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To the kind attention of
Mr. Wolf Klinz – Chair of the EFRAG Financial Reporting Board

27 October 2026

Re: EFRAG Draft Comment Letter on the IASB Exposure Draft Risk Mitigation Accounting—Proposed amendments to IFRS 9 and IFRS 7

Dear Wolf,

We are pleased to have the opportunity to provide our comments on the EFRAG Draft Comment Letter on the Exposure Draft Risk Mitigation Accounting—Proposed amendments to IFRS 9 and IFRS 7.

We welcome the IASB's efforts to develop a model that seeks to improve the representation of repricing risk management activities in financial statements and to better align accounting outcomes with entities' risk management practices.

The observations set out in this letter are based on extensive discussions with our stakeholders from both the banking and insurance sectors, including participants involved in a number of national and international industry working groups.

Banking sector perspective

The banking sector observes that the current IAS 39 carve-out model:

- is well-established and widely understood by preparers, supervisors and auditors;
- is integrated with the prudential framework;
- has been applied consistently for more than twenty years, including through periods of significant financial market volatility;
- has not given rise to concerns regarding financial stability or the quality of financial reporting.

By contrast, the proposed IASB model:

- is conceptually and operationally complex;
- may have unintended consequences for existing risk management activities (for example, entities could be incentivised to reduce economically effective hedging in order to satisfy model requirements);
- could result in accounting gains and losses that do not faithfully reflect effective risk management strategies;
- would require significant operational, technological and organizational investments.

Overall, the banking sector considers that the current IAS 39 carve-out framework continues to provide an adequate solution for managing and representing repricing risk. Accordingly, the introduction of a new accounting model would only be justified if it delivers clear, substantial and demonstrable benefits over the existing framework that outweigh the significant implementation costs and operational burdens associated with its adoption, without creating misalignment between risk management activities and accounting representations – or incentivizing changes to economically effective hedging strategies solely to meet accounting requirements.

Insurance sector perspective

The insurance sector continues to face challenges in faithfully representing its interest rate risk management activities under the existing macro- and micro-hedge accounting requirements in IAS 39 and IFRS 9.
When IFRS 17 Insurance Contracts was developed, the IASB deferred consideration of a broader solution for insurance hedging activities to this project.
As a result, insurers have expressed interest in potential developments of the accounting framework that would enable a more faithful representation of interest rate risk management activities and reduce existing accounting mismatches.

In this context, while the objective of the proposed model represents a welcome and constructive starting point, the model as currently drafted does not appear capable of adequately and faithfully representing the specificities of the interest rate risk management activities of the insurance sector. As a result, it does not appear to deliver a meaningful improvement in the representation of insurers' risk management activities and could, in certain circumstances, lead to accounting mismatches rather than reduce them.
Therefore, any future modifications should be developed through close engagement with insurers and with the relevant functions involved in interest rate risk management activities, including risk management, ALM and accounting specialists.
Should these adaptations not be adequately addressed within the RMA project, insurers noted that some of the identified issues could be considered as part of the post-implementation reviews of IFRS 9 and/or IFRS 17.

OIC recommendation
On the basis of the feedback received we believe that the RMA model, in its current form, is not yet capable of providing a complete and viable replacement for the existing IAS 39 framework. Across both sectors, stakeholders identified several conceptual and operational challenges that would need to be addressed before the model could be effectively implemented and applied in practice. The main issues identified are the following: the scope of the underlying portfolios, "inflated accounting", the definition of unexpected changes, retrospective adjustments to benchmark derivatives, the excess test, over-hedging by time band, benchmark derivatives with a zero fair value, the definition of repricing risk and the presentation of RMA in OCI for insurers.

Given the pervasiveness of these concerns, as detailed in the Appendix, we do not believe that the proposals are sufficiently developed to proceed to finalization in their current form. In our view, the identified issues are sufficiently significant to warrant further development of the model followed by a re-exposure of the revised proposals. Such a process would allow stakeholders to assess whether the amended requirements appropriately address the concerns raised and whether the resulting model is capable of achieving its stated objectives in a practical and operational manner.

