



Australian Government
**Australian Accounting
Standards Board**

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Mr Hans Hoogervorst
Chairman
International Accounting Standards Board
Columbus Building
7 Westferry Circus
Canary Wharf
London E14 4HD
UNITED KINGDOM

Dear Hans,

AASB comments on IASB ED/2019/1 *Interest Rate Benchmark Reform (Proposed amendments to IFRS 9 and IAS 39)*

The Australian Accounting Standards Board (AASB) is pleased to have the opportunity to provide comments on ED/2019/1 *Interest Rate Benchmark Reform (Proposed amendments to IFRS 9 and IAS 39)* issued on 3 May 2019 (ED/2019/1). In formulating these comments, the views of our Australian constituents were sought and considered.

The AASB acknowledges the efforts of the International Accounting Standards Board (IASB) and supports the direction of ED/2019/1 to address the specific issues affecting financial reporting before an existing interest rate benchmark is replaced with an alternative interest rate as part of the interest rate benchmark reform (pre-replacement phase). The AASB considers that the proposals in ED/2019/1 provide a sufficient solution to address a number of hedge accounting issues that would be impacted by the period of uncertainty and supports providing relief on hedge accounting requirements until uncertainty is resolved. The AASB's support is consistent with feedback from a number of Australian constituents that the proposals are expected to help address and minimise many hedge accounting issues during the pre-replacement phase.

The AASB would also encourage the IASB to proceed without delay to consider financial reporting issues that might arise once the existing interest rate benchmark is replaced with an alternative interest rate (i.e. replacement issues). Examples of such issues might be modification and/or derecognition of financial assets/liabilities and continuation or discontinuation of the hedge relationships. This is in light of feedback from some constituents in the financial institution sector that steps are being taken in Australia to progress quite quickly with the transition to alternative interest rates.

If you have any questions regarding this letter, please do not hesitate to contact Fridrich Housa, Senior Project Manager (fhousa@asb.gov.au).

Yours sincerely,

Kris Peach
AASB Chair

APPENDIX A

Additional specific comments on the proposals in ED/2019/1

Question 1: Highly probable requirement and prospective assessments

- 1 The AASB agrees with the proposed relief in respect of highly probable requirement and prospective assessments for the reasons outlined in the Basis for Conclusions of the ED. The AASB also recommends the IASB to broaden the proposed relief to include cases where the hedged item and hedging instrument are impacted by the uncertainty arising from the benchmark reform but the hedged risk is not the interest rate risk, for example when a 'float to float' cross currency swap is hedging foreign currency denominated debt.

Question 5: Effective date and transition

- 2 The AASB agrees with the proposed effective date and transition for the reasons outlined in the Basis for Conclusion. The AASB also recommends to clarify comments in BC 46 to ensure that the retrospective application is available for those hedge accounting relationships that has been discontinued before the effective date of the proposals solely due to the uncertainty arising from interest rate benchmark reform.