
Project	Financial Instruments (Replacement of IAS 39) – Hedge Accounting
Topic	Group hedging – cover paper

Introduction

1. At this board meeting the staff will present two papers on group hedge accounting:
 - (a) Agenda paper 14A summarises the Board’s decisions to date on the general hedge accounting model applicable to hedges of closed groups of hedged items.
 - (b) Agenda paper 14B summarises issues that the staff will ask the board to consider in respect of portfolio fair value hedge accounting for interest rate risk.

Agenda paper 14A

2. In recent board meetings the staff has presented various examples of group hedges (including net positions). Most of the scenarios discussed have been of groups of non-financial items. The purpose of these discussions has been to consider what eligibility criteria, if any, should apply when hedge accounting for groups of items collectively under one hedge relationship.
3. The issues that arise from *closed* group hedges of *non-financial* items are in effect the same as those for *financial* items. Therefore, for closed groups the staff does not propose to present any further examples for the Board to consider.

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

As a result, in agenda paper 14A the staff summarises the Board's decisions to date.

Agenda paper 14B

4. As the staff draws to a close in considering *closed* portfolios of hedged items it will begin to discuss issues in relation to hedging open portfolios.
5. In practice group hedges of interest rate risk are more likely to be economically hedged on an open portfolio basis. That is, the items in the hedged portfolio continuously change over time and the instruments used to hedge the risks also change to rebalance the hedge.
6. Therefore as the staff considers examples of group hedges of financial items it will begin to explore the issues that arise when interest rate risk is hedged on an open portfolio basis.
7. In agenda paper 14B the staff set out the issues that it will ask the Board to consider with respect to portfolio fair value hedges of fixed rate debt instruments (including debt instruments with fixed price prepayment options).