

International Financial Reporting Standards



IASB update

Hedge accounting
Impairment
Offsetting

The views expressed in this presentation are those of the presenter, not necessarily those of the IASB or IFRS Foundation.

Hedge accounting

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Components of the hedge accounting model





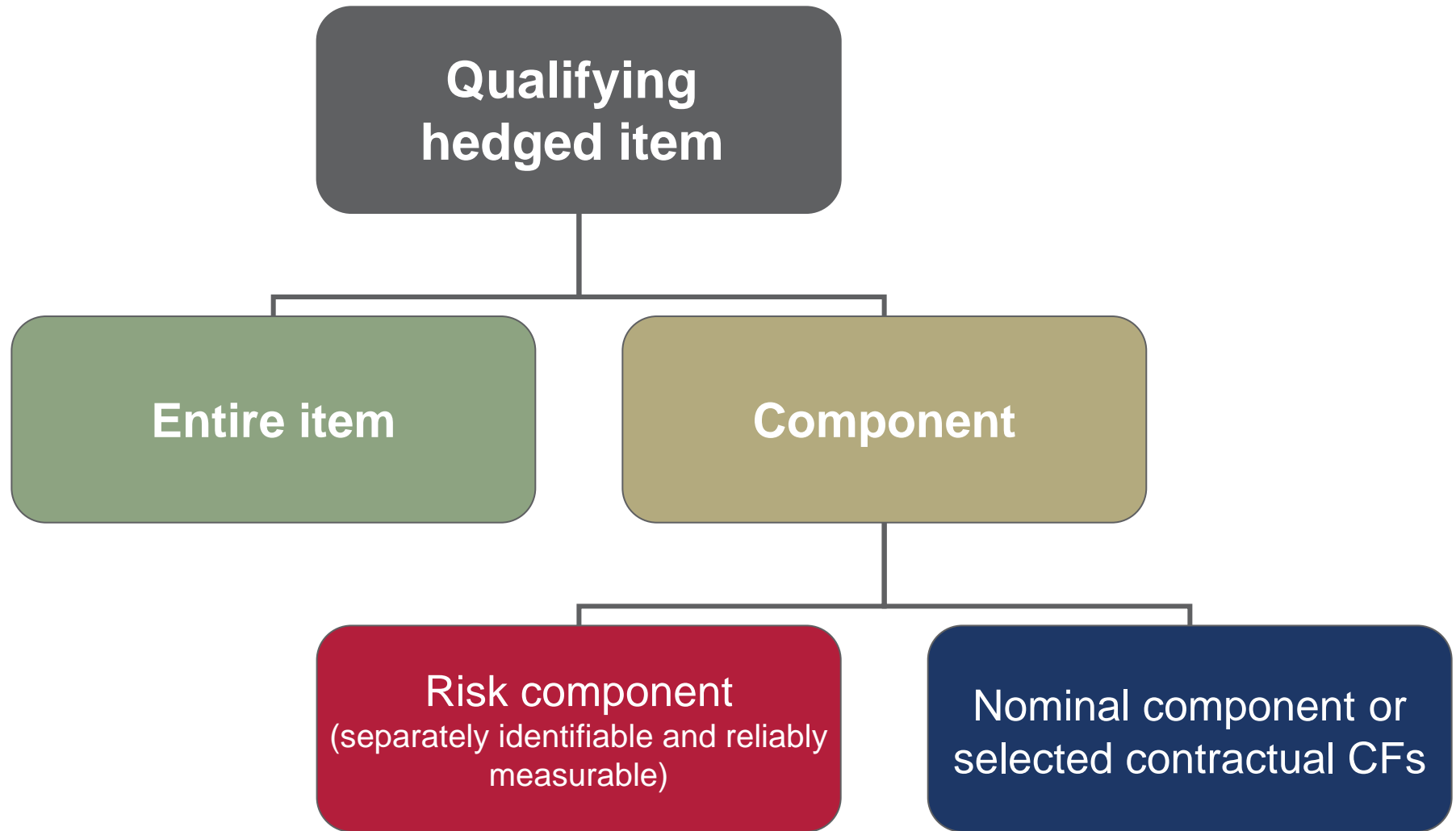
**Risk management
objective:**

Seeks to link
risk management and
financial reporting
(top down)

