FINANCIAL ACCOUNTING SERIES

ACCOUNTING STANDARDS UPDATE

No. 2022-06
December 2022

Reference Rate Reform (Topic 848)

Deferral of the Sunset Date of Topic 848

An Amendment of the *FASB Accounting Standards Codification®*

Financial Accounting Standards Board

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Summary

Why Is the FASB Issuing This Accounting Standards Update (Update) and What Are the Main Provisions?

In 2020, the Board issued Accounting Standards Update No. 2020-04*, Reference Rate Reform (Topic 848): Facilitation of the Effects of Reference Rate Reform on Financial Reporting*, which provides optional guidance to ease the potential burden in accounting for (or recognizing the effects of) reference rate reform on financial reporting.

The objective of the guidance in Topic 848 is to provide temporary relief during the transition period. The Board included a sunset provision within Topic 848 based on expectations of when the London Interbank Offered Rate (LIBOR) would cease being published. At the time that Update 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, the sunset provision was set for December 31, 2022—12 months 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 Topic 848.

Because the current relief in Topic 848 may not cover a period of time during which a significant number of modifications may take place, the amendments in this Update defer the sunset date of Topic 848 from December 31, 2022, to December 31, 2024, after which entities will no longer be permitted to apply the relief in Topic 848.

Who Is Affected by the Amendments in This Update?

The amendments in this Update apply to all entities, subject to meeting certain criteria, that have contracts, hedging relationships, and other transactions that reference LIBOR or another reference rate expected to be discontinued because of reference rate reform.

When Will the Amendments Be Effective?

The amendments in this Update are effective for all entities upon issuance of this Update.

Amendments to the *FASB Accounting Standards Codification*®

Introduction

1. The Accounting Standards Codification is amended as described in paragraphs 2–8. In some cases, to put the change in context, not only are the amended paragraphs shown but also the preceding and following paragraphs. Terms from the Master Glossary are in **bold** type. Added text is <u>underlined</u>, and deleted text is ~~struck out~~.

Amendments to Subtopic 848-10

2. Amend paragraph 848-10-65-1 and its related heading and amend pending content transition date for all paragraphs that link to paragraph 848-10-65-1 as follows:

Reference Rate Reform—Overall

Transition and Open Effective Date Information

> Transition Related to Accounting Standards ~~Update~~<u>Updates</u> No. 2020-04, *Reference Rate Reform (Topic 848): Facilitation of the Effects of Reference Rate Reform on Financial Reporting*<u>, and No. 2022-06, *Reference Rate Reform (Topic 848): Deferral of the Sunset Date of Topic 848*</u>

848-10-65-1 The following represents the transition, end of application, and effective date information related to Accounting Standards ~~Update~~<u>Updates</u> No. 2020-04, *Reference Rate Reform (Topic 848): Facilitation of the Effects of Reference Rate Reform on Financial Reporting*<u>, and No. 2022-06, *Reference Rate Reform (Topic 848): Deferral of the Sunset Date of Topic 848*</u>:

- a. The pending content that links to this paragraph shall be effective for all entities as of March 12, 2020 through December 31, ~~2022~~<u>2024</u>, as follows:
  1. An entity may elect to apply the pending content that links to this paragraph for contract modifications by Topic or Industry Subtopic as of any date from the beginning of an interim period that includes or is subsequent to March 12, 2020, or prospectively from a date within an interim period that includes or is subsequent to March 12, 2020, up to the date that the **financial statements are available to**

be issued. Once elected for a Topic or an Industry Subtopic, the pending content that links to this paragraph shall be applied prospectively for all eligible contract modifications for that Topic or Industry Subtopic in accordance with paragraph 848-20-35-1.