Yours sincerely,

Gianmario Crescentino
(Chair of the Board of Directors)

Appendix

Question 1—Objective and scope of risk mitigation accounting (Section 7.1)
The IASB proposes that:
(a) the objective of risk mitigation accounting be for financial statements to represent the economic effect of an entity's risk management activities if the entity manages repricing risk on a net basis.
(b) risk mitigation accounting be applied on a voluntary basis. However, an entity would be permitted to apply risk mitigation accounting if, and only if, the entity mitigates repricing risk on a net basis and the entity's business and risk management activities have the characteristics specified in paragraph 7.1.4.
(c) an entity be required to document formally how it will apply risk mitigation accounting.
Paragraphs BC11–BC37 of the Basis for Conclusions explain the IASB's rationale for these proposals.
Do you agree with these proposals? Why or why not? If you disagree with any of these proposals, please explain what you would suggest instead and why.

We support the objective stated in the Exposure Draft that the purpose of Risk Mitigation Accounting is to enable financial statements to represent the economic effects of an entity's risk management activities. To achieve this objective, the final model should seek to minimise unnecessary differences between the accounting outcomes produced by the model and the way repricing risk is managed in practice.

In particular, the IASB should carefully consider areas where the proposed requirements may diverge from established risk management practices, including restrictions on eligible items, the treatment of over-hedging at the individual repricing time-band level, the use of benchmark derivatives with a zero fair value and the treatment of non-linear exposures. To the extent possible, the model should reflect the way banks and insurers identify, measure and mitigate repricing risk in practice.

At the same time, it is important that the model reduces artificial accounting volatility to the greatest extent possible. While some degree of residual volatility may be unavoidable, the effectiveness of the model will ultimately depend on its ability to avoid accounting outcomes that are not reflective of the underlying risk management activities.

Question 2—Underlying portfolios (paragraphs 7.2.1–7.2.4)
The IASB proposes that risk mitigation accounting be applied based on underlying portfolios—that is, portfolios of financial instruments that expose an entity to repricing risk. The IASB proposes that financial instruments be eligible for inclusion in underlying portfolios only if they are:
(a) financial assets classified as subsequently measured at amortised cost or fair value through other comprehensive income (in accordance with paragraphs 4.1.2 or 4.1.2A of IFRS 9 Financial Instruments);
(b) financial liabilities classified as subsequently measured at amortised cost (in accordance with paragraph 4.2.1 of IFRS 9); or
(c) future transactions that could result in the recognition or derecognition of financial instruments specified in (a) or (b).
The IASB is also proposing that an entity apply risk mitigation accounting only to its exposure to repricing risk that is not otherwise mitigated. However, if a financial instrument is designated as a hedged item for a risk other than repricing risk, the hedged exposure would be eligible for inclusion in underlying portfolios. Paragraphs BC38–BC63 of the Basis for Conclusions explain the IASB's rationale for these proposals.
Do you agree with these proposals? Why or why not? If you disagree with any of these proposals, please explain what you would suggest instead and why.

Our stakeholders broadly agree that the scope of eligible underlying portfolios should be aligned with the risk management perimeter rather than being driven by accounting classifications. In their view, if the objective of the RMA is to faithfully represent repricing risk management activities, the model should reflect the portfolios that are economically managed for interest rate risk purposes.
Consistent with this principle, our stakeholders support the inclusion of additional items exposed to net repricing risk, for example financial instruments measured at fair value through profit or loss (FVTPL)[1], lease assets and lease liabilities and all components of (re)insurance assets or liabilities, given that risk management frameworks are generally not based on accounting measurement categories.

