



FRED 72 DRAFT AMENDMENTS TO FRS 102 - INTEREST RATE BENCHMARK REFORM

Issued 20 September 2019

ICAEW welcomes the opportunity to comment on the FRED 72 *Draft amendments to FRS 102 - Interest rate benchmark reform* published by the Financial Reporting Council (FRC) in July 2019, a copy of which is available from this [link](#).

ICAEW welcomes the proposed amendments to FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*. We believe it is important for the amendments to be put in place on a timely basis to avoid the adverse consequences of hedge accounting being discontinued or prevented as a result only of the uncertainties arising from the interest rate benchmark reform.

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KEY POINTS

SUPPORT FOR THE PROPOSALS

1. ICAEW welcomes the proposed amendments to FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*, which are necessary in order to avoid the discontinuation of hedge accounting solely due to uncertainties about interest rate benchmark reform before its economic effects are known.

TIMING AND ADDITIONAL ISSUES TO BE ADDRESSED

2. We agree with the proposed timescale for introducing the amendments outlined in the exposure draft. It is important for the amendments to be put in place on a timely basis to avoid the adverse consequences of hedge accounting being discontinued or prevented as a result only of the uncertainties arising from the interest rate benchmark reform.
3. We also note that many other issues that might affect financial reporting when an existing interest rate benchmark is replaced with an alternative rate (replacement issues) are equally pressing. Therefore, while we would not want to see delay in the finalisation of the proposals outlined in the exposure draft, we would also urge the FRC not to delay in its consideration of any additional proposals required to deal with these replacement issues.

ANSWERS TO SPECIFIC QUESTIONS

Question 1

Do you agree with the proposed amendments to FRS 102? If not, why not?

4. We agree with the approach taken by the FRC in developing these proposals and are supportive of the proposed amendments to FRS 102 outlined in FRED 72.
5. We note that the FRC will be monitoring the outcome of the IASB's own proposed amendments addressing interest-rate benchmark reform and that the FRC will update the proposals in FRED 72 accordingly. We support this approach and, while assuming consistency between the IASB and FRC's final amendments, we nevertheless take this opportunity to reiterate several points made in our comment letter to the IASB.
6. First, we believe the wording of the amendments could be improved to refer to all hedge accounting relationships which are affected by interest rate benchmark reform; for example, for hedge accounting relationships designated for multiple risks, including interest rate risk as just one of the risks. Second, we believe that consideration should be given as to whether reference should also be made to assuming that the hedged risk is unchanged as a result of interest rate benchmark reform.

Question 2

In relation to the Consultation stage impact assessment, do you have any comments on the costs and benefits identified? Please provide evidence to support your views.

7. We have no comments at this stage on the consultation stage impact assessment.