

**MEMO# 32001**

October 9, 2019

# **ICI Submits Comment Letter on FASB Proposed Relief for LIBOR Transition**

[32001]

October 9, 2019 TO: ICI Members SUBJECTS: Fund Accounting & Financial Reporting RE: ICI Submits Comment Letter on FASB Proposed Relief for LIBOR Transition

On September 5 the Financial Accounting Standards Board issued for public comment a proposed Accounting Standards Update that would provide temporary optional relief intended to ease the transition from LIBOR to alternative reference rates.[\[1\]](#) The proposal would permit an entity to not apply certain modification accounting requirements in GAAP to contracts affected by the transition from LIBOR to alternative reference rates. For contracts in scope, the entity would present and account for the modified contract as a continuation of the existing contract. The relief would be effective upon issuance of a final accounting standards update and would apply to contract modifications through December 31, 2022.

The transition to alternative reference rates will require contracts, including financial instruments to be modified. For accounting purposes, such contract modifications are required to be evaluated to determine whether the modification results in the establishment of a new contract or the continuation of the existing contract. For an investment company, a modification that results in the establishment of a new contract may cause termination of the existing contract or security and result in realized gain/loss and portfolio turnover. The proposal would require entities to disclose the nature of and reason for electing the optional relief. The proposal requests comment on additional qualitative and quantitative disclosures that would help financial statement users understand the entity's contracts or holdings that are affected by reference rate reform.

The Institute recently filed the attached comment letter supporting the proposed temporary optional relief. The letter recommends limiting any required disclosures to qualitative disclosure describing the entity's process for assessing and responding to reference rate reform and avoiding any specific quantitative disclosures.

Gregory M. Smith  
Senior Director, Fund Accounting and Compliance

## [Attachment](#)

### **endnotes**

[1] See FASB Exposure Draft, Proposed Accounting Standards Update, Reference Rate Reform (Topic 848), *Facilitation of the Effects of Reference Rate Reform on Financial Reporting* (September 5, 2019) available at <https://www.fasb.org/jsp/FASB/Page/SectionPage&cid=1175805074609>.

---

Copyright © by the Investment Company Institute. All rights reserved. Information may be abridged and therefore incomplete. Communications from the Institute do not constitute, and should not be considered a substitute for, legal advice.