Australian Government
Australian Accounting Standards Board

Staff Paper

Project:	**Interest Rate Benchmark Reform – Phase 2**	**Meeting**	M177
Topic:	**Ballot Draft AASB 2020-X Amendments to Australian Accounting Standards**	**Agenda Item:**	12.1
		Date:	4 September 2020
Contact(s):	Fridrich Housa fhousa@aasb.gov.au 03 9617 7642 Meina Rose mrose@aasb.gov.au Thomas Liassis tliassis@aasb.gov.au 03 9617 7636	**Project Priority:** **Decision-Making:** **Project Status:**	Medium High Vote on ballot draft and consider Tier 2 disclosures

Objective of this paper

1 The objective of this paper is for the Board members to:

(a) **decide** whether to issue the Australian-equivalent of the recent IFRS *Interest Rate Benchmark Reform—Phase 2*, which was released by the IASB in August 2020;

(b) **vote** on ballot draft of AASB 2020-X *Amendments to Australian Accounting Standards – Interest Rate Benchmark Reform—Phase 2*; and

(c) **consider** staff proposals in relation to the new disclosures introduced by the amendments and decide whether these should be applicable to Tier 2 entities.

Reasons for bringing this paper to the Board

2 The IASB has issued amendments to IFRS 4 *Insurance Contracts*, IFRS 7 *Financial Instruments: Disclosures*, IFRS 9 *Financial Instruments*, IFRS 16 *Leases* and IAS 39 *Financial Instruments: Recognition and Measurement* in finalising its Interest Rate Benchmark Reform project. These amendments are effective for annual reporting periods beginning on or after 1 January 2021, with early adoption permitted.

3 Staff note the Board's policy to issue Australian-equivalent IFRS Standards within 2 months of issuance. In addition, due to the progressing interest rate benchmark reform, there may be local preparers considering early adoption of the amendments for their current financial reporting periods ending 30 September 2020.

4 However, given the IASB amendments introduce new disclosures and provide relief from disclosing the financial impact of changes in accounting policies and:

- General Purpose Financial Statements – Reduced Disclosure Requirements (RDR) are still applicable to annual reporting periods beginning before 1 July 2021; and

- early adoption of AASB 1060 *General Purpose Financial Statements – Simplified Disclosures for For-Profit and Not-for-Profit Tier 2 Entities* (SDS) is permitted,

the Board has to consider whether the new disclosures should apply to both Tier 2 frameworks and whether equivalent disclosure relief should be provided to these entities reporting under these frameworks.

Summary of staff recommendations

Staff Recommendation	Question to the Board
Staff recommend that the Board approves the ballot draft of AASB 2020-X *Amendments to Australian Accounting Standards – Interest Rate Benchmark Reform—Phase 2* being the Australian-equivalent Standard incorporating the IASB amendments Interest Rate Benchmark Reform—Phase 2 without addressing the impact on Tier 2 disclosures.	1. Does the Board agree with staff recommendation to approve the ballot draft of an Australian equivalent Standard incorporating the IFRS Standard Interest Rate Benchmark Reform—Phase 2?
Staff recommend that the Board issues an Exposure Draft (ED) proposing no changes to the RDR disclosures and no additional disclosures for the SDS, but to provide equivalent relief from the requirement to disclose the financial impact of the change in accounting policies in AASB 1060 paragraph 106.	2. Does the Board agree with Staff recommendation to issue an ED to propose no changes to the RDR disclosures and no additional disclosures for the SDS, but to provide equivalent relief from the requirement to disclose the financial impact of the change in accounting policies in AASB 1060 paragraph 106?
Staff recommend that the ED is approved by a subcommittee appointed by the Board and has an exposure period of 30-days.	3. If the Board agrees with Question 2, does the Board agree to issue the ED with a 30-day comment period and appoint a sub-committee to approve the ED?

Attachments

Agenda Paper 12.2 Ballot draft of AASB 2020-X *Amendments to Australian Accounting Standards – Interest Rate Benchmark Reform—Phase 2*

Structure

5 The structure of this paper is as follows:

(a) Background

Part A – Australian-equivalent of the recent IFRS *Interest Rate Benchmark Reform—Phase 2*

(b) Summary of feedback received on ED 299

(c) Issues submitted to the IASB by the AASB

(d) Summary of changes since ED/2020/1

Part B – Disclosures for Tier 2 entities

(e) Staff analysis of disclosure impact on Tier 2 entities

(f) Next steps

Background

6 Phase 1 of the Interest Rate Benchmark Reform project addressed the pre-replacement issues arising as a result of the reform in October 2019 through AASB 2019-3 *Amendments to Australian*

Accounting Standards – Interest Rate Benchmark Reform, by amending some specific hedge accounting requirements to provide relief from potential effects of the uncertainty caused by the reform.

