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IFRS-FA – öffentliche SITZUNGSUNTERLAGE

Telko:	IFRS-FA / 21.05.2019 / 08:30 – 10:00 Uhr
TOP:	IASB ED/2019/1 Interest Rate Benchmark Reform
Thema:	Vorbereitung Stellungnahme an IASB
Unterlage:	190521a_IFRS-FA_IBOR_Disk

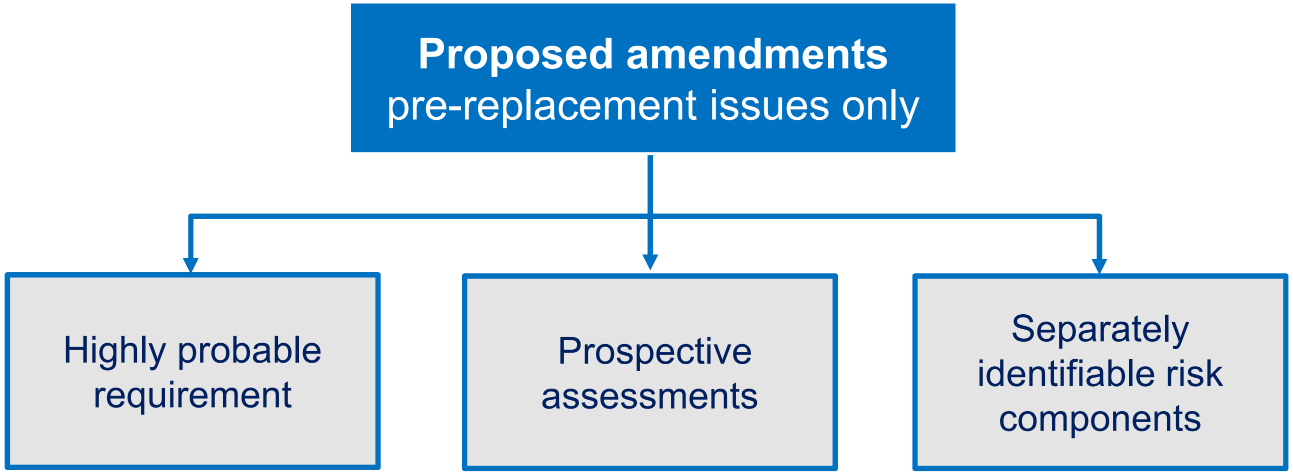
ED/2019/1 – Interest Rate Benchmark Reform

Exposure Draft objective: To modify IFRS Standards so companies apply specific hedge accounting requirements as if the interest rate benchmark that indexes hedged cash flows and cash flows from the hedging instrument is not altered as a result of interest rate benchmark reform.

Project stage: The proposals set out in the Exposure Draft address only issues affecting financial reporting before an existing interest rate benchmark is replaced with an alternative interest rate (pre-replacement issues).

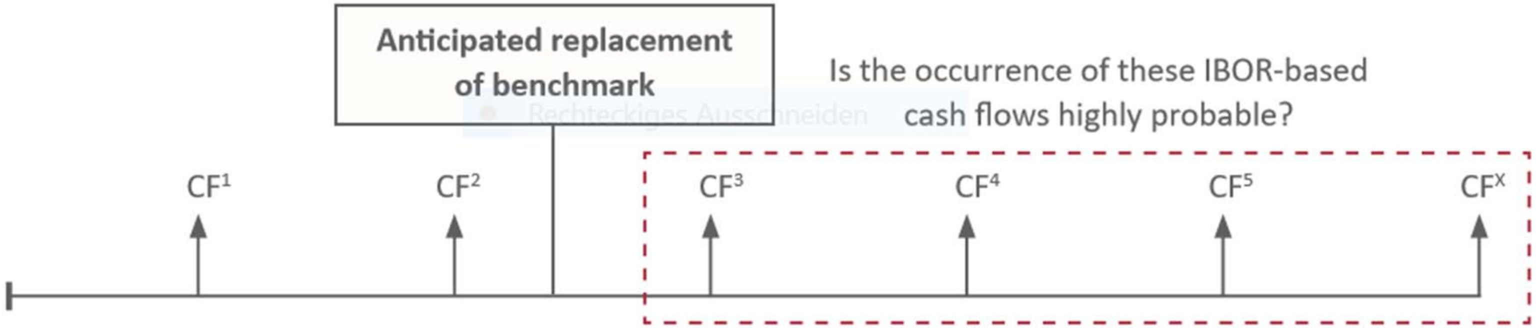
Next steps: The Board aims to issue the final amendments in 2019. The Board will separately assess any financial reporting issues that might arise when existing interest rate benchmarks are replaced with alternative interest rates (replacement issues).

Issues addressed



Highly probable requirement

For example, assume that a company designates as the hedged item cash flows (shown as 'CF' below) that are contractually linked to an interest rate benchmark, such as IBOR, and that these cash flows are expected to occur after interest rate benchmark reform has taken place.



