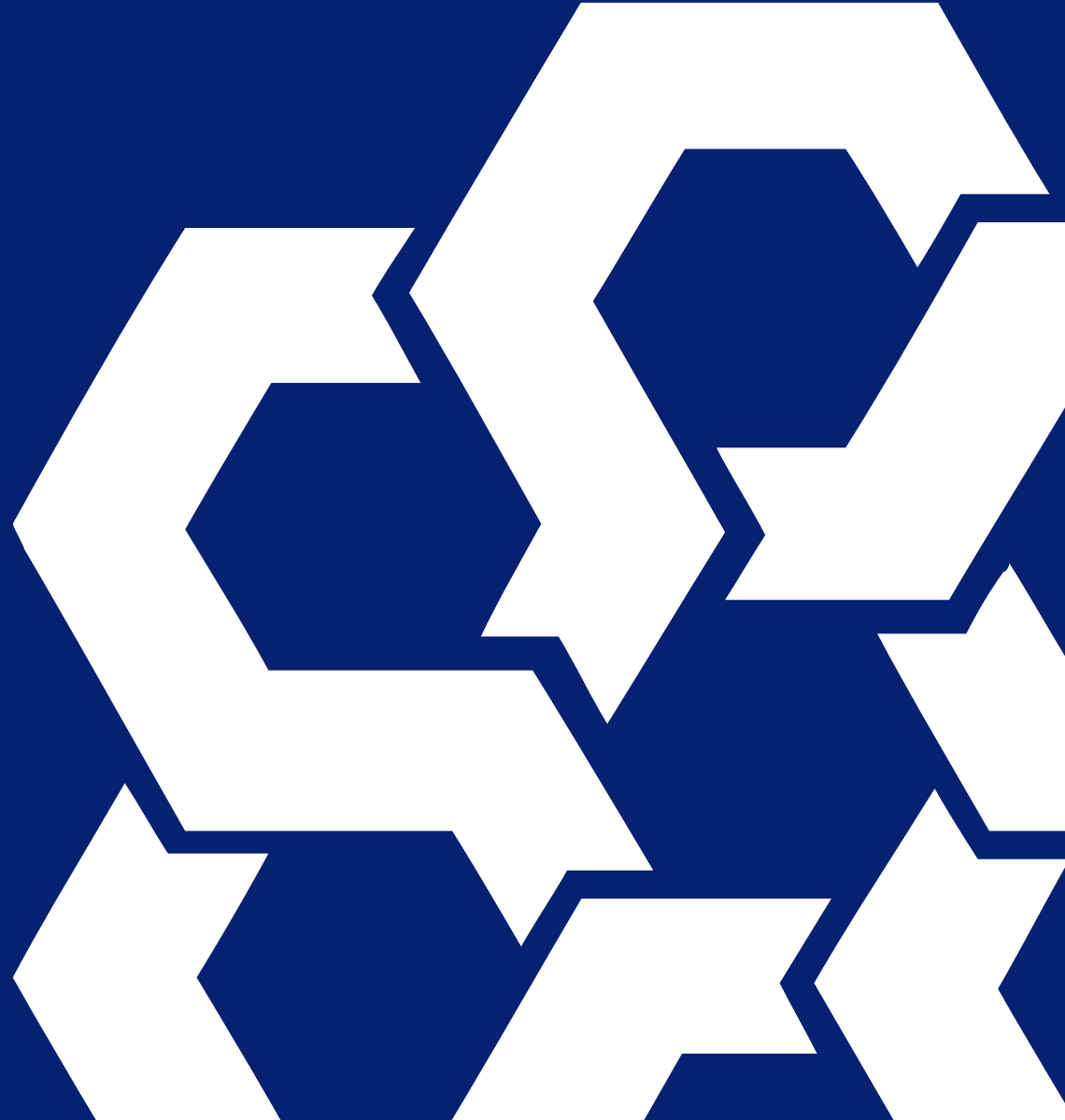
Questions to FICG members



Questions to FICG members

1. Do you have any questions on the proposals in the Exposure Draft?
2. What are your views on the proposals in the Exposure Draft, including:
 - whether the proposals would result in financial statements that more faithfully represent the effects of companies' repricing risk management activities;
 - whether the presentation and disclosure proposals (summarised in slides [31](#)–[38](#)) would provide users with decision-useful information;
 - the key practical challenges to implementation; and
 - any potential unintended consequences.
3. In your view, what should be the priority areas for the IASB's education and outreach efforts for the remainder of the comment period?

