IASB webinar call for research papers:

PIR IFRS 9—Hedge Accounting
Presenting today

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Overview

• Post-implementation review of IFRS 9—Hedge Accounting
• IFRS 9 Hedge Accounting requirements
• Research Opportunities
• Q&A
Post-implementation review of IFRS 9—Hedge accounting
This webinar

Purpose of the webinar

• Stimulate academic research to support the Post-implementation Review (PIR) of IFRS 9 – Hedge Accounting

Status of the PIR

• Start date to be discussed in second half of 2023

• Allowing time for trend information, academic research, etc to become available
Post-implementation reviews

Recently completed
- PIR of IFRS 9—Classification and Measurement
- PIR of IFRS 9—Impairment
- PIR of IFRS 15 *Revenue from Contracts with Customers*
- PIR of IFRS 16 *Leases*
- PIR of IFRS 9—Hedge Accounting

Ongoing
- PIR of IFRS 10, IFRS 11 and IFRS 12

Forthcoming
Objectives of a Post-implementation Review

1. Assess whether Accounting Standard has improved financial reporting (without disproportionate cost)
   - Is the Accounting Standard working as intended?
   - Are there any significant unexpected effects?
   - Are the requirements capable of being applied consistently?

2. Identify any lessons to improve the standard-setting process
   - For example, are there any learnings for when Board develops disclosure or transition requirements?

⚠️ Not a redeliberation of the Accounting Standard—consider new information from its use
Approach to research

Research helpful if it provides evidence to assess whether outcomes in line with expectations

IFRS 9 – Hedge Accounting affected the financial sector and non-financial entities that adopted the hedge accounting model

Review of
- Financial statements
- Investor and analyst reports
- Publications of accounting firms
- Academic literature

Interviews/Surveys/Experiments
- Preparers, auditors and regulators
- Investors and analysts
IFRS 9 Hedge Accounting requirements
Overview of the IFRS 9 hedge accounting project

Objectives:
• to more closely align risk management and accounting
• to enable preparers to better reflect hedging in financial statements
• to improve information about risk management activities

Timeline:
- 2008-09: Discussion Paper and Feedback
- 2010: Exposure Draft
- 2010-11: Exposure Draft Feedback
- 2011-12: Fatal Flaw Draft
Objectives of the new hedge accounting model

IFRS 9 incorporates a major overhaul of hedge accounting that more closely aligns risk management with accounting.

- to more closely align risk management and accounting
- to enable preparers to better reflect hedging in financial statements
- to improve information about risk management activities (via new disclosures)
Major improvements

• Ability to designate risk components of non-financial instruments.

• Ability to hedge aggregated exposures (combinations of derivatives and non-derivatives).

• Introduction of ‘costs of hedging’ to improve the transparency around some hedging instrument.

• A principle-based hedge effectiveness assessment to achieve hedge accounting.
Aspects considered

- Objective
- Alternatives to hedge accounting
- Presentation and disclosure
- Hedged items
- Hedging instruments
- Group and net positions
- Effectiveness assessment
- Discontinuation and rebalancing
Application of enhanced hedge accounting disclosures

Even if IFRS 9 is applied, the specific portfolio hedge accounting requirements in IAS 39 can still be used.

Entities can choose to keep using IAS 39 hedge accounting for the entire hedge accounting or specifically for their portfolio fair value hedges.

