



Council of the
European Union

Brussels, 7 November 2019
(OR. en)

13879/19

DRS 58
ECOFIN 975
EF 322

COVER NOTE

From:	Secretary-General of the European Commission, signed by Mr Jordi AYET PUIGARNAU, Director
date of receipt:	7 November 2019
To:	Mr Jeppe TRANHOLM-MIKKELSEN, Secretary-General of the Council of the European Union

No. Cion doc.:	D064618/01
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Subject:	COMMISSION REGULATION (EU) .../... of XXX amending Regulation (EC) No 1126/2008 adopting certain international accounting standards in accordance with Regulation (EC) No 1606/2002 of the European Parliament and of the Council as regards International Accounting Standard 39, International Financial Reporting Standards 7 and 9
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Delegations will find attached document D064618/01.

Encl.: D064618/01



Brussels, **XXX**
[...](2019) **XXX** draft

D064618/01

COMMISSION REGULATION (EU) .../...

of **XXX**

amending Regulation (EC) No 1126/2008 adopting certain international accounting standards in accordance with Regulation (EC) No 1606/2002 of the European Parliament and of the Council as regards International Accounting Standard 39, International Financial Reporting Standards 7 and 9

(Text with EEA relevance)

COMMISSION REGULATION (EU) .../...

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(Text with EEA relevance)

THE EUROPEAN COMMISSION,

Having regard to the Treaty on the Functioning of the European Union,

Having regard to Regulation (EC) No 1606/2002 of the European Parliament and of the Council of 19 July 2002 on the application of international accounting standards¹, and in particular Article 3(1) thereof,

Whereas:

- (1) By Commission Regulation (EC) No 1126/2008² certain international standards and interpretations that were in existence at 15 October 2008 were adopted.
- (2) On 22 July 2014, the Financial Stability Board published the report “Reforming Major Interest Rate Benchmarks”, which laid down recommendations to strengthen existing benchmarks and other potential reference rates based on interbank markets and to develop alternative nearly risk-free reference rates.
- (3) Regulation (EC) No 2016/1011 of the European Parliament and of the Council³ introduced a common framework to ensure the accuracy and the integrity of indices used as benchmarks in financial instruments and financial contracts, or to measure the performance of investment funds in the Union.
- (4) On 26 September 2019, the International Accounting Standards Board published Interest Rate Benchmark Reform (Amendments to IFRS 9, IAS 39 and IFRS 7) in order to address the financial reporting consequences of the interest rate benchmark

¹ OJ L 243, 11.9.2002, p. 1.

² Commission Regulation (EC) No 1126/2008 of 3 November 2008 adopting certain international accounting standards in accordance with Regulation (EC) No 1606/2002 of the European Parliament and of the Council (OJ L 320, 29.11.2008, p. 1).

³ Regulation (EU) 2016/1011 of the European Parliament and of the Council of 8 June 2016 on indices used as benchmarks in financial instruments and financial contracts or to measure the performance of investment funds and amending Directives 2008/48/EC and 2014/17/EU and Regulation (EU) No 596/2014 (OJ L 171, 29.6.2016, p. 1).

reform in the period before the replacement of an existing interest rate benchmark with an alternative reference rate.

- (5) The amendments provide temporary and narrow exemptions to the hedge accounting requirements of International Accounting Standard (IAS) 39 *Financial Instruments: Recognition and Measurement* and International Financial Reporting Standard (IFRS) 9 *Financial Instruments* so that companies can continue to meet the requirements assuming that the existing interest rate benchmarks are not altered because of the interbank offered rate reform.
- (6) Following the consultation with the European Financial Reporting Advisory Group, the Commission concludes that the amendments to IAS 39 *Financial Instruments: Recognition and Measurement*, IFRS 7 *Financial Instruments: Disclosures* and IFRS 9 *Financial Instruments* meet the criteria for adoption set out in Article 3(2) of Regulation (EC) No 1606/2002.
- (7) Regulation (EC) No 1126/2008 should therefore be amended accordingly.
- (8) The measures provided for in this Regulation are in accordance with the opinion of the Accounting Regulatory Committee,

HAS ADOPTED THIS REGULATION:

Article 1

The Annex to Regulation (EC) No 1126/2008 is amended as follows:

- (a) International Accounting Standard (IAS) 39 *Financial Instruments: Recognition and Measurement* is amended as set out in the Annex to this Regulation;
- (b) International Financial Reporting Standard (IFRS) 7 *Financial Instruments: Disclosures* is amended as set out in the Annex to this Regulation;
- (c) IFRS 9 *Financial Instruments* is amended as set out in the Annex to this Regulation.

Article 2

Each company shall apply the amendments referred to in Article 1, at the latest, as from the commencement date of its first financial year starting on or after 1 January 2020.

Article 3

This Regulation shall enter into force on the twentieth day following that of its publication in the *Official Journal of the European Union*.

This Regulation shall be binding in its entirety and directly applicable in all Member States.

Done at Brussels,

*For the Commission
The President
Ursula Von Der Leyen*