

Center for Plain English Accounting

AICPA's National A&A Resource Center

ASU 2022-06

Deferral of Sunset Date Of Reference Rate Reform Guidance

On December 21, 2022, the FASB issued Accounting Standards Update (ASU) 2022-06, *Reference Rate Reform (Topic 848): Deferral of the Sunset Date of Topic 848*. ASU 2022-06 extends the period of time financial statement preparers can utilize the reference rate reform relief guidance. In 2020, the FASB issued ASU 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 FASB Accounting Standards Codification (FASB ASC) 848 is to provide temporary relief during the transition period. The FASB included a sunset provision within FASB ASC 848 based on expectations of when the London Interbank Offered Rate (LIBOR) would cease being published. 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, 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 FASB ASC 848. Because the current relief in FASB ASC 848 may not cover a period of time during which a significant number of modifications may take place, the amendments in ASU 2022-06 defer the sunset date of FASB ACS 848 from December 31, 2022, to December 31, 2024, after which entities will no longer be permitted to apply the relief in FASB ASC 848.

The amendments in ASU 2022-06 are effective for all entities upon issuance of the ASU.

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