

This paper provides the technical advice from EFRAG TEG to the EFRAG Board, following EFRAG TEG's public discussion. The paper does not represent the official views of EFRAG or any individual member of the EFRAG Board. This paper is made available to enable the public to follow the EFRAG's due process. Tentative decisions are reported in EFRAG Update. EFRAG positions as approved by the EFRAG Board are published as comment letters, discussion or position papers or in any other form considered appropriate in the circumstances.

Interest Rate Benchmark Reform Phase 2 Cover Note

Objective

- 1 The objectives of the session are to:
 - (a) consider the feedback received in response to EFRAG's draft comment letter on the 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*, issued by the IASB on 09 April 2020 (the 'ED'); and
 - (b) approve jointly by EFRAG TEG and EFRAG Board the final comment letter on the IASB ED. Following a joint discussion by members and observers of the two groups attending the meeting, the EFRAG Secretariat will first seek EFRAG TEG approval and after, in the same joint session, EFRAG Board approval.

Comment letters received

- 2 EFRAG published pre-consultation letter on 31 March 2020 and, based on this document, its draft comment letter on 23 April 2020.
- 3 EFRAG received 8 comment letters from constituents. The general feedback was supportive of the EFRAG position expressed in the draft comment letter.

EFRAG Secretariat proposed recommendations

- 4 Considering the input received from constituents, the EFRAG Secretariat proposes to amend the comment letter for the common issues raised by constituents. Detailed explanations of the rationale for these proposals are provided in the Comment Letter Analysis:
 - (a) Reconsidering the wording used to describe modifications (required by the IBOR reform) (Question 1).
 - (b) Clarification of the application of the practical expedient to financial instruments not measured at amortised cost and applicability of the practical expedient to entities that apply the hedge accounting requirements in IAS 39 *Financial Instruments: Recognition and Measurement* rather than those in section 6 of IFRS 9 *Financial Instruments* (Question 1).
 - (c) Deleting the reference to regression analysis as this was a mere example (Question 2).
 - (d) Application of paragraph 6.9.11 when remeasuring the hedged item (Question 3).
 - (e) Consider revisiting the 24-month period for the separately identifiable criterion due to the impact of the Covid-19 pandemic to the progress of IBOR reform (Question 4).

- (f) Cost-benefit considerations and the requirement to provide comparative information when preparing the disclosures required by IFRS 7.24J(b) based on carrying amounts (Question 6).
- 5 In addition to the changes proposed above (already in the final comment letter prepared for discussion in this session), the EFRAG Secretariat was advised by EFRAG FIWG to raise with EFRAG TEG and EFRAG Board the following two additional issues and whether these should be included in the comment letter:
- (a) How to assess the economically equivalent condition for historical fallback terms (Question 1); and
 - (b) Whether a specific clarification should be suggested to the IASB with reference to impracticability of the retrospective reinstatement (Question 5).
- 6 Finally, the EFRAG Secretariat seeks confirmation that the final comment letter should not comment on the issue of clearly [excluding the possibility that the proposed amendments are applied by analogy to circumstances other than the IBOR reform.](#) (Ref. to Issue n. 7 in the Agenda Paper 10-05).

Agenda Papers

- 7 In addition to this cover note, agenda papers for this session are:
- (a) Agenda paper 10-02 – Comment Letter Analysis;
 - (b) Agenda paper 10-03 – Final Comment Letter (mark-up);
 - (c) Agenda paper 10-04 – Final Comment Letter (clean);
 - (d) Agenda paper 10-05 – Issues Paper; and
 - (e) Agenda paper 10-06 – IASB *ED/2020/1 Interest Rate Benchmark Reform - Phase 2: Proposed amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16.*
- 8 The comment letters received on EFRAG's pre-consultation letter and the draft comment letter can be found here: <https://www.efrag.org/Activities/1901111001539286/IBOR-Reform-and-its-effects-on-financial-reporting>.