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Agenda Paper 4

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Risk Mitigation Accounting–Proposed Amendments to IFRS 9 and IFRS 7: Technical Paper

Executive Summary

Project Stage								
IASB	Research / Pipeline	Discussion Paper	Redeliberation	Exposure Draft	Redeliberation	Final Standard	Post Implementation Review	
UKEB	Research / Influencing	Research / Influencing	Monitoring	Influencing	Monitoring	Endorsement	Influencing	UKEB Post Implementation Review

Project Type

Influencing

Project Scope

Significant

Purpose of the paper

The purpose of this paper is to:

- update Board Members on the latest stakeholder feedback gathered (including a verbal update on any Comment Letters received); and
- present a technical analysis of the IASB's Exposure Draft (ED) *Risk Mitigation Accounting-Proposed Amendments to IFRS 9 and IFRS 7* to facilitate Board discussion, which will inform the key messages to be included in the UKEB's Final Comment Letter (FCL) to the IASB.

A draft FCL will be presented for Board consideration at its November 2026 meeting.

Summary of the Issue

The IASB published the Exposure Draft (ED*) Risk Mitigation Accounting–Proposed amendments to IFRS 9 and IFRS 7* with a revised[1] comment deadline 30 November 2026.

[1] The IASB's ED original comment deadline was 31 July 2026. In May 2026 the IASB decided to extend its deadline to 30 November 2026. As a result, the UKEB extended its DCL comment period from 28 June to 21 October 2026.

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As part of its influencing work, the UKEB published its Draft Comment Letter (DCL) and related Invitation to Comment on 28 April 2026 for public consultation. The UKEB comment deadline is 21 October 2026.

The UKEB's influencing work to inform the Board's final comment letter to the IASB is ongoing.

Questions for the Board

1. The Board is not asked to make any decisions but is invited to share views on the Secretariat's observations and recommendations in relation to:
   a) Risk Mitigation Objective and Repricing Time Bands.
   b) Benchmark Derivatives and the Risk Mitigation Adjustment Excess.
   c) Withdrawal of IAS 39.
2. The Board is invited to share thoughts in relation to the Secretariat's view that there is a need for the IASB to take a comprehensive approach in revising its proposals and that this will require re-exposure and field test of the revised proposals.
3. Do Board Members have any additional feedback on the IASB's ED and/or the Secretariat's observations, analysis and recommendations that they would like to share?

Recommendation

N/A

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Background: *Risk Mitigation Accounting–Proposed Amendments to IFRS 9 and IFRS 7*[2]

The implementation of IFRS 9 *Financial Instruments* aimed to introduce improved hedge accounting requirements. However, it did not provide a solution for complex risk management situations where risks are managed dynamically. In such cases entities were permitted to continue applying IAS 39 *Financial Instruments: Recognition and Measurement*[3].

The IASB has noted that entities find it challenging to account for their dynamic risk management activities. The current requirements are not designed for such situations, and the constraints make it difficult for entities to faithfully represent the economic effect of such risk management activities[4].

In response, on 3 December 2025, the IASB published the Exposure Draft (ED) IASB/ED/2025/1 *Risk Mitigation Accounting–Proposed amendments to IFRS 9 and IFRS 7*, with a revised comment period ending on 30 November 2026. The ED aims to provide a more faithful representation of the entity's economic position for such risk management activities. The scope of the ED is limited to interest rate repricing risk[5], in instances where entities meet the criteria to demonstrate that this risk is being managed dynamically.

Consistent with the existing hedge accounting requirements of IFRS 9, the proposed requirements are voluntary. The IASB proposes to withdraw IAS 39 when the proposed amendments are available for use.

The IASB is also conducting field tests of the proposals with results due on 30 November 2026.

A summary of the proposed changes can be found in the IASB's snapshot document.

2 Exposure Draft: *Risk Mitigation Accounting—Proposed amendments to IFRS 9 and IFRS 7*
3 See paragraphs 6.1.3 and 7.2.21 of IFRS 9.
4 This is noted by the IASB in paragraph IN7 of the ED.
5 Repricing risk is defined as a type of interest rate risk that exposes an entity to variability in the cash flows from, and the fair value of, financial instruments, arising from differences in:
a) the timing of when financial instruments reprice to benchmark interest rates; and
b) the amount of financial instruments that reprice in a particular period.

