

(Tentative translation)

[IV] Outreach to the Accounting Standards Board of Japan

- In the last meeting on October 24, 2018, as one of the issues regarding reference rates for loans and bonds, the chairs of the Sub-Group on Loans and the Sub-Group on Bonds pointed out the risk of hedge accounting becoming inapplicable when using new reference rates. They reported that, in addressing this issue, it is necessary to reach out to the Financial Services Agency (FSA) and the Accounting Standards Board of Japan (ASBJ), taking account of developments overseas.
- As an example of developments overseas, on December 12, 2018, the International Accounting Standards Board (IASB) decided to start standard-setting based on their research findings on the possible effects of IBOR reform on financial reporting.
- Meanwhile, the Committee secretariat (Bank Of Japan) and the FSA explained to the ASBJ the background and outline of benchmark reform as well as potential issues related to hedge accounting and their urgency.
- Whether hedge accounting continues to apply will be an important basis for decision-making when deliberating on the transition to alternative rates and fallbacks for LIBOR. In addition, from a practical perspective, introducing fallbacks will require considerable time since a huge number of loan contracts will have to be amended and procedures to amend provisions in bond contracts such as in a Bondholder's Meeting will have to be followed.
- In light of this situation, continued efforts will be made to cooperate with the ASBJ, such as by sharing necessary information as the Committee, so that the ASBJ engages in deliberations on hedge accounting issues without delay.