Deutsches Rechnungslegungs Standards Committee e.V.

Accounting Standards Committee of Germany

DRSC

© DRSC e.V. ‖ Zimmerstr. 30 ‖ 10969 Berlin ‖ Tel.: (030) 20 64 12 - 0 ‖ Fax.: (030) 20 64 12 - 15
www.drsc.de - info@drsc.de

Gemeinsamer FA – SITZUNGSUNTERLAGE

Sitzung:	46. HGB-FA / 19.12.2019 / 13:15 – 13:45 Uhr
TOP:	02 – IBOR-Reform: Update
Thema:	Information zu den jüngsten Aktivitäten
Unterlage:	46_02a_HGB-FA_IBOR_Präsentation

Agenda

DRSC

1	**Background**
2	**Report by the working group on euro risk-free rates**
3	**Current status at the IASB**
4	**IDW RH FAB 1.020**

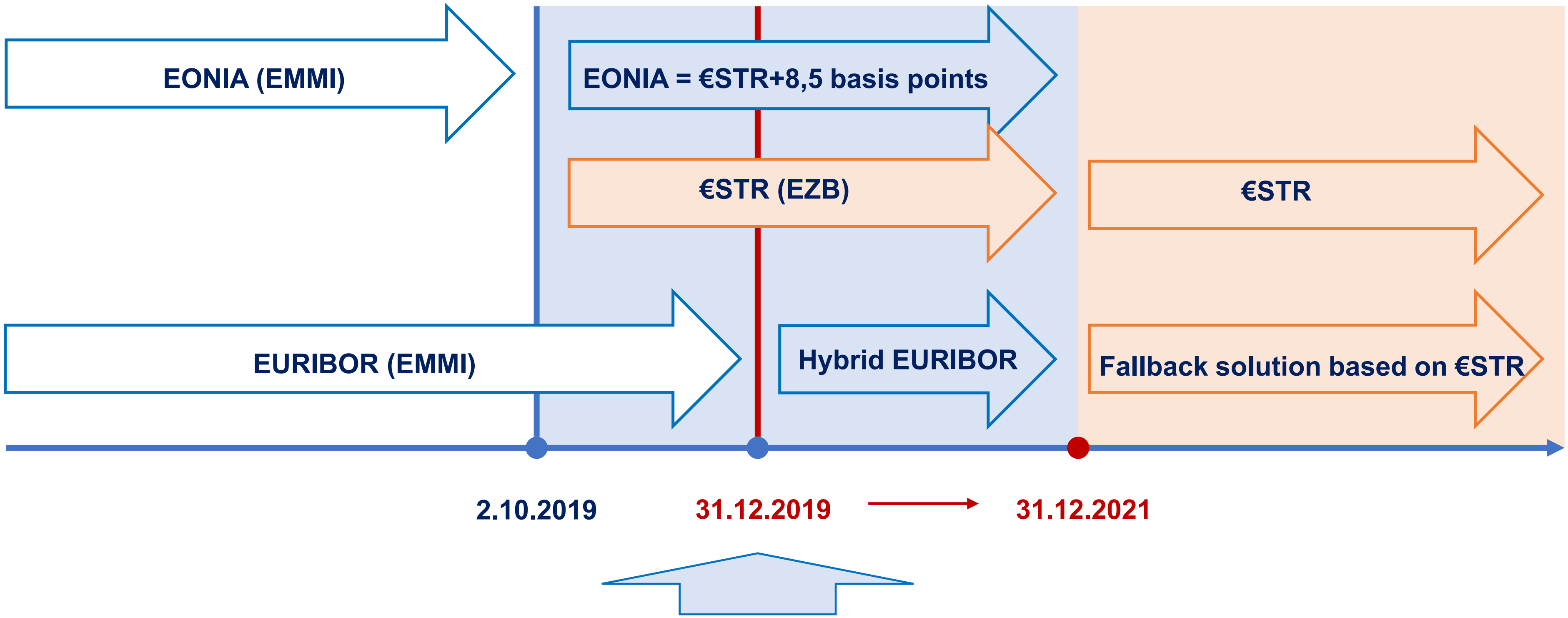
1. Background

Alternative reference rates in selected jurisdictions

Jurisdiction	New reference rate	secured/unsecured	Publication	Term rates (e.g. as fallback for Libor/Euribor)
Euro zone	Euro short term rate (€STR)	Unsecured	Since 2 October 2019	ECB recommendation: on the basis of €STR derivatives
Great Britain	Sterling Overnight Index Average (SONIA)	Unsecured	Since 23 April 2018	Expected release Q4/2021
Switzerland	Swiss Average Rate Overnight (SARON)	Secured	Since 7 October 2017	Accumulation with historical SARON values
USA	Secured Overnight Financing Rate (SOFA)	Secured	Since 3 April 2018	Release Q4/2021
Japan	Tokyo Overnight Average Rate (TONAR)	Unsecured	Since 28 December 2016	Discussion in progress