2. An entity may elect to apply the pending content that links to this paragraph to eligible hedging relationships existing as of the beginning of the interim period that includes March 12, 2020 and to new eligible hedging relationships entered into after the beginning of the interim period that includes March 12, 2020.
   i. If an entity elects to apply any of the pending content that links to this paragraph for an eligible hedging relationship existing as of the beginning of the interim period that includes March 12, 2020, any adjustments as a result of those elections shall be reflected as of the beginning of that interim period and recognized in accordance with Subtopics 848-30, 848-40, and 848-50 (as applicable). If an entity elects to apply any of the pending content that links to this paragraph for a new hedging relationship entered into between the beginning of the interim period that includes March 12, 2020 and March 12, 2020, any adjustments as a result of those elections shall be reflected as of the beginning of the hedging relationship and recognized in accordance with Subtopics 848-30, 848-40, and 848-50 (as applicable).
      01. For private companies that are not financial institutions as described in paragraph 942-320-50-1 and not-for-profit entities (except for not-for-profit entities that have issued, or are a conduit bond obligor for, securities that are traded, listed, or quoted on an exchange or an over-the-counter market), an entity shall update its hedge documentation (as applicable) noting the changes made before the next interim (if applicable) or annual financial statements are available to be issued.
      02. For all other entities, an entity shall update its hedge documentation (as applicable) noting the changes made no later than when the entity performs its first quarterly assessment of effectiveness after the election.
3. The pending content that links to this paragraph shall not be applied to all the following:
   i. Contract modifications made after December 31, ~~2022~~<u>2024</u>.
   ii. New hedging relationships entered into after December 31, ~~2022~~<u>2024</u>.
   iii. Hedging relationships evaluated for periods after December 31, ~~2022~~<u>2024</u>, except for hedging relationships existing as of December 31, ~~2022~~<u>2024</u>, that apply the following optional expedients in Subtopics 848-30 and 848-40 that shall be

retained through the end of the hedging relationship (including for periods evaluated after December 31, ~~2022~~2024):

01. An optional expedient to the systematic and rational method used to recognize in earnings the components excluded from the assessment of effectiveness in paragraph 848-30-25-12.
02. An optional expedient to the rate to discount cash flows associated with the hedged item and any adjustment to the cash flows for the designated term or the partial term of the designated hedged item in a fair value hedge in paragraph 848-40-25-6.
03. An optional expedient to not periodically evaluate the conditions in paragraph 815-20-25-104(d) and (g) when using the shortcut method for a fair value hedge in paragraph 848-40-25-8.

b. An entity may elect the optional expedients in Subtopics 848-30, 848-40, and 848-50 if it has adopted the amendments in Accounting Standards Update No. 2017-12, *Derivatives and Hedging (Topic 815): Targeted Improvements to Accounting for Hedging Activities.*

c. An entity that has not adopted the amendments in Update 2017-12 may elect the following optional expedients in Subtopics 848-30, 848-40, and 848-50:
   1. An optional expedient allowing changes in critical terms of a hedging relationship in paragraphs 848-30-25-3 through 25-7.
   2. An optional expedient allowing a change to the method designated for use in assessing hedge effectiveness in a cash flow hedge in paragraph 848-30-25-8 if the optional expedient method being elected is the simplified hedge accounting approach for eligible private companies for initial hedge effectiveness in paragraph 848-50-25-8 or for subsequent hedge effectiveness in paragraph 848-50-35-7.
   3. An optional expedient allowing an entity to assume that the hedged forecasted transaction in a cash flow hedge is probable of occurring in paragraph 848-50-25-2.
   4. An optional expedient allowing an entity to assume that the reference rate will not be replaced for the remainder of the hedging relationships in paragraph 848-50-25-11(a) for initial hedge effectiveness and paragraph 848-50-35-17(a) for subsequent hedge effectiveness when the entity is using any of the methods for assessing and measuring hedge effectiveness in a cash flow hedge on a quantitative basis and if both the hedged forecasted transaction and the hedging instrument have a reference rate that meets the scope of paragraph 848-10-15-3.
   5. An optional expedient allowing an entity to disregard certain requirements of the simplified hedge accounting approach for eligible private companies for initial hedge effectiveness in paragraph 848-

50-25-8 or for subsequent hedge effectiveness in paragraph 848-50-35-7 in a cash flow hedge.

d. The one-time election to sell, transfer, or both sell and transfer debt securities classified as held to maturity in accordance with paragraphs 848-10-35-1 through 35-2 may be made at any time after March 12, 2020, but no later than December 31, ~~2022~~2024.
e. An entity shall provide the following disclosures:
   1. The nature of and reason for electing to apply the pending content that links to this paragraph.
   2. The disclosures in (e)(1) in each interim and annual financial statement period in the fiscal year of application.

PENDING CONTENT

Transition Date: (P) January 1, ~~2023~~2025; (N) January 1, ~~2023~~2025 | **Transition Guidance**: 848-10-65-1

3. Amend pending content transition date for all superseded paragraphs that link to paragraph 848-10-65-1 as follows:

PENDING CONTENT

Transition Date: (P) January 1, ~~2023~~2025; (N) January 1, ~~2023~~2025 | **Transition Guidance**: 848-10-65-1

Paragraph superseded by Accounting Standards Update No. 2020-04.

