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TENTATIVE DECISIONS	**ED**
TENTATIVE DECISION 1 ***Classification and measurement—modification of financial instruments (October 2019)*** 1 The IASB tentatively decided to amend IFRS 9 to:	QUESTION 1—MODIFICATIONS OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES (PARAGRAPHS 6.9.1–6.9.6 OF THE [DRAFT] AMENDMENTS TO IFRS 9, PARAGRAPHS 20R–20S AND 50–51 OF THE [DRAFT] AMENDMENTS TO IFRS 4 AND PARAGRAPHS 104–106 AND C1A–C1B OF THE [DRAFT] AMENDMENTS TO IFRS 16) Par. 6.9.1 An entity shall apply paragraphs 6.9.2–6.9.6 and paragraphs 7.1.9 and 7.2.36– 7.2.38 to all financial assets and financial liabilities that are modified, or have existing contractual terms activated that change the basis for determining the contractual cash flows of those financial assets and financial liabilities, as a result of interest rate benchmark reform. These paragraphs apply only to such financial assets and financial liabilities. For this purpose, the term ‘interest rate benchmark reform’ refers to the market-wide reform of an interest rate benchmark as described in paragraph 6.8.2.

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(a) clarify that, even in the absence of an amendment to the contractual terms of a financial instrument, a change in the basis on which the contractual cash flows are determined that alters what was originally anticipated constitutes a modification of a financial instrument in accordance with IFRS 9. ***Sweep issue—Modification of financial instruments (February 2020)*** 2 The IASB tentatively decided the proposed amendment to clarify what constitutes a modification of a financial instrument should apply only to changes made in the context of IBOR reform.	**Paragraphs 6.9.2–6.9.6 of the draft amendments to IFRS 9 propose that:** Par. 6.9.2 (a) a financial asset or financial liability would be modified if the basis for determining the contractual cash flows is changed after the initial recognition of the financial instrument. In this context, a modification can arise even if the contractual terms of the financial instrument are not amended. BC 14/BC 20 (…) BC16 The Board acknowledged that the lack of a description of what constitutes a 'modification' and the use of different wording in IFRS 9 to describe a modification of a financial asset or a financial liability could lead to diversity in practice when entities determine whether a change resulting from the reform should be treated as a modification applying the requirements in IFRS 9. BC20 The Board acknowledged that extending the scope of this amendment to all modifications (ie not limited to changes made as a result of the reform) could assist entities in determining whether a change in the cash flows of a financial asset or a financial liability is accounted for as a modification. However, the objective for Phase 2 focuses on the effects of the reform (as described in paragraph BC6). Therefore, the Board tentatively decided, for the purposes of this Exposure Draft, to

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(b) provide a practical expedient allowing an entity to apply paragraph B5.4.5 of IFRS 9 to account for modifications related to IBOR reform and to provide examples in IFRS 9 of modifications that are related to IBOR reform, and examples of those that are not. ***Hedge accounting (December 2019)*** 12 The IASB tentatively decided to: (a) retain the requirements in IFRS 9 Financial Instruments and IAS 39 Financial Instruments: Recognition and Measurement that determine whether a hedging relationship **should be discontinued after**: (i) a substantial modification that results in derecognition of the hedged item or the hedging instrument; or (ii) a modification that does not result in derecognition **and** is not required as a direct consequence of IBOR reform **or** is not done on an economically equivalent basis.	limit the scope of the proposed amendment described in paragraph BC19 to changes made as a result of the reform. The Board will consider proposing a separate, narrow-scope amendment to the requirements in IFRS 9 for all modifications. Par. 6.9.3 (b) an entity would apply paragraph B5.4.5 of IFRS 9 as a practical expedient to account for a modification of a financial asset or financial liability that is required by interest rate benchmark reform. 6.9.3 (c) a modification is required by interest rate benchmark reform if and only if (i) it is required as a direct consequence of interest rate benchmark reform; **and** (ii) the new basis for determining the contractual cash flows is economically equivalent to the previous basis (ie the basis immediately preceding the modification). Par. 6.9.4

