

Summary of the Financial Instruments Advisory Group meeting held on 22 September 2026 from 10am to 1pm

Meeting agenda

Item no.	Item
1	Welcome
2	Risk Mitigation Accounting
3	IASB's Post-implementation Review of IFRS 9 Hedge Accounting
4	Amortised Cost Measurement
5	IFRS Constitution Consultation
6	Horizon Scanning
7	Any other business

Attendees

FIAG members	
Name	Designation
Seema Jamil-O'Neill	UKEB Technical Director - Financial Instruments Advisory Group (FIAG) Acting Chair
Kim Abbott	FIAG member
Alan Chapman	FIAG member
Stacey Howard	FIAG member
John Kent	FIAG member
Robbert Labuschagne	FIAG member
Mark Randall	FIAG member

Michelle Seymour	FIAG member
Helen Shaw	FIAG member
Mark Spencer	FIAG member
Michael Tiplady	FIAG member
Stanislav Varkalov	FIAG member

UK Endorsement Board Member	
Name	Designation
Paul Lee	UKEB Chair

Apologies: Tony Clifford (FIAG Chair), Richard Crooks (FIAG member), Kumar Dasgupta (FIAG member) and Fabio Fabiani (FIAG member).

Two observers from banking and accounting regulators and relevant UKEB Secretariat team members were also in attendance.

Welcome

1. The FIAG Acting Chair welcomed members, the observers and those in attendance to the meeting.

Risk Mitigation Accounting

2. The UKEB Secretariat (the Secretariat) presented a project update and sought FIAG members' views on key issues identified with the proposed model, and possible solutions to further explore.

Risk Mitigation Objective and Repricing Time Bands

3. The Secretariat noted that stakeholder feedback (informed by their fieldwork results) indicates the proposal in the ED paragraph 7.4.1, which requires that the Risk Mitigation Objective does not exceed the amount of Net Repricing Risk Exposure in *any* repricing time band, will not allow a number of entities to reflect their organisation's risk management strategy. This issue does not seem to be exclusive to a specific type of risk management strategy.
4. The Secretariat sought views on three potential solutions:

- a) The IASB could consider clarifying that the example in the proposed application guidance was not intended to be the only acceptable method.
 - b) 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.
 - c) The requirement to restrict the Risk Mitigation Objective to the amount of Net Repricing Risk Exposure by each repricing time band could be removed.
5. The third option (4(c) above) received the most support from FIAG members as they considered it to be most aligned to how a bank manages its interest rate repricing risk in practice.

Benchmark Derivatives and Risk Mitigation Adjustment Excess

6. The Secretariat noted that stakeholder feedback has emphasised the need for further clarity in relation to the proposals on Benchmark Derivatives and the risk mitigation adjustment excess (or the 'backstop' test), as well as the interaction between these two aspects of the proposed model.
7. While limited potential solutions were proposed in this space, some FIAG members suggested focusing on addressing the issues surrounding the Benchmark Derivatives, such that a 'backstop' can then be designed appropriately.
8. This would mean that the 'backstop' should be triggered infrequently, for example only when significant events occur (e.g. significantly larger than expected mortgage prepayments or deposit withdrawals).

Withdrawal of IAS 39

9. The Secretariat noted stakeholder request that IAS 39 *Financial Instruments: Recognition and Measurement* should not be withdrawn without an alternative, viable accounting solution in place.

Possible alternatives to RMA

10. The Secretariat noted its preference for the IASB to revise the proposed RMA model in a way that achieves its objectives, so that it can be implemented in practice without undue cost or effort and provides more useful information to users of financial statements. However, the Secretariat sought FIAG members' views on other potential alternatives previously identified by stakeholders:

-
- a) Incorporating specific elements of the proposed RMA model into Chapter 6 hedge accounting requirements of IFRS 9 *Financial Instruments*.
 - b) Extending the UK/EU carve-out version of IAS 39 to other jurisdictions applying IFRS accounting standards.
 - c) A business model inspired approach to accounting for qualifying derivatives used in the banking book.
11. FIAG members expressed a range of views on the potential alternatives presented above with no consensus emerging. While the proposed RMA model and hedge accounting is optional, some FIAG members expressed their preference for limiting the number of accounting options available for entities. They noted that any solutions must be scalable for entities of different sizes.