Our stakeholders also highlighted operational challenges relating to intragroup transactions and intragroup funding arrangements, particularly within decentralised risk management structures. They noted that banks often manage repricing risk through internal funding

[1] Despite the fact that FV changes of FVTPL instruments are already reflected in profit or loss, there are circumstances where hedging derivatives would be intended to mitigate the repricing risk of such instruments.

arrangements and internal derivatives. In this context, they requested clarification on the interaction between draft paragraph 7.1.6, which requires an entity to apply risk mitigation accounting "*at the level at which the entity mitigates the repricing risk arising from underlying portfolios in accordance with its risk management strategy*", and the proposed restriction limiting eligible transactions to those with parties external to the reporting entity.

Our stakeholders also stressed the importance of allowing appropriate proxy approaches to reflect repricing risk associated with assets funded by equity, including Additional Tier 1 (AT1) instruments.

Our stakeholders, while supporting the eligibility of FVOCI financial assets within the underlying portfolios, observed that the interaction between FVOCI accounting and the proposed risk mitigation adjustment may not fully reflect the way interest rate risk is managed within asset-liability management strategies ("inflated accounting"). This concern was highlighted in particular by insurance undertakings.

Finally, insurers noted that the inclusion of insurance contract liabilities within the underlying portfolios may require further guidance. In particular, clarification would be needed on the application of the "highly probable" criterion to future transactions, given that insurance cash flows are typically projected on an expected-value basis and may not fit easily within concepts originally developed for traditional hedge accounting relationships.

Question 3—Determining the net repricing risk exposure (paragraphs 7.2.5–7.2.10)

The IASB proposes that an entity determine the net repricing risk exposure by aggregating the repricing risk arising from underlying portfolios by repricing time bands based on expected repricing dates. The expected repricing date is the earlier of the dates on which financial instruments in the underlying portfolios are expected to be settled or to reprice.

The IASB also proposes that the entity determine the net repricing risk exposure in a manner that is consistent with how it makes risk management decisions, including with regard to:

(a) the basis on which the entity aggregates the repricing risk arising from underlying portfolios and determines the repricing time bands (based on expected repricing dates); and

(b) the measure the entity uses to quantify the repricing risk exposure in each repricing time band.

Paragraphs BC64–BC69 of the Basis for Conclusions explain the IASB's rationale for these proposals.
Do you agree with these proposals? Why or why not? If you disagree with any of these proposals, please explain what you would suggest instead and why.

Our stakeholders raised concerns that the NRRE concept proposed in the ED does not correspond to the net position typically used for interest rate risk management. In most cases, entities manage and monitor a net interest rate risk position comprising all interest rate-sensitive assets, liabilities and derivatives, with derivatives used to maintain that net position within predefined risk limits. On the contrary, the NRRE described in the ED cannot include derivatives.

In addition, while banks use time-band analyses as part of their interest rate risk management framework, insurers generally manage interest rate risk on an aggregated economic basis and rely on economic-value and solvency-based sensitivities that measure the impact of interest rate movements on net economic value. Risk is therefore typically monitored using measures such as PV01/DV01 sensitivities, duration-gap metrics and economic-value or solvency-ratio sensitivities rather than through an allocation of exposures to repricing time bands. Consequently, insurers questioned whether the determination of the NRRE through repricing time bands would faithfully represent how exposures are actually managed in practice.

Another concern highlighted by our stakeholders is that an NRRE linked to a single benchmark rate would not adequately represent risk management activities, as hedging strategies commonly involve exposures and hedging instruments tied to different benchmark rates. This is particularly relevant in the EUR environment, where risk management activities generally encompass instruments linked to multiple reference curves and tenors (e.g. Euribor 1M, 3M, 6M, 12M and €STR) within the same interest rate risk management framework.

