



Exposure Draft

Proposed Accounting Standards for Private Enterprises

Financial Instruments

September 2021

**COMMENTS TO AcSB MUST BE RECEIVED BY
October 18, 2021**

We value your input and look forward to your feedback on this Exposure Draft. Comment on this document by submitting a [comment letter](#) addressed to:

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This Exposure Draft reflects proposals made by the Accounting Standards Board (AcSB). Individuals and organizations are invited to send written comments on the Exposure Draft proposals. Comments are requested from those who agree with the Exposure Draft as well as from those who do not.

Comments are most helpful if they relate to a specific paragraph or group of paragraphs. Any comments that express disagreement with the proposals in the Exposure Draft should clearly explain the problem and include a suggested alternative, supported by specific reasoning. All comments received by the AcSB will be available on the website shortly after the comment deadline, unless confidentiality is requested. The request for confidentiality must be stated explicitly within the response.

HIGHLIGHTS

The Accounting Standards Board (AcSB) proposes, subject to comments received following exposure, to amend FINANCIAL INSTRUMENTS, Section 3856 in Part II of the CPA Canada Handbook – Accounting. This amendment would provide an optional expedient for applying debt modification accounting and an exception to certain hedge accounting requirements in Section 3856, to ease the financial reporting burdens related to the market-wide interest rate benchmark transition to replace interbank offered rates (IBORs) with alternative benchmark rates (IBOR reform). This amendment will also apply to not-for-profit organizations (NFPOs) applying the standards in Part III of the Handbook, as relevant.

BACKGROUND

Following the recommendations from the Financial Stability Board’s (FSB) report, “[Reforming Major Interest Rate Benchmarks](#),” many jurisdictions, including Canada, are replacing existing IBOR benchmarks with alternative benchmark rates. For example, the London interbank offered rate (LIBOR) is expected to be discontinued after December 2021.¹ Although the Canadian dollar offered rate (CDOR), Canada’s IBOR, is not anticipated to be immediately replaced, its relevance is expected to decline and ultimately it will be discontinued.²

During the transition from IBORs to alternative benchmark rates, various debt and derivative contracts that refer to IBORs are expected to be modified. The current guidance in Section 3856 requires enterprises to qualitatively and quantitatively assess whether a modification to a debt contract should be accounted for as an extinguishment. To accomplish this, an enterprise may need to perform the “10 percent” test described in paragraph [3856.A52](#). This test could be onerous for private enterprises with a high volume of debt contracts that refer to IBORs. In addition, a change in the benchmark rate in derivative contracts designated in a hedging relationship will lead to the discontinuation of hedge accounting. This outcome may not provide decision-useful information to financial statement users.

The AcSB discussed the available options and decided that standard setting is required to provide relief to:

- (a) simplify the current accounting analysis for debt modifications solely due to IBOR reform; and
- (b) allow hedging relationships to continue upon a change in certain critical terms related to IBOR reform.

Both the International Accounting Standards Board (IASB) and the U.S. Financial Accounting Standards Board (FASB) have already provided similar relief related to IBOR reform:

- On contract modifications, the IASB provided a practical expedient to account for debt modifications directly related to IBOR reform. The FASB provided optional relief to allow an entity to account for such a modification as an event that does not require contract remeasurement.
- On hedge accounting, the IASB and the FASB have allowed a series of exemptions from the regular, strict rules, allowing hedge accounting to continue uninterrupted and be maintained during the transition period.

The IASB and the FASB also provided relief to modifications made to leases as a result of IBOR reform.

1 Financial Conduct Authority, “FCA announcement on future cessation and loss of representativeness of the LIBOR benchmarks,” news release, March 5, 2021, www.fca.org.uk/publication/documents/future-cessation-loss-representativeness-libor-benchmarks.pdf.

2 Canadian Alternative Reference Rate Working Group (CARR), Canadian Interest Benchmark Reform (Ottawa, ON, Bank of Canada, August 2020), www.bankofcanada.ca/wp-content/uploads/2020/09/overview-canadian-interest-rate-benchmark-reform.pdf.

Main features of the Exposure Draft

The key features of the proposals are as follows.

Optional expedients for debt modifications

- The amendments would only apply to those debt instruments issued in an arm's length transaction that reference interest rate benchmarks expected to be replaced with an alternative benchmark interest rate as a direct consequence of IBOR reform.
- An enterprise that chooses this optional expedient would account for debt modifications that are related to IBOR reform as a continuation of the existing contract and not as an extinguishment.
- The optional expedient for debt modifications would be applied consistently for all eligible debt contracts.

