



IASB Exposure Draft (ED/2010/13) “Hedge Accounting”

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Public Discussion

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I. Introduction – status of the project (1)

IASB project on „Financial Instruments“ / phase 3

ED/2010/13 „Hedge Accounting“

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- no overall change of the model, but substantial modifications
- proposals on micro / groups / some macro hedges
- final issuance (incorporated into IFRS 9) planned for June 2011
- current deliberations on dynamic portfolio hedges
 - another ED to be issued (not before June 2011)
 - possibility of adjusting proposals in the ED/2010/13



I. Introduction – status of the project (2)

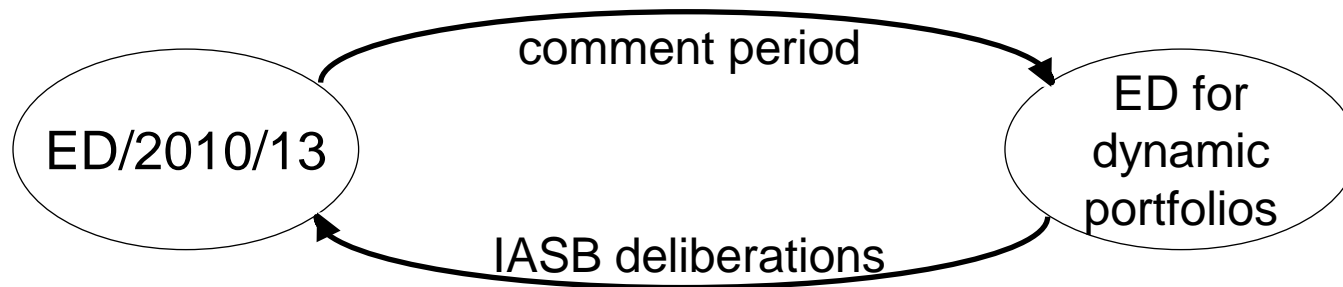
IASB decisions in a nutshell:

1. **New objective** for Hedge Accounting
2. Hedging instruments: derivatives **and non-derivatives** if at FVPL
3. Hedged items: **risk components** primarily, increased variety of **micro- or macro** hedges, **FI and Non-FI** similarly
4. Designation and documentation: unchanged
5. Effectiveness assessment and measurement: **enhanced principle**
6. Accounting mechanics: FV hedges and CF hedges **more aligned**
7. **Rebalance hedges instead of stop/restart**, no voluntary dedesignation
8. Disclosures: focus on the risks being hedged
9. Transition: effective date 1 Jan 2013; prospective only; early application possible for entire IFRS 9

I. Introduction – status of the project (3)

Pending issues:

- **Dynamic portfolio (or macro) hedges:** open whether additional hedge accounting issue or rather classification issue (i.e. 3rd business model, „hedging“)
- Current deliberations, simultaneous to this ED
 - **another ED planned**

