
Project	Financial Instruments (Replacement of IAS 39) – Hedge Accounting
Topic	Hedge Effectiveness – Overview of approach

Purpose of the paper

1. At the July 2010 IASB meeting the Board discussed four papers on hedge effectiveness testing (papers 7-7A of that meeting) for hedge accounting qualification purposes.
2. This paper consists of a diagram. That diagram summarises:
 - (a) the overall approach discussed in those papers; and
 - (b) the approach that evolved during the Board discussion.
3. We plan to discuss that diagram (you should print this paper out in colour).
4. We believe that using such a diagram may enable Board members to better understand this issue, and the context of this issue, rather than attempting another round of detailed papers.
5. Having said that, agenda paper 2A includes a narrative summary of the effectiveness testing approaches and Board discussion as well as examples that are intended to test how Board members think the effectiveness assessment should work.