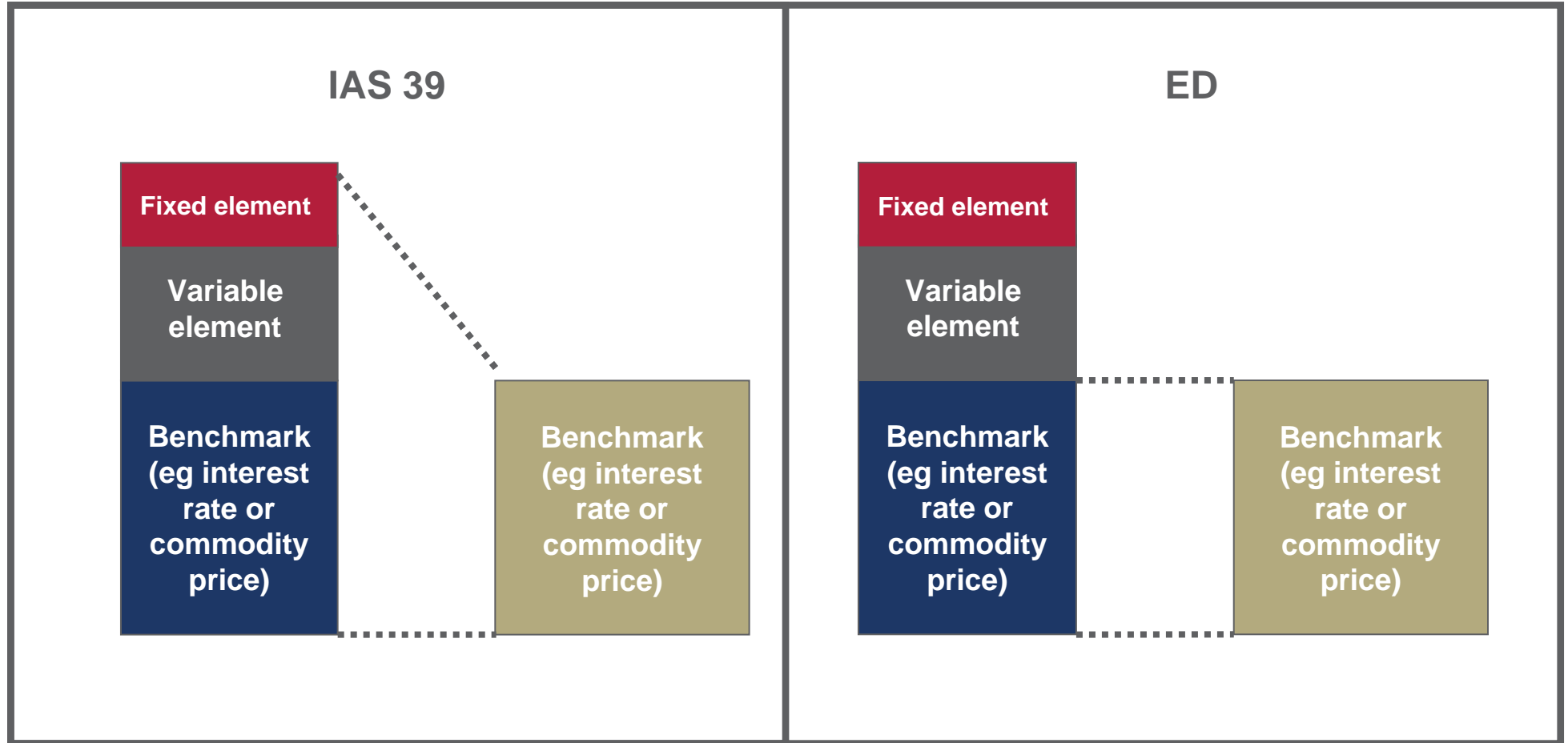
**Accounting
objective:**

Seeks to manage
timing of recognition
of gains or losses
(bottom up)