Exceptions to hedge accounting guidance

- The amendments would apply only to the following two hedging relationships with critical terms expected to be modified because of IBOR reform:
 - an interest-bearing asset or liability hedged with an interest rate swap to mitigate the effect of changes in interest rates (see paragraph [3856.32\(c\)](#)); and
 - a foreign currency denominated interest-bearing asset or liability hedged with a cross-currency interest rate swap to mitigate the effect of changes in interest rates and foreign currency exchange rates (see paragraph [3856.32\(d\)](#)).
- Changes to the critical terms that are directly related to IBOR reform would not result in the discontinuation of the hedging relationship.
- An enterprise would update its hedge documentation to reflect the changes to the hedging item, the hedged item and the description of the specific risk exposure being hedged.
- An enterprise would prospectively cease applying the exception once all changes related to the replacement of IBORs have been made to the hedged item and hedging item.

Disclosure

- An enterprise would be required to disclose the nature and the carrying amount of the financial instruments subject to IBOR reform.

Effective date

- The amendments would be effective for fiscal years ending on or after February 1, 2022, with earlier application permitted.

Transition

- Retrospective application of the amendments would be required, as defined in ACCOUNTING CHANGES, Section [1506](#), except as specified below.
- Discontinued hedging relationships would be required to be reinstated if, and only if, the following conditions are met:
 - The hedging relationship was discontinued solely due to changes required by the IBOR reform, and the enterprise would not have been required to discontinue that hedging relationship if the amendments had been applied at that time; and

- At the date of initial application of these amendments, the discontinued hedge relationship continues to meet all the qualifying criteria for hedge accounting, after taking account of these amendments.

Plans for finalizing the proposals

The AcSB will deliberate the proposals in light of comments received. As part of its deliberation process, the Board will consult its [Private Enterprise Advisory Committee](#). The Committee assists the Board in maintaining and improving accounting standards for private enterprises. The Board will also consult its [Not-for-Profit Advisory Committee](#) for input on circumstances unique to NFPOs when applying the potential changes to the standard.

The AcSB will provide updates about its deliberations in its decision summaries and on the [IBOR Reform](#) project page.

Once it has completed its deliberation process and its due process procedures for finalizing a standard, the AcSB plans to issue the amendments in February 2022 if no significant changes are required to the proposals.³

Comments requested

Comments are most helpful if they relate to a specific paragraph or group of paragraphs. Any comments that express disagreement with the proposals in this Exposure Draft should clearly explain the problem and include a suggested alternative, supported by specific reasoning.

While the AcSB welcomes comments on all of the proposals in this Exposure Draft, it particularly welcomes comments on the questions listed below:

1. Do you agree that a practical expedient should be added to Section 3856 so that the debt modifications related to IBOR reform may be accounted for as a continuation of the existing contract and not as an extinguishment (see paragraph 3856.29A)? If not, why not?
2. Do you agree that the proposed practical expedient in paragraph 3856.29A should be optional? If not, why not?
3. Do you agree with the proposed exception in Section 3856 to require the continuation of hedge accounting when one or more critical terms change as a direct consequence of IBOR reform (see paragraph 3856.36A)? If not, why not?
4. Do you agree with the disclosure requirement proposed (see paragraph 3856.54A)? If not, why not?
5. Do you agree that the amendments to Section 3856 should be applied retrospectively, as defined in Section 1506 (see paragraph 3856.69)? If not, why not and in what circumstances would prospective application be preferred?
6. Do you agree that the discontinued hedging relationships must be reinstated if, and only if, the conditions outlined in paragraph 3856.71 are met? If not, why not?
7. Do you agree with the proposed effective date of fiscal years ending on or after February 1, 2022, with earlier application permitted? If not, why not?

The deadline for providing your comment letter to the AcSB is October 18, 2021. We value your input and look forward to your feedback on this Exposure Draft. Comment on this document by [submitting a comment letter](#).

3 Refer to the “Due Process Specifically Related to Domestic Standards” in the [AcSB Standard-Setting Due Process Manual](#).

PROPOSAL

The following Section would be amended as indicated below. Additional text is denoted by underlining and deleted text by strikethrough.

FINANCIAL INSTRUMENTS, Section 3856

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DERECOGNITION

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Financial liabilities

...

