

Explanatory Statement

Accounting Standard AASB 2019-3 *Amendments to Australian Accounting Standards* *– Interest Rate Benchmark Reform*

October 2019



Australian Government

**Australian Accounting
Standards Board**

EXPLANATORY STATEMENT

Standards Amended by AASB 2019-3

This Standard makes amendments to Australian Accounting Standards AASB 7 *Financial Instruments: Disclosures* (August 2015), AASB 9 *Financial Instruments* (August 2015) and AASB 139 *Financial Instruments: Recognition and Measurement* (August 2015). These amendments arise from the issuance of International Financial Reporting Standard *Interest Rate Benchmark Reform* (Amendments to IFRS 9, IAS 39 and IFRS 7) by the International Accounting Standards Board in September 2019.

Power to Make Amendments

Under subsection 33(3) of the *Acts Interpretation Act 1901*, where an Act confers a power to make, grant or issue any instrument of a legislative or administrative character (including rules, regulations or by-laws), the power shall be construed as including a power exercisable in the like manner and subject to the like conditions (if any) to repeal, rescind, revoke, amend, or vary any such instrument. Accordingly, the Australian Accounting Standards Board (AASB) has the power to amend the Accounting Standards that are made by the AASB as legislative instruments under the *Corporations Act 2001*.

Main Features of AASB 2019-3

Main Requirements

The Standard amends AASB 7, AASB 9 and AASB 139 to modify some specific hedge accounting requirements to provide relief from the potential effects of the uncertainty caused by the interest rate benchmark reform. In addition, the amendments require entities to provide additional information about their hedging relationships that are directly affected by these uncertainties.

Application Date

AASB 2019-3 applies to annual reporting periods beginning on or after 1 January 2020. Earlier application is permitted.

References to Other AASB Standards

References in this Standard to the titles of other AASB Standards that are legislative instruments are to be construed as references to those other Standards as originally made and as amended from time to time and incorporate provisions of those Standards as in force from time to time.

Consultation Prior to Issuing this Standard

The AASB issued Exposure Draft ED 288 Interest Rate Benchmark Reform in May 2019 for comment by 31 May 2019. ED 288 incorporated IASB Exposure Draft ED/2019/1 Interest Rate Benchmark Reform. No formal submissions were received by the AASB in respect of the proposals in ED 288, however informal feedback was obtained via targeted outreach with stakeholders, including Australian banks and accounting firms, which broadly supported the proposed amendments. The AASB made a submission to the IASB on ED/2019/1 generally agreeing with the proposals. Two Australian stakeholders made submissions directly to the IASB on ED/2019/1, broadly supporting the IASB's proposed amendments.

The IASB analysed the feedback it received on the proposed amendments and decided to finalise those amendments with no substantive changes. The IASB set an effective date of annual periods beginning on or after 1 January 2020, with earlier application permitted. The AASB considered the amendments made by the IASB to IFRS 7, IFRS 9 and IAS 39 in finalising AASB 2019-3 and the amendments to AASB 7, AASB 9 and AASB 139.

A Regulation Impact Statement (RIS) has not been prepared in connection with the issue of AASB 2019-3 as the amendments made do not have a substantial direct or indirect impact on business or competition.

Statement of Compatibility with Human Rights

Prepared in accordance with Part 3 of the
Human Rights (Parliamentary Scrutiny) Act 2011

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Overview of the Accounting Standard

This Standard amends Australian Accounting Standards AASB 7 *Financial Instruments: Disclosures* (August 2015), AASB 9 *Financial Instruments* (August 2015) and AASB 139 *Financial Instruments: Recognition and Measurement* (August 2015).

The Standard amends AASB 7, AASB 9 and AASB 139 to modify some specific hedge accounting requirements to provide relief from the potential effects of the uncertainty caused by the interest rate benchmark reform. In addition, the amendments require entities to provide additional information about their hedging relationships that are directly affected by these uncertainties.

Human Rights Implications

This Standard is issued by the AASB in furtherance of the objective of facilitating the Australian economy. It does not diminish or limit any of the applicable human rights or freedoms, and thus does not raise any human rights issues.

Conclusion

This Standard is compatible with the human rights and freedoms recognised or declared in the international instruments listed in section 3 of the *Human Rights (Parliamentary Scrutiny) Act 2011*.