4. Amend paragraph 848-10-65-2 and its related heading as follows:

> Transition Related to Accounting Standards ~~Update~~Updates No. 2021-01, *Reference Rate Reform (Topic 848): Scope*, and No. 2022-06, *Reference Rate Reform (Topic 848): Deferral of the Sunset Date of Topic 848*

848-10-65-2 The following represents the transition, end of application, and effective date information related to Accounting Standards ~~Update~~Updates No. 2021-01, *Reference Rate Reform (Topic 848): Scope*, and No. 2022-06, *Reference Rate Reform (Topic 848): Deferral of the Sunset Date of Topic 848*:

a. The pending content that links to this paragraph shall be effective for all entities as of January 7, 2021 through December 31, ~~2022~~2024, as follows:
   1. An entity may elect to apply the pending content that links to this paragraph on contract modifications that change the interest rate used for margining, discounting, or contract price alignment retrospectively as of any date from the beginning of the interim period that includes March 12, 2020, or prospectively to new modifications

from any date within the interim period that includes or is subsequent to January 7, 2021, up to the date that **financial statements are available to be issued**. On the date that an entity elects to apply the pending content that links to this paragraph on contract modifications that change the interest rate used for margining, discounting, or contract price alignment, that pending content shall be applied to all eligible contract modifications modified in that manner in accordance with paragraph 848-20-35-1.

2. An entity may elect to apply the pending content that links to this paragraph to eligible hedging relationships existing as of the beginning of the interim period that includes March 12, 2020, and to new eligible hedging relationships entered into after the beginning of the interim period that includes March 12, 2020. If an entity elects to apply any of the pending content that links to this paragraph to an eligible hedging relationship, any adjustments as a result of those elections shall be reflected as of the application date of the election and recognized in accordance with Subtopics 848-30, 848-40, and 848-50 (as applicable).
   i. For a private company that is not a financial institution as described in paragraph 942-320-50-1 and a not-for-profit entity (except for a not-for-profit entity that has issued, or is a conduit bond obligor for, securities that are traded, listed, or quoted on an exchange or an over-the-counter market) applying the pending content that links to this paragraph in a period before interim (if applicable) or annual financial statements are available to be issued, the entity shall update its hedge documentation (as applicable) noting the changes made before the next interim (if applicable) or annual financial statements are available to be issued. An entity that retrospectively applies the pending content that links to this paragraph to a prior interim (if applicable) or annual period shall update its hedge documentation (as applicable) noting the changes made for the prior periods in which the entity is retrospectively applying the guidance upon adoption.
   ii. For any other entity applying the pending content that links to this paragraph before its first quarterly assessment of effectiveness after the election, the entity shall update its hedge documentation (as applicable) noting the changes made no later than when the entity performs its first quarterly assessment of effectiveness after the election. An entity that retrospectively applies the pending content that links to this paragraph to a prior interim or annual period shall update its hedge documentation (as applicable) noting the changes made for the prior periods in which the entity is retrospectively applying the pending content that links to this paragraph upon adoption.

3. The pending content that links to this paragraph shall not be applied to all the following:
    i. Contract modifications made after December 31, ~~2022~~2024.
    ii. New hedging relationships entered into after December 31, ~~2022~~2024.
    iii. Hedging relationships evaluated for periods after December 31, ~~2022~~2024, except for hedging relationships that apply the following optional expedients in Subtopics 848-30, 848-40, and 848-50 that shall be retained through the end of the hedging relationship (including for periods evaluated after December 31, ~~2022~~2024):
        01. An optional expedient to adjust the fair value hedge basis adjustment in a fair value hedge accounted for under the shortcut method using a reasonable approach in paragraph 848-30-25-11B.
        02. An optional expedient to not periodically evaluate the conditions in paragraph 815-20-25-104(d) and (g) when using the shortcut method for a fair value hedge in paragraph 848-40-25-8 if the entity elected the practical expedient in paragraph 848-30-25-11B. (If an entity elects to apply the optional expedient in paragraph 848-40-25-8 in accordance with paragraph 848-30-25-10, it shall cease applying that expedient on December 31, ~~2022~~2024.)
        03. An optional expedient to adjust the amount recorded in accumulated other comprehensive income using a reasonable approach in paragraph 848-30-25-11C.
        04. An optional expedient to continue using a subsequent assessment method that assumes perfect effectiveness in paragraphs 848-50-35-4 through 35-9 for a cash flow hedge if the entity elected the practical expedient in paragraph 848-30-25-11C.