.27 Except as specified in paragraphs 3856.27A and 3856.29A, a transaction between a borrower and lender to replace a debt instrument with another instrument having substantially different terms is accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. Similarly, a substantial modification of the terms of an existing financial liability or a part of it (whether or not attributable to the financial difficulty of the debtor) is accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. [Former paragraph 3856.27 retained in Archived Pronouncements.]

...

Interest rate benchmark reform – debt modifications

.29A As a practical expedient, an enterprise that modified one or more contractual terms in a debt instrument because of the interest rate benchmark reform (IBOR reform) may choose to account for such modifications in accordance with paragraph 3856.A55 as if they are not substantial.

.29B For the purpose of this Section, IBOR reform refers to the market-wide reform to replace interbank offered rates (IBORs), including but not limited to the Canadian dollar offered rate (CDOR) and the London interbank offered rate (LIBOR), with alternative benchmark rates.

.29C The optional expedient described in paragraph 3856.29A shall apply to debt modifications if the terms that are modified directly replace, or have the potential to replace, IBORs with an alternative benchmark rate. If other terms are contemporaneously modified in a manner that changes, or has the potential to change, the amount or timing of contractual cash flows, the optional expedient shall apply only if those modifications are related to the replacement of IBOR with an alternative benchmark rate. Changes to terms related to the replacement of IBOR are those made to replace the existing IBOR with an alternative benchmark rate because of IBOR reform. (Paragraphs 3856.A54A-.A54B provide related application guidance.)

.29D If the optional expedient in paragraph 3856.29A is elected, it shall be applied to all debt instruments that reference IBORs as described in paragraph 3856.29B.

...

HEDGE ACCOUNTING

...

.35 Except as specified in paragraph 3856.36A, an enterprise shall discontinue hedge accounting only when:

- (a) *the hedged item or the hedging item ceases to exist other than as designated and documented;*
- (b) *the critical terms of the hedging item, as specified in paragraphs 3856.A62-.A65, cease to match those of the hedged item, including, but not limited to, when:*
 - (i) *it becomes probable that an interest-bearing asset or liability hedged with an interest rate or cross currency interest rate swap will be prepaid; and*
 - (ii) *the hedged item is an anticipated transaction and it is no longer probable that the anticipated commodity purchase or sale transaction or the settlement of the anticipated foreign currency transaction will occur in the amount designated or within 30 days of the maturity date of the hedging forward contract.*

...

Interest rate benchmark reform – hedge accounting

- .36A For the hedging relationships specified in paragraphs 3856.32(c)-(d) only, an enterprise shall continue applying hedge accounting to existing hedging relationships if changes made to the contractual terms of a hedging item or a hedged item are directly related to the replacement of IBORs (paragraphs 3856.A54A-.A54B provide related application guidance). To qualify for this exception, the critical terms of the hedging item and the hedged item shall continue to match after the enterprise makes such changes.
- .36B The contractual terms in the hedged item and the reference rate in the hedging item may be replaced at different times. In that case, there will be a temporary period during which the critical terms of the hedged item and the hedging item do not match. During this period, the exception specified in paragraph 3856.36A is applied and hedge accounting shall continue, provided that the enterprise is actively in the process of replacing the reference rate in the remaining instrument.
- .36C Some interest rate swaps and cross-currency interest rate swaps designated as hedging items may be modified through direct contract amendments to effect a change because of IBOR reform. Alternatively, they may be modified to effect the change because of IBOR reform by both:
- (a) entering into a fully offsetting derivative contract to effectively cancel the original derivative contract; and
 - (b) contemporaneously entering into a new derivative contract with the revised contractual terms.
- Both methods of effecting changes to contractual terms as a result of IBOR reform qualify for the exception described in paragraph 3856.36A.
- .36D An enterprise shall update its hedge documentation to reflect the changes required by IBOR reform to the hedging item, the hedged item and the description of the specific risk exposure being hedged. For the avoidance of doubt, such an amendment to the formal designation of a hedging relationship constitutes neither the discontinuation of the hedging relationship nor the designation of a new hedging relationship.
- .36E The exception specified in paragraph 3856.36A shall end when all changes related to the replacement of IBORs have been made to the hedged item and hedging item.

DISCLOSURE

...

Interest rate benchmark reform

- .54A An enterprise shall disclose the nature and the carrying amount of the financial instruments that are subject to IBOR reform.

EFFECTIVE DATE AND TRANSITION

...