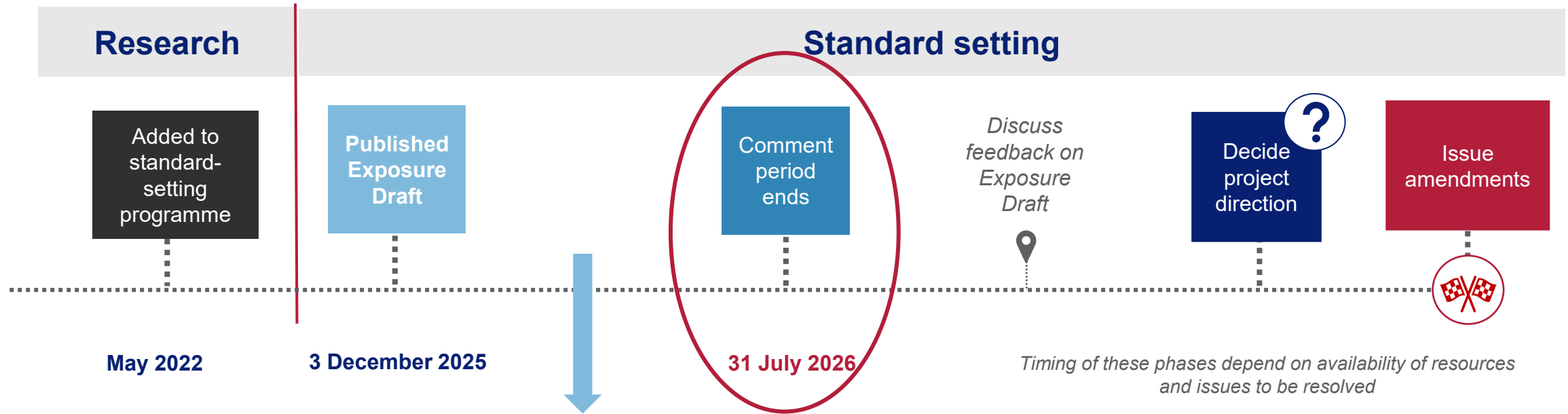
Introduction



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



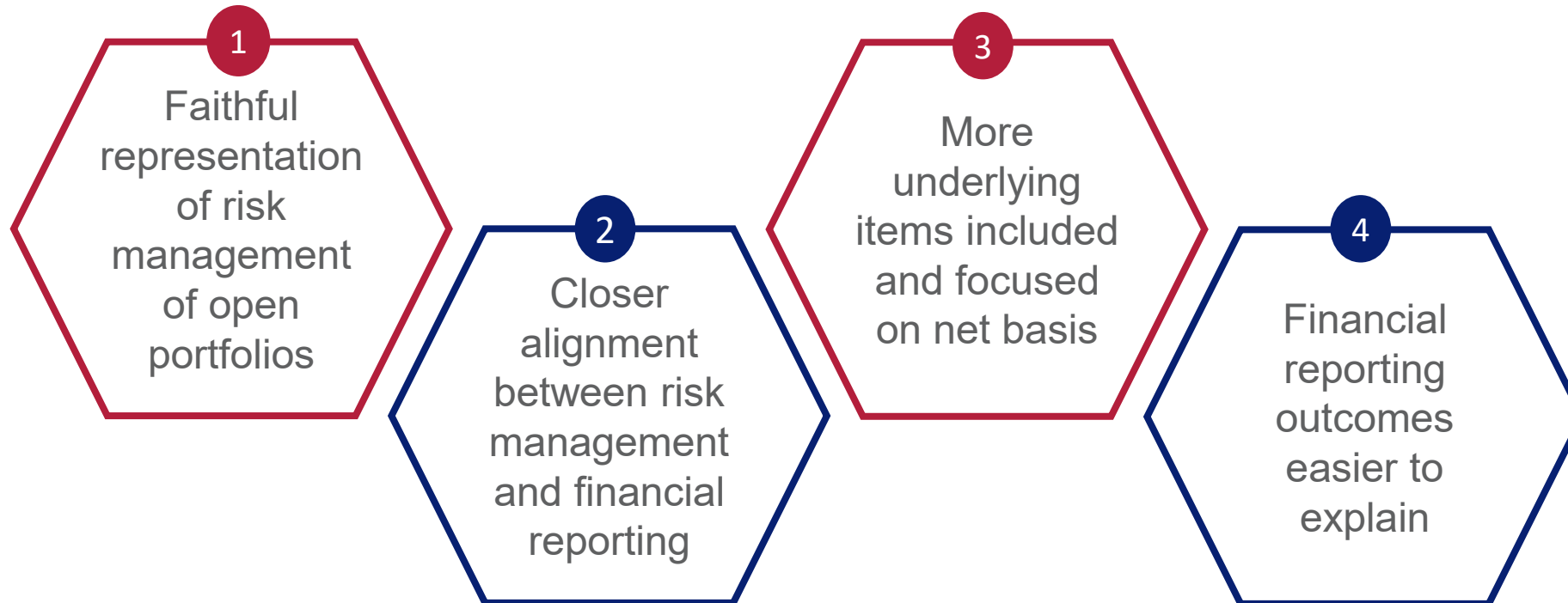
Consultation period:

- 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 managed






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



better economic decision-making

Future of IAS 39 (issued in 1998)



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

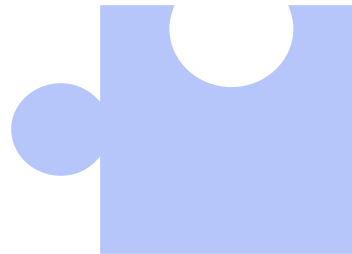
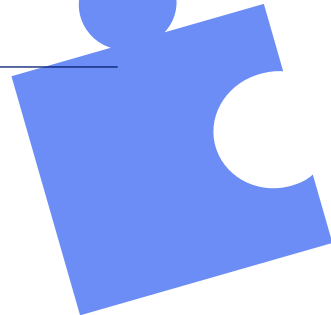
Insurers

