

EFRAG

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Our ref: RJ-EFRAG 642 A
Direct dial: +31 (0)88 4960391
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Re: EFRAG Draft Comment Letter IASB ED Risk Mitigation Accounting

Dear members of the EFRAG Financial Reporting Board

The Dutch Accounting Standards Board (DASB) appreciates the opportunity to provide a response to EFRAG's Draft Comment Letter (DCL) on the Exposure Draft (ED) 'Risk Mitigation Accounting - Proposed amendments to IFRS 9 and IFRS 7', issued by the IASB in December 2025.

The DASB welcomes the objectives of the proposed amendments to find a solution for the 'repricing risk', which started with the project (and discussion paper on)¹ Dynamic Risk Management, now Risk Management Accounting (hereinafter: RMA). This ED is important especially considering the current carve-out in the EU which does not result in an global level playing field.

Due to the very specific nature of the proposals the DASB has chosen to respond from an overall point of view on the proposals, based on the input received from especially banks and insurers and the discussions we have had in this respect in the DASB meeting(s).

Based on your DCL the DASB appreciates the approach taken by the IASB and the underlying concepts. However, based on the detailed field testing performed there are clear indications that the proposals are very difficult to apply in practice and the resulting accounting outcome does not seem to provide a true and fair view of the respective risk management practices in the financial statements.

The DASB in general supports the comments made by EFRAG in the DCL. We would like to point out the following main attention items, which could be further integrated into EFRAG's final comment letter to the IASB.

¹ Discussion Paper: 'Accounting for Dynamic Risk Management: a Portfolio Revaluation Approach to Macro Hedging, issued in April 2014. The DASB responded to this DP in October 2014.

General comments on improving financial reporting, global consistency and interaction with EU carve-out

- We support the work of the IASB to find a solution for RMA. It would be very welcome when an international (IFRS) solution is to be found and the RMA-model would succeed in aligning international financial reporting, both from an European and global perspective.
- In this respect we consider it of major importance to ‘solve’ the current situation in the European Union (EU) where the so-called ‘carve-out’ is applied. We believe that the amendments to IFRS 9 and IFRS 7 must be good enough so that the current ‘carve-out’ within the EU can be abolished. This does not mean that the future RMA-model should give the exact same outcome as the carve-out, but that the RMA-model should from an overall perspective (considering the accounting outcome, practicability, understandability and consistent application) result in an appropriate replacement of the carve-out. We also note in this context that the carve-out has only very limited guidance and/or disclosure requirements and may be applied in practice in different ways.
- Hence, if the proposed amendments in the ED would not lead to the situation that the current carve-out could be removed, or even worse would again lead to a (subsequent) carve-out, this would only harm the aim of (full) global consistency and comparability in financial reporting.
- If and when the RMA-model would meet the requirements as set out above, preparers should have a sufficient time period to implement the RMA-model. For smaller banks it may be useful to have additional time so that they can make use of the experience gained by the larger banks. Although, during this (extended) transition period, it may be acceptable to still have the possibility to apply the carve-out, we strongly believe that there should not be a (subsequent) prolonged period during which preparers can choose between applying the RMA-model or the carve-out. Additionally, there should be an appropriate transition from the carve-out to the RMA-model, which does not effectively result in having two accounting models being applied for a long period of time, due to the legacy effects of the carve-out.
- If it would not be feasible to develop a robust and viable RMA-model within a reasonable timeframe we may request the IASB to enhance disclosures in respect of the entity’s risk management approach and outcome thereof. It would most likely be impracticable for the IASB to provide certain ‘guardrails’, that would contribute to more consistency in the level of application of the carve-out, as the carve-out is EU-specific.

Robustness of the proposed amendments and need for possible re-exposure

- The directions of the proposed amendments, in the ED, seem to be conceptually sound. However, we understand from practitioners (financial institutions) in the Netherlands and internationally, that there are very significant practical issues with the proposed RMA-model. These practical issues include, but are not limited to: a) eligible underlying portfolios (for example: FV-items, lease receivables, equity instruments and equity modelling and intercompany transactions), net repricing risk exposures (for example: use of risk metrics and the repricing time band, the role of RMO and

benchmark derivatives, the meaning of ‘overhedging’ and unexpected changes), measurement and presentation (for example: RM-adjustment related to FVOCI-items, identification of unexpected changes, assessing and measuring excess of RM adjustment) and transition and disclosure topics (for example: construction of benchmark derivatives on transition and extent and nature of proposed disclosures). The input that EFRAG has received based on the field-tests will most likely evidence these issues.

- We very clearly hear from the preparers that the proposed RMA-model is not (yet) robust enough. It raises challenges whether these issues can be overcome by some minor changes in the proposals, or that a complete ‘re-design’ would actually be necessary.
- Due to nature of the feedback so far, any further amendments made by the IASB should at least be subject to another round of detailed field testing and will most likely require a ‘re-exposure’ due to the significance of these findings.

Relevance for insurance industry

- We understand that for companies in the insurance industry the application of the proposed RMA-model looks conceptually very attractive, but is very challenging or even not (yet) possible. Nevertheless, we would strongly suggest to develop a solid RMA-model which will align international financial reporting for all relevant industries and not only the banking industry. Whilst ideally a RMA-model should be industry-agnostic, it may be necessary to first ensure that there is a workable RMA-model for banking activities, and subsequently further develop such RMA-model that could also be applied by the insurance industry.
Given the already long-term and important efforts of the IASB and financial reporting practice (also in the EU) on RMA, we would not advise to ‘wait’ until all specific issues for the insurance industry are fully resolved, but effectively resolve the relevant issues in parallel or apply a stepped approach.

Due to the nature of our response we have not answered the individual questions to constituents included in your DCL, but refer to our comment made above.

If you have any questions, please do not hesitate to contact me.

Yours sincerely,

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Chairman Dutch Accounting Standards Board