- .69 Amendments to paragraphs 3856.27 and 3856.35 and new paragraphs 3856.29A-.29D, 3856.36A-.36E, 3856.54A and 3856.A54A-.A54B issued in February 2022, apply to annual financial statements relating to fiscal years ending on or after February 1, 2022. Earlier application is permitted, including in financial statements not yet authorized for issue. Except as specified in paragraphs 3856.70-.71, an enterprise applies these amendments retrospectively, as defined in ACCOUNTING CHANGES, Section 1506.

- .70 Transactions entered into before the date these amendments are applied for the first time shall not be retrospectively designated as hedges.
- .71 An enterprise shall reinstate a discontinued hedging relationship if, and only if, the following conditions are met:
- (a) the enterprise had discontinued that hedging relationship solely due to changes required by IBOR reform and the enterprise would not have been permitted to discontinue that hedging relationship if these amendments had been applied at that time; and
 - (b) at the beginning of the reporting period in which an enterprise first applies these amendments (date of initial application of these amendments), that discontinued hedging relationship meets the qualifying criteria for hedge accounting specified in paragraph 3856.31.

APPENDIX A

APPLICATION SUPPLEMENT

This Appendix is an integral part of this Section.

...

DERECOGNITION OF FINANCIAL LIABILITIES

...

- A54A For the purposes of paragraphs 3856.29B and 3856.36A, examples of changes to terms that are related to the replacement of IBORs include the following:
- (a) changes to the interest rate benchmark (e.g., a change from CDOR to an alternative benchmark rate);
 - (b) addition of or changes to a spread adjustment (e.g., adding or adjusting a spread to the interest rate index, amending the fixed rate for an interest rate swap, or paying or receiving a cash settlement for any difference intended to compensate for the difference in reference rates);
 - (c) changes to the reset period, reset dates, day-count conventions, business-day conventions, payment dates, payment frequency, and repricing calculation;
 - (d) addition of or changes to contractual fallback terms that are consistent with fallback terms developed by a regulator or by a private-sector working group convened by a regulator; or
 - (e) changes to terms that are necessary to comply with laws or regulations or to align with market conventions for the replacement rate.
- A54B For the purposes of paragraphs 3856.29B and 3856.36A, examples of changes to terms that are unrelated to the replacement of IBORs include the following:
- (a) changes to the notional amount;
 - (b) changes to the maturity date;
 - (c) changes from the existing interest rate benchmark to a stated fixed rate;
 - (d) the addition of an underlying or variable unrelated to the interest rate benchmark;
 - (e) a concession granted to a debtor experiencing financial difficulty; or
 - (f) the additional or removal of a feature that is intended to provide leverage.

BASIS FOR CONCLUSIONS

Introduction

- 1 Following the recommendations from the FSB's report, "[Reforming Major Interest Rate Benchmarks](#)," many jurisdictions, including Canada, are replacing existing IBORs with alternative benchmark rates (IBOR reform). For example, LIBOR is expected to be discontinued after December 2021. Although CDOR, Canada's IBOR, is not anticipated to be immediately replaced, its relevance is expected to decline and ultimately it will be discontinued.⁴
- 2 In April 2021, the AcSB added a project to its agenda to consider the financial reporting implications of IBOR reform. The Board's objective for the project is to provide necessary relief to minimize any operational burden and interruptions IBOR reform causes for Canadian private enterprises. Specifically, the Board identified two issues that could have financial reporting implications in Canada:
 - (a) **Debt modification versus extinguishment:** the "10 percent" requirement prescribed in paragraph 3856.A52 to assess whether the debt modification is substantial could be onerous for enterprises with a high volume of IBOR-based financial assets or financial liabilities.
 - (b) **Hedge accounting:** as the hedged item and hedging item designated in a qualifying hedging relationship are modified to replace IBOR with an alternative benchmark rate, the originally designated hedging relationship will cease to exist. In accordance with paragraph 3856.35, the enterprise shall discontinue hedge accounting.
- 3 The AcSB considered whether to provide relief to lease contracts that refer to IBOR given the modification of a benchmark will require an enterprise to reconsider existing leases as new leases. Based on the feedback received from its [Private Enterprises Advisory Committee](#) and [Not-for-Profit Advisory Committee](#), the Board understands that Canadian private enterprises do not usually hold IBOR-based lease contracts. Therefore, the Board decided against providing such relief because the cost of doing so would outweigh the benefits the relief may provide.
- 4 In developing these proposals, the AcSB sought the advice of its [Private Enterprises Advisory Committee](#) and [Not-for-Profit Advisory Committee](#). These Committees include financial statement users, auditors and preparers, with a range of backgrounds and experience from across Canada. Committee members include representatives from organizations of differing sizes and in a variety of industries.