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

Interaction with Hedge Accounting PIR

In H1 2026, the IASB will consult on both...		How to contribute
... the hedge accounting requirements in IFRS 9 <ul style="list-style-type: none"> PIR outreach focuses on stakeholders with practical experience (preparers, users or auditors) 	... the related disclosure requirements in IFRS 7 <ul style="list-style-type: none"> Disclosure requirements affect all stakeholders that applies hedge accounting (both IFRS 9 and IAS 39) 	<ul style="list-style-type: none"> Submit a comment letter to the RFI based on your experience (H2 2026)

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

Some preliminary feedback themes

Scope/eligibility

- FVPL instruments and AT1 instruments

More guidance

- Construction and updates of benchmark derivatives
- Calculation of PV of NRRE

Transition

- Interaction with discontinuation under IAS 39
- the ‘pull-to-par (cash value)’ effect of existing derivatives

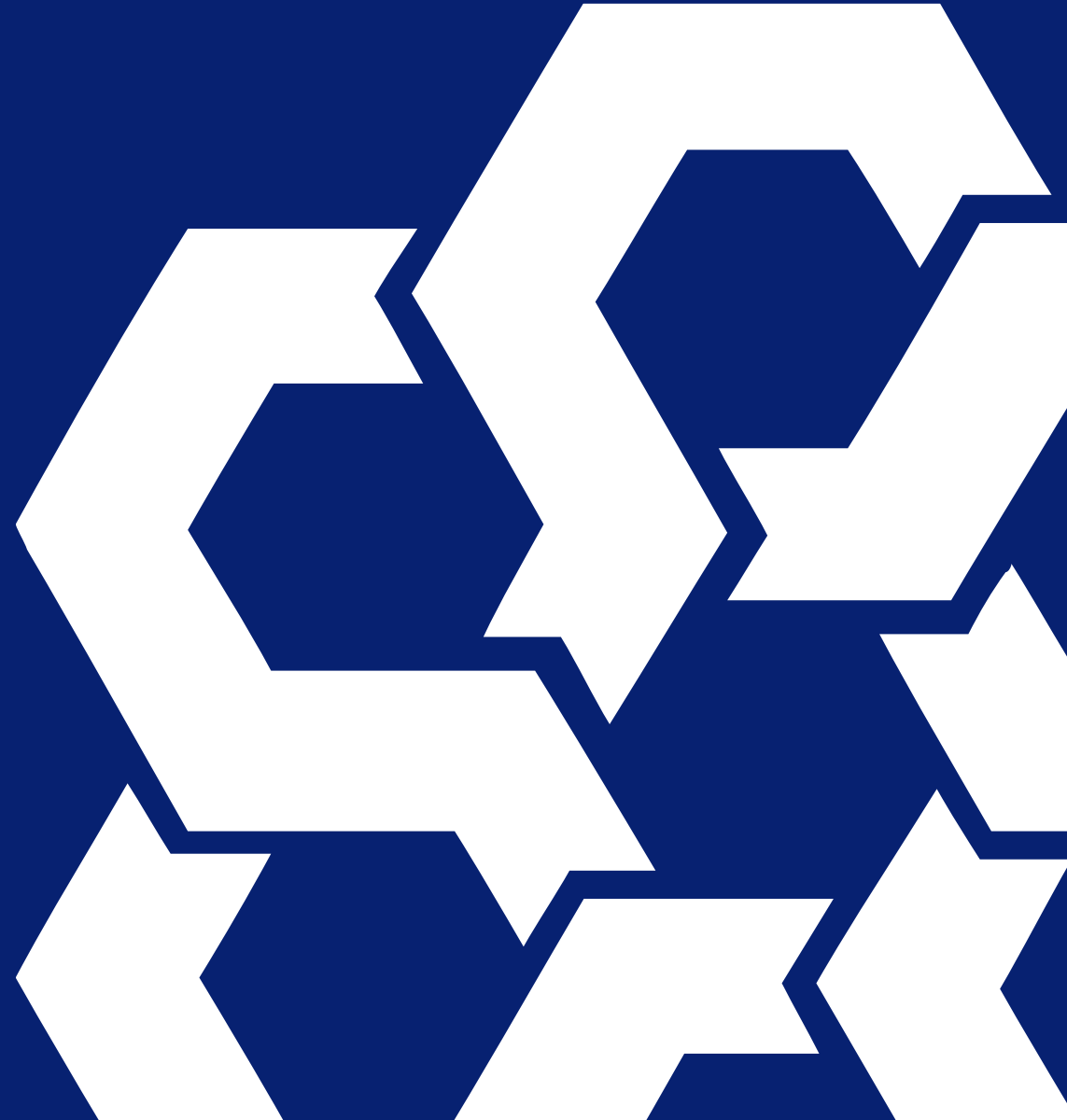
Disclosures

- Commercial sensitivity
- Mandatory disclosures when not applying RMA

Other

- Consolidation of RMA when there are intercompany transactions
- OCI volatility for insurers

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



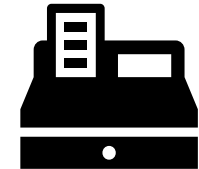
Who can use RMA? (paragraphs 7.1.4–7.1.5)

