
Project	Financial Instruments (Replacement of IAS 39) – Hedge Accounting
Topic	Main Features of the Hedge Effectiveness Test (cover paper)

Purpose of the paper

1. At the 3 August 2010 IASB meeting the staff presented a paper on effectiveness assessment to the Board. At that meeting, the staff was asked to consider the notion of ‘neutrality’ of the hedging relationship in the context of effectiveness testing.
2. This paper consists of a diagram. We believe that using such a diagram will help the Board understand the issue of ‘neutrality’ of the hedging relationship and how it relates to other aspects of the new effectiveness test.
3. The diagram summarises the narrative description in paper 4A (refer to paragraphs 9 to 33 of that paper). Paper 4A also includes an outline of the overall effectiveness test (ie all its key features) for the new hedge accounting model.

