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Australian Accounting Standards Board

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Mr Sam Woods
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Columbus Building, 7 Westferry Circus
Canary Wharf, London E14 4HD, UK

(submitted via the IASB website)

XX November 2026

Dear Mr Woods,

Feedback on Request for Information IASB/RFI/2026/1
Post-implementation Review of IFRS 9 and IFRS 7 – Hedge Accounting Requirements

The Australian Accounting Standards Board (AASB) welcomes the opportunity to provide comments on the International Accounting Standards Board's (IASB's) Request for Information on the post-implementation review of the hedge accounting requirements in IFRS 9 *Financial Instruments* and IFRS 7 *Financial Instruments: Disclosures*, which was issued in September 2026.

The AASB acknowledges the efforts of the IASB to understand stakeholders' experience with the hedge accounting requirements in IFRS 9 and the related disclosure requirements in IFRS 7 and to assess whether they are working as intended.

In formulating these comments, the views of Australian stakeholders were sought and considered. Staff received feedback from:

(a) the AASB Financial Instruments Project Advisory Panel;

(b) the Australian Prudential Regulation Authority; and

(c) Chartered Accountants Australia and New Zealand.

Overall, we consider that the hedge accounting requirements in IFRS 9 are working as intended and better align hedge accounting with entities' risk management activities than IAS 39 *Financial Instruments: Recognition and Measurement*. We also consider that the overall objective of the related disclosure requirements in IFRS 7 remains appropriate, and we support the requirement to present hedge accounting disclosures together in a single note. However, feedback from Australian stakeholders identified some areas where the application of the requirements could be improved. Therefore, we recommend that the IASB consider:

(a) providing further guidance to help entities determine when rebalancing is required, including how to determine whether an entity's risk management objective has changed and, if it remains unchanged, whether the hedge ratio needs to be adjusted to ensure that the qualifying criteria continue to be met;

(b) clarifying the implications for IAS 39 if the Risk Mitigation Accounting (RMA) project does not proceed and, if it does so proceed, coordinating the withdrawal of IAS 39 so that it occurs no earlier than when RMA becomes available for application;

(c) identifying how hedge accounting disclosures are used by financial statement users, which information might assist preparers in making materiality decisions about the level of detail appropriate for their hedge accounting disclosures; and

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(d) whether, and if so in what circumstances, the variable-volume hedge accounting requirements applicable to nature-dependent electricity contracts could be extended to other variable-volume contracts that are not nature dependent.

The detailed recommendations and responses to the specific questions for respondents are in the Appendix to this letter. If you have any questions regarding this letter, please contact Clark Anstis, Technical Principal (canstis@aasb.gov.au).

Yours sincerely,

Dr Keith Kendall

Chair – AASB

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APPENDIX

AASB responses to questions raised in the IASB Request for Information on Post-implementation Review of IFRS 9 and IFRS 7 – Hedge Accounting requirements

Question 1 – Overall assessment of the hedge accounting requirements in IFRS 9
The IASB wants to understand whether, in your view: (a) the hedge accounting requirements in IFRS 9 meet their objective. If not, please explain why not. (b) the overall initial and ongoing costs of applying the requirements in IFRS 9, and auditing and enforcing their application, are largely as the IASB expected. If your view is that the overall costs are significantly greater than expected, please explain why, how you would propose the IASB reduce these costs and how your proposals would affect the benefits of the requirements. (c) the overall benefits to users of the information resulting from entities applying the hedge accounting requirements in IFRS 9 are largely as the IASB expected. If your view is that the overall benefits are significantly lower than expected, please explain why and what the IASB could do to improve the usefulness of that information. The expected costs and benefits of the hedge accounting requirements in IFRS 9 are set out in paragraphs BCE.174-BCE.238 of the Basis for Conclusions on IFRS 9. Respondents may also share their views on the timing and manner of the proposed withdrawal of IAS 39. In particular, please consider the transition requirements for applying the hedge accounting requirements in IFRS 9 and whether additional requirements would need to be added upon the withdrawal of IAS 39. Please refer to the 'Guidance for responding to questions' on page 8.

