

[V] Handling of Accounting Issues by the Accounting Standards Board of Japan

- At the 35th Standards Advisory Council meeting held on March 7, 2019, the Japan Bankers Association (JBA), a member of the council, proposed a new agenda item entitled “Accounting issues arising from interest rate benchmark reform.”
 - The JBA’s proposal, taking into consideration that a number of market participants in Japan have raised concern about the accounting issues arising from benchmark reform and that those issues are being discussed internationally, called on the Accounting Standards Board of Japan (ASBJ) to examine those issues at an early point in time so that the reform will not cause market disruption and undermine the financial stability of corporations and financial institutions.
- In response, the secretariat of the Standards Advisory Council submitted a draft proposal suggesting the ASBJ should comprehensively address the matter, including the necessity of standards development, as a new agenda item in a timely manner. After deliberation by the Council, the draft proposal was approved. The draft proposal was based on (1) and (2) below.
 - (1) In line with the interest rate benchmark reform, it is important to keep up with international efforts regarding accounting treatment, and thus some consideration is clearly necessary in Japan to avoid market disruption. It is also important to establish a framework that enables flexible standards development to keep up with international efforts.
 - (2) It is difficult to make a specific proposal for standards development at this point, given that uncertainty remains over the permanent discontinuation of LIBOR and developments related to other interest rate benchmarks, as well as accounting treatments.
- In this regard, at the 405th ASBJ meeting held on March 22, the Chair of the Standards Advisory Council proposed to comprehensively address accounting issues arising from interest rate benchmark reform as a new agenda item, requesting that the ASBJ examine the matter, including the necessity of standard development, in a timely manner.
- In response to the proposal by the Standards Advisory Council, at the 406th ASBJ meeting held on April 11, the ASBJ Board approved taking up “Accounting issues arising from interest rate benchmark reform” as a new agenda item. On April 15, the ASBJ revised and published their plans regarding the accounting standards currently under development, which describes that the ASBJ plans to examine the matter, including the necessity of standards development, in a timely manner and that it will do so in accordance with the developments regarding the international accounting standards and the revision of relevant rules.
- The Committee welcomes these developments and hopes that the ASBJ will examine the issues such as hedge accounting in a timely manner, and intends to continue providing necessary support.