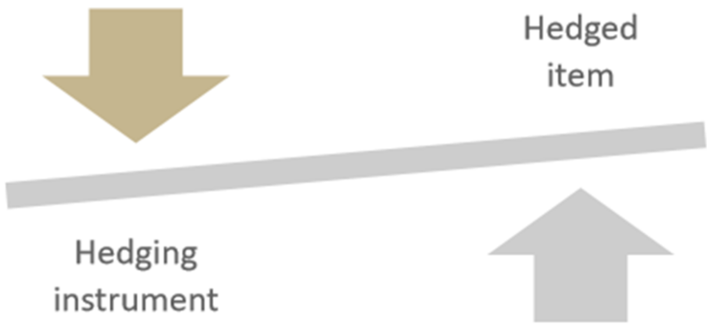
Applying the amendments, the company will assume that the designated forecast cash flows will not be altered as a result of the reform (ie they will continue to be IBOR-based). If, however, the forecast cash flows are no longer highly probable for other reasons, then the company must discontinue the hedging relationship.

The amendment applies to existing and new hedging relationships, as well as to cash flow hedges that have been discontinued with an amount remaining in the cash flow hedge reserve.

IASB Snapshot Interest Rate Benchmark Reform, p. 4

Prospective assessments

For example, in making these prospective assessments, companies would have to consider possible changes to future cash flows of hedged items and hedging instruments.



At some point in time, it is possible that companies would not be able to demonstrate the prospective assessments due to uncertainties arising from the reform.

These assessments might be affected by uncertainties around timing and amount of designated cash flows. Examples of uncertainties are:

(a) what are the cash flows from the hedging instrument and hedged item after the reform; and

(b) when will the replacement occur?

Applying the amendments, companies will assume that the interest rate benchmark on which the cash flows of the hedged item and the hedging instrument are based is not altered as a result of interest rate benchmark reform.

IASB Snapshot Interest Rate Benchmark Reform, p. 5

Question 1

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Question 1 [paragraphs 6.8.4–6.8.6 of IFRS 9 and paragraphs 102D–102F of IAS 39]

Highly probable requirement and prospective assessments

For hedges of interest rate risk that are affected by interest rate benchmark reform, the Board proposes amendments to IFRS 9 and IAS 39 as described below.

(a) For the reasons set out in paragraphs BC8–BC15, the Board proposes exceptions for determining whether a forecast transaction is highly probable or whether it is no longer expected to occur. Specifically, the Exposure Draft proposes that an entity would apply those requirements assuming that the interest rate benchmark on which the hedged cash flows are based is not altered as a result of interest rate benchmark reform.

(b) For the reasons set out in paragraphs BC16–BC23, the Board proposes exceptions to the hedge accounting requirements in IFRS 9 and IAS 39 so that an entity would assume that the interest rate benchmark on which the hedged cash flows are based, and/or the interest rate benchmark on which the cash flows of the hedging instrument are based, are not altered as a result of interest rate benchmark reform when the entity determines whether:

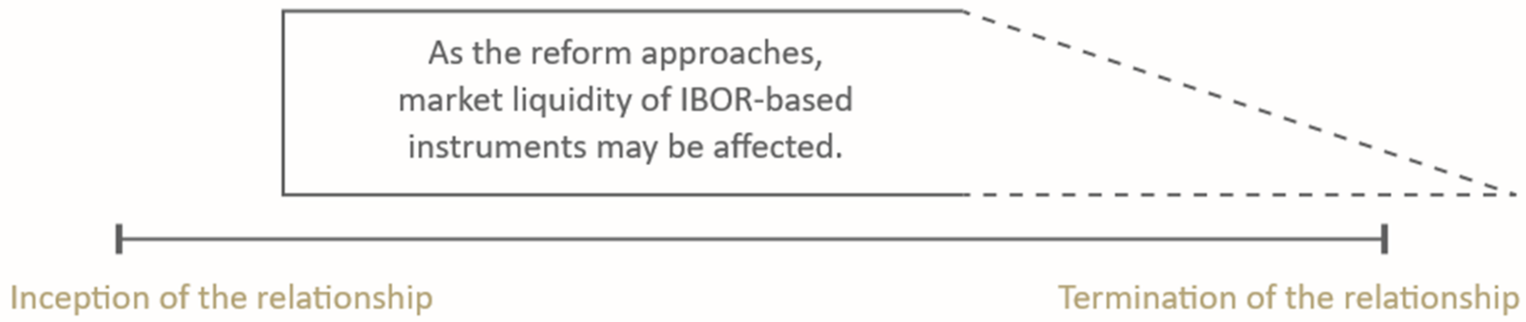
 (i) there is an economic relationship between the hedged item and the hedging instrument applying IFRS 9; or

 (ii) the hedge is expected to be highly effective in achieving offsetting applying IAS 39.

Do you agree with these proposals? Why or why not? If you agree with only parts of the proposals, please specify what you agree and disagree with. If you disagree with the proposals, please explain what you propose instead and why.

