

EFRAG
Attn. EFRAG Technical Expert Group
35 Square de Meeûs
B-1000 Brussels
Belgique

Secretariaat:
Antonio Vivaldistraat 2-8, 1083 GR Amsterdam
Postbus 7984, 1008 AD Amsterdam

T +31(0)20 301 02 35
F +31(0)20 301 03 02
rj@rjnet.nl
www.rjnet.nl

Our ref : RJ-EFRAG

Direct dial : 0031-20-3010235

Date : Amsterdam, 21 June 2019

Re : draft comment letter Exposure Draft ED/2019/1 Interest Rate Benchmark Reform: Proposed amendments to IFRS 9 and IAS 39

Dear members of the EFRAG Technical Expert Group,

The Dutch Accounting Standards Board ('DASB') appreciates the opportunity to comment your draft comment letter in connection with the Exposure Draft ED/2019/1 Interest Rate Benchmark Reform: Proposed amendments to IFRS 9 and IAS 39 (the 'ED').

In general we agree with your draft comment letter to the IASB.

Additionally we would like to emphasise a possible issue with regard to the endorsement timelines. As the ED is expected to be finalised in Q4 2019 there will be limited time to endorse the amended standard in the EU. Any endorsement after the start of 2020 may cause issues for entities who prepare and finalise their 2019 annual accounts before endorsement is finalised.

In addition, while we support the amendments being made, we hold the view that accounting standards should be sufficiently robust to avoid amendments for changes in regulations such as the benchmark reform. As the development of such principles require more time we do support a quick fix for this benchmark reform issue. Possible further accounting issues from this reform may however be numerous and therefore we would support a more principle based approach in phase two. We suggest that EFRAG expresses a similar comment to the IASB.

Below we provide you with our responses to the questions to constituents as included in your draft comment letter below.

Paragraph 42 and 43 – Cease applying the relief

We do not believe that the level of judgement requires additional discipline. We expect that, due to the nature of the reliefs, entities will only make use of these as long as it is necessary. We do not perceive a risk that entities are able to abuse the relief. Also, due to the requirement to disclose in the financial statements to which hedge relationship the relief is applied, it will be visible when and for how long entities will use the relief.

Paragraph 25 in appendix II – Alternative fact patterns

We currently do not note other fact patterns applicable in our environment in addition to those that have been set out by you (Euribor, Libor and Eonia).

Paragraph 31 and 32 in appendix II – retrospective assessment

For the retrospective hedge effectiveness test under IAS 39 it would be beneficial to provide relief from the 80%-125% test. This is because new benchmark rates may be implemented for hedged items at a different point in time than for the hedging instruments. We agree that any actual hedge ineffectiveness should continue to be recognised in profit or loss, including ineffectiveness that is due to the benchmark reform, but that it should be possible to continue the hedge relationship even if, solely due to the benchmark reform, effectiveness falls outside the 80%-125%.

Paragraph 48 in appendix II – Suggested topics of focus for IASB in Phase 2

We agree with the topics addressed by you. We believe that the IASB should first analyse whether the issues can be solved by applying the current standard including the guidance of IAS 8 before further amendments will be made. We expect that only a limited number of topics would require specific additional guidance.

Paragraph 49 in appendix II – Possible other topics of focus for Phase 2

We do not list other matters as such list may not cover all issues that may arise. We would welcome more robust principle based guidance to address matters. For example a principle that “in the case an underlying market convention or regulation of an instrument changes, such change should not result in an accounting impact.” We believe that such principles would overcome specific relief measures for identified issues and will fit into the principles based nature of IFRS.

If you have any questions please do not hesitate to contact me.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'Sampers', with a long horizontal flourish extending to the right.

Prof. dr. P.A.M. Sampers
Chairman DASB