
Accounting Standards Advisory Forum meeting

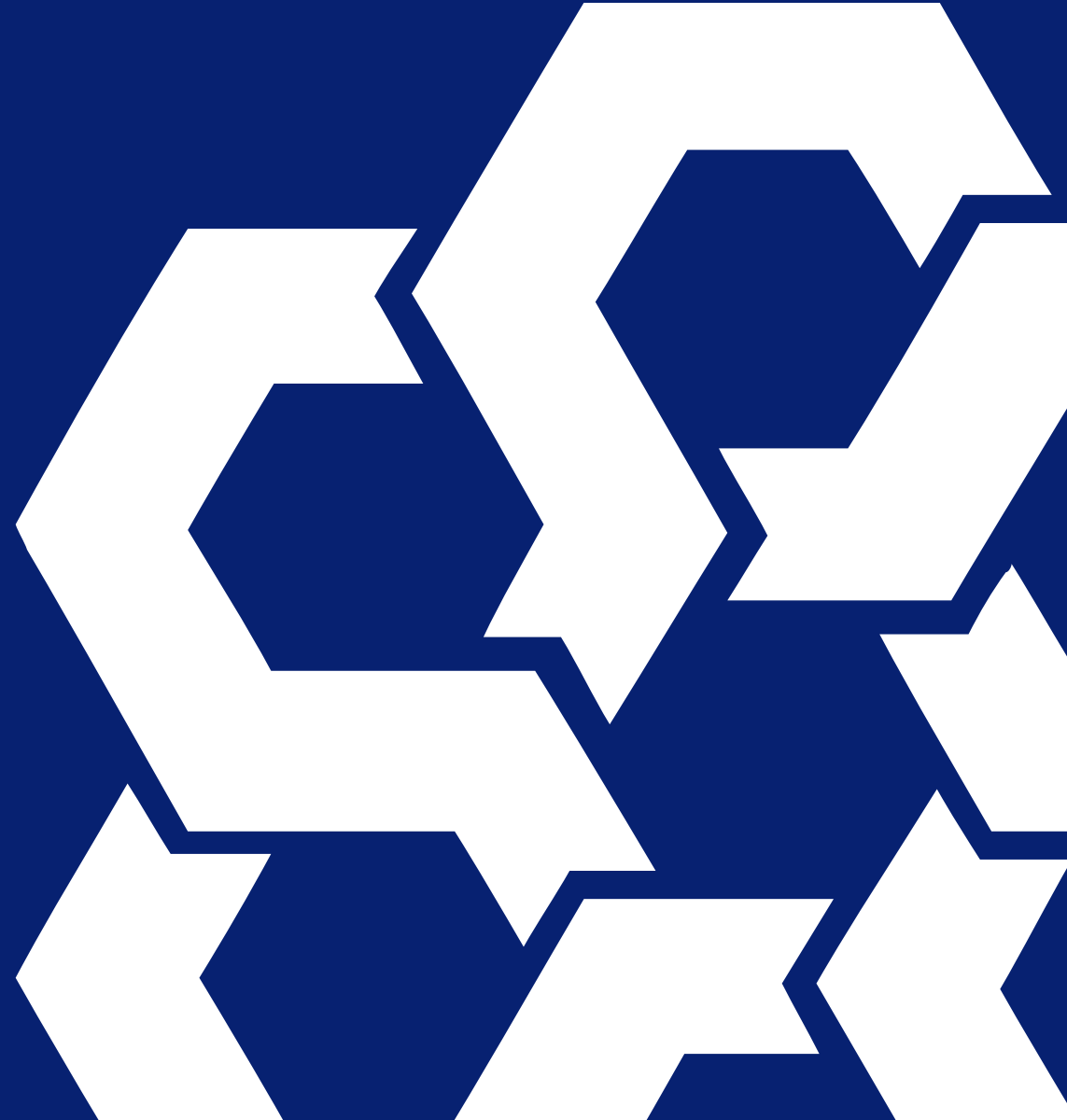
Date	September 2024
Project	Dynamic Risk Management (DRM)
Topic	Project update
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This paper has been prepared for discussion at a public meeting of the Accounting Standards Advisory Forum (ASAF). This paper does not represent the views of the International Accounting Standards Board (IASB) or any individual IASB member. Any comments in the paper do not purport to set out what would be an acceptable or unacceptable application of IFRS[®] Accounting Standards. The IASB's technical decisions are made in public and are reported in the IASB[®] *Update*.

