IFRS® Accounting

Staff paper

Agenda reference: 1

Financial Instruments Consultative Group meeting

Date	**October 2026**
Project	**Risk Mitigation Accounting**
Topic	**Common feedback themes on the Exposure Draft**
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Introduction

- The purpose of this meeting is to discuss with Financial Instruments Consultative Group (FICG) members the common feedback themes identified through stakeholder engagement since the May 2026 meeting and seek any additional input on those themes.

Questions for FICG members

1. Since May 2026 meeting, have you identified any additional information about:
    - the potential effects of withdrawing the IAS 39 *Financial Instruments: Recognition and Measurement* hedge accounting requirements for entities that still apply them;
    - the common feedback themes, whether they are consistent with your understanding, and how the proposals could be improved to address those themes; and
    - the fieldwork results, any new insights emerging from the most recent fieldwork?
2. What are your views on the topics discussed on pages 7–10?

Project overview

Objective of RMA

To **better reflect:**

- how **interest rate risk management** affects amount, timing and uncertainty of cash flows
- the **effect** of risk management activities on the financial statements

Available resources

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

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

Webcasts:
- 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

Request for fieldwork:
Request for fieldwork—Exposure Draft *Risk Mitigation Accounting*

Proposal to withdraw IAS 39

The Exposure Draft could be relevant if entities apply **IAS 39** given the proposal to withdraw IAS 39 on finalization of RMA.

- Risk Mitigation Accounting to supplement the general hedge accounting requirements in chapter 6 of IFRS 9
- Comment letters to inform IASB **how and when IAS 39 could be withdrawn**
- Important to engage all affected stakeholders, because **all companies** that are still applying IAS 39 will be required to transition to IFRS 9, regardless of whether they apply RMA.

We want to know:

- Implications and possible unintended consequences
- How to ensure an orderly withdrawal including proposed transition period

Common feedback themes

Are there any new insights emerging from the latest fieldwork?

Eligible underlying portfolios

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

Net repricing risk exposure

- Use of risk metrics and repricing time bands
- The role of RMO and benchmark derivatives
- The meaning of 'over-hedging'

Measurement and presentation

- Identification of unexpected changes
- Assessing and measuring excess of RM adjustment
- Interaction of the RM adjustment with IFRS 17

Transition and disclosure

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

Common feedback themes (cont.)

- Many of these items might be solved through drafting improvements or minor changes to the proposed requirements. This could be the case for example, on:
  - reflecting the effect of equity modelling (see page 7);
  - inclusion of FVPL items (see page 7), and lease receivables and payables; and
  - interaction between general hedge accounting requirements and RMA requirements.
- However, some items might require more substantial refinements to the proposals, in particular:
  - the role of RMO and the use of repricing time bands (see page 8);
  - the construction of benchmark derivatives at transition to RMA (see page 9); and
  - assessment of risk mitigation adjustment excess—both the type of ‘trigger’ events that lead to measurement and the measurement of the excess (see page 10).

Common feedback themes—eligibility of underlying

Topics	Initial feedback gathered	What are your views on
Equity modelling	- Uncertainty about how the RMA model would reflect the effects of an entity's risk management activities when those activities are based on equity being considered as fixed rate funding, given that equity instruments are not eligible.	- Are there unique considerations for AT1 instruments? - Could an approach similar to that described in paragraph B7.2.17 of the Exposure Draft help address the matter?
FVPL items	- From a banking perspective, these items may be managed together with amortised cost or FVOCI items for repricing risk; - Some insurance entities might measure all financial assets at fair value.	- How significant is the impact of this portfolio? - Does applying RMA to underlying portfolios containing FVPL items reduce or create accounting mismatches?

Common feedback themes—the RMO and time band

Topics	Initial feedback gathered	What are your views on
The role of RMO	- RMO is deemed as a source of complexity.	- How should entities reflect situations in which they seek to mitigate only a portion of their repricing risk? - What if that 'targeted' portion changes frequently?
The use of repricing time band	- Restriction on RMO per repricing time band is not consistent with risk management; - May lead to 'temporary' over/under mitigation as risk exposures move between time bands.	- What alternative discipline could be used to assess whether derivatives are being used for risk mitigation rather than to take views on the market?

Common feedback themes—benchmark derivatives

Topics	Initial feedback gathered	What are your views on
Construction of benchmark derivatives	- At transition, entities may have a large number of existing derivatives with non-zero fair values. - If benchmark derivatives are constructed with a zero fair value, the resulting difference may create 'artificial ineffectiveness'.	- If the objective is to minimise transition-related 'noise', what basis should be used to construct benchmark derivatives? Is this issue unique to transition?

Common feedback themes—the RMA excess

Topics	Initial feedback gathered	What are your views on
Unexpected changes	- What constitutes an unexpected change? Does it include changes in expected repricing dates resulting from revisions to models or assumptions, or only changes in the contractual terms of the underlying financial instruments?	- What would lead to 'over-hedging' in risk management terms, and when should there be misalignment in measurement?
Calculation of RMA excess P&L based on PV of NRRE	- In some cases, particularly when entities seek to mitigate repricing risk only partially over time and frequently change their target, PV of NRRE may give rise to greater than expected 'RMA excess P&L'	- What should trigger the 'accelerated' recognition of RMA adjustment in P&L? - Is such a reasonableness assessment necessary, or should entities be required to track and adjust more precisely for the effects of changes in risk exposures?

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