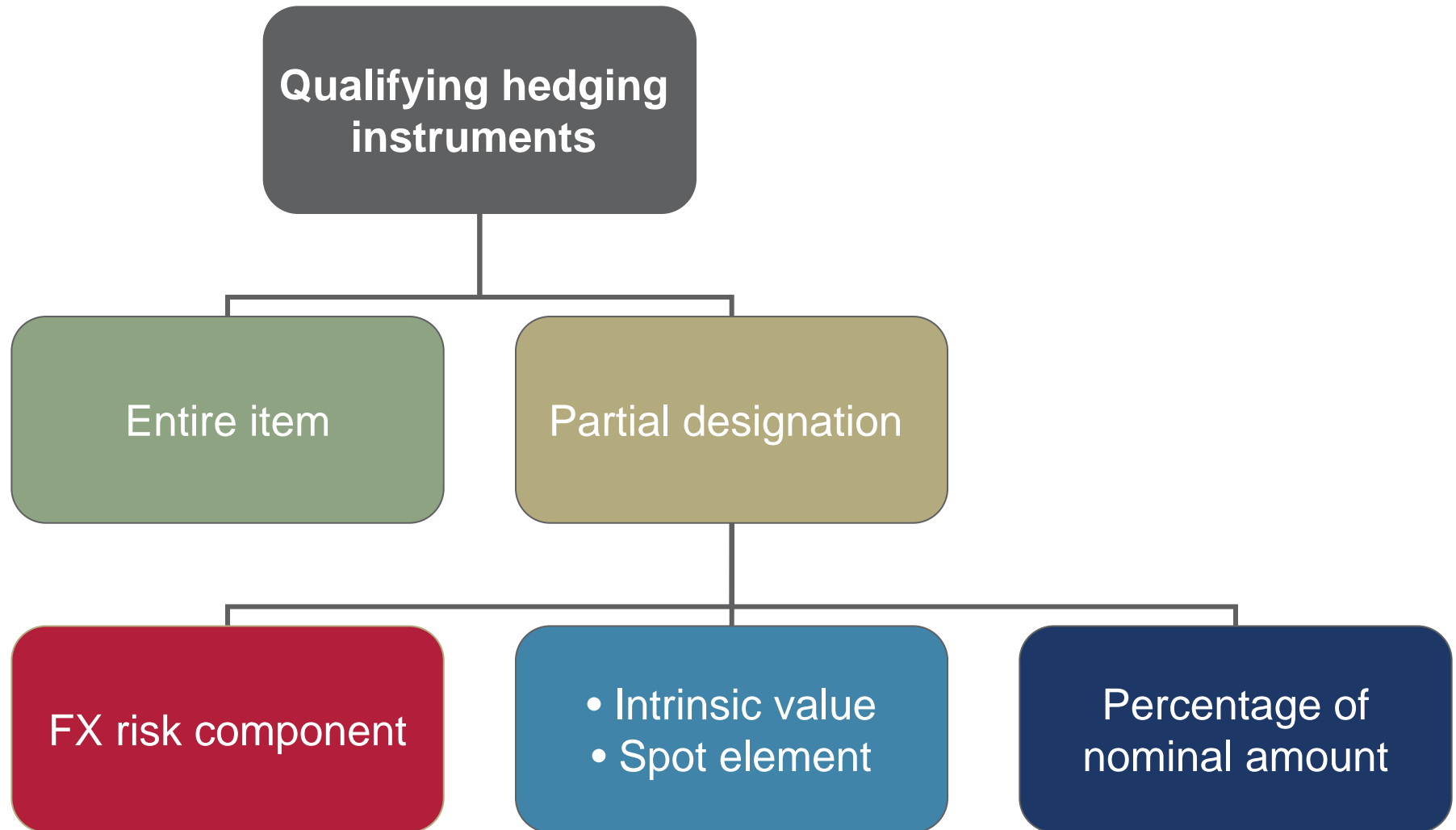
Hedged items



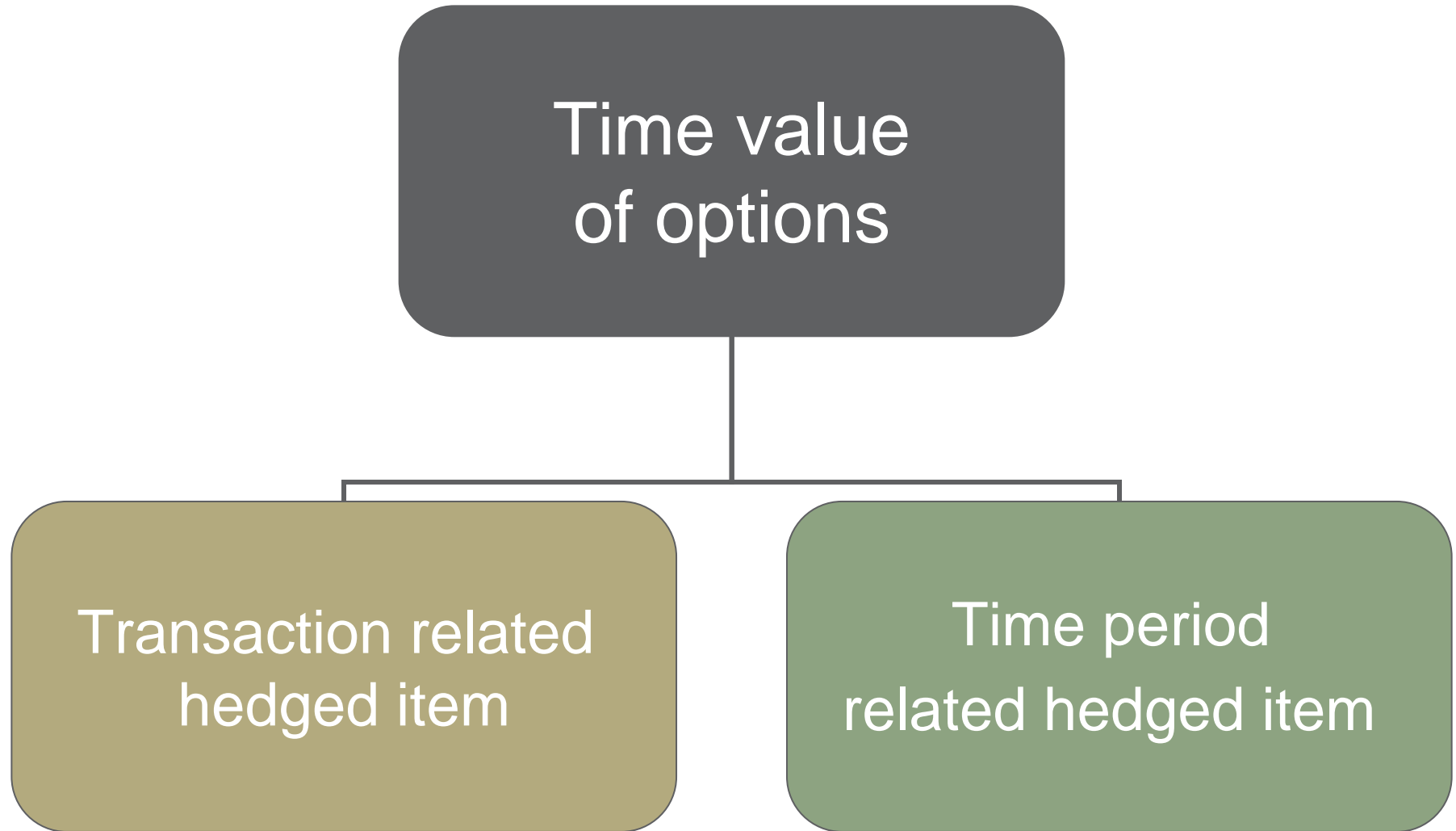
Hedged items: risk components



Hedging instruments