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Project Update

1. At its September 2026 meeting, the Board received a project update, including the stakeholder engagement conducted up to that date. The Secretariat has continued its stakeholder outreach activities and desktop research.

2. Stakeholder engagement conducted after the UKEB September 2026 meeting included meetings with:

   a) the UKEB's Financial Instruments Advisory Group;

   b) large and small UK banks, building societies and relevant institutes and industry bodies; and

   c) a hedging solutions provider and a regulator.

3. UK stakeholders continue to be supportive of the IASB's objective of better reflecting the economic effects of repricing risk management on a net basis in the financial statements. However, similar concerns on the proposed RMA model and the proposed withdrawal of IAS 39 are largely shared by entities of different sizes in the banking sector. No significant new issues have been identified.

4. At the time of writing this paper, no responses to the UKEB's Draft Comment Letter (DCL) have been received. The Secretariat will provide a verbal update on any comment letters received at the UKEB October 2026 meeting, which is the day after the UKEB's comment deadline.

Technical Analysis

5. This section presents the Secretariat's technical analysis of the IASB's Exposure Draft (ED) *Risk Mitigation Accounting-Proposed Amendments to IFRS 9 and IFRS 7* to facilitate Board's discussion.

6. We anticipate receiving further information over the coming weeks as stakeholders finalise their field-testing activities.

7. The IASB's proposed Risk Mitigation Accounting (RMA) model is intended to improve the extent to which financial statements reflect an entity's dynamic interest rate risk management activities and we remain supportive of this objective.

8. Stakeholders also generally support the IASB's objective for the project and ensuring discipline within the proposed model. However, they have questioned whether some of the detailed requirements could result in accounting outcomes that do not faithfully represent the economics of the entity's risk management activities. As a result, some expressed concern that entities may be incentivised to modify risk management actions to achieve accounting outcomes, rather than the accounting reflecting established risk management practices.

9. The Secretariat would like to highlight three key areas below for in-depth Board discussion. This paper is not intended to present a comprehensive analysis of all aspects proposed in the IASB's ED.

   a) Concerns have been raised about the requirement to assess the Risk Mitigation Objective against Net Repricing Risk Exposure within each repricing time band, which some stakeholders consider inconsistent with the way interest rate repricing risk is managed across an overall risk horizon.

   b) Stakeholders have identified potential challenges associated with the construction and adjustment of benchmark derivatives and the operation of the proposed backstop test, including questions regarding operational complexity, proportionality and whether the proposals could result in outcomes that are not aligned with effective risk management.

   c) Stakeholders have emphasised that IAS 39 should not be withdrawn without a viable accounting solution in place for entities of varying sizes.

10. The UKEB's Draft Comment Letter noted these areas and highlighted the need for further analysis before reaching final conclusions. Since publication of the Draft Comment Letter, additional stakeholder engagement, including discussions with members of the Financial Instruments Advisory Group (FIAG), has provided further insight into the practical implications of the proposals.

11. This paper discusses these issues, summarises the feedback received and explores potential refinements to the IASB's proposed approach. The Board is not asked to make decisions at this meeting, but Board Members are invited to share views on the IASB's Exposure Draft and/or the Secretariat's technical analysis. This discussion will inform the preparation of the UKEB's Final Comment Letter (FCL) to the IASB, which will be presented for Board's consideration at its November 2026 meeting.

Risk Mitigation Objective & Repricing Time Bands

12. The IASB's ED defines Risk Mitigation Objective as "an absolute amount of repricing risk an entity intends to mitigate in accordance with its risk management strategy". Paragraph 7.4.1 in the ED requires an entity to specify a Risk Mitigation Objective that is consistent with the amount of repricing risk the entity mitigates using designated derivatives.

13. Therefore, the Risk Mitigation Objective represents the extent to which an entity mitigates the Net Repricing Risk Exposure[6] to ensure that the residual exposure to repricing risk is within the risk limits specified in the entity's risk management strategy.

