KPMG

IBOR reform – First-phase amendments imminent

2 September 2019

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The Board completes redeliberation on amendments to IFRS 9 and IAS 39

Highlights

- Amendments expected September 2019 with proposed effective date 1 January 2020
- Clarification of key issues before amendments are voted upon
- Next steps – Phase 2 to focus on financial reporting issues

Amendments to IFRS 9 and IAS 39 are expected to be published this month to address uncertainties related to the ongoing reform of interbank offered rates (IBOR).

The amendments will provide targeted relief for financial instruments qualifying for hedge accounting in the lead up to IBOR reform.

Having issued its proposed amendments in **May 2019**, the International Accounting Standards Board (the Board) met on 28 August 2019 to complete its redeliberations. It is satisfied that it has complied with the applicable due process requirements and that it has undertaken sufficient consultation and analysis to proceed to finally approve the proposed amendments to IFRS 9 and IAS 39.

Proposed effective date 1 January 2020

The expected effective date will be for annual periods beginning on or after 1 January 2020, with earlier application permitted.

What was clarified?

During the August meeting, the Board agreed:

- to provide an exception for the IAS 39 retrospective assessment when a hedge is temporarily outside the 80–125% range during the period of uncertainty arising from the reform;
- to extend relief from the separately identifiable requirement for redesignation of hedged items in hedges where dedesignation and redesignation take place (e.g. macro hedges);

"As the transition away from IBOR draws nearer, banks and other companies will need to track and evaluate the impact of market changes on their hedge accounting practices."

Chris Spall,
KPMG's global IFRS financial instruments leader

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- to clarify that the end of application requirement should apply to each individual item within a designated group of items;
- to clarify that the scope of the proposed amendments would apply to all hedges that include interest rate benchmark-based cash flows for the hedged item and/or hedging instrument – e.g. certain cross currency hedges – that are directly affected by uncertainties arising from the reform; and
- to simplify the proposed disclosure requirements.

Next steps

At a future meeting, the Board will begin the second phase of its project by focusing on financial reporting issues arising following the implementation of IBOR reform.

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.

Publication date: September 2019

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