

IFRS Developments

IASB seeks feedback on IFRS 9 hedge accounting



What you need to know

- The PIR assesses whether the IFRS 9 hedge accounting and related IFRS 7 disclosure requirements are working as intended.
- The comment period closes on 26 January 2027.
- Entities that currently apply IAS 39 hedge accounting are encouraged to provide views on the manner and timing of the withdrawal of IAS 39, including the IFRS 9 transition requirements.

Introduction

On 28 September 2026, the International Accounting Standards Board (IASB) issued a Request for Information (RFI) as part of its post-implementation review (PIR) of the hedge accounting requirements in IFRS 9 *Financial Instruments* and the related disclosure requirements in IFRS 7 *Financial Instruments: Disclosures*. IFRS 9 and the related amendments to IFRS 7 became effective for annual periods beginning on or after 1 January 2018. The review seeks feedback on whether the requirements are working as intended, including whether the overall costs and benefits of applying the requirements are largely as the IASB expected.

Background

This is the third and final post-implementation review of IFRS 9, following the reviews of the classification and measurement and impairment requirements. The IASB will prioritise matters that: have substantial consequences; are pervasive; can be addressed by the IASB or the IFRS Interpretations Committee (IFRS IC); and for which the benefits of action would outweigh the costs.

When developing IFRS 9, the IASB decided to address accounting for dynamic risk management or macro hedging (now called Risk Mitigation Accounting (RMA)) as a separate project. It is the IASB's intention to withdraw IAS 39 *Financial Instruments: Recognition and Measurement* once the RMA project is completed.¹ Until that time, an entity may elect, as an accounting policy, to continue applying the hedge accounting requirements in IAS 39 to all its hedging relationships or to apply IFRS 9 hedge accounting. An entity applying IFRS 9 hedge accounting may, nevertheless, apply the relevant IAS 39 requirements to a fair value hedge of the interest rate exposure of a portfolio of financial assets or financial liabilities.

1. Paragraph 3 in the Basis for Conclusions of the Exposure Draft: Risk Mitigation Accounting - Proposed amendments to IFRS 9 and IFRS 7



Matters on which the IASB is seeking feedback

The RFI seeks feedback on three broad areas, as outlined below:

I) IFRS 9 hedge accounting requirements

Section 1 of the RFI seeks feedback on stakeholders' experience of applying the IFRS 9 hedge accounting requirements. Initial feedback indicates that stakeholders welcomed the principles-based hedge effectiveness requirements, and the expanded eligibility of risk components of non-financial items.

Areas for which further application guidance or supporting material could be helpful may include the following:

- **Highly probable criterion:** stakeholders observed that demonstrating that a forecast transaction is, and remains, highly probable can be difficult, particularly for transactions affected by geopolitical challenges, long-term contracts with uncertain timing and deal-contingent transactions. Some stakeholders also reported diversity in applying the criterion to similar fact patterns.
- **Cost of hedging approach:** the cost of hedging approach applies to specified components excluded from the designation of a hedging instrument – namely, the time value of an option and, the forward element of a forward contract or a foreign currency basis spread. The 'aligned portion' represents the amount of the excluded component that relates to the hedged item, determined by reference to an 'aligned' instrument whose critical terms perfectly match those of the hedged item. Changes in the aligned portion are initially recognised in other comprehensive income, subject to the applicable requirements, whereas changes in any excess over the aligned portion are recognised in profit or loss.

Determining the aligned portion may require a separate valuation, and the limited guidance on constructing the aligned instrument has resulted in some diversity in practice. In particular, we observe stakeholders reporting uncertainty about which critical terms of the actual hedging instrument should be reflected, whether the characteristics listed in IFRS 9.6.5.32 are exhaustive, and how off-market terms should be treated. Further guidance on these areas could improve the consistency in applying the cost of hedging approach.

- **Rebalancing:** IFRS 9 requires an entity to rebalance a qualifying hedging relationship when the hedge ratio ceases to meet the hedge effectiveness requirements, but the risk management objective remains unchanged. Stakeholders observed that rebalancing is not well understood and is rarely applied in practice.

We observe that this may raise questions about how frequently the need for rebalancing should be assessed, when the hedge ratio may or may not be changed, and whether a particular pattern of hedge ineffectiveness should trigger rebalancing. Additionally, there seems to be uncertainty about how rebalancing differs from partial discontinuation of a hedging relationship or the discontinuation and designation of a new hedging relationship. Further application guidance could clarify these matters and promote more consistent application.