Separately identifiable risk components

For example, assume a company designates the IBOR component of a fixed-rate financial liability as the hedged item in a fair value hedge. At inception, the company assesses the relevant facts and circumstances and concludes that IBOR is a separately identifiable risk component.



The amendments will require companies to assess the separately identifiable requirement at the inception of the hedging relationship only. In other words, the company does not continue this assessment over the life of the hedge.

IASB Snapshot Interest Rate Benchmark Reform, p. 6

Question 2

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Question 2 [paragraph 6.8.7 of IFRS 9 and paragraph 102G of IAS 39]
Designating a component of an item as the hedged item For the reasons set out in paragraphs BC24–BC27, the Board proposes amendments to the hedge accounting requirements in IFRS 9 and IAS 39 for hedges of the benchmark component of interest rate risk that is not contractually specified and that is affected by interest rate benchmark reform. Specifically, for such hedges, the Exposure Draft proposes that an entity applies the requirement—that the designated risk component or designated portion is separately identifiable—only at the inception of the hedging relationship. Do you agree with this proposal? Why or why not? If you disagree with the proposal, please explain what you propose instead and why.

End of application of the relief

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Why is the end of application important?

The objective of the proposed amendments is to provide temporary exceptions from applying specific hedge accounting requirements during the period of uncertainty arising from the reform.

In view of this, the relief has been designed to cease being applicable once the uncertainty is resolved. This also means that the period for which the relief is necessary and available may vary by jurisdiction.

End of application

It is proposed that the relief is applicable until the earlier of:

(a) when the uncertainty arising from interest rate benchmark reform is no longer present with respect to the timing and the amount of the interest rate benchmark-based cash flows; and

(b) when the hedging relationship is discontinued.

End of application does not apply to separately identifiable risk components.

IASB Snapshot Interest Rate Benchmark Reform, p. 7

Question 3

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Question 3 [paragraphs 6.8.8–6.8.10 of IFRS 9 and paragraphs 102H–102J of IAS 39]
Mandatory application and end of application (a) For the reasons set out in paragraphs BC28–BC31, the Board proposes that the exceptions are mandatory. As a result, entities would be required to apply the proposed exceptions to all hedging relationships that are affected by interest rate benchmark reform. (b) For the reasons set out in paragraphs BC32–BC42, the Board proposes that the exceptions would apply for a limited period. Specifically, an entity would prospectively cease applying the proposed amendments at the earlier of: (i) when the uncertainty arising from interest rate benchmark reform is no longer present with respect to the timing and the amount of the interest rate benchmark-based cash flows; and (ii) when the hedging relationship is discontinued, or if paragraph 6.8.9 of IFRS 9 or paragraph 102I of IAS 39 applies, when the entire amount accumulated in the cash flow hedge reserve with respect to that hedging relationship is reclassified to profit or loss. (c) For the reasons set out in paragraph BC43, the Board is not proposing an end of application in relation to the separate identification requirement. Do you agree with these proposals? Why or why not? If you agree with only parts of the proposals, please specify what you agree and disagree with. If you disagree with the proposals, please explain what you propose instead and why.

Disclosures: Separate subset of disclosures already required by IFRS 7

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Disclosures for hedging relationships applying the amendments	IFRS 7 reference
For hedging instruments in either fair value or cash flow hedges: • the carrying amount • the change in fair value used as the basis for recognising ineffectiveness for the period • the nominal amount	Paragraph 24A(a), 24A(c)–(d)
For hedged items in fair value hedges: • the carrying amount • the accumulated amount of fair value hedge adjustments • the change in value used as the basis for recognising ineffectiveness for the period	Paragraph 24B(a)(i)–(ii), 24B(a)(iv)
For cash flow hedges: • the change in value of the hedged item used as the basis for recognising ineffectiveness for the period • the balance in the cash flow hedge reserve for continuing hedges • the balance remaining in the cash flow hedge reserve from any relationships for which hedge accounting is no longer applied	Paragraph 24B(b)

IASB Snapshot Interest Rate Benchmark Reform, p. 8

Question 4

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Question 4 [paragraph 6.8.11 of IFRS 9 and paragraph 102K of IAS 39]
Disclosures For the reasons set out in paragraph BC44, the Board proposes that entities provide specific disclosures about the extent to which their hedging relationships are affected by the proposed amendments. Do you agree with these proposed disclosures? Why or why not? If not, what disclosures would you propose instead and why?

Question 5

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Question 5 [paragraphs 7.1.9 and 7.2.26(d) of IFRS 9 and paragraph 108G of IAS 39]
Effective date and transition For the reasons set out in paragraphs BC45–BC47, the Board proposes that the amendments would have an effective date of annual periods beginning on or after 1 January 2020. Earlier application would be permitted. The Board proposes that the amendments would be applied retrospectively. No specific transition provisions are proposed. Do you agree with these proposals? Why or why not? If you disagree with the proposals, please explain what you propose instead and why.