[6] The ED defines Net Repricing Risk Exposure as the "The net exposure to repricing risk, based on the relevant mitigated rate, arising from underlying portfolios for which an entity manages repricing risk on a net basis."

14. A specific requirement that has been the focus of stakeholder feedback is that paragraph 7.4.1 of the ED also requires that the Risk Mitigation Objective does not exceed the amount of Net Repricing Risk Exposure (that is, the Risk Mitigation Objective must not over-mitigate the Net Repricing Risk Exposure) in *any* repricing time band.

15. This requirement is perceived to create the appearance of under-hedging and over-hedging in adjacent time bands in certain circumstances, even when the risk mitigation activity is fully effective across the overall time horizon (as further explained below).

UKEB's DCL

The UKEB's Draft Comment Letter paragraph A29 addressed this issue, noting that:

- the UKEB supports a Risk Mitigation Objective that is consistent with the amount of repricing risk the entity mitigates using designated derivatives; but
- further work was needed to assess the implications of the requirement in paragraph 7.4.1 (i.e. the restriction within each repricing time band) and whether it would be suitable for certain risk management strategies applied in the UK.

Stakeholder feedback and Secretariat's analysis

16. Stakeholder feedback, informed by their fieldwork results, indicates that the proposed requirement would not allow those stakeholders to reflect their organisation's risk management strategy in certain circumstances. The Secretariat understands that this issue is not exclusive to a specific type of risk management strategy but could arise under different risk management approaches.

17. As noted above, the required use of repricing time bands could create the appearance of under-hedging and over-hedging in adjacent time bands in certain circumstances, even when the risk mitigation activity is fully effective across the overall time horizon. This could result in entities modifying risk management actions to accommodate accounting outcomes, rather than reflecting underlying economic risk management. Stakeholders have indicated this is a significant flaw in the IASB's ED.

Potential solutions

18. Three potential solutions that may help improve the proposed requirements as drafted are presented for the Board's consideration.

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Approach A – Clearer drafting of current proposals

19. Under this approach, the IASB could consider clarifying specific aspects of the requirements, application guidance and illustrative examples to help ensure the proposals are clearly articulated. This could include, but is not confined to:

    a) The example in the proposed application guidance was not intended to be the only acceptable method.

       Application guidance in paragraph B7.4.8 presents an example where an entity mitigates the repricing risk in the ninth-year repricing time band through the use of designated derivatives with a contractual maturity of 10 years.

    b) The IASB could clarify that when considering the requirements of paragraph 7.4.1, an entity could allocate the risk exposure to each repricing time band for the purposes of RMA, instead of allocating the risk exposure solely based on the timing of their repricing. In doing so, the designated derivatives could be considered to mitigate the risk for each period up to the ninth-year repricing time band with some ineffectiveness flowing through profit or loss due to the timing mismatch.

20. This approach could help reduce the number of effective risk management strategies that may be disallowed when applying the proposed RMA model.

21. However, a significant downside of this approach is that it is likely to require some entities to model their risk management strategies differently for accounting purposes only. This could lead to operational challenges and increased risk of the proposed RMA model being misaligned with the entity's risk management strategy in practice.

Approach B – Permitting offsetting across *adjacent* repricing time bands

22. The IASB could refine the proposed RMA to accommodate both under-hedging and over-hedging across adjacent repricing time bands, to the extent they offset each other if that is demonstrably aligned with the entity's risk management activities in practice.

23. Such an approach would help ensure that volatility in profit or loss reflects genuine economic mismatches between the interest rate exposure and the designated derivative, rather than mismatches that arise solely from how exposures are allocated to repricing time bands.

24. This approach has similar benefit as that noted in Approach A above and is more closely aligned with entities' risk management practices.

25. However, this approach raises conceptual questions such as:

    a) whether to permit offsetting effects across adjacent repricing time bands only and

b) whether to permit full or partial offsetting of those effects.

Approach C – Removing the required assessment within *each* repricing time band

26. The requirement to restrict the Risk Mitigation Objective to the amount of Net Repricing Risk Exposure by *each* repricing time band could be removed. A higher level of aggregation that aligns with the entity's risk management strategy could be considered. A higher level of aggregation would also be more consistent with the proposed 'backstop' test which is closely linked to the Risk Mitigation Objective and benchmark derivatives (see further information about benchmark derivatives and the proposed backstop in the paragraphs below).