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Purpose of this session



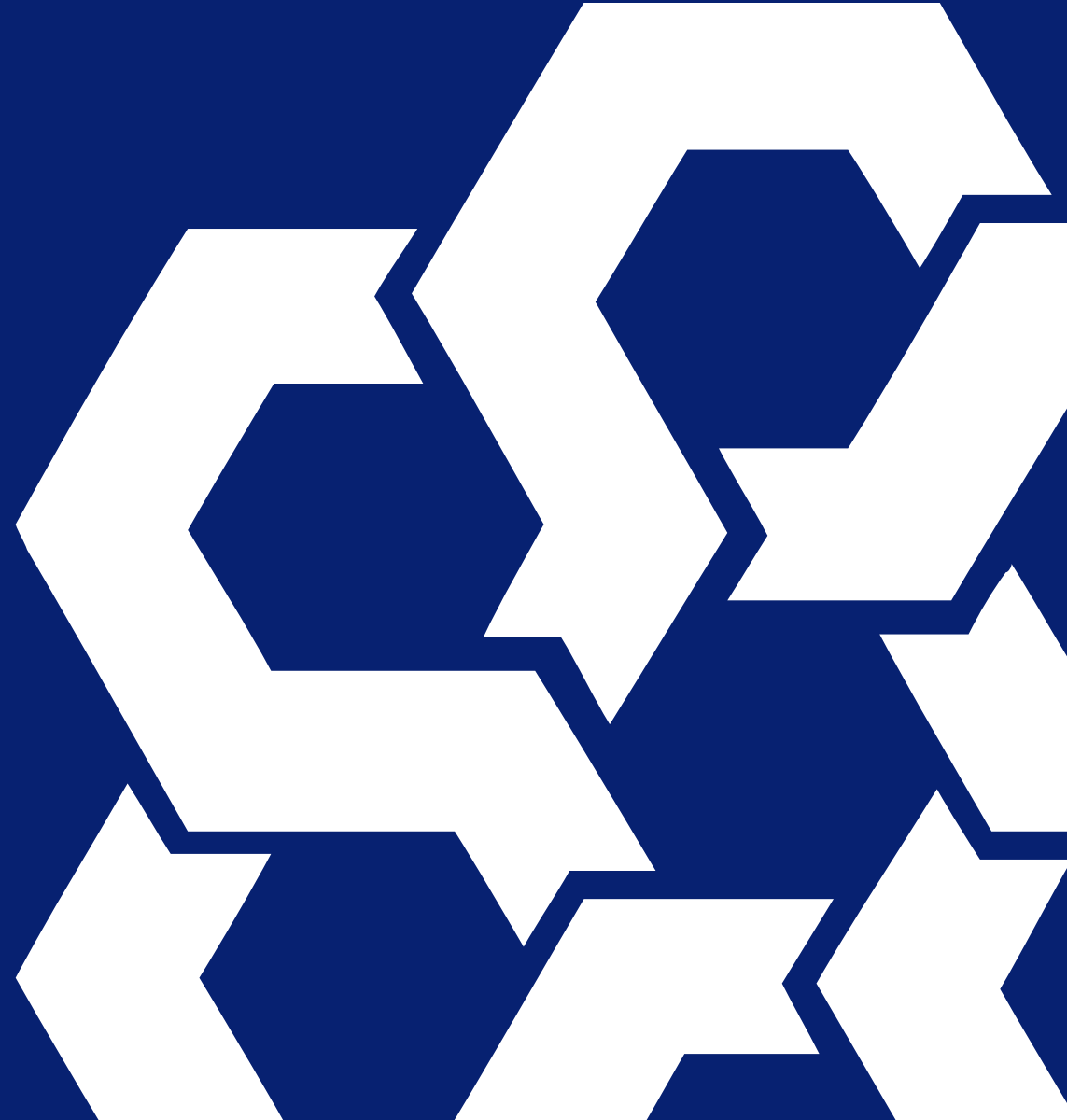
Purpose of this session

The purpose of this discussion is to provide an update on the project progress towards an Exposure Draft and obtain input and views from ASAF members on the progress of the DRM project and the IASB's recent tentative decisions. These recent tentative decisions include:

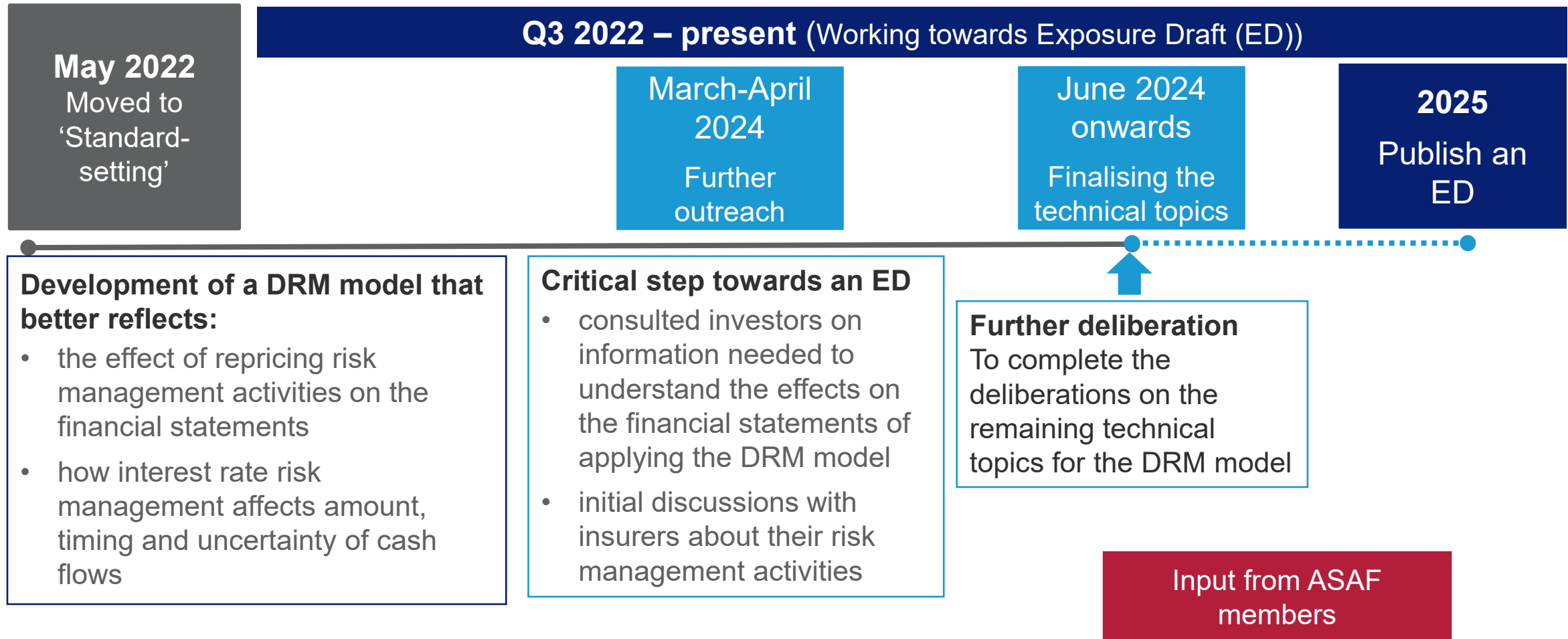
- the applicable risk management activities for the DRM model as summarised on **page 8**
- the presentation requirements as summarised on **page 11**; and
- the disclosure requirements as summarised on **page 12**.

Questions for ASAF members in this regard are on **pages 9 and 13** of this paper.

