



Mr Hans Hoogervorst
Chairman of the
International Accounting Standards Board
7 Westferry Circus
London E14 4HD
United Kingdom

IFRS Technical Committee

Phone: +49 (0)30 206412-12

E-Mail: info@drsc.de

Berlin, 25 May 2020

Dear Hans,

RE: IASB ED/2020/1 *Interest-Rate Benchmark Reform—Phase 2*

On behalf of the Accounting Standards Committee of Germany (ASCG) I am writing to comment on the IASB's ED/2020/1 *Interest-Rate Benchmark Reform—Phase 2* (herein referred to as the 'ED'). We appreciate the opportunity to comment on this ED.

We are generally supportive of the proposed amendments, which we believe provide useful relief to entities applying the respective standards while providing useful information to investors. Therefore, we agree with the proposed amendments. We provide a few suggestions for amending the final text. Further, we like to note that additional disclosure requirements should be proportionate and avoid redundancies with already existing disclosures.

Please find our answers on the questions as well as a few additional comments in the appendix to this letter. If you would like to discuss our comments further, please do not hesitate to contact Jan-Velten Große (grosse@drsc.de) or me.

Yours sincerely,

Andreas Barckow

President

Contact:

Zimmerstr. 30 D-10969 Berlin
(via Markgrafenstr.19a)
Phone: +49 (0)30 206412-0
Fax: +49 (0)30 206412-15
E-Mail: info@drsc.de

Bank Details:

Deutsche Bank Berlin
IBAN-Nr.
DE26 1007 0000 0070 0781 00
BIC (Swift-Code)
DEUTDE33XXX

Register of Associations:

District Court Berlin-Charlottenburg, VR 18526 Nz
President:
Prof. Dr. Andreas Barckow
Executive Director:
Prof. Dr. Sven Morich



Appendix – Answers to the questions of the ED and the related proposals

Question 1—Modifications of financial assets and financial liabilities (IFRS 9, IFRS 4, IFRS 16)

- a) ...modification...even if the contractual terms...are not amended...
- b) ...apply B5.4.5 [ie. modification has no significant effect] as a practical expedient...
- c) ..."required by IBOR reform" if... a "direct consequence"...and new basis is "economically equivalent"...
- d) ...apply 6.9.3 if an existing contractual term is activated...
- e) ...corresponding amendments to IFRS 4...
- f) ...amendments to IFRS 16.42...

Do you agree with these proposals? Why or why not?

We agree with these proposals in respect of IAS 39/IFRS 9 as well as in respect of IFRS 16 and IFRS 4.

However, we wonder whether the condition in c) according to which modifications shall be "required as a direct consequence of IBOR reform" are not limiting the scope of the amendments too much. In practice, assessing whether a modification is **required** as a consequence of the IBOR reform is judgmental and can even be arbitrary. As we see it, entities agree upon (or accept) modifications during transition of, or in preparation for, the IBOR reform. However, sometimes entities are clearly required to modify contracts, sometimes they just feel (economically) compelled to do so, or even do so voluntarily. Hence, in many cases there may not be such a bright line of being required or not – which the proposals seem to imply though.

Since we agree with the precondition of granting relief only for modifications related to the IBOR reform, we suggest deleting the term "required". The condition then reads "modification ... as a direct consequence from IBOR reform", which, in our view, seems sufficient and still completely in accordance with what the IASB's proposals intend to achieve in terms of scope.

Question 2— Amendments to hedging relationships (IFRS 9, IAS 39)

Do you agree with these proposals? Why or why not?

We also agree with these proposals.

In addition, we like to note that we are unclear whether the suggested proposals in respect of accounting for fair value hedges would apply equally to portfolio fair value hedges of interest rate risk. As the ED is silent on this issue (even in the BC), and for the avoidance of doubt, we suggest the IASB clarify explicitly whether, and how, new para. 6.9.11 would have effect on those portfolio hedges.

Question 3— Accounting for qualifying hedging relationships and groups of items (IFRS 9, IAS 39)

- a) ...[hedge accounting] requirements apply when designation is amended...
- b) ...accumulated cash flow hedge reserve is deemed to be based on alternative benchmark rates...
- c) ...when hedging relationship is discontinued, ...accumulated cash flow hedge reserve is deemed to be based on alternative benchmark rates...
- d) ...groups of items...
- e) ...cumulative fair value changes...would be reset to zero...

Do you agree with these proposals? Why or why not?

We agree with these proposed amendments and have no additional comments.



Question 4—Designation of risk components and portions (IFRS 9, IAS 39)

- a) ...risk component...will be identifiable within 24 months...
- b) ...if not...entity would cease applying the requirement...

Do you agree with these proposals? Why or why not?

We also agree with these proposals.

Question 5—Effective date and transition (IFRS 9)

- a) ...effective date... 1 January 2021...
- b) ...amendments would be applied retrospectively...

Do you agree with these proposals? Why or why not?

We agree with the effective date as well as with the transition requirements.

Question 6—Disclosures (IFRS 7)

- a) ...nature and extent of risks...
- b) ...entity's progress in completing the transition...

Do you agree with these proposals? Why or why not?

We support the proposals. However, we reiterate our earlier comment on the preceding ED/2019/1 (IBOR reform phase 1) that additional disclosure requirements should be proportionate avoid redundancies with already existing disclosures in IFRS 7 and be limited to those that clearly enable users to derive additional conclusions from them that is not available otherwise.