The AASB considers that the hedge accounting requirements in IFRS 9 are, overall, working as intended and better align hedge accounting with entities' risk management activities than IAS 39. Australian stakeholders particularly welcomed the removal of the 80–125% effectiveness threshold and the broader eligibility of items for hedge accounting.

Australian stakeholder feedback indicated that initial implementation costs appear broadly consistent with the IASB's expectations, although the reduction in ongoing costs may have been less substantial than expected.

Australian stakeholders supported linking the discontinuation of a hedging relationship to changes in an entity's risk management rather than permitting voluntary discontinuation, consistent with the intended closer alignment between hedge accounting and risk management.

IFRS 9 provides that an existing hedging relationship:

(a) continues without adjustment if it continues to meet the qualifying criteria;

(b) is rebalanced if the hedge ratio needs to be adjusted to continue meeting the hedge effectiveness requirements and the risk management objective (RMO) remains unchanged; or

(c) is discontinued, in whole or in part, if the RMO for the hedging relationship has changed or the hedging relationship otherwise ceases to meet the qualifying criteria after taking into account any applicable rebalancing.

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We heard from stakeholders that rebalancing requirements could be clearer and that there is a need for clarity about the interaction between rebalancing and changes in an entity's RMO, including the evidence needed to demonstrate that an RMO has genuinely changed. The AASB notes that the IASB guidance and examples are largely directed at the accounting treatment once it has been determined whether the RMO remains unchanged or has changed.

We recommend the IASB consider further guidance to help preparers assess the nature and circumstances of a change in an existing hedging relationship to determine whether:

(a) the RMO has remained unchanged; and

(b) the qualifying criteria continue to be met;

as well as additional guidance on the evidence needed to support that assessment.

IAS 39 and Risk Mitigation Accounting

In relation to IAS 39, Australian stakeholders:

(a) sought clarity on whether IAS 39 would remain available if the RMA project does not proceed; and

(b) considered that, if the RMA project does proceed, then IAS 39 should remain available until the RMA model becomes available for application.

We recommend that the IASB clarify the implications for IAS 39 if the RMA project does not proceed and, if it does so proceed, then the IASB should coordinate any withdrawal of IAS 39 with the availability of the RMA model and provide a clear transition pathway.

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Question 2 – Overall assessment of the hedge accounting disclosure requirements in IFRS 7

The IASB wants to understand whether, in your view:

(a) the hedge accounting disclosure requirements in IFRS 7 meet their objective. If not, please explain why not.

(b) the overall initial and ongoing costs of applying the requirements in IFRS 7, and auditing and enforcing their application, are largely as the IASB expected. If your view is that the overall costs are significantly greater than expected, or providing the required information requires undue cost or effort, please explain:

  (i) why (identifying the specific requirement and cost drivers);

  (ii) how you would propose the IASB reduce these costs; and

  (iii) how your proposals would affect the benefits of the requirements.

(c) the overall benefits to users of the information resulting from entities applying the hedge accounting disclosure requirements in IFRS 7 are largely as the IASB expected. Specifically, please explain:

  (i) which of the disclosures provided are most useful and why;

  (ii) whether, in your view, the information provided is sufficient to meet the objective of enabling users to understand an entity's hedging activities; and

  (iii) if the overall benefits of the information are significantly lower than expected, why, and what the IASB could do to improve the usefulness of that information.

The expected costs and benefits of the hedge accounting disclosure requirements in IFRS 7 are set out in paragraphs BCE.174-BCE.238 of the Basis for Conclusions on IFRS 9.

Please refer to the 'Guidance for responding to questions' on page 8.

The AASB considers that the overall objective of the IFRS 7 hedge accounting disclosure requirements remains appropriate. Australian stakeholders identified benefits from presenting hedge accounting disclosures together in one note, including greater consistency. However, stakeholders provided additional observations for the IASB to consider.

Some stakeholders commented that the disclosure requirements may not provide a complete picture of an entity's economic hedging activities that are not designated in accounting hedge relationships. Another stakeholder noted that the cost and complexity of applying IFRS 9 hedge accounting may influence whether entities elect to apply hedge accounting, with some entities using derivatives to manage risks economically without applying hedge accounting.