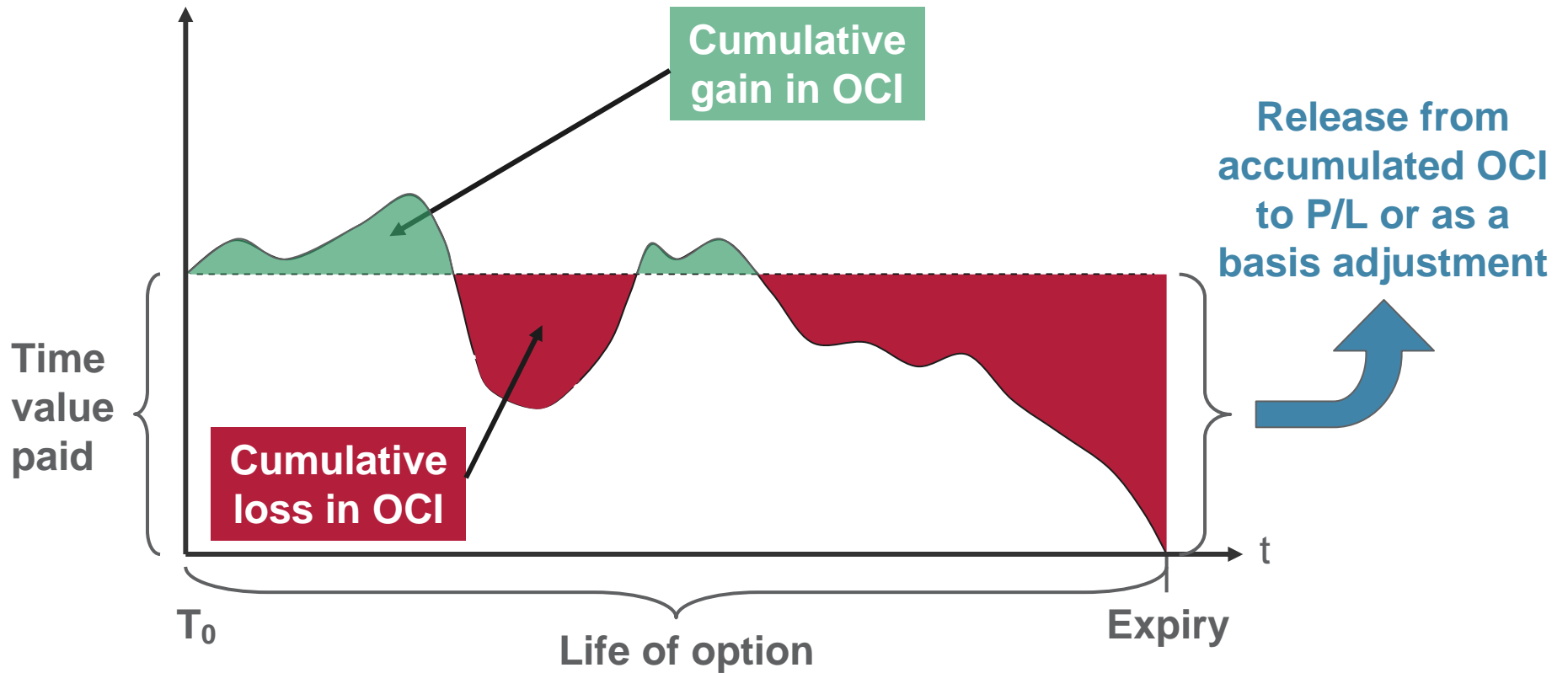


Time value of options



Option: time value

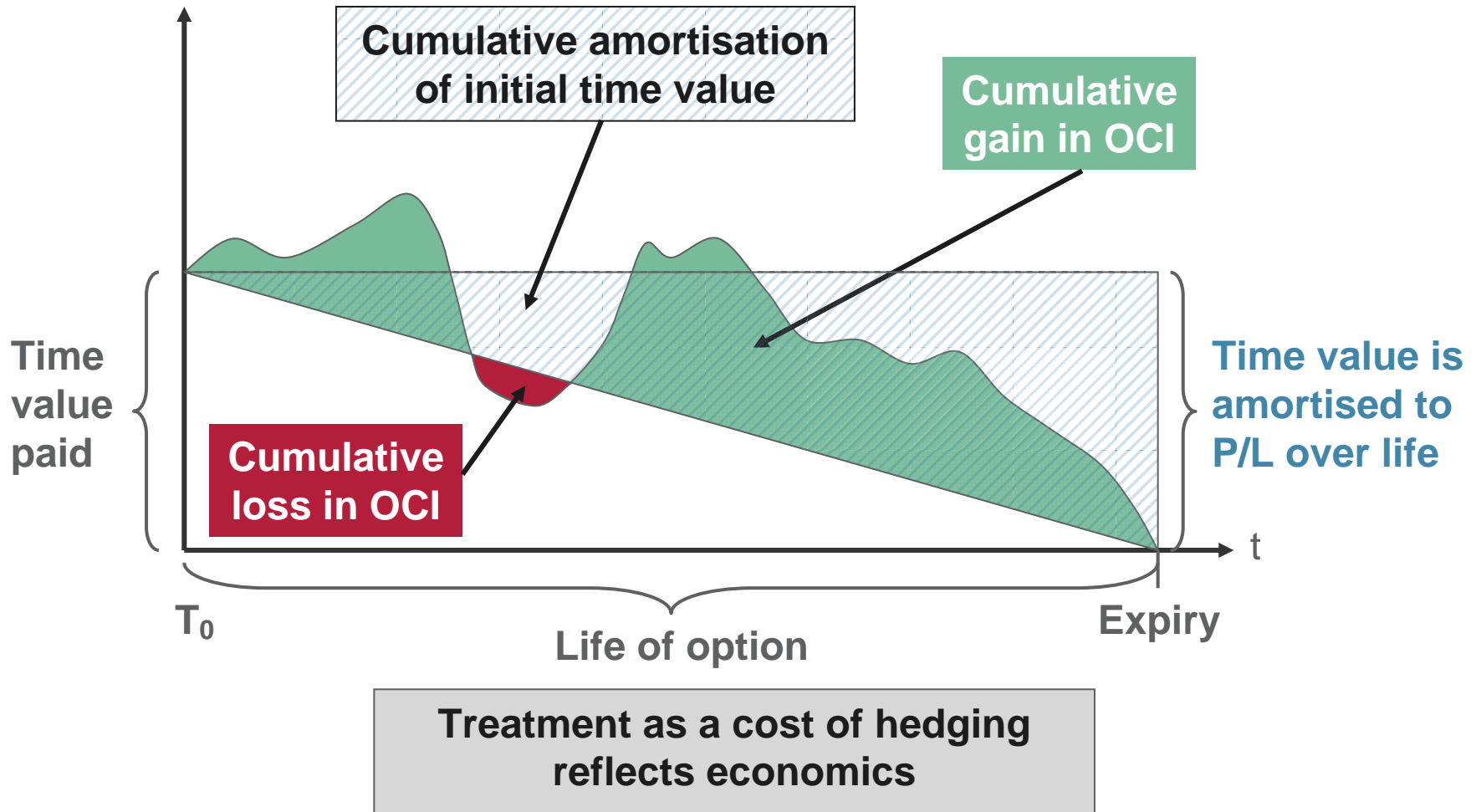
Accounting if the hedged item is transaction related