Our stakeholders requested additional guidance on the concepts of expected repricing dates, repricing time periods and the determination of the NRRE. In particular, clarification is needed on whether entities are required to determine the NRRE through repricing time bands in all circumstances, or whether aggregate economic-value and sensitivity-based measures could be used when these form the basis of the entity's risk management framework. For insurers, further guidance may also be needed on how policyholder behavior, guarantees, profit-sharing mechanisms, embedded options and management actions should be reflected in the determination of the NRRE. These features often give rise

to non-linear exposures that cannot readily be represented through a simple allocation to repricing time periods. In addition, the IASB should clarify the interaction between the "expected" occurrence criterion under the proposed model and the "highly probable" threshold in IFRS 9, and confirm whether forecast new business included in management-approved plans or budgets may be considered.

Question 4—Designated derivatives (Section 7.3)
The IASB proposes that only interest rate derivatives with a party external to the reporting entity that are used to mitigate the entity's repricing risk in accordance with its risk management strategy be eligible to be included as designated derivatives.
Paragraphs BC70–BC77 of the Basis for Conclusions explain the IASB's rationale for these proposals.
Do you agree with these proposals? Why or why not? If you disagree with any of these proposals, please explain what you would suggest instead and why.

Our stakeholders generally agreed with the proposed requirements relating to designated derivatives. In particular, both banks and insurers highlighted the importance of retaining the ability to designate non-linear derivatives, such as caps, floors, swaptions and other interest rate options, given their widespread use in interest rate risk management activities.

With respect to the proposed restriction on intragroup derivatives, our stakeholders referred to the comments provided in the response to Question 2 regarding the treatment of internal transactions and internal risk management arrangements**.**

Question 5—Risk mitigation objective and benchmark derivatives (paragraphs 7.4.1–7.4.7)
The IASB proposes that an entity:
(a) specify a risk mitigation objective that is consistent with the amount of repricing risk the entity mitigates using designated derivatives, but does not (b) exceed the amount of net repricing risk exposure in each repricing time band; construct benchmark derivatives to replicate the timing and amount of repricing risk as specified in the risk mitigation objective; and
(c) adjust the amount of repricing risk represented by the benchmark derivatives if unexpected changes in financial instruments included in underlying portfolios reduce the net repricing risk exposure to an amount below the risk mitigation objective specified at the beginning of the period.

Paragraphs BC78–BC87 of the Basis for Conclusions explain the IASB's rationale for these proposals.
Do you agree with these proposals? Why or why not? If you disagree with any of these proposals, please explain what you would suggest instead and why.

Paragraph 7.4.1 of the Exposure Draft states that *"the specified risk mitigation objective shall not exceed the amount of net repricing risk exposure in any repricing time band"*. While this requirement appears intended to prevent over-hedging, our stakeholders questioned whether such a restriction is consistent with the way interest rate risk is actually managed in practice.
As already noted in our response to Question 3, banks typically manage repricing risk on the basis of the overall net interest rate exposure of assets, liabilities and derivatives, within approved risk limits. As a result, limited over- or under-hedging at individual repricing time-band level may arise and does not necessarily indicate a deficiency in risk management, provided that the overall exposure remains within the institution's defined risk appetite and risk limits.
Stakeholders therefore expressed concerns that prohibiting over-hedging in each individual repricing time band could produce accounting outcomes that do not faithfully represent risk management activities and could give rise to unnecessary profit or loss volatility, even when the institution's overall net interest rate exposure is appropriately managed and remains within risk limits.

For this reason, the IASB should reconsider this requirement and explore whether a degree of tolerance could be permitted without triggering profit or loss impacts, provided that the overall risk mitigation objective remains aligned with the entity's risk management strategy and the net repricing risk exposure being managed.

Stakeholders questioned the requirement to construct benchmark derivatives with a zero fair value. This assumption may create unintended accounting consequences in certain circumstances, particularly on transition and in the presence of non-linear derivatives. In such cases, benchmark derivatives with a zero fair value may result in accounting mismatches at inception and over time. With respect to transition, reference is made to the comments provided in response to Question 9.

