



**INSTITUTE OF
CERTIFIED PUBLIC ACCOUNTANTS
OF UGANDA**

Our Ref: STA/001

18 May 2020

IFRS Foundation
Columbus Building
7 Westferry Circus
Canary Wharf
London E14 4HD
United Kingdom

Dear Sir/Madam

**ED/2020/1 INTEREST RATE BENCHMARK REFORM—PHASE 2 PROPOSED AMENDMENTS TO
IFRS 9, IAS 39, IFRS 7, IFRS 4 AND IFRS 16**

The Institute of Certified Public Accountants of Uganda (ICPAU) appreciates the opportunity to respond to this Exposure Draft.

With a few exceptions, ICPAU is supportive of the Board's proposed amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16. Our comments on and responses to the questions in the Exposure Draft are provided in detail in **Appendix 1**. We hope that you find them helpful.

In case of any queries relating to this comment letter, please contact the undersigned at clutimba@icpau.co.ug

Yours faithfully,

A handwritten signature in blue ink, appearing to read 'Charles Lutimba', with a circular stamp or mark to the right of the signature.

CPA Charles Lutimba
MANAGER STANDARDS AND TECHNICAL SUPPORT
For: SECRETARY/CEO

Encl (ICPAU's comments on and responses ED/2020/1 Interest Rate Benchmark Reform—Phase 2 Proposed Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16)

NNN/.....

Appendix 1

Question 1—Modifications of financial assets and financial liabilities (paragraphs 6.9.1–6.9.6 of the [Draft] amendments to IFRS 9, paragraphs 20R–20S and 50–51 of the [Draft] amendments to IFRS 4 and paragraphs 104–106 and C1A–C1B of the [Draft] amendments to IFRS 16)

Our Response

ICPAU agrees with the proposals under the sub-heading-Modifications of financial assets and financial liabilities. Particularly, ICPAU agrees with the Board’s inclusion of paragraph 6.9.3 that allows, as a practical expedient, an entity to apply paragraph B5.4.5 to account for a modification of a financial asset or financial liability that is required by interest rate benchmark reform. Had this not been provided, an entity would apply the current requirements in IFRS 9 to such a modification as this would not result in fair presentation of information in the financial statements.

ICPAU commends the Board on providing the conditions necessary for a modification to be required by interest rate benchmark reform in paragraph 6.9.3. However, we propose that the Board adds the word “that” to line four so that the paragraph reads, “...and only to the extent that the...”

Additionally, the examples of modifications required by interest rate benchmark reform included in paragraph 6.9.4 would be very helpful for preparers of financial statements following the reform.

Question 2—Amendments to hedging relationships (paragraphs 6.9.7–6.9.10 of the [Draft] amendments to IFRS 9 and paragraphs 102O–102R of the [Draft] amendments to IAS 39)

Our Response

ICPAU supports the Board’s proposal to provide relief from the current requirements in IFRS 9 and IAS 39 requiring entities to discontinue hedge accounting solely due to changes required by the interest rate benchmark reform. We support the Board’s inclusion of paragraphs 6.9.7–6.9.10 of the [Draft] amendments to IFRS 9 which provide guidance for an entity to amend the formal designation of the hedging relationship. This relief would ensure useful financial reporting especially for investors.

Question 3—Accounting for qualifying hedging relationships and groups of items (paragraphs 6.9.11–6.9.15 of the [Draft] amendments to IFRS 9 and paragraphs 102S–102X of the [Draft] amendments to IAS 39)

Our Response

ICPAU agrees with the proposals in paragraph 6.9.13 that entities shall account for the amount accumulated in the cash flow hedge reserve at the date that the entity amends the description of the hedged item based on the alternative benchmark rate on which the hedged future cash flows are determined. We believe that this is simple and would provide the much needed relief for entities transitioning to a new interest rate benchmark.

Question 4—Designation of risk components and portions (paragraphs 6.9.16–6.9.18 of the [Draft] amendments to IFRS 9 and paragraphs 102Y–102Z1 of the [Draft] amendments to IAS 39)

Appendix 1

Our Response

According to these paragraphs, the Board is proposing that an alternative benchmark rate be deemed a separately identifiable risk component if a company reasonably expects it to meet the separately identifiable requirement within 24 months of the date it is designated as a non-contractually specified risk component.

However, ICPAU does not agree with paragraph 6.9.17 that requires entities that do not reasonably expect the alternative benchmark rate to be separately identifiable within 24 months to cease applying the requirement in paragraph 6.9.16 and discontinue hedge accounting.

Although the Board provides explanations in BC87-BC97 as to the selection of this proposal, we wish to bring to the attention of the Board the fact that there may be markets that are extremely slow in development and for which the 24 months period would not be a viable. We therefore request the Board to reconsider this period.

Further, the proposals are silent on what happens if the 24-months period elapses before the non-contractually specified risk component that is designated as separately identifiable has met that requirement.

Question 5—Effective date and transition (paragraphs 7.1.9 and 7.2.36-7.2.38 of the [Draft] amendments to IFRS 9 and paragraphs 108H-108J of the [Draft] amendments to IAS 39)

Our Response

ICPAU agrees with the proposals to:

- i. Apply these amendments for annual periods beginning on or after 1 January 2021;
- ii. Permit earlier application; and
- iii. Require an entity that applies these amendments for an earlier period to disclose that fact.

We believe this date would be timely for the reform.

Question 6—Disclosures (paragraphs 24I-24J and paragraphs 44HH-44II of [Draft] amendments to IFRS 7)

Our Response

ICPAU agrees with the Board that although entities are required to provide some information about the reform when applying disclosure requirements such as those in IFRS 7, some useful information may not be captured by current disclosure requirements. As such, we support the Board's proposal to require entities to make some additional disclosures in their financial statements so that investors can better understand the effects of the reform on such entities.