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From:	European Commission
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To:	Mr Jeppe TRANHOLM-MIKKELSEN, Secretary-General of the Council of the European Union

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Subject:	COMMISSION REGULATION (EU) .../... of XXX amending Regulation (EC) N° 1126/2008 adopting certain international accounting standards in accordance with Regulation (EC) N° 1606/2002 of the European Parliament and of the Council as regards International Accounting Standard 39 and International Financial Reporting Standards 4, 7, 9 and 16

Delegations will find attached document D 069602/01.

Encl.: D 069602/01



Brussels, **XXX**
[...](2020) **XXX** draft

D069602/01

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

of **XXX**

amending Regulation (EC) N° 1126/2008 adopting certain international accounting standards in accordance with Regulation (EC) N° 1606/2002 of the European Parliament and of the Council as regards International Accounting Standard 39 and International Financial Reporting Standards 4, 7, 9 and 16

(Text with EEA relevance)

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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 (EU) 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) Commission Regulation (EU) 2020/34⁴ provides 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* to address financial reporting consequences of the interest rate benchmark reform in the period before the replacement of an existing 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).

⁴ Commission Regulation (EU) 2020/34 of 15 January 2020 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 (OJ L 12, 16.1.2020, p. 5).

- (5) On 27 August 2020, the International Accounting Standards Board published Interest Rate Benchmark Reform - Phase 2 - Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 to address the financial reporting consequences of the actual replacement of existing interest rate benchmarks with alternative reference rates.
- (6) Those amendments provide for a specific accounting treatment to spread value changes of financial instruments or lease contracts due to the replacement of the interest rate benchmark over time, which prevents a sudden impact on Profit or Loss, and prevent unnecessary discontinuations of hedging relationships as a consequence of the replacement of the interest rate benchmark.
- (7) 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 4 *Insurance Contracts*, IFRS 7 *Financial Instruments: Disclosures*, IFRS 9 *Financial Instruments* and IFRS 16 *Leases* meet the criteria for adoption set out in Article 3(2) of Regulation (EC) No 1606/2002.
- (8) Regulation (EC) No 1126/2008 should therefore be amended accordingly.
- (9) 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) 4 *Insurance contracts* is amended as set out in the Annex to this Regulation;
- (c) IFRS 7 *Financial Instruments: Disclosures* is amended as set out in the Annex to this Regulation;
- (d) IFRS 9 *Financial Instruments* is amended as set out in the Annex to this Regulation;
- (e) IFRS 16 *Leases* 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 2021.

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*