- **Basis adjustments:** in a cash flow hedge of a forecast transaction that subsequently results in the recognition of a non-financial asset or liability, the accumulated amount in the cash flow hedge reserve is removed and included directly in the asset or liability's initial cost or other carrying amount. Stakeholders observed that applying this requirement, particularly to inventory arising from forecast purchases, can be operationally complex because of how some entities track inventory, and subsequently recognise inventory expense in profit or loss.

II) IFRS 7 hedge accounting disclosures

On section 2 of the RFI, the IASB is seeking feedback on whether the IFRS 7 disclosures enable users to understand entities' risk management, the effects of hedging on future cash flows and financial statements, and whether the benefits of the disclosures justify the costs of preparation, audit and enforcement. Initial feedback has been mixed:

- Some users found the disclosures decision-useful, while others said the disclosures vary in granularity, can be overly aggregated, lengthy or boilerplate, lack context and are inconsistent between entities. Users also identified information needs relating to matters including rebalancing, hedge discontinuations, economic and 'structural hedges'², and the duration and renewal of hedges.
- Preparers reported significant costs where systems do not capture the data required for the disclosures, resulting in manual calculations and additional audit effort.

With respect to structural hedges, we note that the need for additional information could potentially be addressed by the proposed RMA model, which includes detailed IFRS 7 disclosure requirements for entities applying the model and specified qualitative disclosures for entities that manage repricing risk on a net basis but elect not to apply the model.

In responding to the RFI, respondents should consider proposing changes that would make disclosures more concise, consistent and decision-useful, including providing clear expectations for the level of granularity and to address all other specific points summarised in the users' feedback above. Any changes proposed should also seek to reduce unnecessary operational and audit costs for preparers.

III) Other matters

The final section in the RFI invites stakeholders to identify other matters with an explanation of why they meet the objective of a post-implementation review. In our view, possible topics to consider include the following:

- **Voluntary discontinuation:** IFRS 9 prohibits voluntary discontinuation of a hedging relationship that continues to meet the qualifying criteria when the risk management objective for that relationship has not changed. With the proposed withdrawal of the remaining IAS 39 hedge accounting requirements, this may become relevant for entities under IAS 39 that currently apply de-designation and re-designation strategies under dynamic hedging, including for open portfolios of interest rate net repricing risk. IFRS 9 does not presently contain a hedge accounting model designed specifically for open portfolios of net repricing risk and this is being addressed by the proposals under the RMA ED, for entities that meet the qualifying criteria.

In assessing the implications of withdrawing IAS 39, and providing any consequential feedback on the existing requirements in IFRS 9, entities should consider whether, at the point when they would normally de-designate and redesignate a hedging relationship, the risk management objective for that relationship has changed, as that would be required under IFRS 9 (unless the entity decided to apply the voluntary RMA model). If it was concluded that the risk management objective has not changed and the hedging relationships need to be continued, entities may need to change the way that hedge accounting is applied and this may need to be considered when providing feedback on the existing IFRS 9 requirements.

2. Defined as risk management activities involving balance sheet positions used to reduce exposure to particular financial risks.

- **Variable nominal:** Relating to the highly probable criterion, but not specifically addressed in the RFI, is the restriction on designating a forecast transaction with a variable nominal amount as a hedged item. In its 2019 discussion of load-following swaps, the IFRS IC concluded that a forecast transaction must be specified in terms of amount and timing, thereby restricting the designation of variable nominal amounts. The IASB subsequently introduced a narrow exception for contracts referencing nature-dependent electricity, but this does not extend to other transactions with similar variability in the hedged volume due to circumstances beyond the entity's control. A question, therefore, arises as to whether the scope the exception for nature-dependent electricity contracts should be broadened to include other contracts with similar variability applying similar principles.



How we see it

We encourage entities that apply the IAS 39 hedge accounting requirements to assess the potential effects of its proposed withdrawal. This assessment should distinguish between hedging relationships that would need to transition to the existing IFRS 9 requirements and activities that would qualify to be accounted for under the proposed RMA model. Entities should identify any resulting transition, accounting or operational issues that the PIR could potentially address.

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