1. Background

Euro Zone



2. Report by the working group on euro risk-free rates

The (sub-) working group

ECB | FSMA | ESMA | EC

Industry working group on euro risk-free rates

Sub-group on financial accounting and risk management

- Letter from the working group on euro risk-free rates to the IASB (15 July 2019)
- Report analysing the impact on risk management (17 October 2019)
- **Report analysing the impact on financial accounting (5 November 2019)**

2. Report by the working group on euro risk-free rates

Structure of the report

DRSC

Chapter 1: executive summary

Chapter 2: introduction

Chapter 3: impact analysis of EONIA to €STR transition on hedge accounting	Chapter 4: impact analysis of €STR-based fallbacks for EURIBOR	Chapter 5: potential (non-hedge related) implications
IFRS 9/IAS 39	IFRS 9/IAS 39	IFRS 13, IAS 19, 36, 37…

2. Report by the working group on euro risk-free rates

Recommendations regarding the impact on the transition from EONIA to €STR (1/2)

1 The working group recommends that **preparers** of financial statements qualitatively and quantitatively **assess** whether changes to **contracts** resulting from the transition from EONIA to the €STR are **substantial** or non-substantial **modifications**.

2 The working group recommends that the **International Accounting Standards Board (IASB) address** the issue of **modifications** of contracts and the potential risk of derecognition owing to the BMR and **provide** preparers of financial statements with **specific guidance** on how to treat changes of contracts driven by the reforms in the light of the existing IASB guidance on modifications of floating rate instruments.

3 The working group recommends that **preparers** of financial statements **assess** whether the **EONIA component** designated in hedge relationships is **still reliably measurable** throughout the transition.

*BMR = Benchmarks Regulation

2. Report by the working group on euro risk-free rates

Recommendations regarding the impact on the transition from EONIA to €STR (2/2)

DRSC

4 The working group recommends that **preparers** of financial statements **evaluate** whether the **change in hedged risk** from the transition from EONIA to the €STR will **lead to the discontinuation** of existing hedging relationships.

5 The working group recommends that **preparers** of financial statements **analyse** the **effect that a potential timing mismatch** between the transition of the hedged item and the transition of the hedging instrument – as regards the switching of either the floating rate option or the discounting curve from EONIA to the €STR – would **have on the effectiveness** of the hedge relationship affected by the transition. **In any case**, preparers of financial statements should **consider** if the **amendments** introduced by the IASB **to IFRS 9 and IAS 39** already **cover this** potential **mismatch**.

2. Report by the working group on euro risk-free rates

Recommendations regarding fallbacks for EURIBOR and hedge accounting

DRSC

6 From a financial accounting perspective, **market participants** should try to **reduce variability in fallbacks between different product classes** (including derivatives) to a minimum as this would reduce technical implementation challenges and accounting complexity. However, this is ultimately a matter for parties to resolve, taking account of their individual circumstances.

7 The working group recommends that **preparers** of financial statements take the following actions:

a) **Analyse** whether there might be **fallback scenarios** under which hedge relationships would **need to be discontinued**.

b) Consider **incorporating a provision for replacing** benchmark interest rates in their hedge documentations **for new contracts**. Consequently, the risk of hedge de-designations resulting from documentation adjustments could be reduced for new business.

c) **Consider** the **risk of inconsistency** when developing fallback provision triggers. This should be taken into account when amending existing contracts and setting up new contracts. The working group highlights the risk of hedge ineffectiveness and potential discontinuation of hedge relationships in the event of (i) having **timing inconsistencies** in fallback provision triggers, and (ii) incorporating **different fallback trigger language** for hedged items and hedging instruments.

2. Report by the working group on euro risk-free rates

Further Recommendations regarding accounting and financial reporting

DRSC

8 Where EONIA or EURIBOR-based valuation curves are replaced by the €STR curve or a curve based on a €STR-based term structure methodology, the working group recommends that **preparers** of financial statements **assess** the potential **impact of a change in value** for financial instruments measured at fair value on the day of transition.

9 The working group recommends that **preparers** of financial statements **closely monitor the IASB project** on IBOR reforms and any amendments or clarifications to the standards resulting from it.