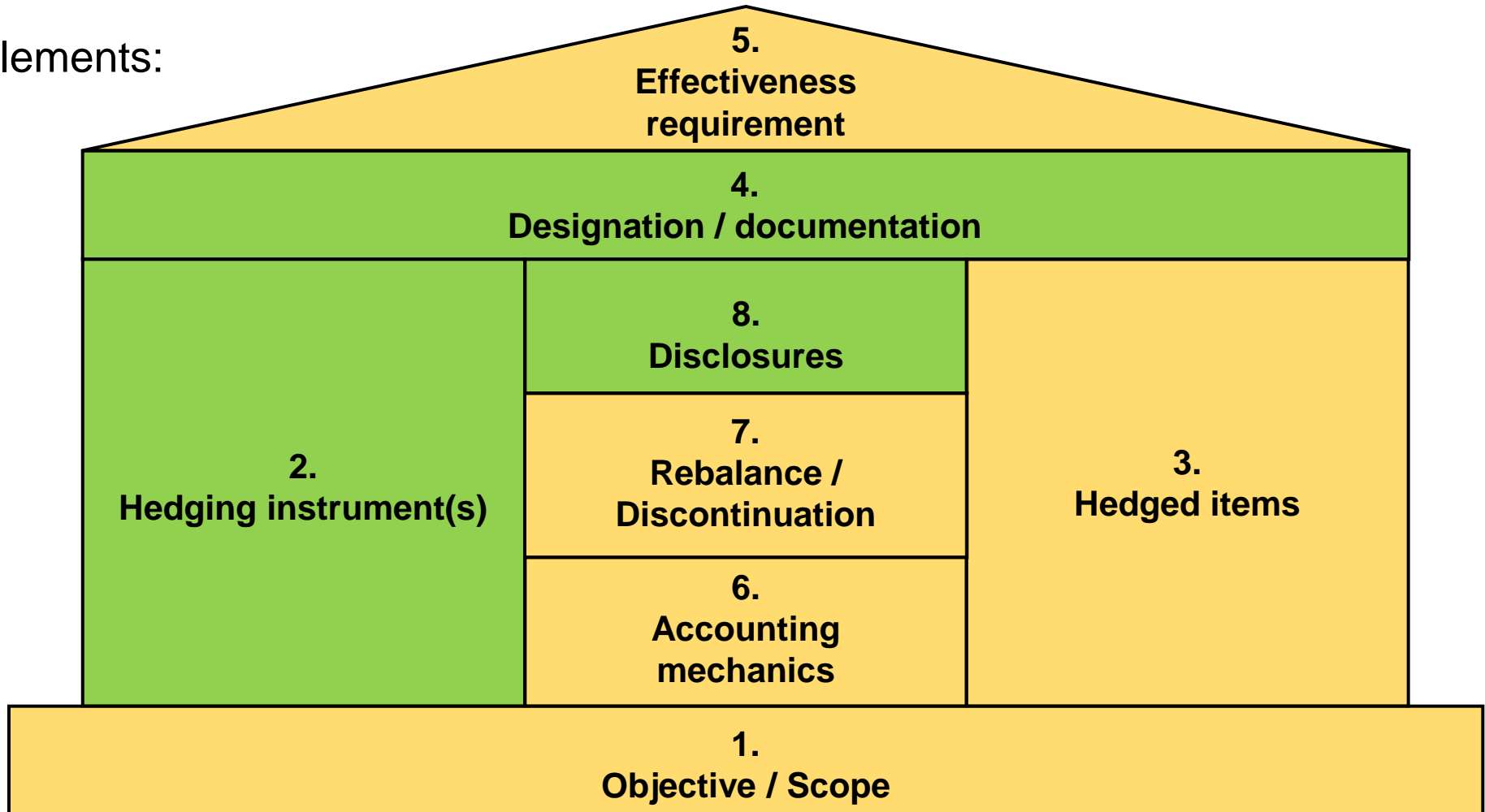


- finalise „Hedge Accounting“ model for now without dynamic portfolios
- current IAS 39 provisions on „Portfolio hedging for interest rate risk“ remain applicable (i.e. IAS 39.81A, 89, AG114-132)



I. Introduction – Overview Hedge Accounting Model

Elements:



I. Introduction – General Example (1)

Hedge: example of a (not perfect) economic hedge

Fixed interest rate loan		Hedge of interest rate risk (payer swap)
Maturity: 26 months		Maturity: 24 months
Nominal: 102 Mio. Euro		Nominal: 100 Mio. Euro
Interest rate: 5.0%		interest: pay 5.0%, receive LIBOR +1.0%
Quarterly payment of interest		Monthly payment of interest
		LIBOR in t0 = 4.0%
FV = 102.00	31/12/X	FV = 0.00
LIBOR decreases, debtor's rating increases		LIBOR decreases, counterparty rating unchanged
FV of loan increases by 5.10 due to interest change		FV Swap decreases by 4.60 due to interest change
FV of loan increases by 2.55 due to rating change		
AC = 101.99 / FV = 109.65	05/01/Y	FV = - 4.60 (=liability)

→ *Numbers may not be correct in terms of financial mathematics but suitable as an example*



I. Introduction – General Example (2)

Hedge Accounting: ways how to designate and account for this economic hedge

?	Designated hedged item	value t1	Designated hedging instrument	value t1	Ineffec-tiveness
A	Entire loan	109.65	Entire swap	-4.60	+5.05
B	loan, but interest risk only (no credit risk)	107.10	Entire swap	-4.60	+2.50
C	loan, but interest risk only, and 98.04% of the nominal only (= 100 Mio. Euro)	105.00	Entire swap	-4.60	+0.40
D	loan, interest risk only, and 98.04% of the nominal only, and cashflows from the first 24 months only	104.70	Entire swap	-4.60	+ 0.10
E	loan, interest risk only, and 98.04% of the nominal only, and cashflows from the first 24 months only, and effectiveness test method that straightens the difference in interest payment rhythm	104.60	Entire swap	-4.60	0.00

- What shall be designated as „being hedged“ under hedge accounting? OR
- How much ineffectiveness shall be presented?



II. Proposals of the ED (1)

1. Objective

- Objective of Hedge Accounting modified and made explicit:
 - „represent ... the effect of an entity's risk management activities“
 - „allow insight into [the hedging instruments'] purpose and effect“
- Objective combines two other objectives considered:
 - „link between risk management and financial reporting“ (broad, “top down“)
 - „mitigate recognition and measurement anomalies / „accounting mismatch“ (narrow, “bottom up“)
- „Sub-objective“ of hedge effectiveness assessment
 - produce an unbiased result and minimise expected hedge ineffectiveness,
 - hedge is expected to achieve more than accidental offset



II. Proposals of the ED (2)

1. Scope

- Not explicit → basically as in IAS 39 and IFRS 9
- **„own-use“ contracts included** → accounted for as derivatives, if that is in accordance with an entity's risk management strategy
- **Financial instruments at FV-OCI** excluded
- thereof qualifying hedged items:
 - selected financial instruments only (depending on its measurement)
 - also non-financial instruments (depending on its measurement)
- thereof qualifying hedging instruments:
 - only financial instruments, basically at FVPL only
 - particular derivatives excluded



II. Proposals of the ED (3)

2. Hedging instruments

Qualifying instruments (population)

- financial instruments only
- any derivative → except:
 - written options (only with purchased option, if not a net written option);
 - (implicit) no credit derivatives
- **also non-derivatives, if at FV-PL**
- for FX-Hedges only: any non-derivative that is not at FV-OCI → i.e. financial instruments at amortised cost
- transactions with external parties only
- no embeddeds that are not bifurcated
- no own equity instruments (as they are not financial instruments)



II. Proposals of the ED (4)

2. Hedging instruments

Designation

- instrument in its entirety (all risk components) → except:
 - only the change in intrinsic value of an option,
 - only the change in spot element of a forward contract,
 - **foreign currency risk component only, if non-derivative in a FX hedge.**
- percentage of the nominal amount („proportion“)
- no portion of the time period („partial term hedge“)
- (implicit) no selected cashflows („portions“)
- any combination of derivatives and/or non-derivatives or any percentage of their nominal amount(s)



II. Proposals of the ED (5)

3. Hedged items

Primary note: qualifying vs. designated hedged item

- contracts or instruments eligible for designation = **qualifying** items (population)
- items or components that can be designated = **designated** item (designation)
- „designated item“ (contract, or group, or risk, or component) = specified item that is considered as being hedged within a hedging relationship
- new trends:
 - focus on a risk component instead of a recognised item
 - (synthetic) risk position, not recognised item, as basis for hedge accounting
- *decreasing distinction between (1) qualifying item and (2) designated item*



II. Proposals of the ED (6)

3. Hedged items

Qualifying items (population)

- Single contract (in its entirety) or a **group** of
 - recognised assets or liabilities (financial and non-financial);
 - firm commitments;
 - highly probable forecast transactions;
 - net investments in a foreign operation.
- a **component** of a single contract or a group
- an **aggregated exposure** = combination of an exposure and a derivative
- transactions with external parties only → except:
 - FX hedge of an intragroup monetary item,
 - FX hedge of an highly probable intragroup transaction.
- further condition: hedged item must be reliably measurable.



