



May 22, 2020

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International Accounting Standards Board
7 Westferry Circus, Canary Wharf
London E14 4HD
United Kingdom

**Re: Comments of World Council of Credit Unions on the Exposure Draft
for Interest Rate Benchmark Reform – Phase 2**

Dear Sir/Madam:

World Council of Credit Unions (World Council) appreciates the opportunity to comment on the International Accounting Standards Board's (IASB) Exposure Draft for Interest Rate Benchmark Reform – Phase 2.¹ Credit unions are cooperative depository institutions and World Council is the leading trade association and development organization for the international credit union movement. Worldwide, there are over 85,000 credit unions in 118 countries with USD 2.1 trillion in total assets serving 274 million physical person members.²

We recognize that this Exposure Draft follows Interest Rate Benchmark Reform, which was issued in September 2019, and is the next phase of the project that considers the effects of interest rate benchmark reform on an entity's financial statements that arise when interest rate benchmarks are replaced with alternative, nearly risk-free interest rates that are based, to a greater extent, on transaction data (alternative benchmark rates).

Phase 2 addresses replacement issues and will provide useful information to users of financial statements and will support preparers in applying IFRS Standards when changes are made to contractual cash flows or hedging relationships. To that end, WOCCU supports the proposed amendments as they appear to reflect the transition from IBOR to alternative benchmark rates without creating significant accounting impacts to the preparation and content of financial statements.

¹ International Accounting Standard's Board Exposure Draft *Interest Rate Benchmark Reform – Phase 2, Proposed Amendments to IFRS 9, IAS 30, IFRS 7, IFRS 4, and IFRS 16* (April, 2020), available at: <https://cdn.ifrs.org/-/media/project/ibor-phase-2/ibor2ed2020.pdf>.

² World Council of Credit Unions, *2018 Statistical Report* (2019), available at <http://www.woccu.org/publications/statreport>.

In particular we support the inclusion of the ability to apply paragraph B5.4.5 of IFRS 9 as a practical expedient to account for a modification of a financial asset or financial liability that is required by interest rate benchmark reform. This should greatly reduce regulatory burden on the preparation of financial statements. We urge finalization of the proposal with this amendment.

Similarly, the inclusion of the amendments for IFRS 16 Leases and IFRS 4 Insurance Contracts, which appear to be included to allow the application of paragraph B.5.4.5 of IFRS 9, i.e. will likewise reduce regulatory burden on the preparation of financial statements. WOCCU supports finalization of these provisions as well.

Finally, WOCCU supports the proposed effective dates and various transition requirements, although we do note that various hedging relationships may be impacted by the changes. However, the transitional approaches appear to be reasonable and offer the ability to limit the impact of these changes.

World Council appreciates the opportunity to comment on the International Accounting Standards Board's (IASB) Exposure Draft for Interest Rate Benchmark Reform – Phase 2. If you have questions about our comments, please feel free to contact me at aprice@woccu.org or +1-850-766-5699.

Sincerely,



Andrew T. Price, Esq.
Sr. Vice President of Advocacy
World Council of Credit Unions