Applicability to NFPOs

- 5 Section [3856](#) in Part II of the Handbook applies to private enterprises as well as NFPOs applying the standards in Part III of the Handbook, as relevant. In finalizing the amendments and in light of the feedback received, the AcSB will consult its [Not-for-Profit Advisory Committee](#) on any unique considerations for NFPOs applying these proposals.

Effects analysis

- 6 The proposed amendments would provide temporary guidance that would:
 - (a) simplify accounting analysis under current guidance in Section [3856](#) for debt modifications; and
 - (b) require hedging relationships to continue upon a change in certain critical terms.

The AcSB thinks the optional expedient and the exception will provide cost savings to many financial statement preparers. In addition, allowing effective hedging relationships to continue presents decision-useful information to financial statement users.

4 CARR, [Canadian Interest Rate Benchmark Reform](#).

Optional expedients for accounting for debt modifications

Need for relief

- 7 The AcSB noted that the current guidance on debt modification in Section [3856](#) is adequate when assessing whether a contract modification should be accounted for as an extinguishment. Under the current guidance, an enterprise assesses both qualitatively and quantitatively, using the 10 percent test, to determine whether a modified contract substantially differs from the original contract. The Board understands that under the current guidance, loans that are modified solely to reflect the effects of IBOR reform are likely to be accounted as a debt modification on an individual contract basis.
- 8 The AcSB understands that for enterprises that have a high volume of debt contracts modified because of IBOR reform, performing formal quantitative and qualitative assessments may be burdensome. Therefore, in such situations, the Board thinks that relief to bypass this assessment and account for the qualifying amendments as a debt modification can alleviate an operational burden for preparers.

Scope of the relief

- 9 The AcSB decided to limit the relief to debt instruments that reference IBORs, such as CDOR or LIBOR. The Board decided to explicitly reference CDOR and LIBOR to highlight that the primary objective of the amendments is to facilitate the transition from IBORs to an alternative risk-free benchmark. In addition, explicitly referencing CDOR and LIBOR may help stakeholders identify whether the contract is in scope, considering the prominence of CDOR-based contracts in the Canadian market.
- 10 The AcSB decided the scope of the debt modifications eligible for the optional expedient would include only changes to terms directly related to IBOR reform. Such changes will affect, or have the potential to affect, the amount or timing of future cash flows of a debt instrument. This would include contract terms such as fallback provisions triggered upon a contingent event (e.g., the discontinuance of rates).
- 11 The AcSB notes that other modifications to contracts that occur in the ordinary course of business or for reasons unrelated to IBOR reform do not qualify for the optional expedient. To reduce the efforts in identifying which replacements qualify for relief, the Board decided to provide common examples of changes that are related to replacing IBOR and those that are not. Paragraphs 3856.A54A-.A54B list some but not all the changes to terms that may be considered related or unrelated to the replacement of IBORs.

Practical expedient for debt modifications

- 12 Under the practical expedient in paragraph 3856.29A, qualifying debt modifications are accounted for as a continuation of the existing contract rather than an extinguishment of the contract and the establishment of a new contract. The enterprise should follow paragraph 3856.A55 to account for these modifications.
- 13 If the modification does not meet the criteria to apply the optional expedient, the debt modification would be assessed using the guidance in Section [3856](#) to determine whether the change is substantial.
- 14 The AcSB decided to make this practical expedient optional to offer enterprises the flexibility to apply this relief based on their own circumstances. The Board also decided this practical expedient, if elected, should be applied to all qualifying loan contracts to ensure consistent application.

- 15 The AcSB noted that IBOR reform does not affect transactions between related parties to modify the terms of an existing financial liability. Modifications of loans between related parties are accounted for as extinguishments under Section [3856](#). However, related party loans are measured at cost, which is based on the undiscounted cash flows excluding interest and dividend payments. Therefore, a change to the interest rate associated with the loan will not affect the carrying amount of that instrument and, therefore, no gain or loss would result from these transactions.

