
Project	Financial Instruments (Replacement of IAS 39) – Hedge Accounting
Topic	Discontinuation of hedge accounting – Cover Paper

Introduction

Background

1. This is a cover paper for the agenda paper series 17A to 17C to be presented at the Board meeting in the week commencing 18 October 2010. This paper provides the Board with an overview of the issues addressed papers 17A to 17C.

Paper 17A

2. Paper 17A addresses the discontinuation of a hedging relationship. The paper provides an overview of issues included within the umbrella issue of discontinuation of hedge accounting. The paper makes a distinction between *discontinuation* (which is mandatory) and *dedesignation* (which is a voluntary discontinuation). The paper discusses various dimensions of discontinuation of hedge accounting, particularly:
 - (a) whether dedesignation should be allowed; and
 - (b) which changes to the hedging relationship shall require discontinuation.

Board members should read this paper along with paper 17C (see below).

This paper asks for a decision from the Board.

This paper has been prepared by the technical staff of the IFRS Foundation for discussion at a public meeting of the IASB.

The views expressed in this paper are those of the staff preparing the paper. They do not purport to represent the views of any individual members of the IASB.

Comments made in relation to the application of an IFRS do not purport to be acceptable or unacceptable application of that IFRS—only the IFRS Interpretations Committee or the IASB can make such a determination.

The tentative decisions made by the IASB at its public meetings are reported in IASB *Update*. Official pronouncements of the IASB, including Discussion Papers, Exposure Drafts, IFRSs and Interpretations are published only after it has completed its full due process, including appropriate public consultation and formal voting procedures.

IASB Staff paper

Paper 17B

3. This paper addresses the rebalancing of a hedging relationship. The paper contains an overview of the circumstances where rebalancing may occur and why is it needed in the context of the wider discussion on discontinuation of hedge accounting. This paper acts as a link between paper 17A where the concepts on discontinuation are outlined and paper 17C which provides illustrative examples. This paper has one question to the Board.

Paper 17C

4. This paper sets out an example with four different scenarios illustrating the application of rebalancing and reassessment of the hedge ratio. The paper contains one question for each scenario and aims to enable the staff to get the Board's views on the practical application of the approaches outlined in papers 17A and 17B.