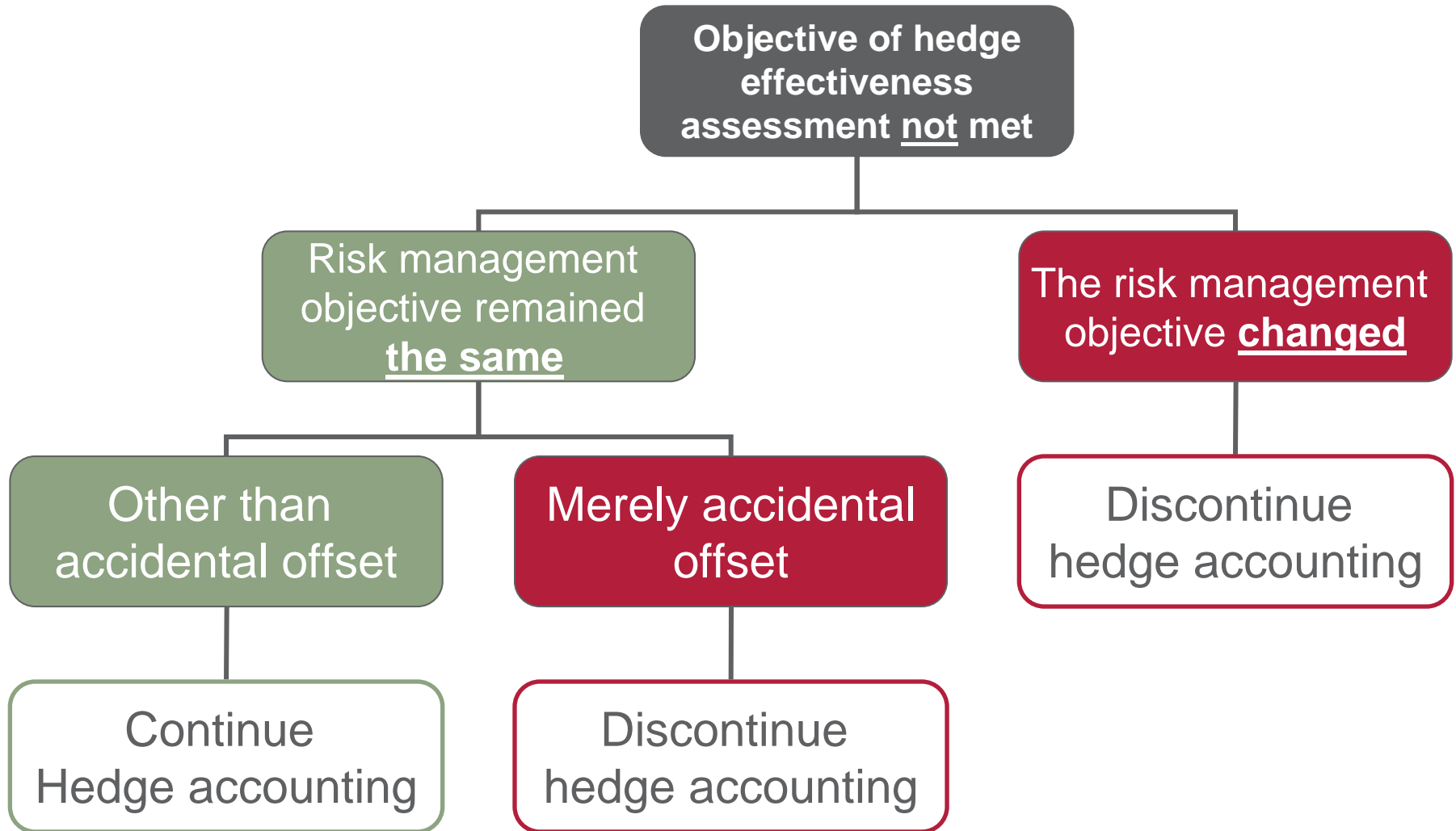
Treatment as a cost of hedging reflects economics