The enhanced hedge accounting disclosures in IFRS 7 applies regardless of the accounting policy choice.
Enhanced disclosures – Objectives

- Understanding the hedged risks
- How are risks managed
- How effective is the RMS

Required disclosures
Enhanced disclosures – Key changes

• Detailed disclosures about an entity’s risk management strategy

• Focus on the hedging instrument rather than the hedged item with respect to amount, timing and uncertainty of CFs

• Disclosure not only by type of hedge but also by risk category

• All disclosures to be provided in a single location making use of tables
**Enhanced disclosures – Example of tabular disclosures**

**What is required for hedged items?**
Tabular disclosures by type of hedge and risk category:

<table>
<thead>
<tr>
<th>Nominal amount of the hedging instrument</th>
<th>Carrying amount of the hedging instrument</th>
<th>Line item in the statement of financial position where the hedging instrument is located</th>
<th>Changes in fair value used for calculating hedge ineffectiveness for 20X1</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash flow hedges</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Floating interest rate risk: Interest rate swap contracts</td>
<td>xx</td>
<td>xx</td>
<td>xx</td>
</tr>
<tr>
<td>Foreign exchange risk combined with floating interest rate risk: Cross currency swaps</td>
<td>xx</td>
<td>xx</td>
<td>xx</td>
</tr>
</tbody>
</table>

**Note:** The table above provides an example of how to disclose hedged items for cash flow hedges. Each row represents a different type of hedge and risk category, with columns indicating the nominal and carrying amounts of the hedging instrument, line item in the statement of financial position, and changes in fair value used for calculating hedge ineffectiveness for 20X1.
Enhanced disclosures – Implications

• The new disclosures explain both the effect of hedge accounting to the financial statements and an entity’s risk management strategy

• Provide details about derivatives used for hedging

• Provide not only details by type of hedge but also by risk being hedged

• Every entity needs to apply enhanced disclosure requirements, therefore they impact on all users and preparers
Research Opportunities
Potential research opportunities

Both quantitative and qualitative research approaches are welcome

- Textual analysis of disclosures
- Experiments
- Structural interviews, case studies and focus groups
- Empirical archival research
Textual analysis of disclosures about hedging activities and risk management

- How have disclosures (and disclosure quality) changed?
- Has the usefulness of disclosures for investors improved?
- What factors are associated with better hedge accounting disclosures?
- What costs or benefits of better disclosure are observed?
Experiments

To what extent do the new disclosures facilitate improved understanding of risk management or the impact of hedge accounting on the financial statements?
Variety of methods…

- Structured interviews
- Case studies
- Focus groups
- Analytical approaches

Single country studies
Multi country studies

To explore:
- Costs, benefits, and transition experience for companies that have adopted IFRS 9
- Benefits for users of more transparent disclosures about hedging activities and risk management
Empirical archival research

A pre-post design including companies adopting IFRS 9 and those continuing to use IAS 39 for hedging:

• What are the determinants of adopting IFRS 9?
• Have companies changed their use of hedging, and is this associated with better risk management outcomes?
• What are the market impacts of the new hedging requirements?
## Important

<table>
<thead>
<tr>
<th>Impact</th>
<th>Relevance</th>
<th>Submission deadline</th>
<th>Submission outcome</th>
<th>Online workshop</th>
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<tbody>
<tr>
<td>Opportunity to contribute to the work of the IASB</td>
<td>Authors should explain how the evidence is useful to the PIR</td>
<td>1 September 2023</td>
<td>8 October 2023</td>
<td>October 2023</td>
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</table>

To submit your paper, please follow the Accounting & Finance Author Guidelines at: [Accounting & Finance (wiley.com)](https://wiley.com)
Helpful materials
Resources available on our website

Supporting materials sorted by Standard

Website
www.ifrs.org

Videos

Leaflet
Supporting IFRS Accounting Standards

For example, for IFRS 9 Financial Instruments:

IFRS Accounting Standards

IFRIC Interpretations

Cross-cutting materials

News and events

Webinars

Articles

Transition Resource Group

Agenda decisions

IFRS Standards and their Annotated equivalents

IFRS Standards

- The IFRS® Standards Required 2022
- The IFRS® Standards Issued 2022

IFRS Standards + extensive cross-references + annotations

- The Annotated IFRS® Standards Required 2022
- The Annotated IFRS® Standards Issued 2022

Annotated IFRS Standards also available in Spanish