For insurers, risk appetite is often expressed through tolerance ranges rather than single target positions. Consideration should therefore be given to allowing the risk mitigation objective to be specified as a documented risk-appetite range for the managed net repricing position, using the metrics applied within the entity's risk management framework. In such

circumstances, profit or loss impacts would arise only when mitigation activities exceed the boundaries of the approved range rather than as a result of normal fluctuations within that range.
A decomposition into repricing time bands should only be required where repricing time bands form part of the entity's documented risk management framework and decision-making process.

Question 6—Recognising and measuring the risk mitigation adjustment (paragraphs 7.4.8–7.4.14)
The IASB proposes that an entity:
(a) recognise the risk mitigation adjustment in the statement of financial position based on the lower of:
(i) the cumulative gains or losses on the designated derivatives; and
(ii) the cumulative change in the fair value (present value) of the benchmark derivatives;
(b) recognise in profit or loss the amount accumulated as the risk mitigation adjustment in the same periods during which the repricing differences arising from the financial instruments in the underlying portfolios affect profit or loss;
(c) assess, at each reporting date, whether there is an indication that the risk mitigation adjustment might not be realised in full over the mitigated time horizon; and
(d) recognise immediately in profit or loss a reduction in the amount accumulated as the risk mitigation adjustment if it exceeds the present value of the net repricing risk exposure as at the reporting date.
Paragraphs BC88–BC116 of the Basis for Conclusions explain the IASB's rationale for these proposals.
Do you agree with these proposals? Why or why not? If you disagree with any of these proposals, please explain what you would suggest instead and why.

Unexpected changes
Both banks and insurers noted that it is not sufficiently clear what constitutes an "unexpected change" for the purposes of applying the proposed requirements. In particular, different interpretations appear possible, ranging from a narrower view that would limit unexpected changes to exceptional events outside the normal course of business, to a broader view that would capture a wider range of changes affecting the net repricing risk exposure.
Our stakeholders observed that the interpretation adopted could have a significant impact on the application of the model and could lead to materially different accounting outcomes.

In particular, different views may result in different assessments of when benchmark derivatives should be adjusted and therefore affect the measurement of the Risk Mitigation Adjustment.
For this reason, our stakeholders requested additional guidance from the IASB to promote a consistent application of the requirements and reduce the risk of diversity in practice.

While recognising that different interpretations may be possible, preparers generally favored a narrower interpretation under which only genuinely exceptional changes would be considered unexpected.

From an insurance perspective, our stakeholders noted that changes in net repricing risk exposures frequently arise from updates to policyholder behavior assumptions, revisions to actuarial estimates, management actions and changes in new business volumes. As these developments are an inherent feature of the insurance business and form part of normal management of insurance liabilities, our stakeholders generally considered that they should not, in themselves, be regarded as unexpected changes.
A similar rationale may also apply to banks for positions subject to behavioral assumptions, where changes in net repricing risk exposures result from model recalibrations driven by evolving market conditions and updated behavioral observations, rather than from unexpected events.

Retrospective adjustments to benchmark derivatives
Our stakeholders noted that reflecting retrospectively unexpected changes in the NRRE through adjustments to the benchmark derivatives would be operationally complex. Doing so could require entities to reconstruct historical hedge management decisions over long periods and to assess how benchmark derivatives would have been adjusted over time. Such an exercise may not be feasible in practice, particularly because hedging activities are typically managed against net risk positions and are not tracked at the level of individual assets, liabilities or transactions.

Excess test
Our stakeholders generally agreed that a form of backstop mechanism is necessary to ensure that the Risk Mitigation Adjustment remains a reasonable and supportable representation of the expected future mitigation of repricing risk. However, concerns were raised regarding the practical application of the proposed RMA Excess Test.
In particular, our stakeholders noted that the Exposure Draft does not provide sufficiently clear guidance on what constitutes an indication that the Risk Mitigation Adjustment may no longer be recoverable and, therefore, on when the test should be performed.