IASB's Post-implementation Review of IFRS 9 Hedge Accounting (PIR)

12. The Secretariat provided some background on the IASB's PIR, and the anticipated timetable for the UKEB draft comment letter. The IASB Request for Information is expected to be published in late September 2026.
13. A FIAG member introduced three topics, previously highlighted in IASB staff papers, where stakeholders considered that the IFRS 9 hedge accounting requirements were potentially not working as intended:
- a) Cost of hedging for foreign exchange contracts.
 - b) Deal contingent derivatives.
 - c) Derivatives with a Variable Nominal Amount.
14. Members discussed some of the complexities associated with calculating the cost of hedging for foreign exchange contracts, noting that the results were almost always immaterial.
15. Members also considered transactions involving deal contingent derivatives and load following swaps. Members noted that from a risk management perspective companies were economically hedged by these instruments, but were generally not able to apply IFRS 9 hedge accounting.
16. Members provided feedback on the hedge accounting disclosure requirements within IFRS 7 *Financial Instruments: Disclosures*. They noted the reliance on tabular disclosures, even where these are not required by the Standard. A member noted the use of 'proxy hedging'¹, which can create a disconnect between risk management and hedge accounting and the related disclosures.

¹ '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].

Amortised Cost Measurement

17. The Secretariat presented an overview of progress on the Amortised Cost Measurement project, and presented a paper summarising the IASB staff proposals relating to initial and subsequent measurement of liabilities arising from contingent settlement provisions. The Secretariat sought members' feedback on these topics ahead of the forthcoming IASB's Accounting Standards Advisory Forum (ASAF) meeting², of which the UKEB is a member.
18. Members were broadly supportive of the tentative decisions taken on the project prior to September 2026. Members highlighted that some of the contents of the Amortised Cost Measurement papers being discussed at the September 2026 IASB Board meeting may warrant future discussion by the FIAG.
19. In relation to the initial and subsequent measurement of liabilities arising from contingent settlement features, members:
 - a) Expressed reservation about a lack of clarity as to what was intended by the 'transaction price' initial measurement proposed by Approach 1 in the ASAF paper.
 - b) Questioned how the upward only nature of the subsequent measurement adjustments would work, noting this was quite different from existing IFRS 9 guidance on estimating expected cash flows.
 - c) Suggested that non-viability contingent settlement features may be less common in the UK than some other contingent settlement features, such as those triggered upon an initial public offering (IPO) or sale.
 - d) Contingent settlement features triggered by an IPO or sale may be significantly more likely to occur than other clauses, such as non-viability clauses. Members considered that day 1 or day 2 losses could arise where at initial recognition there is a high probability of a clause being exercised in the future.

IFRS Constitution Consultation

20. The Secretariat presented an overview of the IFRS Foundation Trustees' Exposure Draft (ED): *Proposed Targeted Amendments to IFRS Foundation Constitution*. The Secretariat sought members' views on the UKEB's proposed Draft Comment Letter in response to it.
21. Members were broadly supportive of the proposed response and:

² [IFRS Accounting Standards Advisory Forum](#) – October 2026 meeting

-
- a) Recommended that the importance of retaining the super-majority vote for approval of exposure drafts and final standards should be mentioned in the main body of the covering letter.
 - b) Expressed support for maintaining the IASB's geographical allocation, because reducing that minimises the impact of IFRS as global standards.
 - c) Questioned whether the staff and working groups were sufficiently resourced to cope with work being pushed down from the Board level.
22. The FIAG Acting Chair advised the group that the final letter would also reference any letters being sent by other bodies within the UK corporate reporting framework. Members were also asked to share the DCL with their networks and to consider responding to the Trustees' consultation directly.

Horizon Scanning

23. The FIAG Acting Chair asked members for information about current or emerging issues in the financial reporting environment for financial instruments, that members considered warranted discussion during this or a future meeting. No new issues were raised at the meeting.

Any Other Business

24. There being no other business, the meeting closed.