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	Examples of **modifications required by interest rate** benchmark reform include changes that are limited to: (a) the replacement of an existing interest rate benchmark used to determine the contractual cash flows of a financial asset or financial liability with an alternative benchmark rate (for example, replacing LIBOR with an alternative benchmark rate) or effecting such a reform of an interest rate benchmark by changing the method used to calculate the interest rate benchmark; (b) the addition of a fixed spread to compensate for a basis difference between an existing interest rate benchmark and an alternative benchmark rate; (c) changes to the reset period, reset dates, or the number of days between coupon payment dates that are necessary to effect the reform of an interest rate benchmark; and (d) the addition of a fallback provision to the contractual terms of a financial asset or financial liability to enable any of the changes described in (a)–(c) above to be effected. Par. 6.9.5 An entity **shall also apply the practical expedient** in paragraph 6.9.3 if the following conditions are met even though these changes do not meet the description of a modification in paragraph 6.9.2 (see also paragraph 6.9.6):

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	(a) the entity revises its estimates of future cash payments or receipts because an existing contractual term is activated and that contractual term changes the basis for determining the contractual cash flows (for example, an existing fallback clause is triggered); (b) that activation of an existing contractual term that changes the basis for determining the contractual cash flows is required as a direct consequence of interest rate benchmark reform; and (c) the new basis for determining the contractual cash flows is economically equivalent to the previous basis (ie the basis immediately preceding the activation).
(c) clarify that an entity should first apply paragraph B5.4.5 of IFRS 9 to account for modifications related to IBOR reform to which the practical expedient applies. Thereafter, an entity should apply the current IFRS 9 requirements to determine if any other modifications are substantial; if those modifications are not substantial, the entity should apply paragraph 5.4.3 of IFRS 9.	Par. 6.9.6 If there are changes to the basis for determining the contractual cash flows of a financial asset or financial liability in addition to changes required by interest rate benchmark reform, an entity shall first apply the practical expedient in paragraph 6.9.3 to the changes required by interest rate benchmark reform. The entity shall then apply the applicable requirements in this Standard to the additional changes. This means, for example, an entity first applies the practical expedient to a modification that is required by interest rate benchmark reform (ie a modification that meets both conditions in paragraph 6.9.3). The entity then applies the applicable requirements in this Standard to the changes to which the practical expedient has not been applied. If the additional modification does not result in the derecognition of the financial asset or financial liability, the entity shall apply paragraph

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	5.4.3 to account for that additional modification of a financial asset or paragraph B5.4.6 to account for that additional modification of a financial liability. If the additional modification results in the derecognition of the financial asset or financial liability, the derecognition requirements apply. ***Paragraphs BC10–BC36 of the Basis for Conclusions describe the Board's reasons for these proposals.***
IASB TENTATIVE DECISION 2: ***Accounting implications from derecognition of a modified financial instrument (October 2019)*** 7 The IASB tentatively decided that, in the context of IBOR reform, current requirements in IFRS 9 provide sufficient guidance to determine the appropriate accounting treatment in the following situations: (a) derecognising a financial asset or a financial liability from the statement of financial position and the recognition of the resulting gain or loss in profit or loss following a substantial modification. (b) determining an entity's business model for managing financial assets. (c) determining whether the interest component of the contractual cash flows of a new financial asset referenced to alternative benchmark	 Ref. to BC 37

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rates meets the criteria for solely payments of principal and interest on the principal amount outstanding (SPPI), as required by IFRS 9. The IASB also tentatively decided to add an example to IFRS 9 to illustrate the application of the SPPI assessment in the context of IBOR reform. (d) recognising the expected credit losses for a new financial asset. (e) accounting for embedded derivatives for financial liabilities.	
IASB TENTATIVE DECISION 3: ***Hedge accounting (December 2019)*** 12 The IASB tentatively decided to: (a) retain the requirements in IFRS 9 Financial Instruments and IAS 39 Financial Instruments: Recognition and Measurement that determine whether a hedging relationship **should be discontinued after**: (i) a substantial modification that results in derecognition of the hedged item or the hedging instrument; or (ii) a modification that does not result in derecognition and is not required as a direct consequence of IBOR reform or is not done on an economically equivalent basis.	**Question 2—Amendments to hedging relationships (paragraphs 6.9.7–6.9.10 of the [Draft] amendments to IFRS 9 and paragraphs 102O–102R of the [Draft] amendments to IAS 39)** BC 45 IAS 39 requires hedge accounting to be discontinued when any amendments are made to the hedge designation as documented at the inception of the hedging relationship.