II. Proposals of the ED (7)

3. Hedged items

Designation – single contract

- single contract in its entirety, financial or non-financial (100% nominal, all risk, all CF);
- a **component** of a contract, financial **or non-financial**, i.e.
 - a) specific risk(s) component, provided it is separately identifiable and reliably measurable, except: credit risk component;
 - explicitly specified (=in a contract),
 - implicit in the FV or cashflows (=depending on particular market structure),
 - one-sided risk;
 - b) one or more selected contractual cashflow(s), also part-term hedges (implicitly);
 - c) nominal components, consistently with its risk management, i.e.
 - percentage of the nominal amount, or
 - **layer** of a defined nominal amount, not including any prepayment options.

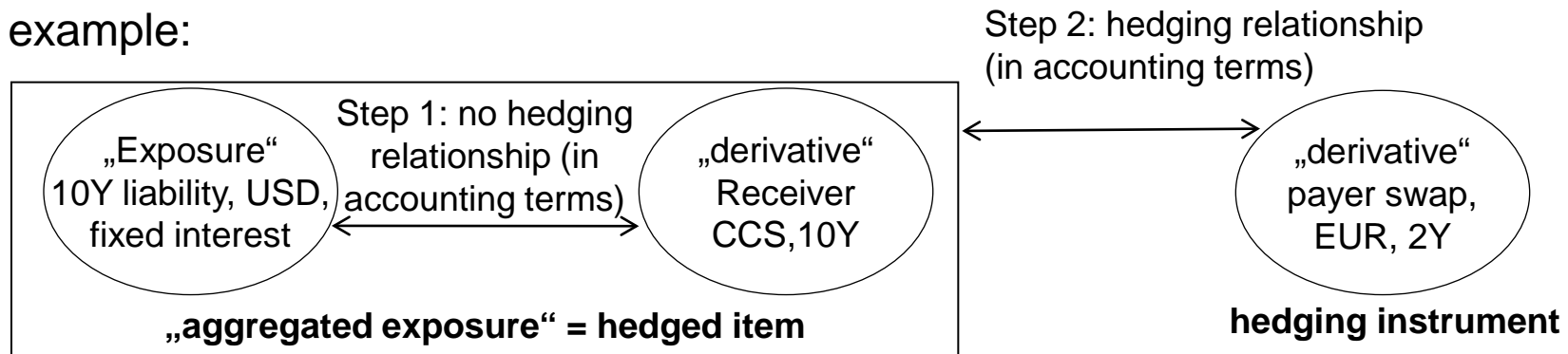


II. Proposals of the ED (8)

3. Hedged items

Designation – aggregated exposure

- the basis: aggregated exposure is a
 - combination of an exposure and a derivative, and
 - it creates a different (aggregated) exposure AND is managed as one exposure.
- *exposure = „qualifying hedged item“ → any single contract or group*
- example:



- the designation: all kind of designation allowed as is for a single contract

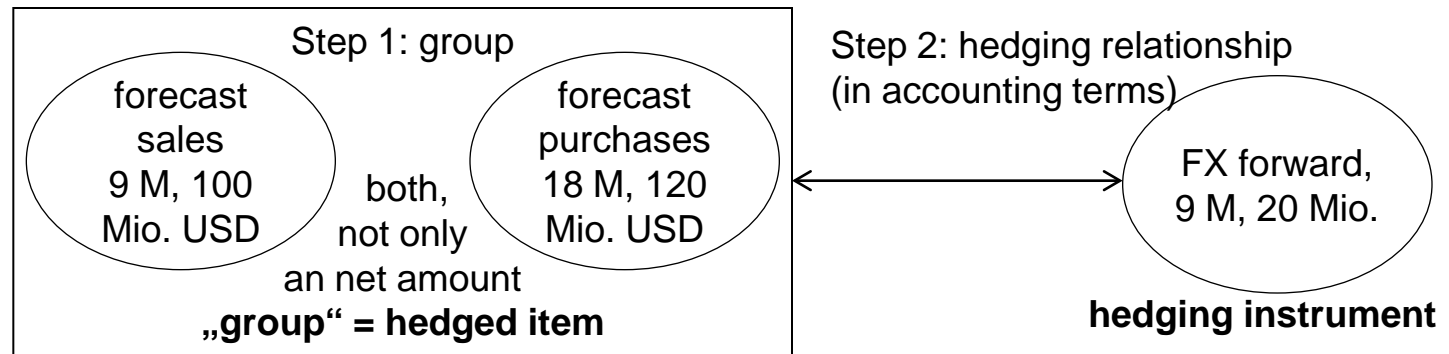


II. Proposals of the ED (9)

3. Hedged items

Designation – group

- the basis: **group** of items, i.e. similar or **offsetting** items („**net position**“),
 - that individually are eligible AND
 - are managed as a group for risk management purposes, AND
 - for CF hedge only: any offsetting cashflows affect P&L in the same period.
- also eligible: group is a **nil net position**
- example:





II. Proposals of the ED (10)

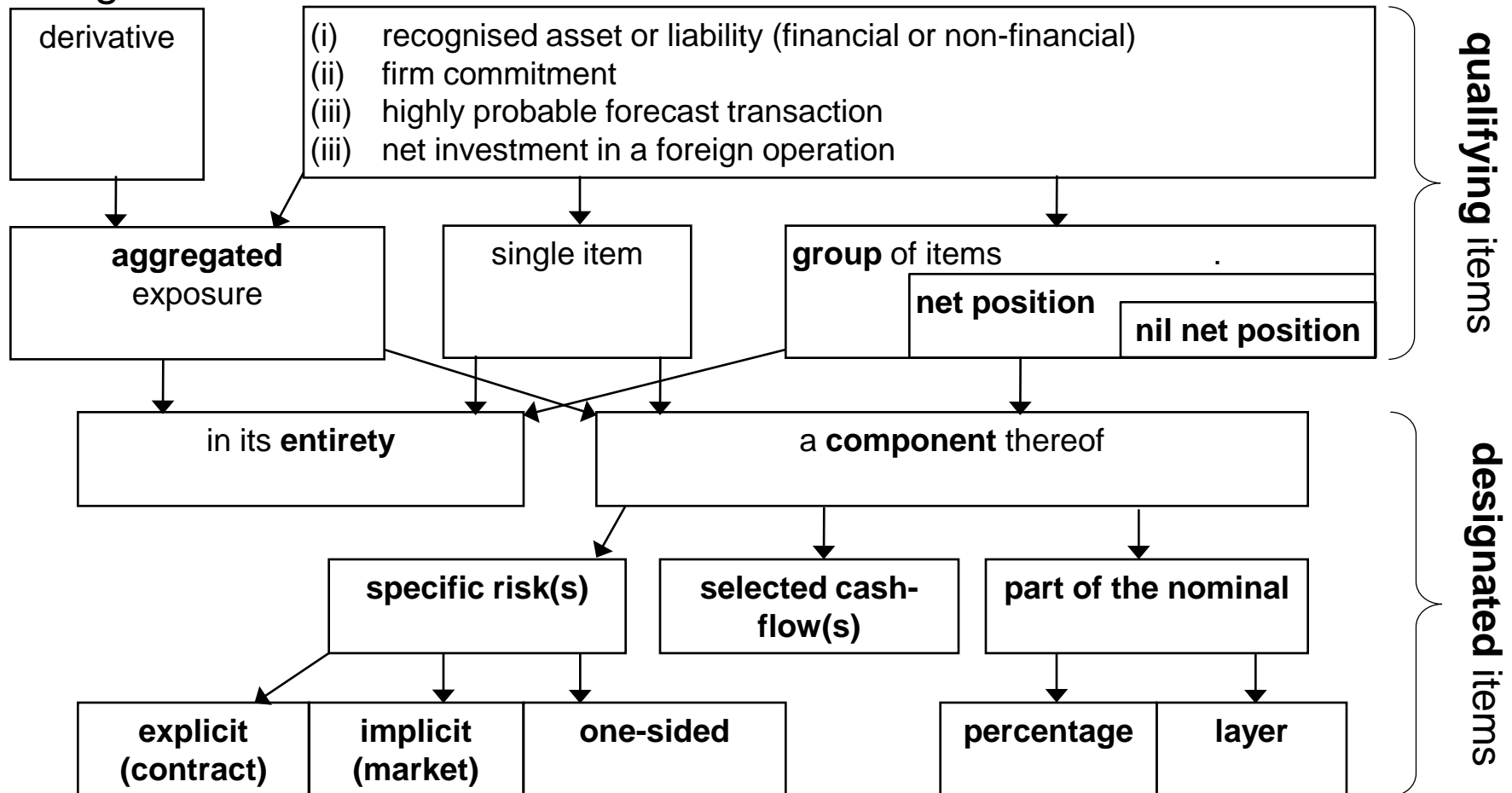
3. Hedged items

Designation – group

- the designation: conditions similar to single contract, but additional requirements
- eligible to be designated:
 - entire group,
 - specific risk(s) component, separately identifiable and reliably measurable,
 - one or more selected contractual cashflow(s), also part-term hedges,
 - nominal component, consistently with its risk management, i.e.
 - percentage of the nominal amount, or
 - **layer** of a defined nominal amount, **if separately identifiable and reliably measurable, entire group shares same risk**, no prepayment options included.
 - if nil net position: **designation without hedging instrument** permitted

II. Proposals of the ED (11)

3. Hedged items





II. Proposals of the ED (12)

4. Criterion (a): Designation and documentation

- hedge accounting applicable if formal designation and documentation of the hedging relationship and the (economic) risk management strategy
- includes identification of (i) hedging instrument, (ii) hedged item, (iii) nature of the risk being hedged, and (iv) method of assessing hedge effectiveness
- several choices:
 - 1) „if“ → general accounting option;
 - 2) „when“ → initially or subsequently
 - 3) „how“ → accounted for as FVH or CFH
 - 4) *open: „what“ → designation in accordance with risk management, **but: specific items predetermined? Or items different from risk management?***



II. Proposals of the ED (13)

5. Criterion (b): Effectiveness requirement

- hedge accounting applicable, if effectiveness requirement is met, i.e.
 - (i) meet the (sub-)objective of hedge effectiveness assessment, i.e.**
 - **produce unbiased result and**
 - **minimise expected ineffectiveness,**
 - (ii) expected to achieve other than accidental offset.**
- effectiveness = extent of offset in the fair value or cashflow changes
- ineffectiveness = extent of no such offset or more than offset
- bipolar function of the effectiveness requirement:
 - **effectiv. assessment** = „if“ / „how long“ → applicability of hedge accounting
 - **effectiv. measurement** = „to what extent“ → presenting (in-)effectiveness



II. Proposals of the ED (14)

5. Criterion (b): Effectiveness requirement

Effectiveness assessment

- ad (i): unbiased result and minimised expected ineffectiveness, i.e.
 - no need for perfect (100 %) hedging relationship, but
 - no systematic over-/underhedge
- ad (ii): other than accidental offset only, i.e.
 - economic analysis of hedged item and hedging instrument, e.g. possible behaviour, statistical correlations
- generally **qualitative only** (if critical terms match); quantitative if no match
- ongoing assessment, but **prospective only**
- „target effectiveness“ necessary → risk management is the basis
- designated hedge ratio („expected effectiveness“) close to „target effectiveness“



