FASB PROPOSES GUIDANCE TO ASSIST IN TRANSITION AWAY FROM INTERBANK OFFERED RATES TO NEW REFERENCE RATES

Proposal Would Reduce Related Cost and Complexity

Norwalk, CT, September 5, 2019—The Financial Accounting Standards Board (FASB) today issued a proposed Accounting Standards Update (ASU) that would provide temporary optional guidance to ease the potential burden in accounting for, or recognizing the effects of, reference rate reform on financial reporting. Stakeholders are asked to review and provide comment on the proposed ASU by October 7, 2019.

"The FASB is committed to providing stakeholders with the guidance they need to ease the process of migrating away from LIBOR and other interbank offered rates to new reference rates," said FASB Chairman Russell G. Golden. "The Board's proposal will address operational challenges they have raised and ultimately help simplify the process while reducing related costs," he added.

Trillions of dollars in loans, derivatives, and other financial contracts reference LIBOR, the benchmark interest rate banks use to make short-term loans to each other.

With global capital markets expected to move away from LIBOR and other interbank offered rates toward rates that are more observable or transaction based and less susceptible to manipulation, the FASB launched a broad project in late 2018 to address potential accounting challenges expected to arise from the transition.

The Proposed ASU would provide optional expedients and exceptions for applying generally accepted accounting principles to contract modifications and hedging relationships affected by reference rate reform.

The guidance would apply only to contracts or hedging relationships that reference LIBOR or another reference rate expected to be discontinued due to reference rate reform.

The guidance is intended to help stakeholders during the global market-wide reference rate transition period. Therefore, the guidance would be in effect for a limited time. That is, the guidance would be effective upon issuance of final guidance and would not apply to contract modifications made and hedging relationships entered into or evaluated after December 31, 2022.

The proposed ASU, including a "FASB in Focus" overview and information about how to submit comments, is available at www.fasb.org.

About the Financial Accounting Standards Board

Established in 1973, the FASB is the independent, private-sector, not-for-profit organization based in Norwalk, Connecticut, that establishes financial accounting and reporting standards for public and private companies and not-for-profit organizations that follow Generally Accepted Accounting Principles (GAAP). The FASB is recognized by the Securities and Exchange Commission as the designated accounting standard setter for public companies. FASB standards are recognized as authoritative by many other organizations, including state Boards of Accountancy and the American Institute of CPAs (AICPA). The FASB develops and issues financial accounting standards through a transparent and inclusive process intended to promote financial reporting that provides useful information to investors and others who use financial reports. The Financial Accounting Foundation (FAF) supports and oversees the FASB. For more information, visit www.fasb.org.