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Don't Let the Sun Go Down on Thee — FASB Defers Sunset Date of ASC 848

Introduction

On December 21, 2022, the FASB issued [ASU 2022-06](#)¹ to defer the sunset date of ASC 848² until December 31, 2024. The ASU became effective upon issuance.

Background and Main Provisions of the ASU

In March 2020, the FASB issued ASU 2020-04³ to provide temporary, optional expedients related to the accounting for contract modifications and hedging transactions as a result of the global markets' anticipated transition away from the use of LIBOR⁴ and other interbank offered rates to alternative reference rates. Preceding the issuance of ASU 2020-04, which established ASC 848, the United Kingdom's Financial Conduct Authority (FCA) announced that it would no longer need to persuade or compel banks to submit to LIBOR after December 31, 2021. In response, the FASB established a December 31, 2022, expiration date for ASC 848. In March 2021, the FCA announced that the intended cessation date of LIBOR in the United States would be June 30, 2023. Accordingly, ASU 2022-06 defers the expiration date of ASC 848 to December 31, 2024.

¹ FASB Accounting Standards Update (ASU) No. 2022-06, *Reference Rate Reform (Topic 848): Deferral of the Sunset Date of Topic 848*.

² FASB Accounting Standards Codification (ASC) Topic 848, *Reference Rate Reform*.

³ FASB Accounting Standards Update No. 2020-04, *Reference Rate Reform (Topic 848): Facilitation of the Effects of Reference Rate Reform on Financial Reporting*.

⁴ The London Interbank Offered Rate.

The proposed guidance on deferring ASC 848's sunset date would have also changed the definition in the ASC master glossary of the SOFR⁵ Overnight Index Swap Rate to expand the acceptable benchmark interest rates that could be eligible for designation as the hedged risk for certain fair value hedges under ASC 815.⁶ The current definition is specific to the Overnight Index Swap Rate based on the SOFR and does not include any of the term-based versions of the SOFR swap rates. While the proposed ASU would have incorporated term-based SOFR swap rates into that definition, the FASB decided at its October 5, 2022, meeting not to expand the eligible SOFR rates and therefore did not include this change in ASU 2022-06.

See [Chapter 8](#) of Deloitte's Roadmap *Hedge Accounting* for a comprehensive discussion of the guidance in ASC 848.

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⁵ The Secured Overnight Financing Rate.

⁶ FASB Accounting Standards Codification Topic 815, *Derivatives and Hedging*.

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