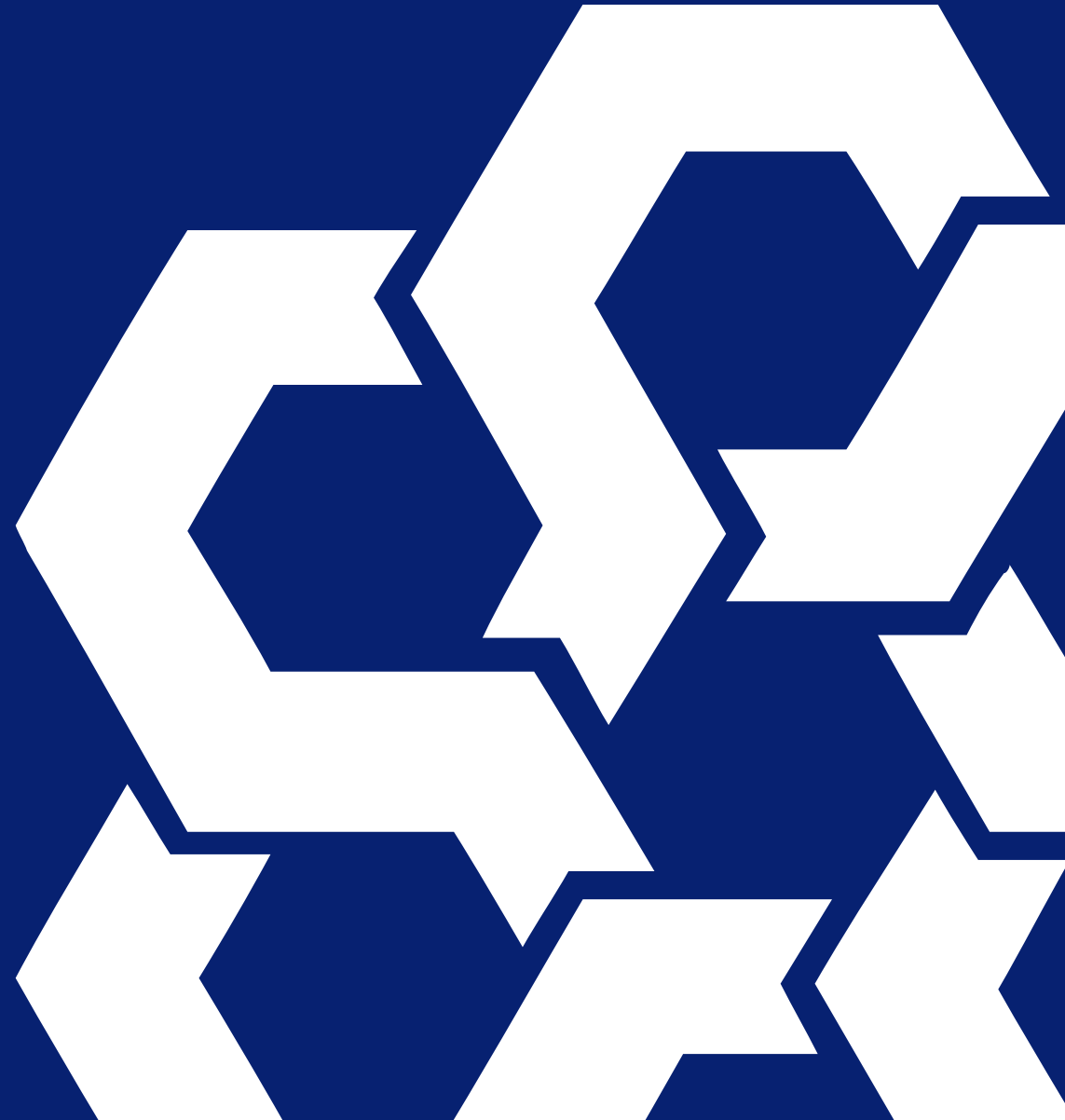
DRM project update



Current status of the project

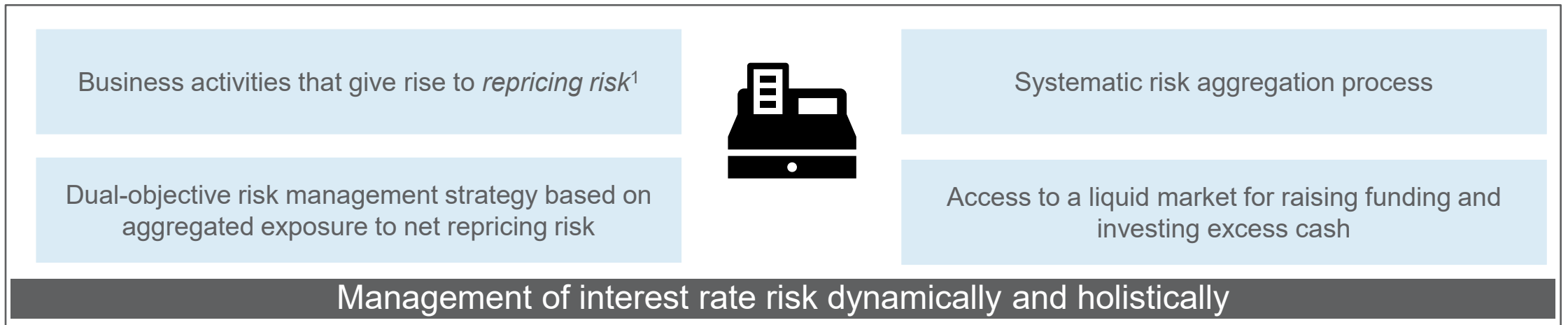


Applicable risk management activities



Applicable risk management activities

- The IASB discussed which risk management activities would be applicable to the DRM model in [July 2024](#)
- An entity can only apply the DRM model if its risk management activities have these four characteristics:



- With regards to risk management activities of insurers, the Exposure Draft will include a specific question for insurers to collect more information about their risk management strategies and activities.

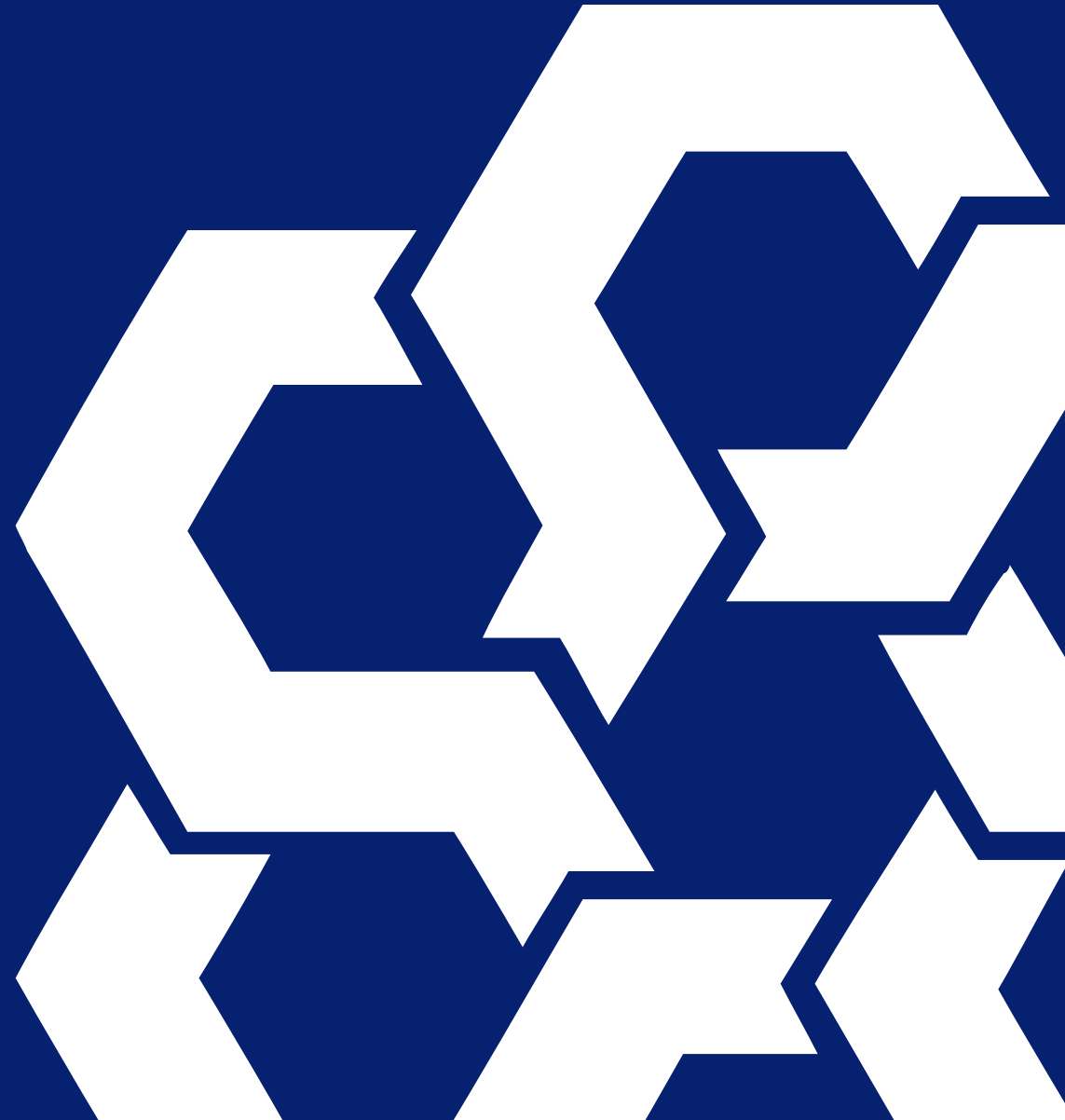
¹ Repricing risk – the risk that, when financial assets or financial liabilities reprice at different times, changes in interest rates result in variability in net interest income or fair value of underlying items in the current net open risk position.

