

STAFF PAPER

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IASB Meeting

Project	IBOR Reform and its Effects on Financial Reporting		
Paper topic	Cover paper		
CONTACT(S)	Christos Sortsis	csortsis@ifrs.org	+44 (0)20 7246 6954
	Fernando Chiqueto	fchiqueto@ifrs.org	+44 (0) 20 7246 6496
	Riana Wiesner	rwiesner@ifrs.org	+44 (0) 20 7246 6412

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Purpose of this meeting

1. The purpose of this meeting is to:
 - (a) analyse the key issues for the Board to redeliberate before the proposed amendments to IFRS 9 and IAS 39 are finalised and published; and
 - (b) ask the Board's permission to begin the balloting process for the amendments to IFRS 9 and IAS 39.

Agenda papers for this meeting

2. This cover paper accompanies the following agenda papers:
 - (a) Agenda Paper 14A – *Redeliberation of proposed amendments to IFRS 9 and IAS 39* analyses the key issues for the Board to redeliberate before the proposed amendments to IFRS 9 and IAS 39 are finalised and published.
 - (b) Agenda Paper 14B – *Due process steps and permission for balloting* set out the due process steps that the Board has taken in developing the amendments to IFRS 9 and IAS 39 and asks the Board for permission to begin the balloting process assuming that the Board is able to conclude on the matters set out in Agenda Paper 14A.

Summary of staff recommendations

3. Agenda Paper 14A *Redeliberations of proposed amendments to IFRS 9 and IAS 39* for this meeting provide an analysis of the following matters:

- (a) Whether to provide an exception for IAS 39 retrospective assessment when a hedge is temporarily outside the 80-125% range solely due to uncertainties arising from the reform;
- (b) Whether to provide relief from the separately identifiable requirement for ‘macro hedges’;
- (c) Clarify when the relief ceases to apply to a group of items designated as the hedged item;
- (d) Clarify the scope of the proposed amendments would apply to hedges of both interest rate and foreign currency risks; and
- (e) Proposals on how the disclosure requirements proposed in the ED could be simplified.

The staff recommendations on these matters can be summarised as follows:

- (a) IAS 39 should be amended to provide an exception for the retrospective assessment, so that an entity would continue to apply hedge accounting to a hedging relationship for which effectiveness is outside of the 80–125% range during the period of uncertainty arising from the reform.
- (b) For ‘macro hedges’ designated under either IFRS 9 or IAS 39, an entity should assess whether a non-contractually specified risk component is separately identifiable only at the time the hedged item is initially designated in the ‘macro hedge’. Once a hedged item is designated within a ‘macro hedge’, the separately identifiable requirement should not be reassessed for that same hedged item at subsequent re-designations.
- (c) The final amendments should clarify that, when an entity designates a group of items as the hedged item in accordance with paragraph 6.6.1 of IFRS 9 or paragraph 83 of IAS 39, the end of application

requirement proposed in the ED should apply to each individual item within the designated group of items.

- (d) The scope of the proposed exceptions should be clarified so that the exceptions only apply to those hedging relationships that are directly affected by uncertainties about the timing and/or amount of *interest rate benchmark-based cash flows of the hedged item and/or hedging instrument* arising from the reform.
- (e) The disclose requirements accompanying the exceptions proposed in the ED should be reduced to some specific disclosures and an exemption should be provided from the disclosure requirements in paragraph 28(f) of IAS 8 upon the initial application of the amendments.

Next steps

- 4. Assuming that the Board is able to make decisions and conclude on the matters discussed in Agenda Paper 14A, the staff plans to ask the Board for permission to begin the balloting process for the final amendments.
- 5. Agenda Paper 14B *Due process and permission to ballot* sets out the due process steps that the Board has taken in developing the amendments to IFRS 9 and IAS 39.