Without clearer indicators or thresholds, there is a risk that the test could be triggered more frequently than intended, including as a result of normal business developments and routine updates to risk management assumptions. As a result, the Excess Test could become a recurring exercise performed in circumstances that do not indicate a genuine deterioration in the expected effectiveness of the risk mitigation strategy. Our stakeholders noted that this would not only increase operational complexity, but could also lead to reductions in the Risk Mitigation Adjustment and the recognition of profit or loss effects that do not faithfully reflect the underlying economics of the hedging strategy.

Presentation of the Risk Mitigation Adjustment

Banks did not generally question the balance sheet presentation of the Risk Mitigation Adjustment, except for concerns relating to the potential "*inflated account*" described in our response to Question 2.

Insurers, by contrast, raised concerns regarding the presentation of the Risk Mitigation Adjustment. In the insurance sector the effects of interest rate movements are often reflected predominantly through OCI, both because a significant portion of invested assets is measured at FVOCI and because insurers may apply the IFRS 17 OCI option to insurance finance income and expenses.

In these circumstances, recognising the effects of the Risk Mitigation Adjustment outside OCI could create presentation mismatches between the accounting treatment of assets, liabilities and the related risk management activities, despite the underlying economics being appropriately managed. For this reason, insurers supported introducing an option to present the effects of the Risk Mitigation Adjustment in OCI.

Question 7—Discontinuation of risk mitigation accounting (Section 7.5)

The IASB proposes that an entity discontinue risk mitigation accounting prospectively from the date on which the entity's risk management strategy changes—that is, when the entity changes how it manages repricing risk, including a change to the mitigated rate.

The IASB also proposes that an entity that discontinues risk mitigation accounting recognise the amount accumulated as the risk mitigation adjustment in profit or loss:

(a) on a systematic and rational basis over the mitigated time horizon, if the repricing differences arising from the financial instruments in underlying portfolios are still expected to affect profit or loss; or

(b) immediately, if the repricing differences arising from the financial instruments in underlying portfolios are no longer expected to affect profit or loss.

Paragraphs BC117–BC126 of the Basis for Conclusions explain the IASB's rationale for these proposals.
Do you agree with these proposals? Why or why not? If you disagree with any of these proposals, please explain what you would suggest instead and why.

We broadly agree that Risk Mitigation Accounting should be discontinued when there is a genuine change in risk management strategy and that any accumulated RMA balance should be released to profit or loss in line with the repricing profile of the underlying exposure.

However, such situations should be rare. Normal changes in portfolio composition, model assumptions, volumes, market conditions do not, in our view, represent a change in risk management strategy and should not trigger discontinuation.

Question 8—Effective date and withdrawal of IAS 39 (Section C1 of Appendix C to IFRS 9)
The IASB proposes that an entity be permitted to apply the requirements for risk mitigation accounting from the beginning of the annual reporting period starting on or after [the date the requirements are issued].
The IASB also proposes that an entity discontinue applying the hedge accounting requirements in IAS 39 Financial Instruments: Recognition and Measurement at the earlier of:
(a) the date on which the entity first applies the requirements for risk mitigation accounting; and
(b) annual reporting periods beginning on or after [the date on which IAS 39 is withdrawn].
Paragraphs BC127–BC128 of the Basis for Conclusions explains the IASB's rationale for these proposals.
Do you agree with the proposal to withdraw IAS 39? Why or why not? If you disagree, please explain what you would suggest instead and why. If the IASB decides to withdraw IAS 39, do you have any information for the IASB to consider in determining the withdrawal date, for example the time that is likely to be needed to transition from IAS 39?

Taking into account the issues identified to date, our stakeholders generally do not view RMA, in its current form, as a sufficiently developed and viable alternative to replace IAS 39 "carve out". This is particularly relevant for the banking sector, where IAS 39 portfolio hedge accounting is a well-established and widely implemented framework for managing repricing risk.

Our stakeholders generally consider that IAS 39 should not be withdrawn until the key issues identified in this letter have been satisfactorily addressed in the final requirements.