- 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

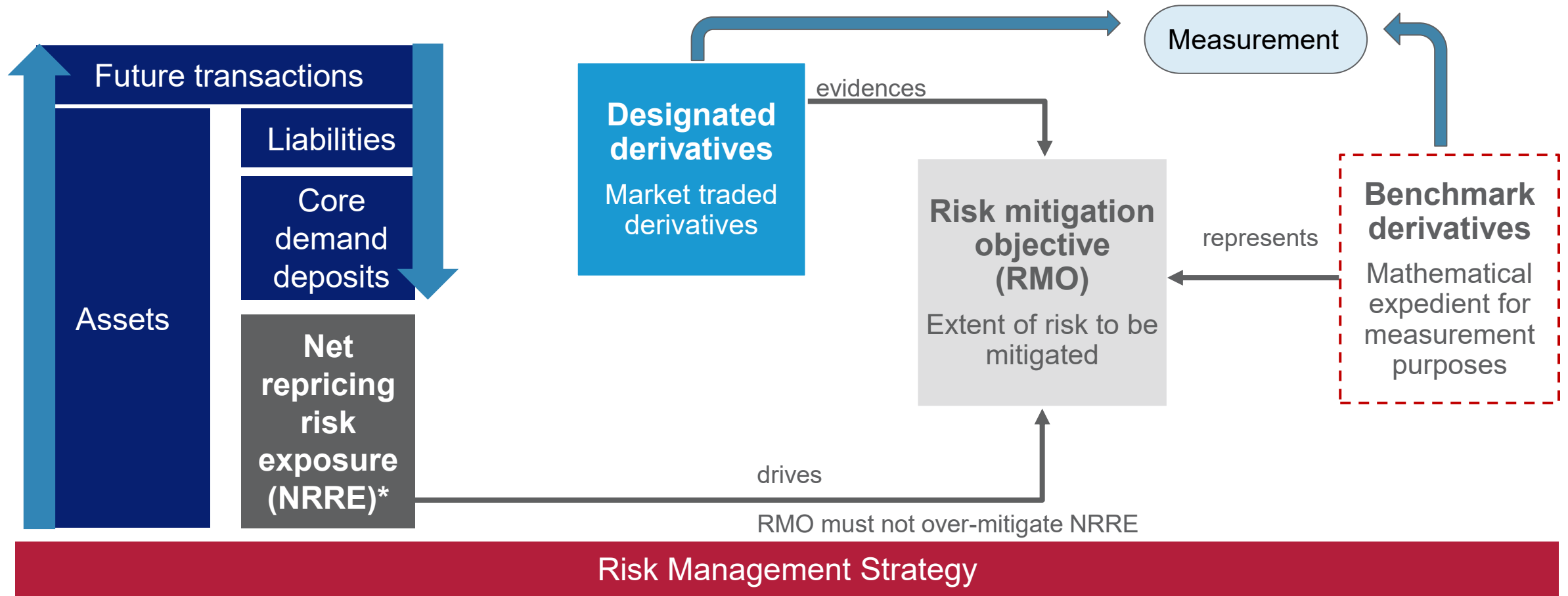


- RMA is **voluntary** for entities with applicable risk management activities. However, some qualitative disclosures are required for those with qualifying activities who do not apply RMA.

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

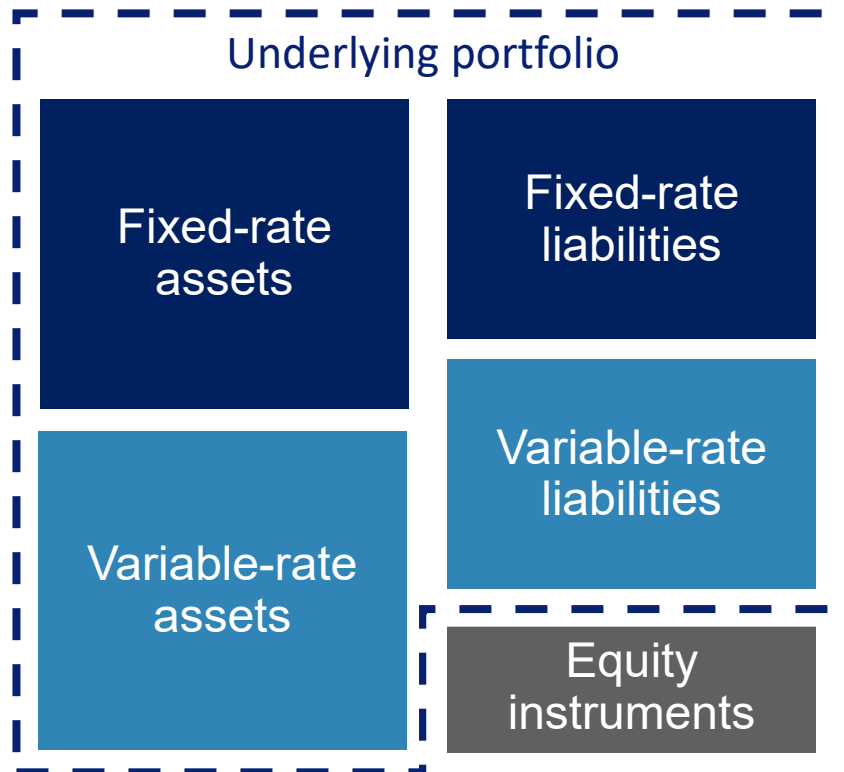
² Mitigated rate—A benchmark interest rate based on which an entity manages repricing risk and for which risk limits are specified in the entity's risk management strategy.