27. This approach would be most closely aligned to an entity's risk management practices compared to the current proposals or the Alternatives A and B above.

28. For the avoidance of doubt, this approach would retain the overall requirement for the Risk Mitigation Objective not to exceed the Net Repricing Risk Exposure but suggests removing the restriction per *each* repricing time band.

Stakeholder feedback

29. The Secretariat discussed the three potential approaches presented above with members of the UKEB's Financial Instruments Advisory Group (FIAG) at its September 2026 meeting.

30. Approach C received the most support from FIAG members as they considered it to be most closely aligned to how most banks manage their interest rate repricing risk in practice.

Secretariat's observations and recommendations

31. Subject to Board members feedback at this meeting, and considering the advantages and disadvantages from each of the three potential approaches presented above, the Secretariat proposes that Approach C is included as a recommendation in the draft FCL to the IASB. This would entail:

    a) retaining the overall requirement for the Risk Mitigation Objective not to exceed the Net Repricing Risk Exposure but removing the restriction regarding *each* repricing time band;

    b) linking the level of aggregation for such an assessment (i.e. comparison of Risk Mitigation Objective against Net Repricing Risk Exposure) to the level an entity actually uses for risk management purposes; and

    c) providing transparency to the users of financial statements via disclosures in the financial statements about the approach and level of aggregation applied by an entity.

32. The proposed recommendations could alleviate some of the concerns raised by stakeholders. However, the overall requirement for the Risk Mitigation Objective

not to exceed the Net Repricing Risk Exposure is invariably linked to the requirement to adjust the ‘benchmark derivatives’ for which stakeholder concerns have been raised, as further explained below.

Question for the Board

1. The Board is not asked to make any decisions but is invited to share views on the Secretariat's observations and recommendations in relation to:

   a) Risk Mitigation Objective and Repricing Time Bands.

Benchmark Derivatives & Risk Mitigation Adjustment Excess

33. A core aspect of the proposed RMA model is the construction of benchmark derivatives to reflect the Risk Mitigation Objective and the subsequent adjustment of such benchmark derivatives required by paragraphs 7.4.6 and 7.4.7 of the ED to reflect the effects of 'unexpected changes' which result in the Risk Mitigation Objective exceeding the Net Repricing Risk Exposure in *any* repricing time band as noted in the previous section.

34. Where such adjustments do not fully reflect the effects of the 'unexpected changes' to the Net Repricing Risk Exposure during the reporting period, the risk mitigation adjustment excess test, i.e. the proposed 'backstop' test, is triggered in accordance with paragraph 7.4.11 of the ED.

UKEB's DCL

Although the UKEB's Draft Comment Letter supports the proposed use of benchmark derivatives (paragraphs A30-A34) and the proposed requirement for the 'backstop' test (paragraphs A43-A48), the UKEB's DCL also emphasises the need for further clarity in these areas.

Stakeholder feedback

35. While stakeholders are supportive of the need for a 'backstop' test, their feedback has centred around the need for further clarity in relation to the aforementioned proposals on benchmark derivatives and the 'backstop' test, as well as the interaction between these two aspects of the proposed model.

36. In particular, some stakeholders have expressed concerns over:

   a) The proposed 'backstop' test being triggered more frequently than intended due to:

      i. a lack of guidance on what triggers the quantitative comparison[7] within the proposed requirements; and

      ii. the operational complexity and costs required to track and adjust the benchmark derivatives to fully reflect the effects of 'unexpected

[7] Please see paragraphs 7.4.12 and 7.4.13 of the ED.

changes'.

b) The quantitative comparison potentially requiring excess amounts to be recognised in profit or loss immediately even when the risk mitigation activity is fully effective. A relatively simple example is when an entity enters into a derivative (e.g. interest rate swap) for risk mitigation purposes after interest rates have moved instead of when the relevant items in the underlying portfolio were originated (i.e. "late hedge")[8].

c) The asymmetric nature of the proposed RMA model. As noted above, the ED requires adjustments to benchmark derivatives when unexpected changes reduce the Net Repricing Risk Exposure below the Risk Mitigation Objective. The proposals also prohibit the reversal of excess amounts recognised in profit or loss in future periods. This appears to differ from the Expected Credit Loss requirements in IFRS 9 *Financial Instruments* which reflect current conditions and forecasts, regardless of whether they are positive or negative.

