

## STAFF PAPER

22 – 26 April 2013

## REG IASB Meeting

<b>Project</b>	<b>Hedge Accounting (IFRS 9)</b>		
<b>Paper topic</b>	Consideration of re-exposure criteria and permission to draft		
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This paper has been prepared by the staff of the IFRS Foundation for discussion at a public meeting of the IASB and does not represent the views of the IASB or any individual member of the IASB. Comments on the application of IFRSs do not purport to set out acceptable or unacceptable application of IFRSs. Technical decisions are made in public and reported in IASB *Update*.

## Introduction

1. In September 2012 the IASB posted a draft of the forthcoming general hedge accounting requirements on its website as part of an extended fatal flaw process. In this meeting the IASB has discussed some issues that arose during this process, along with a due process summary for the project.
2. The purpose of this paper is to discuss the due process requirements relating to re-exposure and request the permission to begin drafting the Ballot Draft of the new IFRS 9 *Financial Instruments*, incorporating the final version of Chapter 6 *Hedge Accounting*.

## Re-exposure

3. The re-exposure criteria are set out in paragraphs 6.25 and 6.29 of the *IASB and IFRS Interpretations Committee Due Process Handbook* issued February 2013.

6.25 In considering whether there is a need for re-exposure, the IASB:

- (a) identifies substantial issues that emerged during the comment period on the Exposure Draft that and that it had not previously considered;
- (b) assesses the evidence that it has considered;

- (c) determines whether it has sufficiently understood the issues, implications and likely effects of the new requirements and actively sought the views of interested parties; and
- (d) considers whether the various viewpoints were appropriately aired in the Exposure Draft and adequately discussed and reviewed in the Basis for Conclusions.
4. The hedge accounting project has had one of the most extensive outreach programmes for any project to date. During the project the IASB has been active in identifying and addressing significant points that have arisen in feedback, and has given due consideration to inviting and considering the views of a broad selection of participants. Throughout this the IASB has endeavoured to keep stakeholders updated with the evolution of the project and the proposed requirements (as detailed in the ‘Due process summary’ presented at this IASB meeting).
  5. The IASB tentatively decided at the September 2011 public meeting that re-exposure of the ED *Hedge Accounting* would not be necessary. Since that time, the IASB has engaged in an extended fatal flaw process. A draft of the forthcoming requirements for general hedge accounting was posted on the IASB website in September 2012 to enable stakeholders to become more familiar with the document prior to its finalisation. This draft was intended to capture essentially editorial issues, and as part of the fatal flaw process it did not involve seeking comments from stakeholders.
  6. The IASB discussed the substantive issues that were raised during the fatal flaw process (excluding those that were disagreements with IASB decisions as these were outside the scope of that process) at the January 2013 and current Board meeting. The question is whether any of these issues and/or the changes proposed to the final document as a result of those discussions warrants the IASB changing its previous tentative decision not to re-expose hedge accounting.
  7. The principal issues raised at the January 2013 meeting relate to the use of hypothetical derivatives, a transition requirement for ‘own use’ contracts, and the scope of macro hedge accounting. In that meeting the IASB agreed to make amendments for the first two issues and to further clarify the last. The IASB has performed additional outreach between January and this meeting to address these

remaining concerns. At this meeting the IASB has discussed the impact of the draft requirements on existing macro hedging relationships under IAS 39.

8. As discussed in the ‘Due process summary’ during this meeting, we received extensive feedback and input from interested parties on these issues (in addition to feedback obtained earlier in the Exposure Draft process), and the staff are of the view that we have sufficient information to thoroughly understand them. Furthermore, significant change is not proposed to the draft requirements as a result of these issues. These issues will be thoroughly addressed in the Basis for Conclusions to the final chapter.
9. The staff consider that the only matter the IASB needs to consider is assessing whether it should proceed to finalise the hedge accounting requirements or whether an additional exposure process is necessary.
10. As is customary, the staff do not make a recommendation on this matter.

**Question for the IASB**

Does the IASB wish to finalise the hedge accounting requirements without re-exposure?

**Permission to draft**

11. The staff have documented the IASB’s compliance with due process in the ‘Due process summary’ of this meeting. In that paper the staff conclude that the IASB has met requisite due process and is in the position to proceed with drafting the Ballot Draft of the new IFRS 9, incorporating the final version of Chapter 6 *Hedge Accounting*.
12. If the IASB is satisfied that due process has been met, and that there is not a need for re-exposure, the staff will begin the balloting process. At this time, the staff are also asking whether any IASB members intend to dissent from the proposals and, if so, their reasoning.

**Questions for the IASB**

Does the IASB grant permission to the staff to begin the drafting of the Ballot Draft?

Do any IASB members intend to dissent from the proposal? If so, what is the basis for that dissent?