Hedge accounting

- 16 The hedging item and the hedged item may be modified because of IBOR reform. When these items are modified, the original designated hedging relationship no longer exists. In addition, the hedging item and the hedged item may be updated at different times, leading to a mismatch in critical terms. The AcSB noted that the guidance in Section [3856](#) is clear that such changes to critical terms would cause a discontinuation of hedge accounting.
- 17 The AcSB thinks the financial reporting does not provide decision-useful information to users if hedge accounting is discontinued only because the terms need to be modified due to IBOR reform. In most cases, enterprises will continue to use the modified derivatives for the same risk management purposes as before the modification.
- 18 Therefore, the AcSB proposes amendments to require the continuation of hedge accounting if the changes to the contractual terms meet the criteria for contractual modifications related to IBOR reform. The Board decided the exception for changes in critical terms would apply to the following two hedging relationships that could be affected by IBOR reform:
- (a) An interest-bearing asset or liability hedged with an interest rate swap to mitigate the effect of changes in interest rates (see paragraph [3856.32\(c\)](#)); and
 - (b) A foreign currency denominated interest-bearing asset or liability hedged with a cross-currency interest rate swap to mitigate the effect of changes in interest rates and foreign currency exchange rates (see paragraph [3856.32\(d\)](#))
- 19 Furthermore, the AcSB clarified that any updates to the hedge documentation required to reflect the changes to the critical terms do not constitute a discontinuation of the old hedging relationship nor a designation of a new hedging relationship.
- 20 The AcSB noted the relief given should be temporary to facilitate IBOR transition. Therefore, the Board decided that the exception provided to the hedge accounting requirements will end when all changes related to the replacement of IBOR have been made to the hedged item and hedging item. However, the Board also recognizes that there could be scenarios where the critical terms in the hedged item and hedging item may be replaced at different times. In that case, there may be a temporary period where there is a mismatch between the hedged item and the hedging item. The Board decided that the exception should apply during this temporary period. However, the Board notes that this should only be a temporary situation and the enterprise must be actively seeking to ensure the outstanding rate is replaced during this period.

Disclosure

- 21 The AcSB decided that an enterprise should disclose the nature and the carrying amount of the financial instruments subject to IBOR reform. The Board believes this disclosure will highlight to financial statement users the effect of IBOR reform on an enterprise.

Effective date and transition

- 22 The AcSB plans to issue the amendments into Part II of the Handbook on February 1, 2022. Determining an effective date for amendments is an important step in the Board's due process. Considering the six- and 12-month CDOR were discontinued after May 14, 2021,⁵ and the LIBOR is expected to discontinue after December 31, 2021, the Board acknowledges the urgency of the amendments and proposes that they should be effective for fiscal years ending on or after February 1, 2022. The Board also proposes to permit earlier application, which includes financial statements not yet authorized for issue. This will allow enterprises to apply the amendments to financial statements with fiscal years ending before February 1, 2022.
- 23 The AcSB proposes that the amendments be applied retrospectively, as defined in paragraph [1506.05\(d\)](#). Prospective application would have resulted in enterprises applying the amendments only if the transition to alternative benchmark rates occurred after the amendments are applied.
- 24 The AcSB understands an enterprise may modify a hedging relationship before the amendments are first applied. In the absence of the amendments, the hedging relationship would be discontinued. To ensure the relief is applied consistently for all qualifying modifications to hedging relationships regardless of when they occur, the Board proposes to require the enterprise to reinstate hedging relationships that were discontinued solely due to changes required by IBOR reform before an enterprise first applies the amendments. The Board considered whether the requirement to reinstate the discontinued hedging relationship would be onerous and should be optional instead. The Board decided that reinstatement would be required because:
- (a) The Board thinks the occurrence of reinstatement would be rare, given CDOR is not expected to discontinue before the effective date.
 - (b) Section [3856](#) does not allow hedge accounting to be discontinued voluntarily. Therefore, enterprises should not be permitted to discontinue hedge accounting solely due to IBOR reform.
 - (c) Providing an option to reinstate the discontinued relationship would result in an inconsistent application of the relief for similar hedging relationships and reduce the comparability between financial statements.
- 25 The retrospective approach does not permit the designation of hedging relationships in hindsight. Retrospectively applying the amendments does not allow the enterprise to apply hedge accounting to relationships not designated for hedge accounting prior to the first application of the amendments.

5 Refinitiv Benchmark Services (UK) Limited, *Announcement Following Public Consultation – 6-Month and 12-Month Tenor Cessation, Contribution Window Amendment: Canadian Dollar Offered Rate (CDOR)*, November 12, 2020, www.refinitiv.com/content/dam/marketing/en_us/documents/policies/cdor-change-consultation.pdf.

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