

# FASB DEFERS THE SUNSET DATE FOR THE REFERENCE RATE REFORM RELIEF IN TOPIC 848

DECEMBER 2022

## SUMMARY

The FASB issued ASU 2022-06<sup>1</sup> (the “ASU”) to defer the sunset date of ASC 848, *Reference Rate Reform* (ASC 848), which provides temporary optional relief in accounting for the impact of reference rate reform. The ASU is effective immediately for all entities.

## BACKGROUND

In 2020, the FASB issued ASU 2020-04<sup>2</sup>, which provides optional guidance for a limited period of time to ease the potential burden in accounting for (or recognizing the effects of) reference rate reform on financial reporting. A discussion of the main provisions and transition requirements is available [here](#).

At the time that ASU 2020-04 was issued, the UK Financial Conduct Authority (FCA) had established its intent that it would no longer be necessary to persuade, or compel, banks to submit to LIBOR after December 31, 2021. As a result, a sunset provision for the optional guidance in ASC 848 was set for December 31, 2022, one year after the expected cessation date of all currencies and tenors of LIBOR.

In March 2021, the FCA announced that the intended cessation date of the overnight 1-, 3-, 6-, and 12-month tenors of USD LIBOR would be June 30, 2023, which is beyond the current sunset date of ASC 848. Accordingly, the ASU was issued to address concerns that the current relief may not cover a period of time when a significant number of modifications may take place.

The ASU amends the guidance in ASC 842 to address those two issues.

## MAIN PROVISIONS

- ▶ The ASU defers the sunset date of ASC 848 from December 31, 2022, to December 31, 2024, after which entities will no longer be permitted to apply the relief in ASC 848.
- ▶ The amendments apply to all entities that have contracts, hedging relationships, and other transactions that reference LIBOR or another reference rate expected to be discontinued because of reference rate reform.

The update is available [here](#).

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<sup>1</sup> *Reference Rate Reform (Topic 848): Deferral of the Sunset Date of Topic 848.*

<sup>2</sup> *Reference Rate Reform (Topic 848): Facilitation of the Effects of Reference Rate Reform on Financial Reporting.*

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