Consequently, we believe that the withdrawal of IAS 39 should occur only once RMA has been finalized and demonstrated to provide a complete and operational replacement for existing macro-hedging practices across both banking and insurance activities. In our view, the timing of withdrawal should be driven by the practical ability of entities to implement the new requirements, the operational viability of the final model, and its ability to replace existing IAS 39 solutions without creating unnecessary accounting mismatches or disrupting established risk management practices.
Our stakeholders also highlighted the need for a sufficiently long transition period and appropriate transition reliefs for existing hedging relationships.
Finalising the model without adequately addressing insurance-specific asset-liability management practices would leave significant questions unanswered for insurers and could limit the relevance and operability of the model for a major category of preparers.

Question 9—Transition (Section C2 of Appendix C to IFRS 9)
The IASB proposes that:
(a) an entity apply the proposed requirements for risk mitigation accounting prospectively;
(b) an entity be permitted to revoke its previous designation of financial assets or financial liabilities as measured at fair value through profit or loss, if those financial instruments will be included in underlying portfolios that the entity uses to determine the net repricing risk exposure;
(c) an entity making the transition from IAS 39 discontinue hedge accounting for all hedging relationships and apply paragraphs 6.5.10 and 6.5.12 of IFRS 9 to the related hedge adjustments;
(d) an entity making the transition from the hedge accounting requirements in Chapter 6 of IFRS 9 be permitted to discontinue hedge accounting for hedging relationships in which the hedged items are financial instruments that will be included in the underlying portfolios in accordance with paragraph 7.2.1; and
(e) an entity be exempt from disclosing the quantitative information required by paragraph 28(f) of IAS 8 Basis of Preparation of Financial Statements in the reporting period in which the entity first applies the amendments.
Paragraphs BC129–BC147 of the Basis for Conclusions explain the IASB's rationale for these proposals.

Do you agree with these proposals? Why or why not? If you disagree with any of these proposals, please explain what you would suggest instead and why.

Even if the IASB were to revise the proposed model to address the concerns and implementation challenges raised by our stakeholders, they believe that the requirements would remain complex to implement in practice. The model would require entities to bring together different frameworks and metrics, including accounting, ALM, risk management, Solvency II and IRRBB, and would necessitate significant changes to accounting systems, data models, processes and internal controls. It would also require a high degree of coordination across multiple functions within an entity. Accordingly, our stakeholders expect the implementation effort to be substantial and believe that a sufficiently long transition period should be provided (i.e., at least 3 years).
Having said that, we generally agree with the transition reliefs proposed by the IASB. However, the transition requirements should address not only the interaction with IAS 39 and IFRS 9, but also the interaction with existing IFRS 17 and in particular with the risk mitigation option designations, including permitting its prospective discontinuation where the relevant strategy is incorporated into RMA.
Furthermore, with respect to benchmark derivatives, we believe the IASB should explicitly permit the designation of benchmark derivatives that have a fair value other than zero at the date of transition. Requiring benchmark derivatives to start with a fair value of zero could create artificial profit or loss volatility. Such a requirement could also incentivise entities to terminate and re-enter economically equivalent derivatives solely to achieve a zero fair value for accounting purposes, creating unnecessary operational complexity without improving the quality of financial reporting.

Question 10—Disclosure requirements (proposed amendments to IFRS 7)
The IASB is proposing new presentation and disclosure requirements to be included in IFRS 7 Financial Instruments: Disclosures.
Paragraph 30E would require an entity to present separately from other line items:
(a) the risk mitigation adjustment, either as part of the entity's assets (when it has a debit balance) or as part of its liabilities (when it has a credit balance) in the statement of financial position; and
(b) the amount of the risk mitigation adjustment recognised in profit or loss during the period in the statement of comprehensive income.
Paragraphs 30F–30P would require an entity that applies risk mitigation accounting to disclose information that enables users of financial statements to understand:

(a) how the entity manages repricing risk according to its risk management strategy;
(b) how the entity's risk management activities could affect the amount, timing and uncertainty of its future cash flows; and
(c) how risk mitigation accounting has affected the entity's statement of financial position and its statement of comprehensive income.
Paragraph 33A would apply to entities whose business and risk management activities have the characteristics specified in the proposed paragraph 7.1.4 of IFRS 9 but that choose not to apply risk mitigation accounting. Such entities would be required to provide a qualitative explanation of how they manage repricing risk.
Paragraphs BC148–BC171 of the Basis for Conclusions explain the IASB's rationale for these proposals.
Do you agree with these proposals? Why or why not? If you disagree with any of these proposals, please explain what you would suggest instead and why.

Our stakeholders raised a number of concerns regarding the proposed disclosure requirements. Many preparers considered the existing accounting and regulatory disclosures on interest rate risk to be already extensive and detailed and therefore did not support the introduction of additional disclosure requirements.

More fundamentally, our stakeholders noted that several of the proposed disclosures are based on accounting constructs that are not currently used for risk management purposes and would therefore need to be developed specifically for reporting purposes. They also questioned whether disclosures based on the proposed RMA model would provide a complete representation of repricing risk management practices, particularly given the concerns mentioned above regarding the alignment of the model with actual risk management practices. In some cases, the resulting information could be difficult to reconcile with disclosures already provided for regulatory purposes, potentially creating confusion rather than enhancing users' understanding of an entity's interest rate risk profile and risk management activities.
In addition, several of our stakeholders disagreed with the requirement in paragraph 33A for entities that do not apply RMA to explain how they manage repricing risk. They considered this requirement inconsistent with the voluntary nature of the model.

Question 11—Risk management strategy
The questions below relate specifically to entities that issue insurance contracts as defined in IFRS 17 Insurance Contracts. When answering these questions,

respondents should assume that insurance contract assets and liabilities are eligible to be included in underlying portfolios in accordance with paragraph 7.2.1.
Based on the proposals in this Exposure Draft:
(a) please describe the extent to which your risk management strategy and activities align with, or differ from, the descriptions in paragraphs 7.1.1–7.1.2; and
(b) please describe the extent to which your business and risk management activities align with, or differ from, the characteristics described in paragraph 7.1.4.
Would the proposals for risk mitigation accounting in this Exposure Draft achieve the IASB's objective of better representing in the financial statements the economic effects of your activities for managing repricing risk compared with the currently available accounting options? Please explain why or why not, and what you would suggest instead.

From an insurer's perspective, the existing accounting requirements do not provide a comprehensive framework for reflecting dynamic interest rate risk management strategies. Current hedge accounting solutions are subject to important limitations: the IAS 39 EU carve-out is restricted to financial instruments, the IFRS 9 hedge accounting model does not fully address macro-hedging activities, and the IFRS 17 risk mitigation option is available only for contracts measured under the Variable Fee Approach. Consequently, insurers currently lack an accounting mechanism capable of appropriately reflecting strategies designed to manage net interest rate exposures, including the management of duration mismatches between assets and insurance liabilities.
The proposed model could help address this gap, provided that it accommodates key features mentioned in the previous questions.
In addition to the aspects already mentioned above, our insurance stakeholders noted that the definition of repricing risk should be revised to appropriately reflect the insurance business model. Repricing risk should encompass both the discounting-driven sensitivity of insurance liabilities and the market-value and reinvestment-rate sensitivity of invested assets. The determination of the managed repricing risk position should not be restricted to contractual repricing analyses and should allow the use of the economic metrics commonly applied by insurers, including duration gap measures, PV01/DV01 sensitivities and solvency-based risk indicators. Consideration should also be given to components of insurance contract liabilities that form part of the managed exposure, including the Contractual Service Margin where it is managed as a source of funding for the asset portfolio within the entity's asset-liability management framework.