Question to ASAF members

Question to ASAF members

- 1. Do ASAF members consider the applicable risk management activities summarised on page 8 appropriate to identify for which entities applying the DRM model would better reflect the effects of their risk management strategy and activities in financial statements?**

Presentation and disclosure requirements



Presentation in the financial statements

In June 2024, the IASB tentatively decided that an entity be required:

- to present the unwinding of the DRM adjustment recognised during the reporting period as a net amount in a separate line item in the statement of profit or loss;
- to present any misalignment (between the net gains or losses from designated derivatives and the DRM adjustment) recognised during the reporting period together with the fair value gains or losses from other derivatives; and
- to present the DRM adjustment as a net amount in a separate line item in the statement of financial position at the end of the reporting period.

➤ An entity applying the DRM model would typically have the following line items in its primary financial statements:

Statement of financial position	Statement of financial performance
<ul style="list-style-type: none"> • Banking book assets (both amortised cost and FVOCI) • Banking book liabilities, including core demand deposits (amortised cost) • Designated derivatives (FVPL) • DRM adjustment (as a net amount) 	<ul style="list-style-type: none"> • Net interest income from banking book assets and liabilities • Unwinding of the DRM adjustment • Misaligned portion of designated derivatives (together with the fair value gains or losses from other derivatives)

Proposed disclosure requirements (to be determined)

In June 2024 the IASB had an initial discussion about:

- the information needs of the users of financial statements (paragraph 7 to 42 of the paper);
- initial feedback from the preparers of financial statements on potential disclosure requirements, (paragraph 43 to 49 of the paper); and
- preliminary staff views on potential disclosure requirements that could provide information about (paragraph 50 to 71 of the paper):
 - an entity's dynamic interest rate risk management strategy;
 - the amount, timing and uncertainty of cash flows; and
 - the effects on financial position and performance.

In September 2024, the IASB will make tentative decisions on the proposed disclosure requirements following further targeted outreach with preparers.

Questions to ASAF members

Questions to ASAF members

2. Do you consider the tentative presentation requirements summarised on slide 11 to be appropriate? If not, why not? What other alternatives would you suggest?
3. Do you have any preliminary views on the tentative decisions with regards to proposed disclosure requirements taken at the September IASB meeting? Are there any alternative/additional disclosures you consider would provide useful information to users of the financial statements?

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