

**Accounting Standards Board of Japan (ASBJ)**

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21 November 2018

IFRS Interpretations Committee  
International Accounting Standards Board  
Columbus Building 7 Westferry Circus  
London E14 4HD  
United Kingdom

**Comments on the Tentative Agenda Decision Relating to**  
**IFRS 9 *Financial Instruments* and IAS 39 *Financial Instruments: Recognition and***  
***Measurement—Application of the Highly Probable Requirement in a Cash Flow***  
***Hedge Relationship***

1. The Accounting Standards Board of Japan (the “ASBJ” or “we”) welcomes the opportunity to comment on the IFRS Interpretation Committee (the “Committee”)’s tentative agenda decision relating to IFRS 9 *Financial Instruments* and IAS 39 *Financial Instruments: Recognition and Measurement—Application of the highly probable requirement in a cash flow hedge relationship* proposed in the September 2018 IFRIC Update.
2. The tentative agenda decision relates to a request regarding how to apply the requirement in IFRS 9 and IAS 39 which state that a forecast transaction must be ‘highly probable’ to qualify as a hedged item in a cash flow hedge relationship under a specific fact pattern. We agree with the Committee’s decision not to add this issue to its agenda because the financial instrument described in the request is not common.
3. The tentative agenda decision also addresses the additional question regarding the broader matter of how uncertainty over the timing and magnitude of a forecast transaction affects the highly probable assessment applying IFRS 9 and IAS 39. The tentative agenda decision concludes that the requirements in IFRS 9 and IAS 39 provide an adequate basis for an entity to determine whether a forecast transaction is highly probable, mainly based on the Implementation Guidance that accompanies

IAS 39 (“the Guidance”) with a reference to paragraph BC6.95 of IFRS 9, which explains that not carrying forward the Guidance did not mean that the Board had rejected the Guidance.

4. However, because neither the basis for conclusions that accompany the IFRS standards nor agenda decisions are authoritative, the Guidance, which was deleted when IAS 39 was revised due to the issuance of IFRS 9, lacks authority. We think that issues in practice should not be addressed based on descriptions in the basis for conclusions or in agenda decisions (both of which are not authoritative) and we would prefer that the IASB clarifies the status of the Guidance in authoritative guidance.
5. We also think that the reference to the Guidance in the tentative agenda decision indicates that the existing requirements in IFRS 9 and IAS 39 do not provide an adequate basis for an entity to determine whether a forecast transaction is highly probable.
6. For the reasons stated above, we propose the Committee reconsider whether it would be more appropriate to add the Guidance referred to in the agenda decision into both IFRS 9 and IAS 39 by revisiting the reasons for not carrying forward the Guidance when IFRS 9 was issued.
7. We hope our comments are helpful for the Committee’s and the IASB’s consideration in the future. If you have any questions, please feel free to contact us.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'Yukio Ono', with a stylized flourish at the end.

Yukio Ono

Chairman

Accounting Standards Board of Japan