3. Current status at the IASB

Project plan and current stage

DRSC

July 2019

- Plan and preliminary timing

October 2019

- Classification and measurement

December 2019

- Hedge Accounting

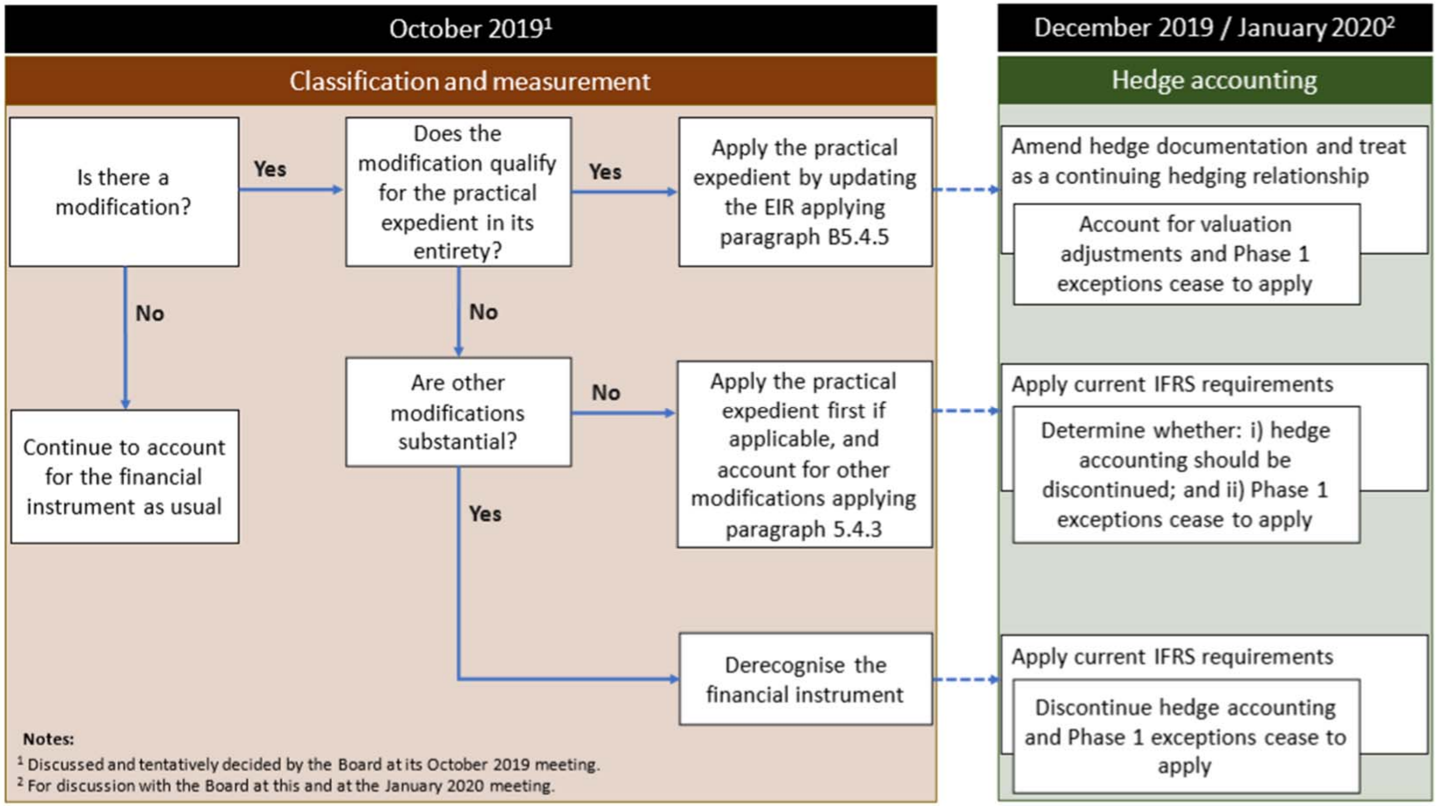
January 2020

- Hedge Accounting - end of application for Phase 1 exceptions
- Other IFRS Standards
- Other/new issues identified
- Disclosures

ED H1/2020 (narrow-scope exeptions, additional application guidance or illustrative examples)

3. Current status at the IASB

Tentative decisions to date



Source: IASB Agenda Paper 14, December 2019

4. IDW RH FAB 1.020

DRSC

IDW Rechnungslegungshinweis: Handelsbilanzielle Folgen der Änderung bestimmter Referenzzinssätze („IBOR-Reform") für Finanzinstrumente (IDW RH FAB 1.020)

Stand: 26.09.2019

Vorbereitet von der Arbeitsgruppe "Ablösung der IBOR-Referenzzinssätze". Verabschiedet vom Fachausschuss Unternehmensberichterstattung (FAB) am 26.09.2019 und vom Bankenfachausschuss (BFA) am 09.09.2019

1. Vorbemerkung
2. Originäre variabel verzinsliche Finanzinstrumente
3. Derivate Finanzinstrumente
4. Bewertungseinheiten nach § 254 HGB
5. Verlustfreie Bewertung des Bankbuchs (IDW RS BFA 3 n.F.)
6. Ausgleichszahlungen

Quelle: IDW Life Nr. 11 2019

Kristina Schwedler

Forschungsdirektorin

Deutsches Rechnungslegungs Standards Committee e.V.

www.drsc.de

schwedler@drsc.de