



14 April 2020

To: **Members of the Hong Kong Institute of CPAs**
All other interested parties

**INVITATION TO COMMENT ON IASB EXPOSURE DRAFT
ED/2020/1 *Interest Rate Benchmark Reform – Phase 2*
*Proposed Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16***

Comments to be received by 8 May 2020

The Financial Reporting Standards Committee (FRSC) of the Hong Kong Institute of Certified Public Accountants (Institute) is seeking comments on the IASB Exposure Draft ED/2020/1. The Exposure Draft is available on the Institute's website:

<http://www.hkicpa.org.hk/en/standards-and-regulations/standards/financial-reporting/exposure-drafts/>

The International Accounting Standards Board (IASB) has been considering the effects of interest rate benchmark reform on financial reporting since 2018, splitting its work into two phases. The first phase culminated in amendments to some IFRS Standards in September 2019, providing temporary exceptions to specific hedge accounting requirements and requiring related disclosures in the period during which there is uncertainty about contractual cash flows arising from interest rate benchmark reform.

The IASB has now published further proposed amendments as part of the second phase of its project. These proposed amendments aim to address issues affecting financial statements when changes are made to contractual cash flows and hedging relationships as a result of the reform. Given the extensive use of interest rate benchmarks in global financial markets, the proposed amendments are expected to affect many entities.

The main proposed amendments relate to:

- modifications—a company would not derecognise or adjust the carrying amount of financial instruments for modifications required by interest rate benchmark reform, but would instead update the effective interest rate to reflect the change in the interest rate benchmark;
- hedge accounting—a company would not discontinue its hedge accounting solely because of replacing the interest rate benchmark if the hedge meets other hedge accounting criteria; and
- disclosures—a company would disclose information about new risks arising from the interest rate benchmark reform and how it manages the transition to alternative benchmark rates.

The FRSC invites your comments on the proposal as set out in the ED by **8 May 2020** to allow your comments to be considered in developing its response to the IASB. Comments should be supported by specific reasoning and should be submitted in written form.

Comments may be sent by mail, fax or e-mail to:

Standard Setting Department
Hong Kong Institute of Certified Public Accountants
37th Floor, Wu Chung House
213 Queen's Road East
Wanchai, Hong Kong

Fax number (+852) 2865 6776
E-mail: commentletters@hkicpa.org.hk

Comments will be acknowledged and may be made available for public review unless otherwise requested by the respondent.