

Client Alert

September 2019

FASB Releases Proposed Accounting Guidance for LIBOR Replacement

On September 5, 2019, the Financial Accounting Standards Board (FASB) released proposed guidance on the cessation of the US Dollar LIBOR with the goal of easing the burden on financial accounting caused by a transition to alternate reference rates. The operational challenges facing corporate borrowers are significant due to the large volume of contracts that will require modification or replacement. The accounting amendments being proposed by FASB are designed to provide optional courses of action and exceptions for applying generally accepted accounting principles (GAAP) to contracts, hedging relationships and other transactions that reference LIBOR or other reference rates expected to be discontinued. The guidance includes flowcharts for implementation of certain contract modifications and tables illustrating potential outcomes and applies only to contract modifications and hedging relationships entered into or evaluated between the date the proposed amendments become effective and December 31, 2022.

FASB is accepting comments regarding its proposed amendments until October 7, 2019 (instructions in the link below).

The full update from the FASB (including instructions for submitting comments) can be accessed [here](#).

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