b. An entity may elect the optional expedients in Subtopics 848-30, 848-40, and 848-50 if it has adopted the amendments in Update 2017-12.
c. An entity that has not adopted the amendments in Update 2017-12 may elect the optional expedient allowing a change to the method designated for use in assessing hedge effectiveness in a cash flow hedge in paragraph 848-30-25-11A(b) if the optional expedient method being elected is the simplified hedge accounting approach for eligible private companies for subsequent hedge effectiveness in paragraph 848-50-35-7.
d. An entity shall provide the following disclosures:
    1. The nature of and reason for electing to apply the pending content that links to this paragraph.
    2. The disclosures in (d)(1) in each interim (if applicable) and annual financial statement period in the fiscal year of application.

5. Amend pending content transition date for all superseded paragraphs that link to paragraph 848-10-65-2 as follows:

PENDING CONTENT

Transition Date: (P) January 1, ~~2023~~2025; (N) January 1, ~~2023~~2025 | **Transition Guidance**: 848-10-65-2

Paragraph superseded by Accounting Standards Update No. 2021-01.

Amendments to Subtopic 848-40

6. Amend paragraph 848-40-25-8, with a link to transition paragraph 848-10-65-2, as follows:

Reference Rate Reform—Fair Value Hedges

Recognition

> Optional Expedient: Assessment of Hedge Effectiveness When Assuming Perfect Hedge Effectiveness in a Hedge with an Interest Rate Swap (Shortcut Method)

848-40-25-8 For fair value hedges for which the shortcut method is applied in accordance with paragraphs 815-20-25-102 through 25-105, 815-20-25-107 through 25-109, and 815-20-25-111 through 25-117, the following conditions from paragraph 815-20-25-104 that apply to fair value hedges may be disregarded in determining whether the hedging relationship continues to qualify for the shortcut method upon a change in the contractual terms of the hedging instrument in accordance with paragraphs 848-30-25-5 through 25-7:

a. The formula for computing net settlements under the interest rate swap is the same for each net settlement in accordance with paragraph 815-20-25-104(d).
b. The terms are typical of those instruments, and the terms do not invalidate the assumption of perfect effectiveness in accordance with paragraph 815-20-25-104(g).

If an entity elects the practical expedient in this paragraph for a fair value hedge for which the shortcut method is applied, the entity is not required to periodically evaluate the conditions in paragraph 815-20-25-104(d) and (g) for the remaining life of the hedging relationship, including for periods after December 31, ~~2022~~2024 (see paragraph 848-10-65-1(a)(3)(iii)). However, if the hedging instrument meets the scope of paragraph 848-10-15-3 and an entity elects the practical expedient in accordance with paragraph 848-30-25-10 to combine two or more derivative instruments, or proportions of those instruments, as the hedging instrument, the entity is not permitted to continue to apply the shortcut method after December 31, ~~2022~~2024. In that case, if the hedging relationship continues after the entity is required to cease applying the optional expedient method because of the condition in paragraph 848-10-65-2(a)(3)(iii)(02) or because the entity elects to cease applying the optional expedient, the entity shall revert to applying the qualifying criteria and hedge assessment methods in Subtopics 815-20 and 815-25 to assess whether hedge accounting may continue for subsequent reporting periods. In that case, the change in the method of assessing hedge effectiveness upon discontinuing the application of the optional expedient method is not a change that results in dedesignation of the hedging relationship. An entity shall update its hedge documentation to reflect the change in the method of assessing hedge effectiveness in accordance with paragraph 848-30-25-4.

PENDING CONTENT

Transition Date: (P) January 1, ~~2023~~2025; (N) January 1, ~~2023~~2025 |**Transition Guidance**: 848-10-65-1

Editor's Note: *Paragraph 848-40-25-8 will be superseded upon transition, together with its heading:*
> Optional Expedient: Assessment of Hedge Effectiveness When Assuming Perfect Hedge Effectiveness in a Hedge with an Interest Rate Swap (Shortcut Method)

Paragraph superseded by Accounting Standards Update No. 2020-04.

Amendments to Status Sections

7. Amend paragraph 848-10-00-1, by adding the following items to the table, as follows:

848-10-00-1 The following table identifies the changes made to this Subtopic.