Elements of the RMA model



* Modelled by time band based on expectations

Eligible underlying portfolios (paragraphs 7.2.1-7.2.4)

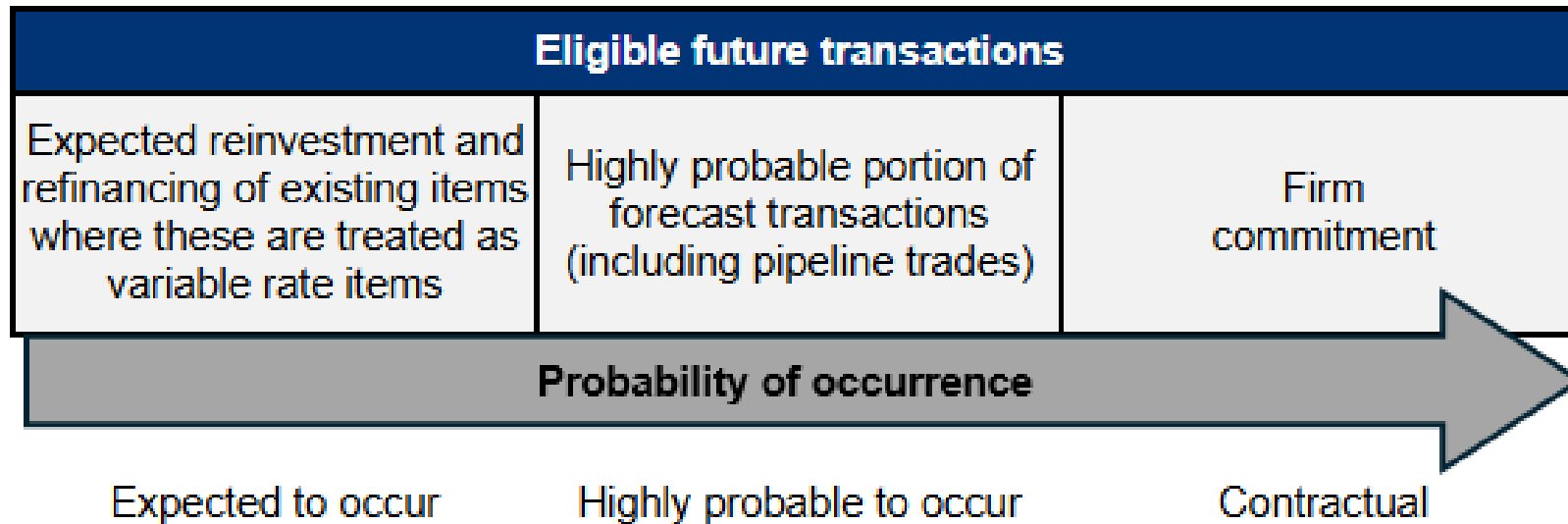


Financial instruments are eligible to be include in the underlying portfolios only if they are:

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

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

Future transactions (paragraphs 7.2.4)



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

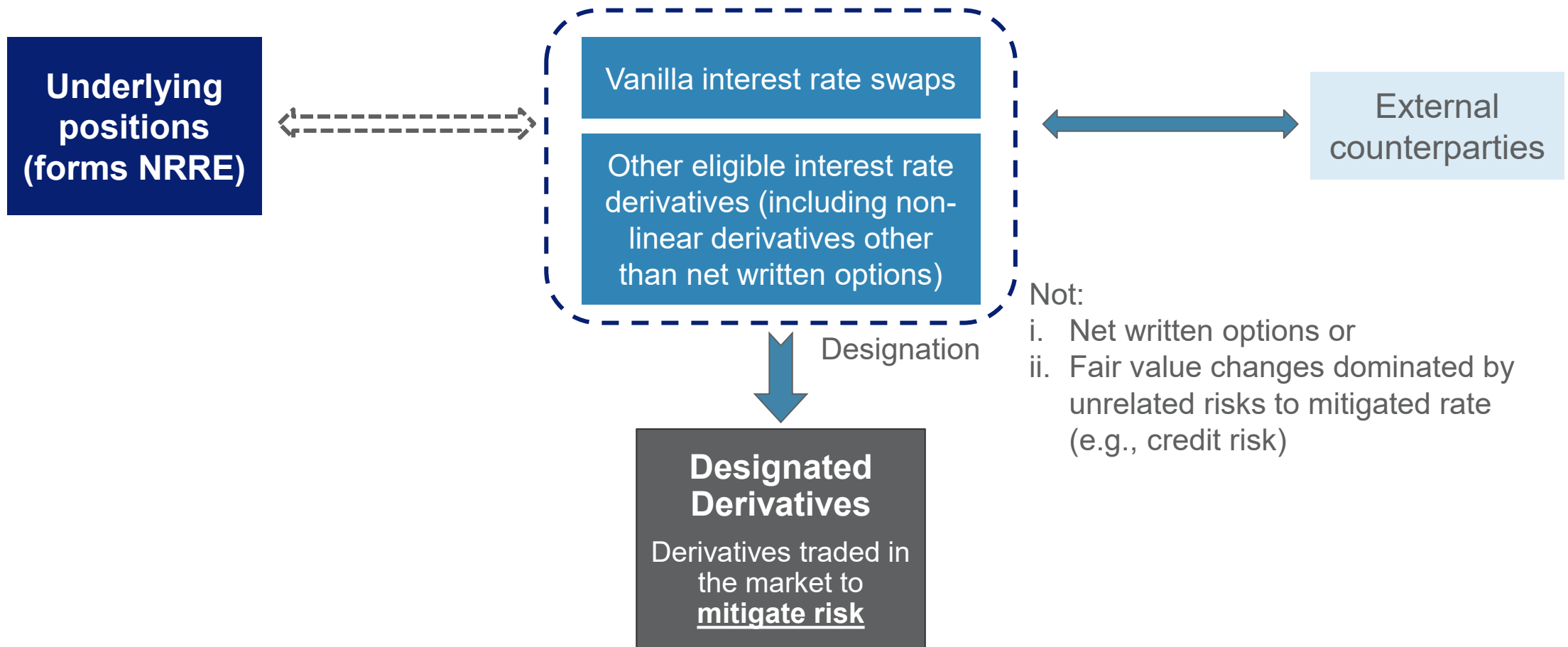
Include some variable-rate assets and mitigate the variability in net interest income when modelled equity is considered to provide funding for variable-rate assets