Option: time value

Accounting if the hedged item is time period related



Discontinuation and rebalancing

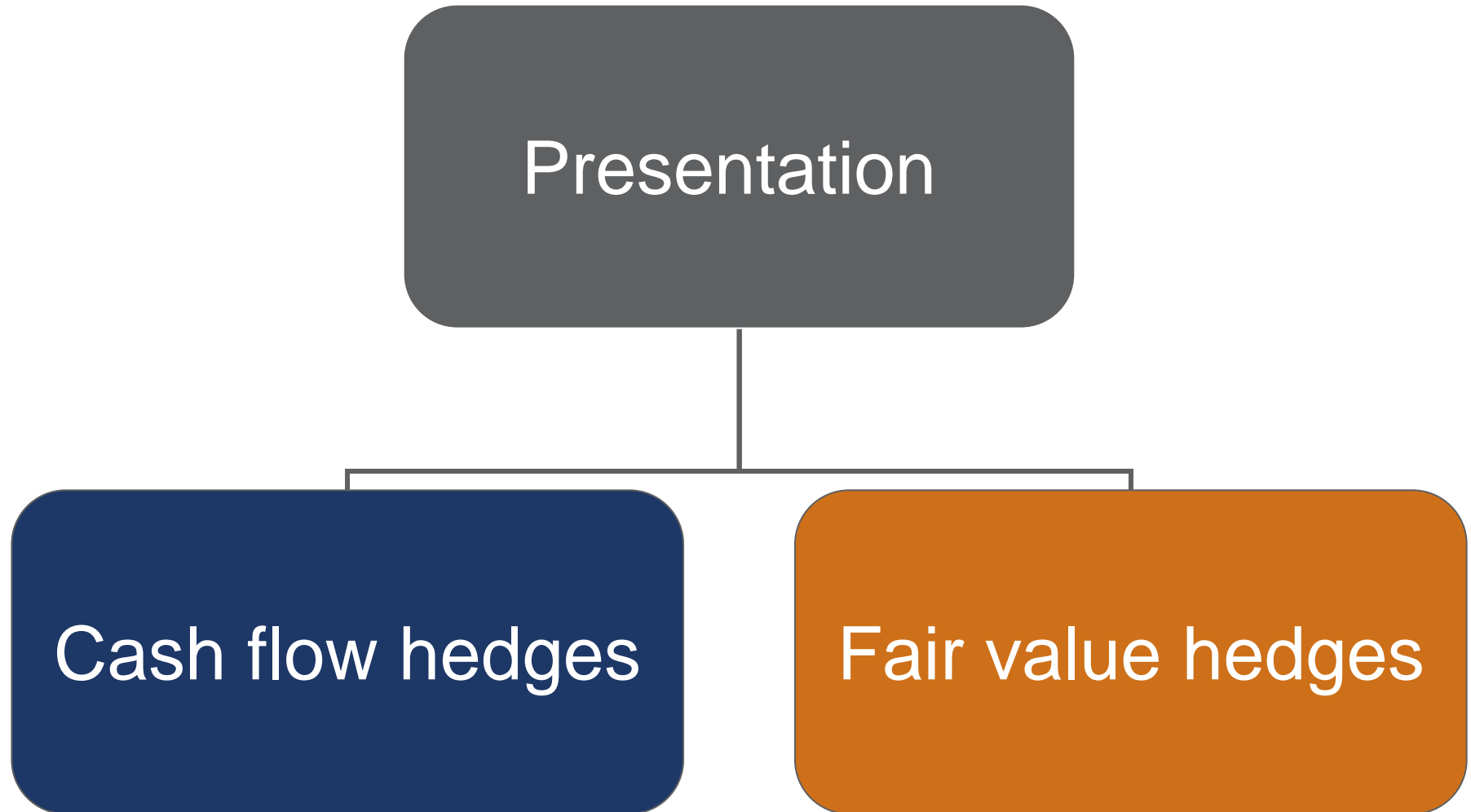


Hedge effectiveness

Hedge effectiveness requirements (qualifying criteria):

