

**IASB completes important steps in reform of financial instruments accounting**

The International Accounting Standards Board (IASB) today announced the completion of a package of amendments to the accounting requirements for financial instruments. The amendments:

1. bring into effect a substantial overhaul of hedge accounting that will allow entities to better reflect their risk management activities in the financial statements;
2. allow the changes to address the so-called ‘own credit’ issue that were already included in IFRS 9 *Financial Instruments* to be applied in isolation without the need to change any other accounting for financial instruments; and
3. remove the 1 January 2015 mandatory effective date of IFRS 9, to provide sufficient time for preparers of financial statements to make the transition to the new requirements.

Hedge accounting

The IASB has today introduced a new hedge accounting model, together with corresponding disclosures about risk management activity for those applying hedge accounting. The changes to hedge accounting and the associated disclosures were developed in response to concerns raised by preparers of financial statements about the difficulty of appropriately reflecting their risk management activities in the financial statements. The changes also address concerns raised by users of the financial statements about the difficulty of understanding hedge accounting.

The new model represents a substantial overhaul of hedge accounting that will enable entities to better reflect their risk management activities in their financial statements. The most significant improvements apply to those that hedge non-financial risk, and so these improvements are expected to be of particular interest to non-financial institutions. As a result of these changes, users of the financial statements will be provided with better information about risk management and about the effect of hedge accounting on the financial statements.

Own credit

As part of the amendments, the changes introduced also enable entities to change the accounting for liabilities that they have elected to measure at fair value, before applying any of the other requirements in IFRS 9. This change in accounting would mean that gains caused by a worsening in an entity’s own credit risk on such liabilities are no longer recognised in profit or loss. Today’s amendments will facilitate earlier application of this long-awaited improvement to financial reporting.

## IFRS 9 effective date

Because the impairment phase of the IFRS 9 project has not yet been completed, the IASB decided that a mandatory date of 1 January 2015 would not allow sufficient time for entities to prepare to apply the new Standard. Accordingly, the IASB decided that a new date should be decided upon when the entire IFRS 9 project is closer to completion. The amendments made to IFRS 9 in November 2013 remove the mandatory effective date from IFRS 9. However, entities may still choose to apply IFRS 9 immediately.

Hans Hoogervorst, Chairman of the IASB commented:

*This package includes several, long-awaited reforms to financial instruments accounting.*

*First, we have introduced a new hedge accounting model. This is a significant change in accounting that enables companies to better reflect their risk management activities. This change has received strong support from corporates around the world. Second, we have provided a mechanism to enable entities to benefit from the fix to the 'own credit' issue before making more comprehensive changes to their financial instruments accounting. Third, we have responded to concerns that the mandatory effective date for IFRS 9 provided insufficient time for companies to adequately prepare.*

A high level summary of the amendments can be downloaded [here](#).

**End**

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### **Notes to editors**

### **About the International Accounting Standards Board**

The IASB was established in 2001 and is the standard-setting body of the IFRS Foundation, an independent, private sector, not-for-profit organisation. The IASB is committed to developing, in the public interest, a single set of high quality, global accounting Standards that provide high quality, transparent and comparable information in general purpose financial statements. In pursuit of this objective the IASB conducts extensive public consultations and seeks the co-operation of international and national bodies around the world. The IASB has 16 full-time members drawn from 13 countries and a variety of professional backgrounds. Board members are appointed by, and accountable to, the Trustees of the IFRS Foundation, who are required to select the best available combination of technical expertise and diversity of international business and market experience. In their work the Trustees are accountable to a Monitoring Board of public authorities.