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

Designated Derivatives (paragraphs 7.3.1-7.3.8)



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

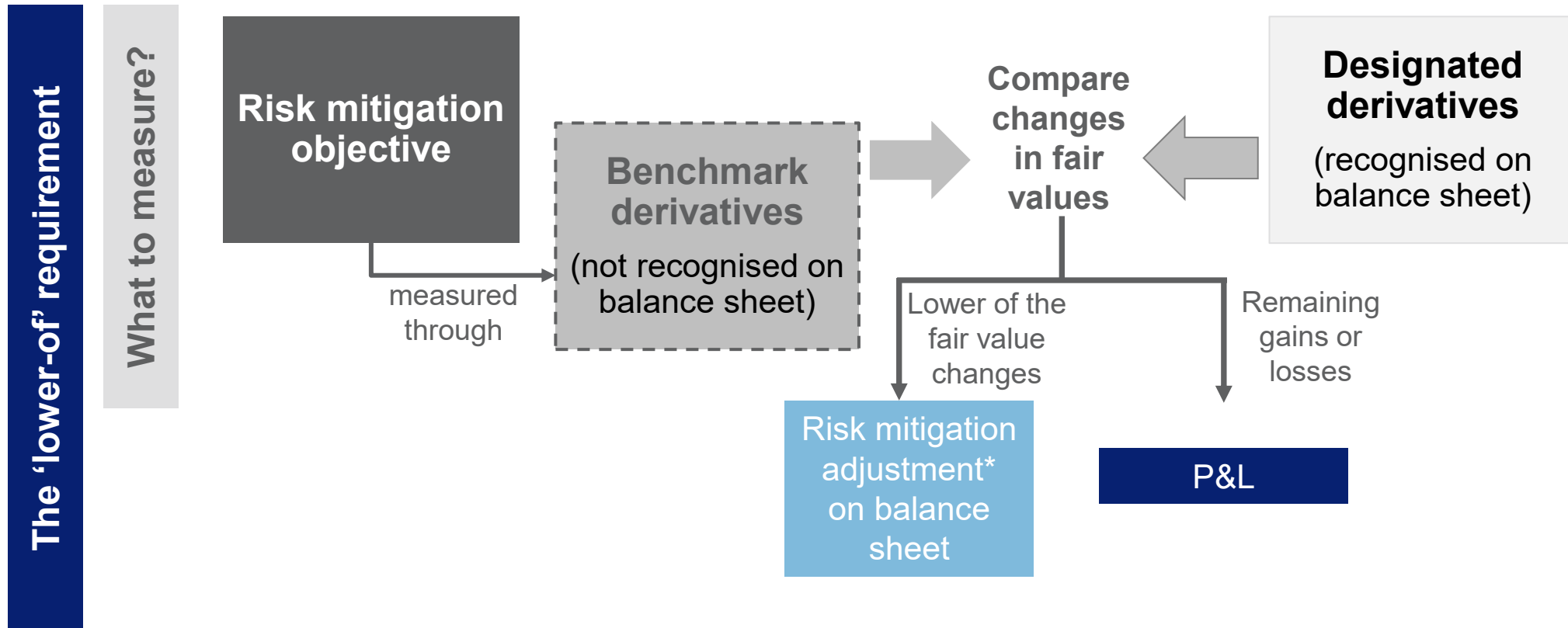
Capped at the amount of risk for each time band in net repricing risk exposure

Measured and tracked

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

Key principle: 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)

