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## **Interest Rate Benchmark Reform – Update on Phase II Cover Note**

### **Objective**

- 1 The objective of this paper is to provide an update on the IASB’s work on Phase II of the *Interest Rate Benchmark Reform* project as well as a work plan on the upcoming EFRAG Secretariat activities.

### **Background and IASB project plan**

- 2 The IASB decided to split the project in two phases in order to focus, in the first phase, on a narrow set of issues related to hedge accounting requirements as a result of uncertainty arising from IBOR reform that were particularly urgent and for which a solution was needed in time for the 2019 financial reporting.
- 3 The IASB published the Amendments to IFRS 9 *Financial Instruments* and IAS 39 *Financial Instruments: Recognition and Measurement* relating to Phase I of the *Interest Rate Benchmark Reform* project on 26 September 2019. EFRAG Endorsement Advice on the Amendments to Phase I was issued on 16 October 2019.
- 4 The IASB has started its deliberations on Phase II in October 2019. Similar to Phase I, Phase II of the project needs to address the issues with a similar level of urgency. The Phase II will first cover the classification and measurement issues, such as modification and derecognition of “substantially modified” financial instruments.
- 5 As a reminder, the following topics were mentioned in EFRAG’s final comment letter on Phase I of the project as a suggestion for the IASB to consider (without EFRAG having formed a view on these):
  - (a) Derecognition, including the additional consequential topics of SPPI-criterion, business model and Hedge accounting discontinuation;
  - (b) Modification;
  - (c) Recalibration of hedging relationship;
  - (d) Hedge documentation; and
  - (e) IFRS 17 *Insurance Contracts* – interest guarantees in insurance contracts.
- 6 The IASB will address the following issues during the Phase II of the project.

October 2019	December 2019	January 2020
Classification and measurement	Hedge accounting Other IFRS Standards	Other/new issues identified Disclosures

**Implications for EFRAG work plan**

7 The EFRAG Secretariat proposes to address the following issues over the next months.

	<b>October 2019</b>	<b>November 2019</b>	<b>December 2019</b>	<b>January 2020</b>	<b>February 2020</b>
<b>IASB</b>	Classification and measurement (22-23 October)		Hedge accounting Other IFRS Standards (9–12 December)	Other/new issues identified Disclosures (27-31 January)	
<b>EFRAG FIWG</b>	-	Classification and measurement (15 November)	-	Hedge accounting Other IFRS Standards (20 January)	Other/new issues identified Disclosures (24 February)
<b>EFRAG TEG</b>	-	Presentation of the work plan (4-5 November)	Classification and measurement (5 December)	Hedge accounting Other IFRS Standards (29-30 January)	Other/new issues identified Disclosures (4 -5 March)

8 The EFRAG TEG-CFSS will be updated about the status of the Phase II of the project on its next meeting held on 27 March 2020.

**Question to EFRAG TEG-CFSS**

9 Does EFRAG TEG-CFSS have observations on the IASB project plan or on the approach to the deliberations so far?