Paragraph	Action	Accounting Standards Update	Date
848-10-65-1	Amended	2022-06	12/21/2022
848-10-65-2	Amended	2022-06	12/21/2022

8. Amend paragraph 848-40-00-1, by adding the following item to the table, as follows:

848-40-00-1 The following table identifies the changes made to this Subtopic.

Paragraph	Action	Accounting Standards Update	Date
848-40-25-8	Amended	2022-06	12/21/2022

The amendments in this Update were adopted by the unanimous vote of the seven members of the Financial Accounting Standards Board:

Richard R. Jones, *Chair*
James L. Kroeker, *Vice Chairman*
Christine A. Botosan
Gary R. Buesser
Frederick L. Cannon
Susan M. Cosper
Marsha L. Hunt

Background Information and Basis for Conclusions

Introduction

BC1. The following summarizes the Board's considerations in reaching the conclusions in this Update. It includes reasons for accepting certain approaches and rejecting others. Individual Board members gave greater weight to some factors than to others.

Background Information

BC2. The Board has been actively monitoring reference rate reform initiatives undertaken globally to transition away from LIBOR and other reference rates that are expected to be discontinued. Reference rate reform initiatives have presented unique accounting challenges, and the Board has responded by amending different areas of generally accepted accounting principles (GAAP).

BC3. In 2020, the Board issued Update 2020-04, which provided temporary optional relief to certain contract modification guidance and hedge accounting requirements.

BC4. In 2021, the Board issued Accounting Standards Update No. 2021-01, *Reference Rate Reform (Topic 848): Scope*, which expanded the scope of the relief to derivative instruments that do not reference a rate expected to be discontinued but that have an interest rate for margining, discounting, or contract price alignment that is modified because of reference rate reform.

BC5. After the issuance of Update 2021-01, stakeholders identified further developments in global reference rate reform initiatives that necessitated additional consideration by the Board. In particular, stakeholders requested that the Board address two issues that stemmed from recent market developments.

BC6. First, because of a revised cessation date for LIBOR, stakeholders requested that the Board extend the sunset date of the temporary relief in Topic 848. The Board originally decided in Update 2020-04 that the period of relief would end on December 31, 2022, one year after the intended cessation date of all tenors and currencies of LIBOR. However, because there was still significant uncertainty about the timing of LIBOR cessation dates, the Board communicated its intent to monitor developments in the marketplace and adjust the sunset date of Topic 848 if necessary. On March 5, 2021, in response to feedback received from market participants, it was announced that the overnight, 1-, 3-, 6-, and 12-month tenors of USD LIBOR would be published through June 30, 2023. Given the revised USD LIBOR cessation date, stakeholders expressed concern that unless deferred, the relief provided in Topic 848 would end before the cessation date of the major tenors of USD LIBOR.

BC7. Second, stakeholders requested that the Board permit the Secured Overnight Financing Rate (SOFR) term swap rate to be considered a U.S. benchmark interest rate for the purposes of designating a fair value hedge of interest rate risk. In 2018, the Board issued Accounting Standards Update No. 2018-16, *Derivatives and Hedging (Topic 815): Inclusion of the Secured Overnight Financing Rate (SOFR) Overnight Index Swap (OIS) Rate as a Benchmark Interest Rate for Hedge Accounting Purposes*, which permitted the Overnight Index Swap (OIS) rate based on SOFR to be considered a U.S. benchmark interest rate for hedge accounting purposes. At that time, the Board decided that it would be premature to include the SOFR term swap rate within the definition of the SOFR Swap Rate because neither derivative instruments nor cash instruments that referenced SOFR term existed. However, the Board stated that it was prepared to reconsider the matter if and when a SOFR term swap rate developed in the future. After the issuance of Update 2018-16, further progress was made in the development of a SOFR term swap rate. On July 29, 2021, the Alternative Reference Rates Committee (ARRC) formally recommended a SOFR term rate as a preferred replacement rate for USD LIBOR.

BC8. The Board issued proposed Accounting Standards Update, *Reference Rate Reform (Topic 848) and Derivatives and Hedging (Topic 815): Deferral of the Sunset Date of Topic 848 and Amendments to the Definition of the Secured Overnight Financing Rate (SOFR) Overnight Index Swap Rate*, on April 20, 2022, on those matters and received 16 comment letters in response to the proposed Update. The Board's conclusions on the comments received are discussed below.