We recommend that the IASB seek feedback on whether the broader IFRS 7 risk disclosure requirements are resulting in entities providing information about risk exposures for which hedge accounting is not applied. If entities are already providing sufficient information about those exposures, we do not consider additional disclosure requirements would be necessary. If they are not, we recommend the IASB to investigate why. If the issue reflects a lack of understanding that the broader IFRS 7 risk disclosure requirements apply to exposures outside designated hedge accounting relationships, the IASB could amend the hedge accounting disclosure requirements to cross-reference more clearly to those broader requirements or otherwise identify the broader scope of the risk-based disclosure requirements.

Preparers noted that hedge accounting disclosures can be costly to produce but that they receive limited feedback on how, or whether, financial statement users use that information. They suggested that, if particular disclosures provide limited decision-useful information, there may be opportunities

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to streamline the disclosure requirements. A regulator observed that the usefulness of the disclosures may differ across user groups, with specialist users potentially relying on them more than general-purpose users, and is of the view that preparation effort should be balanced against the transparency provided by the disclosures.

The AASB recommends that the IASB continue to gather user feedback through the PIR on the usefulness of hedge accounting disclosures and communicate those findings in its feedback statement, to help address this information gap for preparers. Where appropriate, the IASB could then assess the preparation effort against the benefits to users before considering whether particular disclosure requirements might be streamlined.

One stakeholder observed that differences in the level of detail of hedge accounting disclosures across entities depend on the materiality judgement applied and the nature of an entity's hedging activities, and are not necessarily indicative of inconsistent application. The stakeholder noted that changing the disclosure requirements would not necessarily result in greater consistency in the level of detail in the financial statements.

Another stakeholder observed that disclosures can be lengthy and boilerplate, particularly for corporate entities, when compared with banks. This could be due to a lack of conceptual understanding in determining what information is material and therefore what should or should not be disclosed.

We consider that these challenges may, in part, reflect an information gap between preparers and users. Preparers may have limited visibility of which hedge accounting information users find most useful and, consequently, may find it difficult to exercise judgement about what information is material and the appropriate level of aggregation or disaggregation. Similar to the recommendation above, we encourage the IASB to continue gathering user feedback through the PIR and to communicate in its feedback statement how users use the hedging information disclosed. This could help bridge the information gap and support preparers in making more effective materiality and aggregation or disaggregation judgements.

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Question 3 – Other matters relevant to this post-implementation review
Are there any other matters the IASB should examine as part of the post-implementation review of the hedge accounting requirements in IFRS 9 and related disclosure requirements in IFRS 7? If so, please explain why, considering the objective of a post-implementation review as set out on page 6. Please refer to the 'Guidance for responding to questions' on page 8.

Variable-volume hedges

A stakeholder suggested extending the variable-volume hedge accounting requirements for nature-dependent electricity contracts to other variable-volume contracts that are not nature dependent (for example, the use of load-following swaps as a hedging instrument). Where a load-following swap is used to hedge a variable-volume forecast exposure with characteristics similar to those addressed by the nature-dependent electricity requirements, there may be a basis for applying a similar variable-volume designation. We recommend that the IASB explore whether, and if so in what circumstances, the variable-volume hedge accounting requirements applicable to nature-dependent electricity contracts could be extended to other hedging relationships. It would be most helpful if the IASB explained its conclusion in this respect, even if that is not to propose broader application of those hedge accounting requirements.

Proxy hedging that may not reflect the underlying risk-management activity

Stakeholder feedback identified one example related to a proxy hedge, where the proxy designation does not reflect the exposure being managed for economic purposes and, more significantly, can appear to portray a risk position that is counter to the entity's underlying economic risk management objective.

In the example, an interest-rate swap economically intended to manage the interest-rate risk of a bank's deposit portfolio might instead be designated, for hedge-accounting purposes, against variable-rate loans because the deposits cannot be designated as the hedged item. The resulting accounting designation could appear to portray the bank as increasing its fixed-rate exposure and taking on additional interest-rate risk, even though the economic purpose of the swap is to reduce the bank's interest-rate risk. This outcome is counterintuitive from a risk-management perspective.

If the RMA project does not proceed, preparers would continue to use proxy hedge designations under the general IFRS 9 hedge accounting requirements in these circumstances. We recommend that the IASB clarify whether this is an intended outcome in that case.

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