7 The Phase 2 amendments *Interest Rate Benchmark Reform—Phase 2* address issues that might affect financial reporting during the reform of an interest rate benchmark, including the effects of changes to contractual cash flows or hedging relationships arising from the replacement of an interest rate benchmark with an alternative benchmark rate (replacement issues). The amendments relate to:

(a) changes to contractual cash flows—an entity will not have to derecognise or adjust the carrying amount of financial instruments for changes required by the reform, but will instead update the effective interest rate to reflect the change to the alternative benchmark rate;

(b) hedge accounting—an entity will not have to discontinue its hedge accounting solely because it makes changes required by the reform, if the hedge meets other hedge accounting criteria; and

(c) disclosures—an entity will be required to disclose information about new risks arising from the reform and how it manages the transition to alternative benchmark rates.

PART A – AUSTRALIAN-EQUIVALENT OF THE RECENT IFRS INTEREST RATE BENCHMARK REFORM—PHASE 2

Summary of feedback received on ED 299

8 In April 2020, the IASB issued Exposure Draft ED/2020/1 *Interest Rate Benchmark Reform—Phase 2* and the AASB issued the Australian-equivalent ED 299 *Interest Rate Benchmark Reform—Phase 2*.

9 The AASB did not receive any Australian-specific comment letters on ED 299. However, staff received informal feedback via the AASB's Financial Instrument's Project Advisory Panel.

10 The AASB submitted its comment letter to the IASB in May 2020.

Issues submitted to the IASB by the AASB

11 The AASB in its submission considered that the proposals in ED/2020/1 provide a sufficient solution to address classification and measurement issues and supported the proposed practical expedient to account for changes required by the reform.

12 The AASB agreed that the proposed amendment to clarify what constitutes a "modification of a financial instrument" should apply only to changes made as a result of IBOR reform. The AASB noted that the consideration of whether a change in the basis on which the contractual cash flows are determined that alters what was originally anticipated (other than changes made as a result of IBOR reform) constitutes a modification of a financial instrument in accordance with IFRS 9 would need to be subject to further assessment that is outside of the scope of this project.

13 The AASB also supported the proposals in respect of changes to hedge accounting relationships directly related to the reform and agreed that the proposed disclosures will assist users of financial statements in understanding the effects of IBOR reform on an entity.

14 However, the AASB suggested that the IASB considers the scope and future application of the amendments made to IFRSs as a result of IBOR reform. A future market-wide benchmark reform in a particular jurisdiction would result in all the same issues that the IASB is seeking to address with the amendments in ED/2020/1. For example, in Australia the Bank Bill Swap Rate (BBSW) and the Cash Rate (also known as AONIA) will co-exist. At some point a reform may change this practice and eliminate the use of BBSW, however, there is currently no plan for such a reform. The AASB suggested the IASB considers how to future-proof these amendments. For example, the

IASB should consider the permanency of these amendments and consider adding appropriate guidance describing circumstances when its use may or may not be appropriate.

15 Similar feedback was raised by some other respondents who asked whether the practical expedient would apply even if the transition to alternative benchmark rates is not required by law or regulation, or if the existing interest rate benchmark is not being discontinued. For example, these respondents said that some existing interest rate benchmarks prevalent in their jurisdictions are not—at least in the near future—being discontinued. Nonetheless, entities are expected to transition to alternative benchmark rates because, for example, they anticipate reduced liquidity for the existing benchmark or want to align with global market developments.

16 In response to this feedback, the IASB clarified (see BC5.313) that the practical expedient is not limited to only particular ways of effecting the reform, provided the reform is consistent with the description in paragraph 6.8.2 of IFRS 9 (i.e. market-wide reform of an interest rate benchmark, including the replacement of an interest rate benchmark with an alternative benchmark rate such as that resulting from the recommendations set out in the Financial Stability Board's July 2014 report 'Reforming Major Interest Rate Benchmarks'). The IASB also noted that the Phase 2 amendments encompass changes that are required to implement the reform—or, in other words, changes that are necessary as a direct consequence of the reform—even if the reform itself is not mandatory.