Basis for Conclusions

Deferral of the Sunset Date of Topic 848

BC9. In the proposed Update, the Board decided to defer the sunset date of Topic 848 to December 31, 2024, to permit entities to apply the guidance in Topic 848 through the expected cessation date of USD LIBOR. In the Board's view, that time frame would have been sufficient to provide flexibility for additional unforeseen changes to the timeline of USD LIBOR cessation and to accommodate global interbank offered rate (IBOR) transition. Similar to how the sunset date was determined in Update 2020-04, and on the basis of stakeholder feedback, the Board decided that specifying an expiration date that falls on a calendar year-end would be the most operable approach.

BC10. Comment letter feedback was broadly supportive of the proposed deferral of the sunset date to December 31, 2024. Some comment letter respondents suggested a principles-based approach that would defer the sunset date to a fixed period of time after the cessation date of the last remaining tenor of USD LIBOR.

The Board rejected that alternative because of operability and auditability concerns with the uncertainty of the cessation date for different IBOR rates and the understanding that there are not a meaningful number of entities reporting under GAAP with significant exposure to remaining IBORs in foreign jurisdictions in which a transition timeline has not yet been established. The Board noted that a similar principles-based approach was considered during the deliberations of the original Topic 848 sunset date and was rejected because of operability and auditability concerns.

BC11. Based on the comment letter feedback, the Board affirmed its decision to defer the sunset date to December 31, 2024.

Benchmark Interest Rates for Fair Value Hedging

BC12. The Board proposed amending the definition of the SOFR OIS rate to allow any rate based on SOFR to be included in the definition of a U.S. benchmark interest rate. In reaching that decision, the Board considered (a) the ARRC's formal recommendation of a SOFR term rate as a preferred replacement rate for USD LIBOR and (b) that the rate had begun to be used as the variable rate in cash and derivative products.

BC13. Although comment letter feedback broadly supported the proposal to amend the definition of the SOFR OIS rate to include the SOFR term rate, the Board also received informal staff feedback from a banking regulator that was not supportive of the amendment. The Board observed that it would be preferable to not maintain a list of benchmark interest rates and to develop a revised benchmark interest rate principle that could be broadly applied without exceptions. However, given that the U.S. marketplace continues to be in a state of transition regarding reference rates, the Board decided not to affirm its decision to further expand the benchmark interest rate risk list at this time.

BC14. The Board also observed that its decision does not necessarily impede the application of hedge accounting. Entities can designate an interest rate swap based on a non-benchmark interest rate as the hedging instrument of the contractually specified interest rate in a cash flow hedge of a variable-rate hedged item or as the hedging instrument in a fair value hedge of a fixed-rate hedged item as long as the hedging relationship is highly effective and other relevant hedge accounting criteria are met.

Effective Date and Transition

BC15. The Board decided that the amendments in this Update should be effective for all entities upon issuance of this Update.

Benefits and Costs

BC16. The objective of financial reporting is to provide information that is useful to present and potential investors, creditors, donors, and other capital market participants in making rational investment, credit, and similar resource allocation decisions. However, the benefits of providing information for that purpose should justify the related costs. Present and potential investors, creditors, donors, and other users of financial information benefit from improvements in financial reporting, while the costs to implement new guidance are borne primarily by present investors. The Board's assessment of the costs and benefits of issuing new guidance is unavoidably more qualitative than quantitative because there is no method to objectively measure the costs to implement new guidance or to quantify the value of improved information in financial statements.

BC17. In Update 2020-04, the Board concluded that the elective optional expedients and exceptions in Topic 848 result in financial reporting that reflects the intended continuation of contracts and hedging relationships after the replacement of a reference rate, which in turn provides decision-useful information to investors and other allocators of capital. Furthermore, the relief in Topic 848 provides cost savings to a wide array of financial statement preparers. The amendments in this Update will ensure that the benefits to stakeholders continue through the remainder of the transition period.

Amendments to the GAAP Taxonomy

The amendments to the *FASB Accounting Standards Codification*® in this Accounting Standards Update require improvements to the GAAP Financial Reporting Taxonomy and SEC Reporting Taxonomy (collectively referred to as the "GAAP Taxonomy"). Those improvements, which will be incorporated into the proposed 2023 GAAP Taxonomy, are available through GAAP Taxonomy Improvements provided at www.fasb.org, and finalized as part of the annual release process.