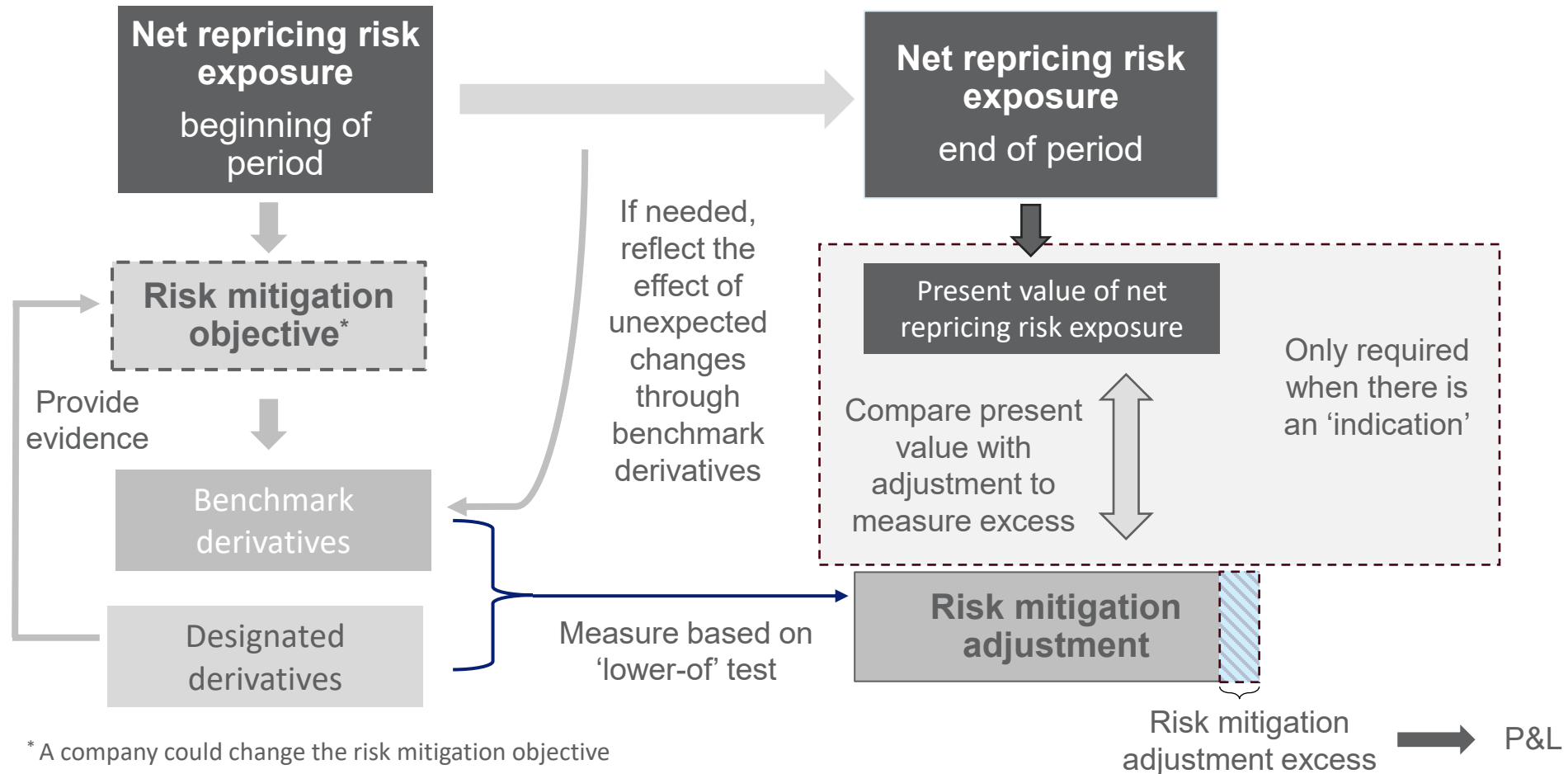


* This defers the recognition of the gains or losses on designated derivatives in P&L to the same period during which the repricing differences arising from the financial instruments in the underlying portfolios affect P&L.

Unexpected changes (paragraphs 7.4.6, 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 7.4.6, 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?)



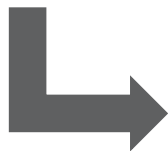
Yes



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

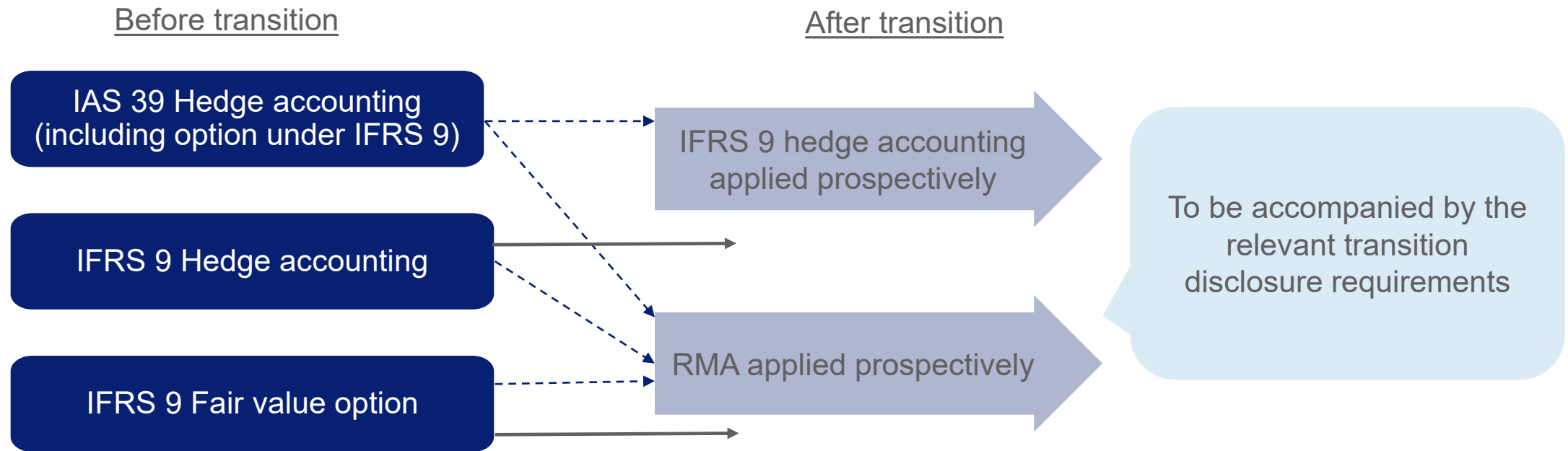
Examples of changes reflecting dynamic nature

- 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.