Summary of changes since ED/2020/1

17 In response to the feedback on the ED/2020/1, the IASB decided at its June and July meetings to make following changes and clarifications to the proposed amendments:

- <u>Amendments to hedging relationships</u>:
  - a reference to the examples of modifications required by the reform were incorporated as part of the changes required to hedging relationships;
  - a specific reference to the designated hedged portion was included as part of the required changes to the hedged item; and
  - the changes to the hedging relationships have to be made by the end of the reporting period during which uncertainty with respect to a specific element of the relationship has been resolved.
- <u>Designation of risk components</u>:
  - the 24-month period applies to the individual alternative benchmark rate and hence begins from the date that an entity designates a particular alternative benchmark rate as the hedged risk for the first time.
- <u>Effective date and transition:</u>
  - an entity would be required to reinstate a discontinued hedging relationship if and only if:
    - the entity had discontinued that relationship solely because of changes required by interest rate benchmark reform; and
    - at the date of initial application of the amendments, that discontinued relationship still met the risk management objective on the basis of which it qualified for hedge accounting (that is the entity still pursued the risk management objective for that hedging relationship) and still met all other qualifying criteria (after taking into account the amendments).
  - for discontinued hedging relationships that are required to be reinstated, the 24-month period begins from the date of initial application of the amendments.

- Modification/replacement of derivatives:
    - for the purpose of the changes required to a hedging instrument, modifications required by the interest rate benchmark reform could be made in ways other than by modifying the contractual terms of the hedging instrument, as long as the hedging instrument is not derecognised and the outcome is economically equivalent to modifying the hedging instrument to refer to an alternative benchmark rate.
- Accounting for qualifying hedges:
    - permit, rather than require, an entity to reset cumulative fair values to zero for the purpose of performing the retrospective effectiveness assessment
- Disclosures:
    - change the amendment proposed in paragraph 24J(b) of the ED to require disclosure of quantitative information about non-derivative financial assets, non-derivative financial liabilities and derivatives (each shown separately) that, at the end of the reporting period, remain referenced to interest rate benchmarks subject to interest rate benchmark reform. This information would be disaggregated by significant interest rate benchmark. For the purposes of this disclosure, an entity would choose the representative basis for disclosing the quantitative information and explain the basis applied in the financial statements.
    - delete the disclosure requirement proposed in paragraph 24J(c) of the ED (i.e. requirement to describe how the entity determined the base rate and relevant adjustments to that rate for each significant alternative benchmark rate).

Staff recommendation

18 Staff agree with the assessment of the IASB that the changes made to the amendments since the ED respond to the feedback received and that there are no fundamental changes on which respondents have not had the opportunity to comment.

19 Staff support the amendments made by the IASB. Staff are not aware that the amendments would cause any significant issues for Australian entities. Staff do not consider that any not-for-profit (NFP) or public sector specific modification is needed as the amendments relate to the existing requirements that apply to both for-profit and not-for-profit entities. Staff recommended to approve the ballot draft so publicly accountable entities can remain IFRS compliant and are able to apply the amendments early.

Questions to the Board

1. Does the Board agree with staff recommendation to approve the ballot draft of an Australian equivalent Standard incorporating the IFRS Standard *Interest Rate Benchmark Reform—Phase 2*?

PART B – DISCLOSURES FOR TIER 2 ENTITIES

Staff analyses of disclosure impact on Tier 2 entities

20 The IASB amendments add the following disclosures relating to interest rate benchmark reform to IFRS 7:

> ## Other disclosures
>
> ...
>
> ### Additional disclosures related to interest rate benchmark reform
>
> 24I To enable users of financial statements to understand the effect of interest rate benchmark reform on an entity's financial instruments and risk management strategy, an entity shall disclose information about:
>
> (a) the nature and extent of risks to which the entity is exposed arising from financial instruments subject to interest rate benchmark reform, and how the entity manages these risks; and
>
> (b) the entity's progress in completing the transition to alternative benchmark rates, and how the entity is managing the 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 to which it is exposed arising from financial instruments because of the transition;
>
> (b) disaggregated by significant interest rate benchmark subject to interest rate benchmark reform, quantitative information about financial instruments that have yet to transition to an alternative benchmark rate as at the end of the reporting period, showing separately:
>
> (i) non-derivative financial assets;
>
> (ii) non-derivative financial liabilities; and
>
> (iii) derivatives; and
>
> (c) if the risks identified in paragraph 24J(a) have resulted in changes to an entity's risk management strategy (see paragraph 22A), a description of these changes.