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	BC 43 As part of the Phase 1 exceptions, the Board acknowledged that, in most cases, in order for uncertainty regarding the timing and the amount of interest rate benchmark-based cash flows arising from a change in an interest rate benchmark to no longer be present, the underlying financial instruments designated in the hedging relationship would have to be modified or changed to specify the timing and the amount of interest rate benchmark-based cash flows by reference to the alternative benchmark rate.
(b) amend IFRS 9 and IAS 39 to provide an exception from the current requirements so that the following changes in **hedge documentation** necessary to reflect modifications that are required as a direct consequence of IBOR reform and are done on an economically equivalent basis do not result in the discontinuation of hedge accounting: (i) redefining the hedged risk to refer to an alternative benchmark rate; and (ii) redefining the description of the hedging instruments or the hedged items to refer to the alternative benchmark rate.	6.9.7 As and when uncertainty arising from interest rate benchmark reform is no longer present with respect to the hedged risk and/or the timing and the amount of interest rate benchmark-based cash flows of the hedged item or of the hedging instrument (see paragraphs 6.8.9–6.8.12), an entity shall amend the formal designation of the hedging relationship as previously documented. In this context, the **hedge designation** shall be amended only to make one or more of the following changes: (a) designating an alternative benchmark rate (contractually or noncontractually specified) as a *hedged risk*; (b) amending the description of the *hedged item* so that it refers to an alternative benchmark rate; or (c) amending the description of the *hedging instrument* so that it refers to an alternative benchmark rate;

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(c) amend IAS 39 to provide an exception from the current requirements so that a change to the **method used for assessing hedge effectiveness** does not result in the discontinuation of hedge accounting when, due to IBOR reform, it is impractical to continue using the same method defined in the hedge documentation at the inception of the hedging relationship.	[[amending the description of how the entity will assess hedge effectiveness (for IAS 39 only), ref. BC47]] 6.9.8 If changes are made in addition to those changes required by interest rate benchmark reform to the financial asset or financial liability designated in a hedging relationship (as described in paragraph 6.9.3 or 6.9.5) or to the designation of the hedging relationship (as required by paragraph 6.9.7), an entity shall first apply the applicable requirements in this Standard to determine if those additional changes result in the discontinuation of hedge accounting. If the additional changes do not result in the discontinuation of hedge accounting, an entity shall amend the formal designation of the hedging relationship only as specified in paragraph 6.9.7. 6.9.9 For the avoidance of doubt, applying paragraph 6.9.7 to amend the formal designation of a hedging relationship constitutes neither the discontinuation of the hedging relationship nor the designation of a new hedging relationship. 6.9.10 Applying paragraph 6.9.7, depending on when uncertainty arising from interest rate benchmark reform is resolved (see paragraphs 6.8.9–6.8.12), an entity may amend the formal designation of different hedging relationships at different times, or may amend the formal designation of a particular hedging relationship more than once.

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--- The IASB also tentatively decided to amend IAS 39 to require an entity changing the hedged risk in the hedge documentation for a **portfolio hedge** of interest rate risk, as noted in paragraph 12 (b)(i) above, to assume that all items included in the portfolio of financial assets or financial liabilities share the risk being hedged. 14 For changes in hedge documentation noted in paragraph 12 (b) and (c), an entity is required to continue to apply requirements in IFRS Standards to measure the hedging instrument and the hedged item and to **recognise hedge ineffectiveness** that may arise due to any consequential valuation adjustments required by IFRS 9 and IAS 39.	When, and only when, such a change is made to the hedge designation, an entity shall apply paragraphs 6.9.11–6.9.17 to the extent relevant. 6.9.11 For the purpose of applying paragraph 6.5.8 to account for a fair value hedge at the time that the hedge designation is amended applying paragraph 6.9.7, an entity shall: (a) remeasure the hedging instrument based on the alternative benchmark rate and recognise a corresponding gain or loss in profit or loss; and (b) remeasure the carrying amount of the hedged item based on the alternative benchmark rate designated as the hedged risk and recognise a corresponding gain or loss in profit or loss.
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15 With regard to **hedges of a group of items**, the IASB tentatively decided to amend IFRS 9 and IAS 39 so that, when items within a designated group are amended for modifications that are required as a direct consequence of IBOR reform and are done on an economically equivalent basis, an entity is permitted to: (a) amend the hedge documentation to define the hedged items by way of two subgroups within the designated group of items—one referencing the original interest rate benchmark and the other, the alternative benchmark rate; (b) perform the proportionality test separately for each subgroup of items designated in the hedging relationship; (c) treat the hedge designation as a single hedging relationship and amend the hypothetical derivative to reflect the combination of the subgroups of items; and (d) treat IBOR and its alternative benchmark rate as if they share similar risk characteristics (but only in relation to a group of items designated under IAS 39).	When an entity applies paragraph 6.9.7 to groups of items designated as hedged items in a hedging relationship, the entity shall allocate the hedged items to subgroups based on the benchmark rate being hedged, and designate the benchmark rate for each sub-group as the hedged risk. An entity shall assess whether the change in fair value for each individual item in the subgroup is expected to be approximately proportional to the overall change in fair value attributable to the hedged risk of the group of items, for each subgroup separately. For example, in a hedging relationship in which a group of items is hedged for changes in an interest rate benchmark subject to interest rate benchmark reform, some items in the group could be modified to reference an alternative benchmark rate before other items in the group. In this example, to apply paragraph 6.9.7, the entity would designate the alternative benchmark rate as the hedged risk for that relevant sub-group of hedged items. The entity would continue to designate the existing interest rate benchmark as the hedged risk for the other sub-group of hedged items until those items are modified to reference the alternative benchmark rate.
IASB TENTATIVE DECISION 4: ***End of application—Phase 1 exceptions (January 2020)*** 29 The IASB tentatively decided to:	<u>Question 2</u>