1. Objective of effectiveness assessment is met
2. More than accidental offset

Measuring and recognising hedge ineffectiveness



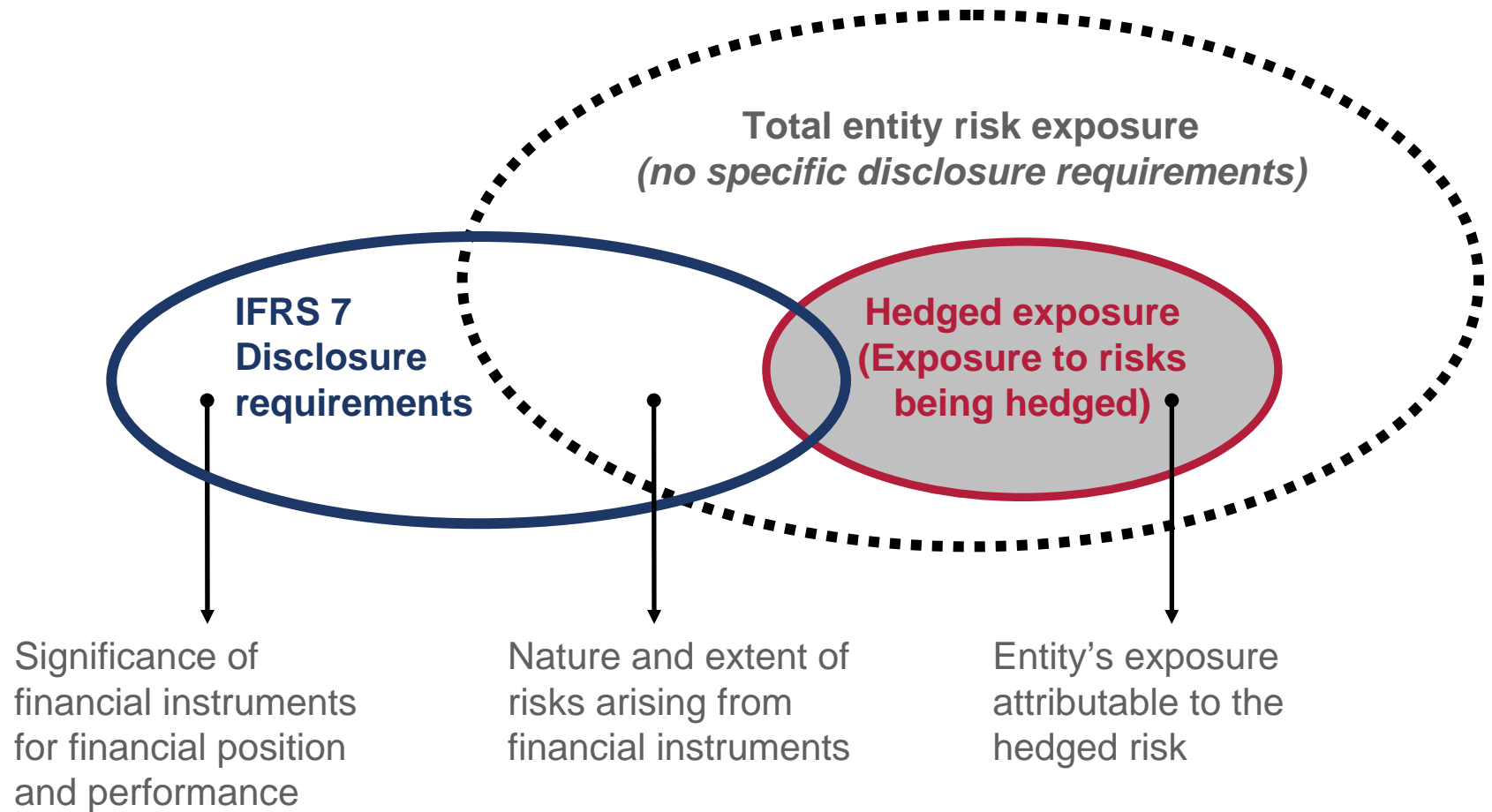
Presentation: cash flow hedges

- **Balance sheet**
 - Hedging instrument
- **Income statement (and OCI)**
 - Hedge ineffectiveness (income statement)
 - Gain or loss on hedging instrument (OCI)

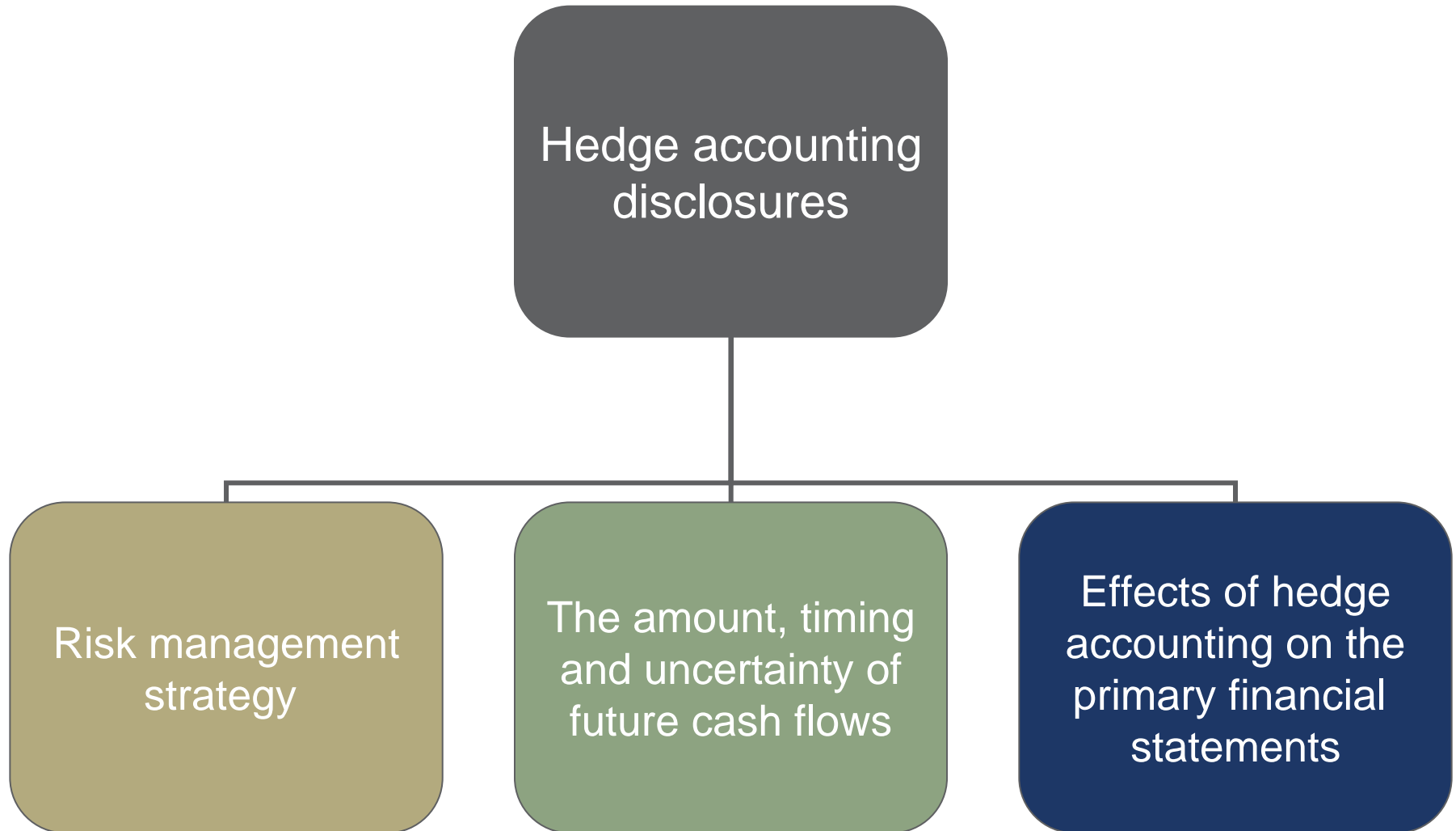
- **Balance sheet**
 - Hedged item
 - Hedge adjustment (change in value of the hedge item)
 - Hedging instrument
- **Income statement (and OCI)**
 - Hedge ineffectiveness (income statement)
 - Change in the hedged item (OCI)
 - Change in the hedging instrument (OCI)
 - Hedge ineffectiveness (OCI)

