Issue 245 / December 2025

IFRS Developments

# IASB issues the Risk Mitigation Accounting Exposure Draft

**What you need to know**

- The IASB's Risk Mitigation Accounting (RMA) model proposes a new approach for entities to reflect how they manage net repricing risk in their financial statements.
- The proposed RMA model is intended to better align with entities' risk management in order to improve the transparency of risk management strategies and their effectiveness.
- The comment period for the ED is longer than usual, with comments to be received by 31 July 2026.
- The IASB has invited entities to perform fieldwork to test the model during the comment period, although it has also indicated that it will accept results until 30 November 2026.

## Introduction

The IASB issued an Exposure Draft (the ED) on 3 December 2025 introducing the Risk Mitigation Accounting (RMA) model[1], formerly called the Dynamic Risk Management (DRM) model. The proposed RMA model aims to better reflect dynamic repricing risk management in financial statements. It addresses the limitations of existing hedge accounting requirements in IAS 39 and IFRS 9 for open portfolios and dynamic risk management strategies. The model's objective is to provide greater transparency and alignment with actual risk management practices. The proposals in the RMA ED are largely consistent with those discussed in the IASB Staff papers on the DRM.

The RMA model would be optional and is intended for entities managing repricing risk on a net basis using derivatives. The ED proposes enhanced disclosure requirements and the eventual withdrawal of IAS 39 (which can currently be used for macro hedge accounting and also by entities that apply IFRS 9 but choose to apply IAS 39 for general hedge accounting).

The comment period for the ED runs for a period of 240 days, ending on 31 July 2026. In addition, the IASB has invited entities to perform fieldwork to test the RMA model with preliminary results reported by 31 July 2026 and final results reported no later than 30 November 2026.

## Scope and objectives of the RMA model

The proposed RMA model would be applicable for entities that manage repricing risk on a net basis using derivatives. While primarily relevant for financial institutions such as banks and insurers, it is not limited to any specific industry and other entities with similar risk profiles may apply it. The objectives of RMA include:

[1] ED RMA, IASB website.

- Faithful representation of repricing risk management activities in financial statements
- Improved transparency regarding risk management strategies and their effectiveness
- Closer alignment between accounting outcomes and risk management
- Enhanced disclosures for users of financial statements

## Underlying portfolios

The underlying portfolios that can be included in the RMA model are groups of financial assets, liabilities and future transactions that expose an entity to repricing risk and are managed on a net basis. Eligible instruments include:

- Financial assets measured at amortised cost or fair value through other comprehensive income (FVOCI)
- Financial liabilities measured at amortised cost
- Certain future transactions (e.g., expected reinvestments, highly probable forecast transactions, firm commitments)

Unlike under current IFRS 9, there is no requirement to demonstrate that the mitigated rate is separately identifiable in all the instruments in the underlying portfolio.

Portfolios may include items not eligible for hedge accounting individually, such as demand deposits, if they contribute to net repricing risk.

Entities may use internal modelling (e.g., equity modelling) to determine the extent to which variable-rate assets funded by equity are included.

Hedged exposures (e.g., items already in a hedging relationship for other risks) can be included in aggregation if they affect repricing risk.

## Determining the net repricing risk exposure

Entities are expected to aggregate repricing risk from underlying portfolios using repricing time bands based on expected repricing dates. For the purposes of the proposed RMA model, the net repricing risk exposure is based on the relevant mitigated rate arising from underlying portfolios for which an entity manages repricing risk on a net basis. The net repricing risk exposure is:

- Calculated separately for each mitigated rate (benchmark interest rate used for risk management)
- Expressed using the same risk measures as those used for internal risk management (e.g., PV01, economic value of equity, maturity gap analysis)
- Determined with sufficient frequency to reflect changes in underlying portfolios and ensure faithful representation of risk exposure

Entities must use reasonable and supportable information, including contractual and behavioral characteristics, to estimate repricing risk. The complexity of methodologies may vary depending on the portfolio.

## Designated derivatives

Designated derivatives are interest rate derivatives transacted with external counterparties, which are used by the entity to mitigate repricing risk on a net basis in accordance with the entity's risk management strategy.

Eligible derivatives include swaps, forwards and futures and options, provided they are not net written options or dominated by credit risk.

Derivatives must be included in their entirety, except when a proportion is designated according to the risk management strategy. Once designated, derivatives remain so unless no longer held for risk mitigation purposes.

The existence of an economic relationship between the derivatives and the repricing risk being mitigated is required to be included in the model.

## Recognising and measuring the risk mitigation adjustment

For the purposes of the proposed RMA model, an entity establishes its risk mitigation objective, which is the absolute amount of repricing risk that the entity intends to mitigate using designated derivatives consistently with its risk management strategy. The risk mitigation objective is specified using the same risk measures the entity uses for internal risk management purposes and must not exceed the net repricing risk exposure in any repricing time band.