II. Proposals of the ED (15)

5. Criterion (b): Effectiveness requirement

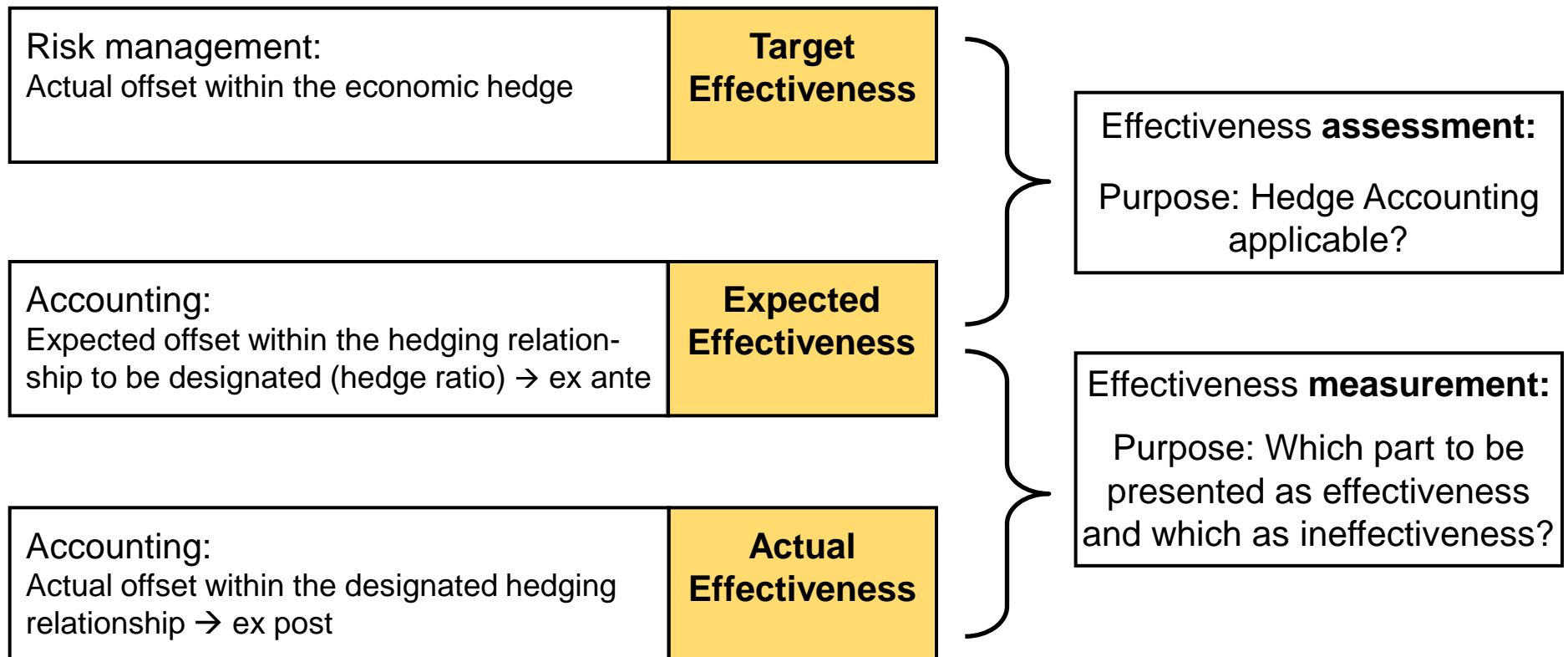
Effectiveness measurement

- basis = comparing (FV- or CF-)changes of hedged item vs. hedging instr.
- determining an „actual effectiveness“
- also distinguishing between „effectiveness“ and „ineffectiveness“ in order to separately present both parts (OCI vs. P&L)
- methods not specified
- hypothetical derivative method = no measurement of effectiveness, but approximation of hedged item's FV changes



II. Proposals of the ED (16)

5. Criterion (b): Effectiveness requirement





II. Proposals of the ED (17)

6. Accounting mechanics

- distinguish three types of hedges:
 - Fair value hedge: FV risk → FI/Non-FI & not recognized firm commitments;
 - Cashflow hedge: CF risk → FI/Non-FI & highly probable forecast trans.;
 - Hedge of Net Investment in foreign operation (HofNI) under IAS 21.
- *not always clear*, which type of hedge applicable for which hedged item
 - e.g.: FX hedges of a firm commitment accounted for as FVH or CFH
 - but: commodity hedge of a firm commitment as FVH
- accounting for three types of hedges:
 - identical: criteria for accounting
 - not identical: specific accounting
 - identical: rebalance or discontinuation if hedge ceases to meet criteria



II. Proposals of the ED (18)

6. Accounting mechanics

Fair Value Hedge Accounting:

- Hedging instr.: FV measurement; **FV changes in OCI** (except ineffectiveness)
- Hedged item: measurement of the item, presentation **as separate line item**; **changes recognised in OCI**
- Firm commitment as hedged item: changes as separate line item and to be recognised in OCI
- OCI amount as adjustment of the current value when the unrecognised item will be initially recognised (**mandatory Basis Adjustment**)
- Difference between changes to be recognised as ineffectiveness in P&L
- no lower of test



II. Proposals of the ED (19a)

6. Accounting mechanics

Cashflow Hedge Accounting (HofNI accordingly):

- Hedging instr.: FV measurement; FV changes in OCI (except ineffectiveness)
- Hedged item: no measurement of the item, no recognition in OCI or P&L
- lower of test for hedges of a forecast transaction:
 - Issue only if underhedge (change hedging instr. „smaller“ than hedged item)
 - Ineffectiv. if forecast hedged item → *impossible from accounting perspective*
 - lower of change in hedging instr. or hedged item recognised in OCI
 - „remainder“ from hedging instr. as ineffectiv. in P&L (only if overhedge)
 - different accounting for over- and underhedges
 - justification: in case of an underhedge protection for <100 %