21 The IASB is also providing relief to entities applying the amendments from disclosing information about the financial impact of changes in accounting policy:

> 44HH In the reporting period in which an entity first applies AASB 2020-X *Amendments to Australian Accounting Standards – Interest Rate Benchmark Reform—Phase 2*, an entity is not required to disclose the information that would otherwise be required by paragraph 28(f) of AASB 108.

Staff analysis of disclosure impact on RDR

22 Principles for RDR disclosures were set out in the 2011 AASB *Policies and Processes* document which stated that the Tier 2 disclosures are determined by:

- Drawing directly on the level of disclosures required in the IFRS for SMEs standard when Tier 2 recognition and measurement (R&M) requirements are the same as those under IFRS for SMEs (i.e. disclosures for Tier 2 entities were determined by benchmarking full IFRS/AAS disclosures to the IFRS for SMEs disclosures when the R&M requirements are the same (or substantively the same) as those under full IFRS[1]), and
- Using the user need and cost-benefit principles applied by the IASB in developing the IFRS for SMEs disclosures where R&M are not the same.

Where the relevant full IFRS disclosure is a new or revised disclosure that did not exist when the IFRS for SMEs standard was published or last updated, the disclosure was assessed by reference to the 'user need' and 'cost-benefit' principles (see below).

23 Staff do not recommend any concessions for RDR in respect of the disclosure requirements that would be added to AASB 7 by AASB 2020-X *Amendments to Australian Accounting Standards – Interest Rate Benchmark Reform—Phase 2* for the following reasons:

- The disclosures would only affect those Tier 2 entities with financial instruments such as variable rate loans that are referenced to the interest rate benchmarks, including those that have designated hedging instruments in a hedge relationship (as well as lessees with IBOR-linked leases and insurance companies applying the temporary exemption from IFRS 9 with IBOR-linked insurance contracts). Staff therefore do not expect these amendments to affect many Tier 2 entities.
- The disclosures in paragraphs 24I and 24J(a) and (c) in AASB 2019-X provide further detail about the entity's risk management and hedging strategy, which Tier 2 entities must disclose in any case under paragraph 22A and 22B , so these disclosures are consistent with the current level of RDR disclosures.
- While RDR entities are not otherwise required to disclose quantitative information such as that required by paragraph 24J(b), staff note that the information is expected:
  - (i) to be available to an entity as a result of the implementation of the interest rate benchmark and therefore the preparation of such disclosure is not expected to be burdensome;
  - (ii) not to be onerous as the final requirements allow entities to choose the representative basis for disclosing the quantitative information, and thereby being able to leverage information already available, which would reduce costs while still providing useful information; and
  - (iii) to be required only for a limited period of time as the application of the amendments in Phase 2 is associated with changes to financial instruments or hedging relationships subject to a particular reformed benchmark interest rate. Therefore, by design the application of these proposed amendments including disclosures has a natural end.
- The disclosures in paragraphs 24I and 24J also provide further information about the disaggregation of amounts presented in financial statements as well as transactions and other events encountered by these entities. As this is considered relevant information under the Tier 2 Disclosure Principles, staff are of the view that user needs and the

[1] See operational guidance for further explanation

benefits of the information outweigh the limited cost of the preparation of the disclosures required by paragraph 24I and 24J.

- Finally, provided the Board agrees with the staff recommendation in paragraph 42, entities that are currently preparing RDR general purpose financial statements would be able apply AASB 1060 early if wish to avoid making the additional disclosures.

24 AASB staff's recommendation for Phase 2 is consistent with the Boards decision on Phase 1 to not provide any RDR concessions for Tier 2 entities introduced by AASB 2019-3. It is also in line with NZASB Staff's recommendation to the NZASB to not provide any RDR concessions in relation to the new disclosures.[2]

25 The IASB further decided that entities applying the amendments should not be required to disclose the information required by paragraph 28(f) of IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*. As this disclosure relief is provided in full IFRS, staff consider that it should also be available for the RDR so Tier 2 entities are not disadvantaged. There are no changes required to AASB 7 to achieve this.

<u>Staff analysis of disclosure impact on the SDS</u>

26 The Board agreed to use the following approach when considering whether to add to or amend disclosure requirements in AASB 1060 in relation to amendments made by the IASB to full IFRS Standards:

- if the amendments introduce significant R&M differences between full IFRS Standards and the *IFRS for SMEs* Standard, apply the principles applied by the IASB in developing the *IFRS for SMEs* Standard; and
- if the amendments do not introduce significant R&M differences, no further action is required unless the disclosures address a matter of public policy or are of particular relevance in the Australian environment.