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(a) amend IAS 39, only for the purpose of assessing retrospective effectiveness, to require entities to reset to zero the cumulative fair value changes of the hedging instrument and the hedged item at the date the exception to the retrospective assessment in paragraph 102G of IAS 39 ceases to apply; and	for the purpose of assessing retrospective effectiveness as required by IAS 39, the cumulative fair value changes of the hedged item and hedging instrument would be reset to zero when paragraph 102G of IAS 39 ceases to apply.
(b) make no amendments to the end of application requirements for the Phase 1 exceptions to the highly probable requirement for cash flow hedges and prospective assessments in IFRS 9 and IAS 39.	6.9.12 For the purpose of applying paragraph 6.5.11 to account for a **cash flow hedge** at the time that the hedge designation is amended applying paragraph 6.9.7, the cash flow hedge reserve is remeasured to the lower of the following: (a) the cumulative gain or loss on the hedging instrument calculated based on the alternative benchmark rate; and (b) the cumulative change in fair value of the hedged item calculated based on the alternative benchmark rate. The amount accumulated in the cash flow hedge reserve at the date that the entity amends the description of the hedged item shall, therefore, be deemed to be based on the alternative benchmark rate on which the hedged future cash flows are determined. When there is a change in the basis for determining the contractual cash flows of a financial asset or a financial liability previously designated as a hedged item in a hedging relationship that has been discontinued, the amount accumulated in the cash flow hedge reserve for a discontinued hedging relationship (see paragraph 6.5.12) shall

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	be deemed to be based on the alternative benchmark rate on which the contractual cash flows will be based.
IASB TENTATIVE DECISION 5: ***Other IFRS Standards (January 2020)*** 33 The IASB tentatively decided to amend: (a) IFRS 16 Leases to require a lessee to apply paragraphs 42(b) and 43 of IFRS 16 to account for lease modifications to the interest rate benchmark on which lease payments are based that are required as a direct consequence of IBOR reform and done on an economically equivalent basis (modifications directly required by IBOR reform) (b) IFRS 4 Insurance Contracts to require insurers that apply the temporary exemption from IFRS 9 to apply the amendments resulting from the IASB tentative decisions in Phase 2 of the project in accounting for modifications directly required by IBOR reform. The IASB also tentatively decided that no amendments are made in the context of IBOR reform to: (a) IFRS 13 Fair Value Measurement because it provides sufficient guidance to determine if and when a financial asset or financial liability should be transferred to a different level within the fair value hierarchy.	**<u>Question 1</u>** (e) The Exposure Draft proposes amendments to IFRS 16 that would require entities to apply paragraph 42 of IFRS 16 to account for a lease modification that is required by interest rate benchmark reform. (f) The Exposure Draft proposes to make corresponding amendments to IFRS 4 that would require insurers applying the temporary exemption from IFRS 9 to apply the same practical expedient as described above. <u>Ref. to BC 132</u>