37. Although there have been limited potential solutions proposed in this space, stakeholders, including FIAG members, have suggested for the IASB to focus on addressing the issues surrounding the benchmark derivatives as a first step, such that a 'backstop' can then be designed appropriately.

38. This would mean that the 'backstop' should only be triggered when significant events (e.g. significantly larger than expected mortgage prepayments or deposit withdrawals) are expected to occur or when the entity does not track and adjust the benchmark derivatives on a frequent basis. The latter could be the case for smaller banks and building societies that may not have such sophisticated systems in place.

39. The Secretariat has heard mixed views from stakeholders regarding the operational complexity and costs needed to adjust the benchmark derivatives. For example, one large UK bank did not expect the associated complexity and costs to be significantly more onerous than what is being done for their macro hedges in practice today on an ongoing basis.

40. On the basis that the issues surrounding the benchmark derivatives are resolved, a large UK bank expects the 'backstop' to be triggered infrequently. This bank also suggested that the design of the 'backstop' should be principles-based instead of being subject to prescriptive requirements since it needs to fit each individual entity's risk management practices.

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8 This has been included in the UKEB's DCL paragraphs A44-A47. A similar issue is included in PwC's publication: 'Unpacking benchmark derivative adjustments and the excess test in the risk management accounting exposure draft' and on page 6 of HSBC's comment letter.

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Secretariat's observations and recommendations

41. To date, the Secretariat has not identified a comprehensive solution that would operate consistently across different risk management strategies, given:

    a) the complexity of the proposed requirements in this area; and

    b) the need for the proposed RMA model to work for the different repricing risk management strategies for entities of varying sizes.

42. However, the Secretariat can see merit in the stakeholders' suggestion that the IASB focus first on the proposed requirements on the benchmark derivatives. The proposed 'backstop' test is intended to ensure that the risk mitigation adjustment recognised on the balance sheet can be realised in full over the mitigated time horizon. One of the indications that full realisation may not happen is where the effects of unexpected changes have not been fully reflected in the benchmark derivatives according to paragraph 7.4.11 of the ED.

43. This means that any unresolved issue with the proposed requirements surrounding the benchmark derivatives is likely to appear as an additional consideration that the 'backstop' would have to address. For example, if entities have significant problems tracking and adjusting the benchmark derivatives, the 'backstop' would need to be designed to compensate for this issue.

44. In effect, the benchmark derivatives are a critical element of the proposed model. If they do not appropriately reflect the underlying repricing risk (as specified in the Risk Mitigation Objective), it becomes difficult to determine the extent to which the 'backstop' test is merely compensating for imperfections elsewhere in the model. The Secretariat expects that, as the number of such issues increases, it will become more difficult for the IASB to design a 'backstop' that operates effectively across entities employing different repricing risk management strategies.

45. Therefore, subject to Board Members feedback at this meeting, the Secretariat expects to propose reflecting in the draft FCL the stakeholder feedback above. In doing so, the Secretariat intends to propose a recommendation for the IASB:

    a) to focus on addressing the concerns over the benchmark derivatives; and

    b) to design principles-based requirements for a 'backstop' so that it can be tailored to each individual entity's risk management practices.

46. Whilst this recommendation does not include a comprehensive suggested solution, it could nonetheless be helpful to provide a direction of travel to the IASB when they consider revisions to the proposed RMA model.

Question for the Board

1. The Board is not asked to make any decisions but is invited to share views on the Secretariat's observations and recommendations in relation to:

   b) Benchmark Derivatives and Risk Mitigation Adjustment Excess.

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Withdrawal of IAS 39

47. At the UKEB September 2026 meeting, the Secretariat informed the Board that cost and complexity concerns over the proposed RMA model have been raised by affected entities of varying sizes.

Stakeholder feedback and Secretariat's analysis

48. Stakeholders have emphasised that IAS 39 should not be withdrawn without a viable accounting solution in place for entities of different sizes. Potential alternatives to a revised RMA model identified by stakeholders, are presented below.