<u>Analysis of R&M differences</u>

Practical expedients for modifications

27 The *IFRS for SMEs* Standard does not deal with the impact of IBOR reforms on the financial reporting or provides any other practical expedient for similar situations. The amendments to AASB 9 mean that changes made to the basis for determining the contractual cash flows as a result of interest rate benchmark reform are accounted for in the same way as the re-estimation of future interest payments on variable rate financial assets and financial liabilities. In particular, the rules on accounting for modifications of contractual cash flows in AASB 9 do not apply.

28 IFRS for SMEs only deals with substantial modifications in the context of the derecognition of financial liabilities (para 11.37). However, given the IASB Board has concluded (BC5.303) that it would be unlikely that the transition to an alternative benchmark rate alone would result in the derecognition of that financial instrument these rules will not be relevant. In terms of accounting for other modifications under the *IFRS for SMEs* Standard, management would need to use its judgement in developing and applying accounting policies that result in relevant and reliable information (paragraph 10.4). Paragraph 10.6 further states that in making the judgement, management may also consider the requirements and guidance in full IFRS Standards dealing with similar and related issues. Arguably, this could include the practical expedient for interest rate benchmark reform in AASB 9.

[2] See NZASB Public Meeting Papers 10 September 2020

29 In staff's view, the modifications arising as a result of IBOR reform should therefore not result in significant R&M differences between the amended IASB standards and *IFRS for SMEs* that would warrant additional disclosures for Tier 2 SDS entities.

30 Staff noted that AASB 4 *Insurance Contracts* is not addressed in AASB 1060 as the majority of the entities applying these Standards would have public accountability. In respect of the amendments made to AASB 16 *Leases* in relation to lease modifications required by interest rate benchmark reform, staff note that the *IFRS for SMEs* Standard does not discuss how to account for lease modifications. For the same reasons as set out in the previous paragraph, the expedient introduced by the amendments to AASB 16 should therefore not result in a significant R&M difference. In any case, staff note that there are no additional disclosures associated with the application of the practical expedient for leases.

Practical expedients for hedge accounting

31 The *IFRS for SMEs* Standard only permits hedge accounting for four specific types of instruments listed in the standard, which includes interest rate swaps. While *IFRS for SMEs* is less restrictive regarding risks that can qualify for hedge accounting and hedge ineffectiveness, it requires to discontinue the hedge accounting if:

(a) the hedging instrument expires or is sold or terminated;

(b) the hedge no longer meets the conditions for hedge accounting specified in paragraph 12.16; or

(c) the entity revokes the designation.

32 Par. 12.16 specifies that:

- the entity designates and documents the hedging relationship so that the risk being hedged, the hedged item and the hedging instrument are clearly identified and the risk in the hedged item is the risk being hedged with the hedging instrument.
- the hedged risk is one of the risks specified in paragraph 12.17.
- the hedging instrument is as specified in paragraph 12.18.
- the entity expects the hedging instrument to be highly effective in offsetting the designated hedged risk. The effectiveness of a hedge is the degree to which changes in the fair value or cash flows of the hedged item that are attributable to the hedged risk are offset by changes in the fair value or cash flows of the hedging instrument.

33 In BC6.607 to the amending IASB Standard, the IASB observed that amending the formal designation of a hedging relationship to reflect changes required by the reform would result in the hedging relationship being discontinued. This is because both IFRS 9 and IAS 39 require the formal designation of a hedging relationship to be documented at inception as part of the qualifying criteria for hedge accounting to be applied. The hedge documentation includes identification of the hedging instrument, the hedged item, the nature of the risk being hedged and how the entity will assess hedge effectiveness. Although in limited circumstances IFRS 9 permits the hedge documentation to be updated without resulting in the discontinuation of hedge accounting, 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.

34 Staff noted that AASB 139 par. 88 makes specific reference to the formal designation and documentation at the inception of the hedge. Similarly, paragraph 6.4.1 of IFRS 9 requires formal documentation of the hedged item and the nature of the risk being hedged at the inception of the hedge. Staff note that the term "at inception" is a notable omission in the *IFRS for SMEs* requirements.

35 Given the absence of an explicit reference to the formal designation and documentation at inception of a hedge in the *IFRS for SMEs* Standard, staff view is that changes to hedge designations and hedge documentation that are required as a result of the reform would not necessarily result in the discontinuation of hedge accounting under the *IFRS for SMEs* Standard. The practical expedient introduced by the amendments to IFRS 9 and IAS 39 is therefore unlikely to result in significant R&M differences.