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These transfers reflect the economic effects of IBOR reform, therefore providing useful information to users of financial statements. (b) IFRS 17 Insurance Contracts because it provides an adequate basis for an entity to account for insurance contract modifications in the context of the IBOR reform. Such accounting results in useful information to users of financial statements. (c) the current requirements in IFRS Standards with respect to discount rates as they already provide adequate guidance to determine the appropriate accounting treatment for the potential effects of changes to the discount rates resulting from the replacement of interest rate benchmarks.	Ref. to BC 131
IASB TENTATIVE DECISION 7: **Hedges of risk components—Separately identifiable criteria (February 2020)**	BC 87 This is because an entity's ability to conclude that the alternative benchmark rate meets the requirements in paragraphs 6.3.7(a) and B6.3.8 of IFRS 9 and paragraphs 81 and AG99F of IAS 39 that a risk component must be separately identifiable and reliably measurable could be affected in the early stages of the reform, when a particular market might not yet be sufficiently developed for a term structure of zero coupon interest rates to be available. BC89

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47 The IASB tentatively decided to provide temporary relief for hedging relationships amended to reflect modifications that are required as a direct consequence of IBOR reform. Applying this relief, a non-contractually specified risk component is considered to satisfy the 'separately identifiable' criteria if, and only if: (a) the entity reasonably expects that the alternative benchmark rate will satisfy the requirement in IFRS 9 or IAS 39 to be a separately identifiable risk component within the particular market structure within 24 months from the date the rate is designated as a risk component for hedge accounting purposes; and (b) the risk component can be reliably measured from the date it is designated as the risk component.	The Board acknowledged that, considering the objective of the reform is to modify some interest rate benchmarks or replace them with alternative benchmark rates, an entity might expect that even though it may not be the case at the point of designation, within a reasonable period of time, the volume and liquidity of debt instruments referenced to an alternative benchmark rate in a particular market or jurisdiction will be sufficient to meet the requirements in IFRS 9 and IAS 39. <u>6.9.16</u> An alternative benchmark rate designated as a non-contractually specified risk component that is not separately identifiable at the date it is designated, shall be deemed to have met that requirement at that date, if and only if, the entity reasonably expects the alternative benchmark rate will be separately identifiable within a period of 24 months from the date the alternative benchmark rate is designated as a risk component. <u>6.9.17</u> If subsequently, an entity reasonably expects that the alternative benchmark rate will not be separately identifiable within 24 months from the date it was designated as a risk component, an entity shall cease applying the requirement in paragraph 6.9.16 and discontinue hedge accounting prospectively from the date of that reassessment. <u>6.9.18</u> In addition to those hedging relationships specified in paragraph 6.9.7, an entity shall apply the requirements in paragraphs 6.9.16–6.9.17 to

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	new hedging relationships in which an alternative benchmark rate is designated as a non-contractually specified risk component applying paragraphs 6.3.7 and B6.3.8 when that component is not separately identifiable at the date it is designated as a consequence of interest rate benchmark reform.
IASB TENTATIVE DECISION 9: ***Effective date and transition requirements (February 2020)*** 57 The IASB tentatively decided that: (a) entities should apply the proposed amendments for annual periods beginning on or after 1 January 2021, with earlier application permitted. (b) the proposed amendments in Phase 2 should apply retrospectively. Retrospective application: (i) relates to items that existed at the beginning of the reporting period in which an entity first applies the proposed amendments, including to amounts accumulated in the	**Question 5—Effective date and transition (paragraphs 7.1.9 and 7.2.36–7.2.38 of the [Draft] amendments to IFRS 9 and paragraphs 108H–108J of the [Draft] amendments to IAS 39)** 7.1.9 An entity shall apply these amendments for annual periods beginning on or after [1 January 2021]. Earlier application is permitted. If an entity applies these amendments for an earlier period, it shall disclose that fact. 7.2.36 An entity shall apply [draft] Interest Rate Benchmark Reform—Phase 2 retrospectively in accordance with IAS 8, except as specified in paragraph 7.2.38.

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cash flow hedge reserve related to hedging relationships that have already been discontinued. (ii) includes reinstating hedging relationships that were discontinued before the entity first applies the proposed amendments solely due to changes in hedging relationships (and the related documentation) necessary to reflect the modifications required as a direct consequence of the reform. These hedging relationships must be reinstated if the entity can demonstrate that the hedging relationship would not have been discontinued if the proposed amendments were available at the time and that it can be done without the use of hindsight.	7.2.37 Applying paragraph 7.2.36, an entity shall reinstate a discontinued hedging relationship if and only if the entity discontinued that hedging relationship solely due to changes required by interest rate benchmark reform and, therefore, the entity would not have been required to discontinue that hedging relationship if the amendments had been applied at that time. 7.2.38 An entity is not required to restate prior periods to reflect the application of these amendments. The entity may restate prior periods if, and only if, it is possible without the use of hindsight. If an entity does not restate prior periods, the entity shall recognise any difference between the previous carrying amount and the carrying amount at the beginning of the annual reporting period that includes the initial application of these amendments in the opening retained earnings (or other component of equity, as appropriate) of the annual reporting period that includes the date of initial application of these amendments.
(c) in the reporting period in which an entity first applies the proposed amendments, an entity is not required to present the	44II In the reporting period in which an entity first applies [draft] Interest Rate Benchmark Reform—Phase 2, issued in [Month] 2020, an entity