The proposed RMA model uses benchmark derivatives, which are theoretical derivatives constructed by the entity, to replicate the timing and amount of repricing risk specified in the risk mitigation objective. They are used as a reference for measuring the effectiveness of risk mitigation and for calculating the risk mitigation adjustment, similar to how hypothetical derivatives are used today for cash flow hedge accounting.

The fair values of the benchmark derivatives at initial recognition are zero. The fair values are recalculated at the end of each period in which the RMA model is run, to reflect the risk mitigation outcome. A 'risk mitigation adjustment' is recognised in the statement of financial position, measured as the lower of:

- The cumulative gain or loss on designated derivatives; and
- The cumulative change in the fair value of benchmark derivatives.

The risk mitigation adjustment is subsequently recognised in profit or loss in the same periods as the repricing differences from the underlying portfolios affect profit or loss. The accrual profiles of the benchmark derivatives could be used as a proxy to guide recognition. If there is an indication that the risk mitigation adjustment may not be realised in full (e.g., due to unexpected changes in underlying portfolios), the entity must assess whether the risk mitigation adjustment exceeds the present value of the net repricing risk exposure. Any excess is immediately recognised in profit or loss and is not reversed in future periods.

## Transition and withdrawal of IAS 39

The proposed RMA model can be applied by entities prospectively from the beginning of the annual reporting period in which the requirements are first adopted.

Entities may discontinue existing hedge accounting relationships (under IFRS 9 or IAS 39) to transition to the RMA model. Entities may also revoke previous fair value option designations for financial instruments to include them in underlying portfolios for RMA purposes.

The ED proposes the withdrawal of IAS 39's hedge accounting requirements (including macro hedging), with a transition period to allow entities to adapt their measurement and accounting systems to the new model. The IASB will consider feedback from the consultation and fieldwork before finalising the withdrawal and setting a date for it.

## Disclosure and presentation

The risk mitigation adjustment must be presented separately in the statement of financial position (as an asset or liability) and in the statement of comprehensive income (amount recognised in profit or loss).

Entities applying the RMA model must disclose:

- How repricing risk is managed, including the risk management strategy, mitigated rate and time horizon
- The amount, timing and uncertainty of future cash flows, including a profile of designated derivatives and a sensitivity analysis
- The effects of the RMA model on financial position and performance, including tabular disclosures of underlying portfolios and designated derivatives as well as a reconciliation of the movements of the risk mitigation adjustment balance in the period

Entities that are eligible to apply the RMA model but choose not to, must provide qualitative disclosures explaining how repricing risk is managed.

## Insurance contracts

The ED specifically invites feedback from entities that issue insurance contracts (as defined in IFRS 17), recognising that these entities often manage insurance contract assets and liabilities together with other financial instruments for repricing risk.

The IASB is considering whether insurance contract assets and liabilities should be eligible for inclusion in underlying portfolios for RMA purposes and seeks input on:

- The extent to which insurance contracts are managed on a net basis with other instruments
- The measurement basis for insurance contract assets and liabilities
- Any challenges or necessary amendments to apply the RMA model to insurance contracts

The objective is to ensure that the RMA model is aligned with risk management practices for insurers.

## Request for fieldwork

In addition to the ED, the IASB has published a separate document inviting entities to test the RMA model[2]. This fieldwork is a critical part of the IASB's due process for the RMA model, and supplements the formal comment letters on the ED and stakeholder engagement. The fieldwork aims to:

- Assess the practical application of the RMA model
- Identify operational challenges and costs
- Evaluate whether the model achieves its objectives and provides useful information to users

Fieldwork participants are encouraged to apply the RMA model to representative samples of their repricing risk exposures, over multiple periods and under various scenarios (e.g., significant changes in interest rates, liquidity events, or credit events).

The fieldwork should not be as intensive or precise as the process for preparing financial statements and entities should use approximations and simplifactions when collecting data and applying the model.

The IASB is particularly interested in feedback on the alignment of the RMA model with actual risk management practices, the usefulness of disclosures and the cost-benefit balance. The fieldwork results will inform the IASB's redeliberations and the finalisation of the RMA model.

The fieldwork will run during the ED comment period. The IASB expects to receive preliminary results by 31 July 2026, and will accept final fieldwork results up until 30 November 2026.

### How we see it

The RMA model proposes a new approach for how entities account for their risk mitigation activities as they relate to open portfolios of net repricing risk. The model represents an evolution of the existing hedge accounting guidance currently available under IFRS. The RMA model is strongly principles based and has, at its foundation, the risk management strategy the entity applies.

We strongly encourage entities to carefully consider how they would apply RMA in their risk management strategies. Running the fieldwork is an ideal way for entities to assess the potential impact of the proposed model. Entities should identify suitable resource to run and complete the fieldwork by 30 November 2026 at the latest.

[2] RMA request for fieldwork




EYG no. 010121-25Gbl

ED None

[Job No] (UK) MM/YY.

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