



IBOR reform – IFRS exposure draft issued



3 May 2019



Chris Spall
Partner
KPMG in the UK

Users of hedge accounting have only a short time to comment on the proposed reliefs

Highlights

- Proposals would provide targeted relief for users of hedge accounting
- Relief focuses on forward-looking hedge accounting requirements
- Have your say – Comment deadline is 17 June 2019*

Preparers and users of financial statements have their first chance to respond to proposals to amend certain accounting requirements to address uncertainties related to the ongoing reform of interbank offered rates (IBOR).

The International Accounting Standards Board's latest exposure draft (ED) – *Interest Rate Benchmark Reform* – follows its recent **discussions** about amending IFRS 9 *Financial Instruments* and IAS 39 *Financial Instruments: Recognition and Measurement*. It proposes targeted relief regarding financial instruments qualifying for hedge accounting in the lead up to IBOR reform.

“The ED addresses some important reporting issues for preparers and users of financial statements, but will they think the proposals go far enough? Stakeholders will need to shout out quickly if they believe the proposed reliefs are not adequate.”

Chris Spall,
Partner,
KPMG International Standards Group

Focus on forward-looking requirements

The ED addresses critical issues regarding the impact of IBOR reform on the forward-looking requirements of hedge accounting. It proposes targeted relief to:

- the ‘highly probable’ requirement;
- prospective assessments of hedge effectiveness; and
- the eligibility of certain risk components.

The ED proposes that the relief would be mandatorily applied to all affected new and existing hedging relationships of interest rate risk.

Have your say

The ED is open for comment until 17 June 2019*. We encourage preparers and users of financial statements to read the Board's decisions and provide their comments on the proposals to ensure that any concerns they have are communicated to the Board.

The Board intends to issue final amendments to IFRS 9 and IAS 39 at the end of this year. Issues affecting financial reporting after new benchmark rates are in effect will be addressed in the second phase of the Board's IBOR reform project.

Look out for further updates at IBOR reform and IFRS and speak to your usual KPMG contact to find out more about the Board's discussions.

* Read our [comment letter](#) to learn more about KPMG's position.

Publication date: June 2019

© 2019 KPMG IFRG Limited, a UK company, limited by guarantee. All rights reserved.

KPMG International Standards Group is part of KPMG IFRG Limited.

The KPMG name and logo are registered trademarks or trademarks of KPMG International.

KPMG International Cooperative ("KPMG International") is a Swiss entity that serves as a coordinating entity for a network of independent firms operating under the KPMG name. KPMG International provides no audit or other client services. Such services are provided solely by member firms of KPMG International (including sublicensees and subsidiaries) in their respective geographic areas. KPMG International and its member firms are legally distinct and separate entities. They are not and nothing contained herein shall be construed to place these entities in the relationship of parents, subsidiaries, agents, partners, or joint venturers. No member firm has any authority (actual, apparent, implied or otherwise) to obligate or bind KPMG International or any other member firm, nor does KPMG International have any such authority to obligate or bind KPMG International or any other member firm, in any manner whatsoever.

The information contained herein is of a general nature and is not intended to address the circumstances of any particular individual or entity. Although we endeavor to provide accurate and timely information, there can be no guarantee that such information is accurate as of the date it is received or that it will continue to be accurate in the future. No one should act upon such information without appropriate professional advice after a thorough examination of the particular situation.

'IFRS', 'IFRS Standards', 'IFRIC' and 'IAS' are registered trade marks of the IFRS Foundation and are used by KPMG IFRG Limited under licence subject to the terms and conditions contained therein. Please contact the IFRS Foundation for details of countries where its trade marks are in use and/or have been registered.

This publication contains copyright © material and trademarks of the IFRS Foundation®. All rights reserved. Reproduced by KPMG IFRG Limited with the permission of the IFRS Foundation. Reproduction and use rights are strictly limited. For more information about the IFRS Foundation and rights to use its material please visit www.ifrs.org

The International Accounting Standards Board, the IFRS Foundation, the authors and the publishers do not accept responsibility for any loss caused by acting or refraining from acting in reliance on the material in this publication, whether such loss is caused by negligence or otherwise.