Amendments relating to C.2 - Interest Rate Benchmark Reform Phase 2: Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16

CHAPTER 7

Financial instruments

7.2 SUBSEQUENT MEASUREMENT OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES

7.2.4 Amortised cost measurement

...

Changes in the basis for determining the contractual cash flows as a result of interest rate benchmark reform

7.2.4.4 An authority shall apply paragraphs 5.4.5 to 5.4.9 of IFRS 9 to a financial asset or financial liability for changes in the basis for determining the contractual cash flows as a result of interest rate benchmark reform.

...

Transition - Changes in the basis for determining the contractual cash flows as a result of interest rate benchmark reform

7.2.4.5 An authority shall apply the amendments to IFRS 9 relating to changes in the basis for determining the contractual cash flows as a result of interest rate benchmark reform retrospectively in accordance with the provisions of section 3.3 of the Code (see also paragraphs 7.2.44 to 7.2.45 of IFRS 9).

7.2.4.6 An authority is not required to restate prior periods to reflect the application of these amendments. An authority may restate prior periods if, and only if, it is possible without the use of hindsight. If an authority does not restate prior periods, it shall recognise any difference between the previous carrying amount and the carrying amount at the beginning of the annual reporting period that includes the date of initial application of these amendments in the opening reserves, as appropriate) of the annual reporting period that includes the date of initial application of these amendments.

7.3 FINANCIAL INSTRUMENTS – DISCLOSURE AND PRESENTATION REQUIREMENTS

PART 1 – DISCLOSURES

Other disclosures

...

7.2.4.7 Where transactions are material an authority shall provide the additional disclosures relating to interest rate benchmark reform (see paragraphs 24I and 24J) of IFRS 7 including relevant transitional provisions.

Note that the changes made to these provisions are changes to the approach to the Code for accounting for leases as presented in Appendix F of the 2020/21 Code

4.2 LEASES

…

Temporary exception arising from interest rate benchmark reform

4.2.2.116 Where material an authority shall apply paragraphs 104 to 106 of IFRS 16 relating to the temporary exception arising from interest rate benchmark reform.

CHAPTER 7

Financial instruments

7.1 INTRODUCTION, SCOPE, DEFINITIONS, RECOGNITION, DERECOGNITION, CLASSIFICATION, INITIAL MEASUREMENT, DERIVATIVES AND EMBEDDED DERIVATIVES AND HEDGE ACCOUNTING

7.1.1 Introduction

7.1.1.1 Authorities shall account for financial instruments in accordance with IFRS 9 *Financial Instruments*, IAS 32 *Financial Instruments: Presentation* and IFRS 7 *Financial Instruments: Disclosures*, except where adaptations to fit the public sector are detailed in the Code. IPSAS 28 *Financial Instruments: Presentation,* IPSAS ~~29~~ 41 *Financial Instruments~~: Recognition and Measurement~~* and IPSAS 30 *Financial Instruments: Disclosures* provide additional guidance for the public sector. ~~None of the IPSAS financial instruments standards have been updated for the introduction of IFRS 9 and therefore particularly where IPSAS 29 and IPSAS 30 are considered, these standards should only be followed where they remain consistent with the provisions of IFRS 9. However, this is with the exception of where IPSAS 29 is used for the basis of the provisions in relation to soft loans received and receivable.~~

7.1.12 Changes since the ~~2019~~2020/20~~0~~1 Code

7.1.12.1 ~~Changes to~~ Section 7.1 Financial Instruments, Introduction etc ~~reflect:~~ has been amended to recognise that IPSAS 29 has been replaced with IPSAS 41.

- ~~statutory requirements in England and Wales for the recognition in reserves of fair value gains and losses of pooled investment funds~~
- ~~clarification that the interpretation relating to LOBOs does not cover compound embedded derivatives if the LOBO is not permitted to be separated under IFRS 9~~
- ~~clarification that the modification of liabilities is expected to be consistent with the modification of financial assets~~

- ~~deletion of transition requirements in the 2019/20 Code for the treatment of instruments with negative compensation features~~
- ~~allowance that soft loans may be at below zero interest rates~~
- ~~amendment to reflect changes to Welsh statutory requirements for share and loan capital.~~

CHAPTER 8

Liabilities

8.2 PROVISIONS, CONTINGENT LIABILITIES AND CONTINGENT ASSETS

8.2.1 Introduction

8.2.1.1 Authorities shall account for provisions, contingent liabilities and contingent assets in accordance with IAS 37 *Provisions, Contingent Liabilities and Contingent Assets,* IFRIC 1 *Changes in Existing Decommissioning, Restoration and Similar Liabilities,* IFRIC 5 *Rights to Interest Arising from Decommissioning, Restoration and Environmental Rehabilitation Funds,* IFRIC 6 *Liabilities Arising from Participating in a Specific Market – Waste Electrical and Electronic Equipment* and IFRIC 21 *Levies*, except where adaptations to fit the public sector are detailed in the Code.

8.2.1.2 IPSAS 19 *Provisions, Contingent Liabilities and Contingent Assets* is based on IAS 37, and provides additional guidance for public sector bodies.

8.2.1.3 This section of the Code does not cover provisions, contingent liabilities and contingent assets in relation to:

- ~~those provisions and contingent liabilities arising from social benefits provided by an authority for which it does not receive consideration that is approximately equal to the value of goods and services provided, directly in return from the recipients of those benefits (other than through the normal accruals process)~~social benefits within the scope of IPSAS 42 *Social Benefits*
- financial instruments (including financial guarantees) that are within the scope of Chapter 7
- those resulting from executory contracts, other than where the contract is onerous subject to other provisions of this paragraph, and
- where another section of the Code deals with a specific type of provision, contingent liability or contingent asset, instead an authority applies that section of the Code instead of this section; for example, income taxes (Appendix A, paragraph A.1.2), leases (Section 4.2), employee benefits (Chapter 6), insurance contracts

(Appendix A, paragraph A.1.7) and contingent consideration of an acquirer in a business combination (see IFRS 3 *Business Combinations*).

8.2.6 Changes since the ~~2019~~2020/2~~0~~1 Code

8.2.6.1 The~~re have been amendments to the~~ Provisions, Contingent Liabilities and Contingent Assets section of the Code has been amended to reflect the issue of IPSAS 42 *Social Benefits* ~~since the 2019/20 Code to recognise legislative amendments~~.