II. Proposals of the ED (19b)

6. Accounting mechanics

Cashflow Hedge Accounting (HofNI accordingly):

- Hedging instr.: FV measurement; FV changes in OCI (except ineffectiveness)
- Hedged item: no measurement of the item, no recognition in OCI or P&L
- lower of test for hedges of a forecast transaction:

Market scenario		A	A	B	B	
Hedge circumstances		Over	Under	Over	Under	
		t0	t1	t1	t1	
Hedging derivative	FV (recognised)	0	5	4	-5	-4
Hedged item	FV (not recognised)	0	-4	-5	4	5
With	in OCI (effectiv.)	...	4	4	-4	-4
Lower-of-Test	in P&L (ineffectiv.)	...	1	0	-1	0
Without	in OCI (effectiv.)	...	4	?	-4	?
Lower-of-Test	in P&L (ineffectiv.)	...	1	?	-1	?
Comparison with/without		<i>identical</i>		<i>identical</i>		



II. Proposals of the ED (19c)

6. Accounting mechanics

Cashflow Hedge Accounting (HofNI accordingly):

- Hedging instr.: FV measurement; FV changes in OCI (except ineffectiveness)
- Hedged item: no measurement of the item, no recognition in OCI or P&L
- lower of test for hedges of a forecast transaction:

Market scenario		A	A	B	B
Hedge circumstances		Over	Under	Over	Under
		t0	t1	t1	t1
Hedging derivative	FV (recognised)	0	5	4	-4
Hedged item	FV (not recognised)	0	-4	-5	5
With	in OCI (effectiv.)	...	4	4	-4
Lower-of-Test	in P&L (ineffectiv.)	...	1	0	0
Without	in OCI (effectiv.)	...	+5-1	+4+1	-5+1
Lower-of-Test	in P&L (ineffectiv.)	...	1	-1	1
Comparison with/without			<i>identical</i>	<i>different</i>	<i>identical</i>



II. Proposals of the ED (20)

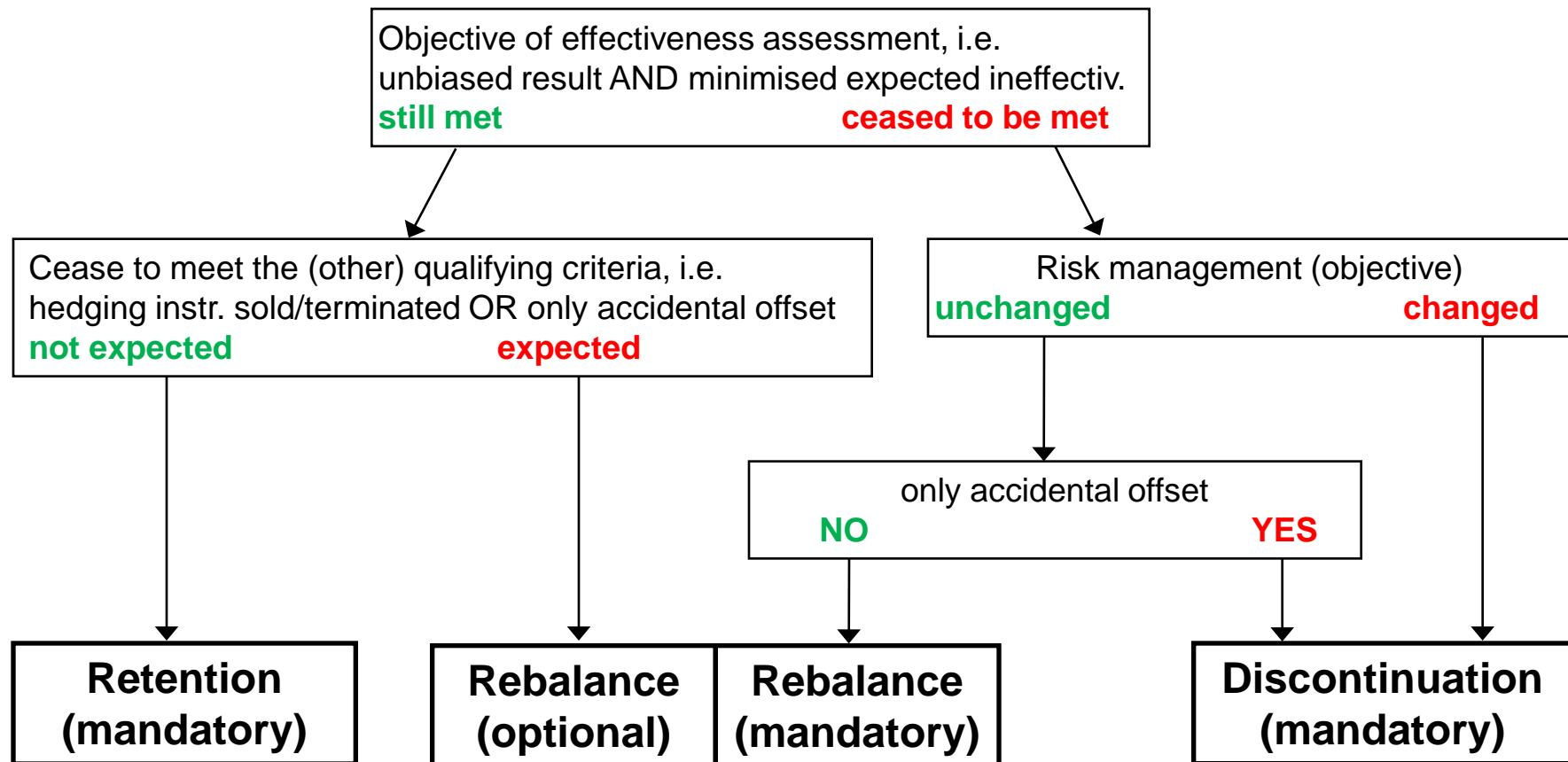
6. Accounting mechanics

Special case: Time value of an option

- if designation of intrinsic value only: split between time value vs. intrinsic value
- intrinsic value = accounting as FVH or CFH
- **time value = premium for protection**
- during hedge: **recognition in OCI**, to the extent option relates to hedged item;
- if hedge discontinues:
 - Transaction related hedge: no amortisation of time value; accumulated OCI amount (i) to be directly included in initial cost of hedged item or (ii) to be reclassified to P&L in the same period(s) when future CF affect P&L
 - Time period related hedge (no transaction at discontinuation): time value to be amortised over the hedge term; OCI amount to be reclassified to P&L