Other considerations

36 *IFRS for SMEs* also permits accounting under IAS 39 *Financial Instruments: Recognition and Measurement* (which would include IAS 39 as amended by IBOR) but doesn't require any additional disclosures above and beyond what's in the *IFRS for SMEs* standard. Staff further note that the IASB is proposing in the Request for Information on the *Comprehensive Review of the* IFRS for SMEs *Standard* to replace the option of applying IAS 39 with an option to apply IFRS 9, but still retaining the disclosures from the *IFRS for SMEs* standard. This further supports the argument that no additional disclosures for the IBOR amendments should be required, as an SME that is applying IAS 39 or IFRS 9 would apply the IBOR amendments and not be required to provide any additional disclosures.

37 As required under the agreed approach, staff have also considered whether the disclosures addressing a matter of public policy or are of particular relevance in the Australian environment, but do not consider this to be the case.

38 Finally, staff note that should interest benchmark reform have a material impact on an entity such that knowledge about the impact is necessary for an understanding of the financial statements, some disclosure would still be required under the general provisions of paragraph 91 in AASB 1060.

Relief from disclosing change in accounting policy

39 As noted in paragraph 25 above, the amendments in AASB 2020-X further provide relief from the requirement to disclose the quantitative impact from the changes in accounting policy that are associated with the amendments made to AASB 4, AASB 9, AASB 16 and AASB 139. Staff have considered whether similar relief should be provided to entities applying AASB 1060.

40 In this context, staff note that the IASB decided not to require entities to provide the disclosures required by IAS 8 paragraph 28(f) because the cost of providing quantitative information about the impact of the change in accounting policy could outweigh the benefits (BC35EE). Staff are of the view that this would similarly apply to entities reporting under AASB 1060 and are therefore recommending introducing a similar exception into AASB 1060.

41 Staff recommend adding the following paragraph to AASB 1060:

> 107A In the reporting period in which an entity first applies AASB 2020-X *Amendments to Australian Accounting Standards – Interest Rate Benchmark Reform —Phase 2,* the entity is not required to disclose the information required by paragraph 106(b).

Staff recommendation

42 Based on the analysis above, staff are recommending that the Board propose:

(a) no changes to the RDR disclosures and no additional disclosures for the SDS, but

(b) to provide equivalent relief from the requirement to disclose the financial impact of the change in accounting policies in AASB 1060 paragraph 106.

43 Staff note that this recommendation will result in different disclosures for the different types of Tier 2 entities, given the different starting points of the disclosure frameworks. However, this is consistent with the different approach used in developing AASB 1060 and demonstrates that

the principles applied in developing the simplified disclosures are successful in reducing the disclosures for Tier 2 entities. Considering further the expected limited application of the amendments to Tier 2 entities and the ability of Tier 2 entities to apply AASB 1060 early if they wish to avoid making the disclosures, staff do not consider this to impose any significant issues on entities applying RDR.

44 Considering the narrow scope of the proposed amendments, staff consider that the amendments can be finalised via delegation through a sub-committee of the Board. Staff further recommend a comment period of 30 days to ensure the proposed relief is available for early adoption for entities intending to apply AASB 1060 and the *Interest Rate Benchmark Reform—Phase 2* amendments as at 31 December 2020. This is consistent with the AASB's due process framework.

Questions to the Board

2. Does the Board agree with Staff recommendation to issue an Exposure Draft (ED) to propose no changes to the RDR disclosures and no additional disclosures for the SDS, but to provide equivalent relief from the requirement to disclose the financial impact of the change in accounting policies in AASB 1060 paragraph 106?

3. If the Board agrees with Question 2, does the Board agree to issue the ED with a 30-day comment period and appoint a sub-committee to approve the ED?

Next steps

45 Assuming the Board agrees with the staff recommendations, staff will:

(a) finalise the project by issuing the amending standard AASB 2020-X *Interest Rate Benchmark Reform—Phase 2* which incorporates the IASB amendments;

(b) prepare an ED to provide relief from the requirement to disclose the financial impact of the change in accounting policies in AASB 1060 paragraph 106 and have it approved by a subcommittee appointed by the Board;

(c) issue the ED with a 30-day comment period for public consultation; and

(d) consider any feedback on the ED at the November AASB Board meeting, if necessary, or finalise the amendments out of session if no negative feedback is received.

Questions to the Board

4. Does the Board agree with the next steps?