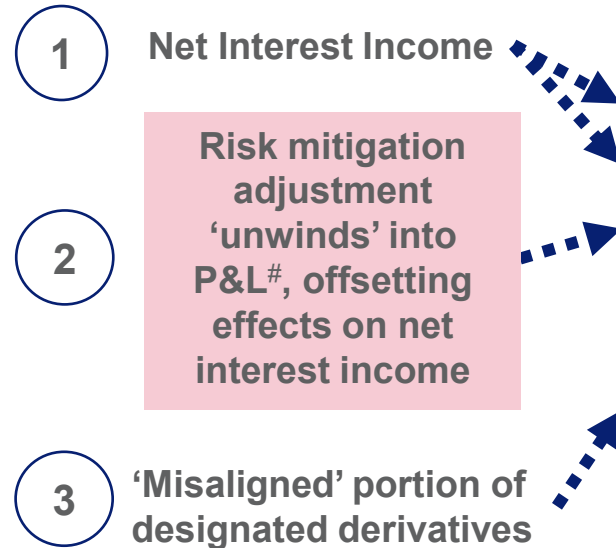
Presentation in the financial statements (paragraph 30E)

Statement of profit or loss (P&L)	Statement of financial position (B/S)	Notes to financial statements
<ul style="list-style-type: none"> • 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.

The unwind of risk mitigation adjustment could be based on the accrual profile of the benchmark derivatives (eg the net amounts in each period from the pay and receive legs of an interest rate swap)—see the example in next page if interested in detail.

Example of NII effects (paragraph 7.4.10 and B7.4.17)

The example illustrates the expected effects of the requirements, using a 5.38% fixed-rate asset and a variable-rate liability, with a pay-fixed receive-variable interest rate swap as designated derivatives. It is assumed that the entity manages only the repricing risk of benchmark interest rate, and interest rate swap is fully collateralised and settled periodically.

Market rates:

As shown in the tables to the right, we assumed the market interest rate curves at T_0 (01/01/20X1).

We also assume there is a parallel 100 basis points (bps) *upward shift* in forward interest rates at T_1 (31/12/20X1), and a parallel 300 bps *downward* shift in forward interest rates at T_2 (31/12/20X2).

T_0		Swap	Forward	Zero Coupon
Year		Fixed Rate	12m Floating Rate	Rate
0				
1		4.00%	4.00%	4.00%
2		4.10%	4.20%	4.10%
3		4.19%	4.40%	4.20%
4		4.29%	4.60%	4.30%
5		4.38%	4.80%	4.40%

T_1		Swap	Forward	Zero Coupon
Year		Fixed Rate	12m Floating Rate	Rate
0				
1		5.00%	5.00%	5.00%
2		5.10%	5.20%	5.10%
3		5.19%	5.40%	5.20%
4		5.29%	5.60%	5.30%
5		5.38%	5.80%	5.40%

T_2		Swap	Forward	Zero Coupon
Year		Fixed Rate	12m Floating Rate	Rate
0				
1		2.00%	2.00%	2.00%
2		2.10%	2.20%	2.10%
3		2.20%	2.40%	2.20%
4		2.29%	2.60%	2.30%
5		2.39%	2.80%	2.40%

Extract of P&L	Y/E 20X1	Y/E 20X2
Interest revenue (from fixed-rate assets)	53.82	53.82
Interest expenses (from variable-rate liabilities)	(40.00)	(50.00)
Unwind of risk mitigation adjustment	(3.82)	6.18
Net interest income	10.00	10.00

Extract of B/S	Y/E 20X1	Y/E 20X2
Cash	10.00	20.00
Financial Assets (AC) - 5.38% fixed-rate loan	1,000.00	1,000.00
Designated Derivatives (FV) - pay 4.38 rec variable IRS	31.93	(62.86)
Financial Liabilities (AC) - variable-rate liability	(1,000.00)	(1,000.00)
Risk Mitigation Adjustment	(31.93)	62.86
Total Net Assets	10.00	20.00

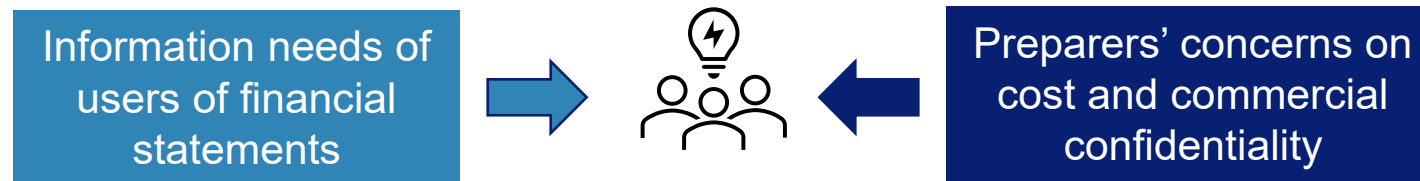
NII from derivatives

Stable NII achieved

Deferral of derivatives gains or losses

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				Total
	31 December 20X2				
	Less than 1 year	1–2 years	2–5 years	More than 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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