Alternative A – Incorporating limited elements of the proposed RMA model into Chapter 6 hedge accounting requirements of IFRS 9

49. This approach would explore whether selected aspects of the proposed RMA model could be incorporated into the existing hedge accounting requirements of IFRS 9, rather than introducing a separate accounting model. Potential areas for consideration include the ability to hedge forecast transactions and demand deposits modelled as fixed rate exposures on a portfolio basis. There is a view that this approach could provide a more proportionate and operational solution for some entities, particularly those with less complex risk management activities, whilst building on an accounting framework that is already familiar to preparers, users and auditors.

50. A potential advantage of this approach is that it may allow certain dynamic risk management activities to be reflected more faithfully within the existing hedge accounting framework, without introducing the operational complexity associated with a standalone RMA model.

51. However, a number of conceptual questions would need to be considered, including:

    a) How existing hedge accounting requirements could be adapted to accommodate certain elements of the proposed RMA model (as noted in paragraph 49 above) so that it reduces the need for 'proxy hedging[9]', while identifying and mitigating potential unintended consequences.

    b) The appropriate scope of any amendments, for example the types of entities, portfolios and risk management activities to which they would apply.

    c) Whether targeted changes to IFRS 9 could provide a scalable and proportionate solution for entities employing different risk management

[9] Proxy hedging is a colloquial reference to the use of designations of hedging relationships that do not exactly represent an entity's actual risk management [IFRS 9 Basis for Conclusions BC6.96].

practices, whilst maintaining appropriate discipline, transparency and comparability in financial reporting.

52. The Secretariat notes that both the UKEB's and the IASB's project on the *Post-implementation Review of IFRS 9–Hedge Accounting* (PIR) is currently ongoing. Whilst there is linkage between the PIR and the RMA project in general, this alternative in particular would need to be considered in light of feedback provided by stakeholders to the PIR.

Alternative B – Extending the UK/EU carve-out version of IAS 39 to other jurisdictions applying IFRS accounting standards

53. This approach would allow entities applying the carve-out to continue their current hedge accounting and it would potentially expand its application to entities in other jurisdictions applying IFRS-based accounting standards, potentially increasing comparability.

54. However, potential disadvantages include:

a) conceptual challenges as the provisions in the carve-out conflict with existing IFRS 9 and IFRS 13 requirements;

b) retaining a higher volume of proxy hedging (compared to the proposed RMA); and

c) limited transparency of information to users of accounts.

Alternative C – A business model inspired approach to accounting for qualifying derivatives used in the banking book

55. This approach seeks to leverage existing banking regulatory and governance frameworks to demonstrate that derivatives are used as part of a managed Interest Rate Risk in the Banking Book (IRRBB) programme. Rather than requiring the detailed accounting requirements proposed in the RMA model, it would rely to a greater extent on the extensive governance, monitoring and reporting currently required for prudential purposes. Some stakeholders question whether accounting requirements need to duplicate those controls.

56. A complete model has not been specified yet, but it is suggested by a large UK bank that:

a) The qualifying derivatives would continue to be measured at fair value on the balance sheet.

b) The deferred changes to their fair value would be accounted for either as a separate balance sheet item (as under the proposed RMA model) or through Other Comprehensive Income, similar to existing cash flow hedge accounting requirements.

c) This model will also include new disclosures in IFRS 7 *Financial Instruments: Disclosures*, aligned with prudential IRRBB reporting.

57. Exploring this approach further would require assessing the degree of alignment that can or should exist between the accounting and regulatory reporting, given they have different objectives and they could differ by jurisdiction. In addition, it raises the question as to whether the scope of such an accounting model would be restricted to regulated entities subject to IRRBB requirements only.

58. It is also unclear whether this alternative would be operational and cost-effective for entities of varying sizes. In particular, it is unclear whether prudential reporting for entities on the smaller end of the spectrum can be adapted for investor reporting purposes.

59. While stakeholders have not converged on a viable replacement for IAS 39, there is broad agreement that IAS 39 should not be withdrawn until a workable solution exists for entities of different sizes.