II. Proposals of the ED (21)

7. Rebalance / Discontinuation





II. Proposals of the ED (22)

7. Rebalance / Discontinuation

- **Rebalance instead of discontinuation**, if risk management remains unchanged;
- **Voluntary discontinuation (dedesignation) not allowed**
- Mandatory rebalancing, if:
 - Objective of effectiveness assessment is ceased to be met BUT
 - Risk management objective remains the same.
- Voluntary rebalancing, if:
 - Expectation that objective of effectiveness assessment is ceased to be met BUT
 - Risk management objective remains the same.
- Mandatory discontinuation, if:
 - Risk management has changed OR
 - one of the qualifying hedge criteria is ceased to be met and rebalancing impossible,
 - maybe discontinuation only for a part of the hedge



II. Proposals of the ED (23)

8. Disclosures

- **focus on disclosures for hedged risk(s)** (whereas IFRS 7 on all risks)
 - location: disclosures in the notes, or another section in the financial statements or by cross-reference to some other statements (e.g. management commentary)
 - extent: individual extent & degree of disaggregation → in accordance with IFRS7
 - form: basically in tabular format, partly qualitative
 - details: disclosures on three significant areas
- (a) Risk management strategy – mainly qualitative:
- how risks arise;
 - how, whether, and to what extent risk exposures are managed.



II. Proposals of the ED (24)

8. Disclosures

(b) Nature and extent of risks the entity is exposed to / are hedged:

- amount/quantity of risks an entity is exposed to, for each type of risk;
- amount/quantity of hedged risks, for each type of risk;
- how hedging changes the exposure;
- description of sources of hedge ineffectiveness.

(c) Effect on financial statements – tabular format:

- Hedging instr.: carrying amount and nominal/quantity;
- Hedged items: accumulated changes in separate line item (FVH) and balance in the CFH reserve, for continuing and discontinued hedges;
- recognised effectiveness (in OCI) and ineffectiveness in P&L, changes in the separate line item, description of affected P&L line items.



II. Proposals of the ED (25)

9. Transition / Initial application

- Application for annual period beginning on/after 1 Jan 2013;
- Early application permitted, if all IFRS 9 requirements at the same time;
- Prospective application only;
- Hedges in accordance with IAS 39 to be continued if in accordance with new requirements;
- Disclosures: no application for comparative information.



II. Proposals of the ED (26)

10. Other issues: linked presentation

- Alternative presentation for FVH (discussed, but **not** part of the ED proposals):
 - Starting point: many firm commitments as FX hedge;
 - Approach: presentation of related assets & liabilities (e.g. derivative and firm commitment in one hedge) on the same side of the balance sheet, but gross presentation (both amounts displayed) → due to IASB: no „offset“
 - Advantage 1: relation of two items becomes more obvious
 - Advantage 2: total assets adjusted
- Dismissed by IASB, because
 - hedged and unhedged risks are not distinguished,
 - changed total assets are not more appropriate,
 - disclosures about hedging are a better alternative.



II. Proposals of the ED (27)

10. Other issues: Alternative view

- Agreement with objective, complexity reduction, elimination of artificial barriers
- Dissent from several details, e.g.:
 - Differentiating basis risk and residual (unhedged) portions
→ residual portions are not considered but may represent „ineffectiveness“;
 - Hedge Accounting becomes the norm, not an exception
→ increasing or decreasing risk is subject to individual assessment
→ sometimes rather an exchange of one type of risk for another;
 - Designation of a net position overrides the requirement for FV options
→ FV measurement for a period of time or portion of risk is possible;
 - Designation of an aggregated exposure and nonderivatives at FVPL
→ permits recognition of FV changes in OCI (otherwise in P&L);
 - separate line items → no asset or liability due to framework.



II. Proposals of the ED (28)

10. Other issues: The „EU carve out“ issue

- Today's carve-out for IAS 39 allows:
 - a) Portfolio-FVH: eligibility of core deposits and the *layer approach* (AG114-132)
 - b) Designate a interest component if zero or below market interest rate (AG99C+D)
 - c) Avoid presenting ineffectiveness in case of underhedges (#81A, AG107A)
- ED proposals on these aspects:
 - ad a) not affected, because this part of IAS 39 remains applicable for the time being
→ **carve out still in place**
 - ad b) Provisions retained in the ED without modification (now B24-26)
→ **carve out would get lost / needs to be carried forward to IFRS 9**
 - ad c) AG107A modified as new effectiveness measurement objective leads to avoiding/
minimising ineffectiveness (now ED.B30); para. 81A not affected (see a))
→ **carve out obsolete in part / still in place for the remainder**



III. Questions in the ED – Q1

Do you agree with the proposed **objective** of hedge accounting? Why or why not? If not, what changes do you recommend and why?



III. Questions in the ED – Q14

Do you agree that if it is in accordance with the entity's fair value-based risk management strategy **derivative accounting** would apply to **contracts** that can be settled net in cash that were entered into and continue to be held for the **purpose of the receipt or delivery** of a non-financial item in accordance with the entity's expected purchase, sale or usage requirements? Why or why not? If not, what changes do you recommend and why?