Disclosures: scope

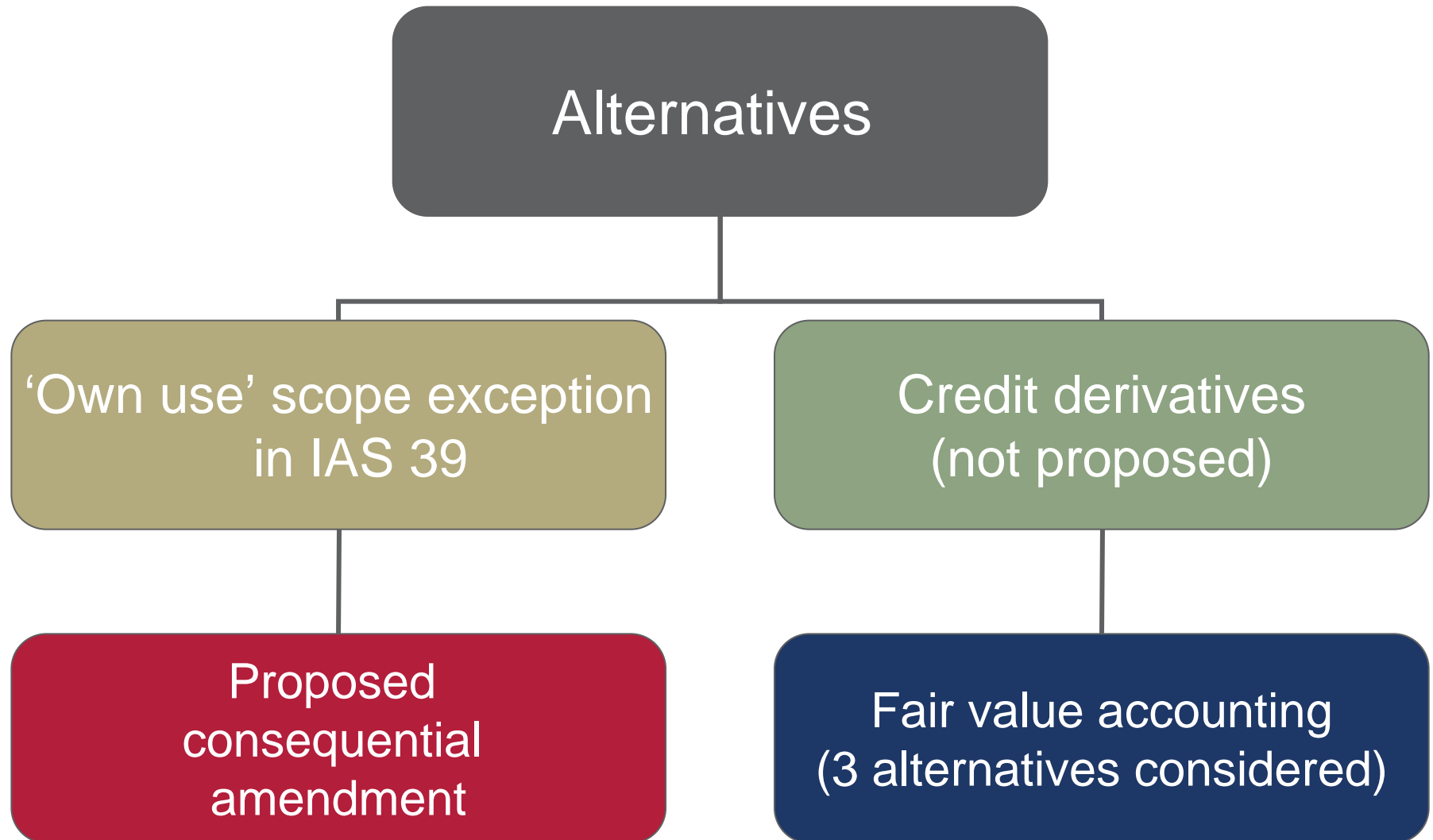
Proposed scope for hedge accounting disclosures



Disclosures proposed



Alternatives to hedge accounting



Transition and effective date

- **Proposals:**
 - Transition requirements
 - Prospective application of new hedge accounting model to *all* hedging relationships
 - Hedging relationships that qualified under IAS 39 and qualify under the new model will be treated as *continuing* hedging relationships
 - No restatement of comparatives
 - Effective date
 - Annual periods beginning on or after 1 January 2013 with earlier application permitted
 - all existing IFRS 9 requirements must be adopted at the same time (or already have been adopted)

- Deliberations on-going
- Feedback on the ED (general model) important.

Decisions in the general model does not restrict future decisions for macro hedging

Where we are and next steps...

| | 2010 | | 2011 | | |
|------------------|------|----|------|------|----|
| | Q3 | Q4 | Q1 | Q2 | H2 |
| Hedge accounting | | ED | | IFRS | |

- Comment period ends on 9 March 2011
- Board discussions on macro hedging ongoing
- Outreach activities
- IFRS in Q2 of 2011
- Additional information is available on the IASB website

Questions or comments?

Expressions of individual views by members of the IASB and its staff are encouraged. The views expressed in this presentation are those of the presenter. Official positions of the IASB on accounting matters are determined only after extensive due process and deliberation.