Secretariat's observations and recommendations

60. Subject to Board Members' feedback at this meeting, the Secretariat expects to propose reflecting the stakeholder feedback above in the draft FCL. In particular, the Secretariat expects to recommend that the IASB continue exploring how its objective of better reflecting dynamic interest rate risk management activities can be achieved in a way that is operational, proportionate and capable of being implemented without undue cost or effort by entities of different sizes.

61. Stakeholders have expressed a range of views as to how this objective might best be achieved. Whilst some stakeholders support further refinement of the proposed RMA model, others have suggested that targeted enhancements to the existing hedge accounting requirements in IFRS 9 may warrant further exploration, particularly where they could provide a more proportionate solution for entities with less complex risk management activities.

62. The Secretariat therefore expects the UKEB's FCL to present these approaches for the IASB's consideration and to encourage further exploration of whether the project's objectives are best achieved through a revised RMA model or through a scalable alternative that accommodates different risk management practices and operational capabilities.

Question for the Board

1. The Board is not asked to make any decisions but is invited to share views on the Secretariat's observations and recommendations in relation to:

   c) Withdrawal of IAS 39.

A comprehensive approach

63. Stakeholders have identified concerns that affect several interconnected aspects of the proposed model, including the repricing time bands, benchmark derivatives and the 'backstop' test. The changes needed to the proposed model may be significant, and the Secretariat believes that specific aspects of the proposed RMA should not be considered and addressed by the IASB in isolation. For example, changes to the granularity at which the Risk Mitigation Objective is assessed against the Net Repricing Risk Exposure are likely to affect the adjustments needed for the benchmark derivatives, which in turn may affect the design and operation of the proposed 'backstop' test.

64. Addressing these concerns in a holistic manner is expected to require changes that could significantly alter how the proposed model operates. Stakeholders will need the opportunity to review and field-test the resulting package of proposals in their entirety, including assessing the interaction between the revised requirements and any unintended consequences arising from them.

65. Accordingly, the Secretariat believes the IASB will need to re-expose any substantially revised elements of the model before finalisation. Re-exposure would allow stakeholders to comprehensively assess how the revised proposals operate as an integrated package, evaluate their operational feasibility across different risk management strategies and entity sizes, and identify any unintended consequences. Such outreach is also likely to provide the IASB with information that has not been available from testing the current Exposure Draft proposals.

Questions for the Board

2. The Board is invited to share thoughts in relation to the Secretariat's view that there is a need for the IASB to take a comprehensive approach in revising its proposals and that this will require re-exposure and field test of the revised proposals.
3. Do Board Members have any additional feedback on the IASB's ED and/or the Secretariat's observations, analysis and recommendations that they would like to share?

Next Steps

66. The Secretariat will continue to engage with UK stakeholders and use it to inform the Secretariat's work in developing the draft Final Comment Letter. A draft Final Comment Letter to the IASB (and the related Feedback Statement and draft Due Process Compliance Statement) will be presented for the Board's consideration at the UKEB November 2026 meeting.

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Timeline

67. The expected high-level timeline of this project, including key activities and milestones, is as follows:

Timeline:	
9 December 2025	Board Education Session 1: Introduction to banks and risk management
January 2026	• Board Education Session 2: Introduction to the Risk Mitigation Accounting model Part A • Project Initiation Plan for Board approval
February 2026	• Board Education Session 3: Introduction to the Risk Mitigation Accounting model Part B • Preliminary technical Board discussion
26 March 2026	Draft Comment Letter for Board consideration
28 April 2026	Draft Comment Letter (and related Invitation to Comment) published for consultation
17 September 2026	Project Update: Update on stakeholder feedback
21 October 2026	Draft Comment Letter: Deadline for comments
22 October 2026	Technical Paper: Exploring approaches to key issues identified (and an update on stakeholder feedback including verbal update on Comment Letters received)
26 November 2026	Board review of Final Comment Letter, Feedback Statement, draft Due Process Compliance Statement
November 2026	Final Comment Letter submitted to IASB (deadline 30 Nov. 2026)
10 December 2026	Due Process Compliance Statement for noting
Q1 2027	Summary of additional feedback if any, including field test results, for Board consideration