III. Questions in the ED – Q2

Do you agree that a **non-derivative** financial asset and a non-derivative financial liability measured at fair value through profit or loss should be **eligible** hedging instruments? Why or why not? If not, what changes do you recommend and why?



III. Questions in the ED – Q3

Do you agree that an **aggregated exposure** that is a combination of another exposure and a derivative may be designated as a hedged item? Why or why not? If not, what changes do you recommend and why?



III. Questions in the ED – Q4

Do you agree that an entity should be allowed to designate as a hedged item in a hedging relationship changes in the cash flows or fair value of an item attributable to a specific risk or risks (ie a **risk component**), provided that the risk component is separately identifiable and reliably measurable? Why or why not? If not, what changes do you recommend and why?



III. Questions in the ED – Q5

- (a) Do you agree that an entity should be allowed to **designate a layer** of the nominal amount of an item as the hedged item? Why or why not? If not, what changes do you recommend and why?
- (b) Do you agree that a layer component of a contract that **includes a prepayment option** should not be eligible as a hedged item in a fair value hedge if the option's fair value is affected by changes in the hedged risk? Why or why not? If not, what changes do you recommend and why?



III. Questions in the ED – Q11

Do you agree with the **criteria** for the eligibility of **groups of items** as a hedged item? Why or why not? If not, what changes do you recommend and why?



III. Questions in the ED – Q12

Do you agree that for a hedge of a **group of items** with offsetting risk positions that affect **different line items** in the income statement (eg in a net position hedge), any hedging instrument gains or losses recognised in profit or loss should be presented in a separate line from those affected by the hedged items? Why or why not? If not, what changes do you recommend and why?



III. Questions in the ED – Q15

- (a) Do you agree that all of the three alternative accounting treatments (other than hedge accounting) to account for hedges of **credit risk** using credit derivatives would add unnecessary complexity to accounting for financial instruments? Why or why not?
- (b) If not, which of the three alternatives considered by the Board in paragraphs BC226–BC246 should the Board develop further and what changes to that alternative would you recommend and why?



III. Questions in the ED – Q6

Do you agree with the **hedge effectiveness requirements** as a qualifying criterion for hedge accounting? Why or why not? If not, what do you think the requirements should be?



III. Questions in the ED – Q9

- (a) Do you agree that for a fair value hedge the gain or loss on the hedging instrument and the hedged item should be **recognised in other comprehensive income** with the ineffective portion of the gain or loss transferred to profit or loss? Why or why not? If not, what changes do you recommend and why?
- (b) Do you agree that the gain or loss on the hedged item attributable to the hedged risk should be presented as a **separate line item** in the statement of financial position? Why or why not? If not, what changes do you recommend and why?
- (c) Do you agree that **linked presentation** should **not be allowed** for fair value hedges? Why or why not? If you disagree, when do you think linked presentation should be allowed and how should it be presented?



III. Questions in the ED – Q10

- (a) Do you agree that for transaction related hedged items, the change in fair value of the **option's time value** accumulated in other comprehensive income should be **reclassified** in accordance with the general requirements (eg like a basis adjustment if capitalised into a non-financial asset or into profit or loss when hedged sales affect profit or loss)? Why or why not? If not, what changes do you recommend and why?
- (b) Do you agree that for period related hedged items, the part of the aligned time value that relates to the current period should be transferred from accumulated other comprehensive income to profit or loss on a **rational basis**? Why or why not? If not, what changes do you recommend and why?
- (c) Do you agree that the accounting for the time value of options should only apply to the **extent** that the time value relates to the hedged item (ie the 'aligned time value' determined using the valuation of an option that would have critical terms that perfectly match the hedged item)? Why or why not? If not, what changes do you recommend and why?



III. Questions in the ED – Q7

- (a) Do you agree that if the hedging relationship fails to meet the objective of the hedge effectiveness assessment an entity should be **required to rebalance** the hedging relationship, provided that the risk management objective for a hedging relationship remains the same? Why or why not? If not, what changes do you recommend and why?
- (b) Do you agree that if an entity expects that a designated hedging relationship might fail to meet the objective of the hedge effectiveness assessment in the future, it **may** also proactively **rebalance** the hedge relationship? Why or why not? If not, what changes do you recommend and why?



III. Questions in the ED – Q8

- (a) Do you agree that an entity should **discontinue** hedge accounting prospectively only when the hedging relationship (or part of a hedging relationship) ceases to meet the qualifying criteria (after taking into account any rebalancing of the hedging relationship, if applicable)? Why or why not? If not, what changes do you recommend and why?
- (b) Do you agree that an entity should **not be permitted to discontinue** hedge accounting for a hedging relationship that still meets the risk management objective and strategy on the basis of which it qualified for hedge accounting and that continues to meet all other qualifying criteria? Why or why not? If not, what changes do you recommend and why?



III. Questions in the ED – Q13

- (a) Do you agree with the proposed **disclosure requirements**? Why or why not? If not, what changes do you recommend and why?
- (b) What other disclosures do you believe would provide useful information (whether in addition to or instead of the proposed disclosures) and why?



III. Questions in the ED – Q16

Do you agree with the proposed **transition requirements**? Why or why not? If not, what changes do you recommend and why?



Appendix: Abbreviations

AC	Amortised Cost	FV-OCI	FV through OCI
AG	Application Guidance	FVPL	Fair Value through profit or loss
CCS	Cross-Currency Swap	FX	Foreign Exchange / Foreign Currency
CF	Cashflow(s)	GG	<i>German version only:</i>
CFH	Cashflow Hedge		„Grundgeschäft“ (=hedged item)
CFHA	Cashflow Hedge Accounting	OCI	Other Comprehensive Income
ED	Exposure Draft	P&L	Profit or loss
FI	Financial Instrument(s)	SG	<i>German version only:</i>
FV	Fair Value		„Sicherungsgeschäft“ (=hedging instrument)
FVH	Fair Value Hedge		
FVHA	Fair Value Hedge Accounting		



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