

The Swedish Financial Reporting Board

RFR-rs 2019:03

International Accounting Standards Board
Columbus Building, 7 Westferry Circus
Canary Wharf
London E14 4HD
United Kingdom

Dear Sirs,

**Re: IASB Exposure Draft ED/2019/1 Interest Benchmark Reform
– Proposed amendments to IFRS 9 and IAS 39**

The Swedish Financial Reporting Board is responding to your invitation to comment on the Exposure Draft ED/2019/1 Interest Benchmark Reform – Proposed amendments to IFRS 9 and IAS 39.

We support the proposals in the ED. However, we believe there are other urgent issues that the IASB should consider. Hence, we do not support the idea proposed in the ED that the IASB will monitor the development without further action. Instead, we propose a three-step approach:

Step 1: Finalize the proposals in the ED.

Step 2: Take immediate action to analyze and propose further amendments to IFRS 9 and IAS 39 to those other issues already identified where different alternatives exist.

Step 3: Monitor the development and take further actions if the implementation process indicates further needs for change.

Regarding step 2 there are several areas the IASB should consider. Some examples:

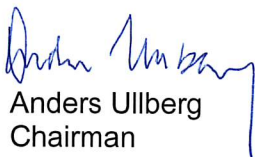
- Cash flow hedges, the highly probably assessment is done both retrospectively and prospectively. The ED only gives relief for prospective testing. However, we believe it is also needed for retrospective testing.
- IAS 39 effectiveness testing is stricter than IFRS 9. Many preparers have continued to use IAS 39. Further guidance/relief is needed for the quantitative effectiveness testing in IAS 39.
- The ED is supposed to apply retrospectively while effectiveness testing is done prospectively. It is unclear how discontinued hedging relationships prior to the effective date of the standard should be treated. E.g. if the benchmark rate was changed for the hedging instruments before 1 January 2020 and that caused the hedge to fail in December 2019. In this situation, should the 2019 financial statements be restated since the hedge relationship should not have been considered to have failed if using the relief in the ED?

Rådet **för** **finansiell rapportering**

- According to the ED the relief ends when it is certain when the new benchmark rate should be used. Still there might be a lack of liquidity and therefore uncertainty concerning the fair value of the hedging instrument and the hedged item and therefore uncertainty concerning the actual ineffectiveness caused by changing the benchmark rate. This, in combination with that it is unclear based on the wording in the ED if the change in valuation should be recognized in P&L or stay in OCI, indicate a further need for guidance with regards to the treatment of value changes caused by the change of benchmark rates.

Stockholm, 11 June, 2019

Yours sincerely,



Anders Ullberg
Chairman