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disclosures required by paragraph 28(f) of IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors.	is not required to present the quantitative information required by paragraph 28(f) of IAS 8.
IASB TENTATIVE DECISION 6: ***Disclosures (January 2020)*** 41 The IASB tentatively decided to amend IFRS 7 Financial Instruments: Disclosures to require an entity to provide disclosures that enable users of financial statements to understand: (a) the nature and extent of risks arising from IBOR reform to which the entity is exposed, and how it manages those risks; and (b) the entity's progress in completing the transition from interest rate benchmarks to alternative benchmark rates, and how the entity is managing the transition. 42 To achieve this objective, an entity would disclose information about: (a) how it is managing the transition from interest rate benchmarks to alternative benchmark rates and the progress made at the reporting date, and the risks arising from this transition; (b) the carrying amount of financial assets and financial liabilities, including the nominal amount of the derivatives, that continue to	**Question 6—Disclosures (paragraphs 24I–24J and paragraphs 44HH–44II of [Draft] amendments to IFRS 7)** 24 I To enable users of financial statements to understand the effect of interest rate benchmark reform on an entity's financial instruments and risk management, an entity shall disclose information about: (a) the nature and extent of risks arising from interest rate benchmark reform to which the entity is exposed, and how the entity manages those risks; and (b) the entity's progress in completing the transition from interest rate benchmarks to alternative benchmark rates, and how the entity is managing that transition. 24J To meet the objectives in paragraph 24I, an entity shall disclose: (a) how the entity is managing the transition to alternative benchmark rates, its progress at the reporting date and the risks arising from the transition; (b) disaggregated by significant interest rate benchmark, the carrying amount of non-derivative financial assets, the carrying amount of nonderivative financial liabilities and the nominal amount of

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reference interest rate benchmarks subject to the reform, disaggregated by significant interest rate benchmark; (c) for each significant alternative benchmark rate to which the entity is exposed, an explanation of how the entity determined the base rate and relevant adjustments to the rate to assess whether the modifications to contractual cash flows were required as a direct consequence of IBOR reform and have been done on an economically equivalent basis; and (d) to the extent that IBOR reform has resulted in changes to an entity's risk management strategy, a description of these changes and how is the entity managing those risks.	derivatives, each shown separately, that continue to reference interest rate benchmarks subject to interest rate benchmark reform; (c) for each significant alternative benchmark rate to which the entity is exposed, a description of how the entity determined the base rate and relevant adjustments to that rate, including any significant judgements the entity made to assess whether the conditions in paragraphs 6.9.3 and 6.9.5(b)–6.9.5(c) of the draft amendments to IFRS 9 proposed in this Exposure Draft were met; and (d) to the extent that interest rate benchmark reform has resulted in changes to an entity's risk management strategy, a description of those changes and of how the entity is managing these risks.
IASB TENTATIVE DECISION 8: ***End of Phase 2 amendments and voluntary versus mandatory application (February 2020)*** 53 The IASB tentatively decided application of all proposed amendments in Phase 2 should be mandatory.	BC 98 The Board decided to propose mandatory application of the proposed amendments. As with Phase 1, the Board considered that allowing voluntary application of these amendments could lead to selective application to achieve specific accounting results. The Board also noted that the proposed amendments are, to a large extent, interlinked and need to be applied consistently. Voluntary application, even if only possible by area or type of financial instruments, would reduce comparability of information provided in the financial statements between entities.

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The IASB also tentatively decided that the nature of the proposed amendments is such that they can only be applied to modifications of financial instruments and changes to hedging relationships that satisfy the relevant criteria and, as such, no specific end of application requirements need to be specified.	BC 100 The Board is not proposing specific end of application requirements for the amendments proposed in this Exposure Draft. Unlike the Phase 1 exceptions, which are applied during the period of uncertainty arising from the reform, the application of the proposed amendments in Phase 2 is associated with the point at which changes to financial instruments or hedging relationships occur as a result of the reform. Therefore, by design the application of these proposed amendments has a natural end.