

STAFF PAPER

29 January – 1 February 2013

REG IASB Meeting

Project	Hedge Accounting (IFRS 9)		
Paper topic	Consideration of re-exposure criteria and permission to draft		
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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. The present January 2013 IASB meeting 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 the balloting of 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 6.26 of the *IFRS Foundation Due Process Handbook* issued May 2012.

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 it had not previously considered;
- (b) assesses the evidence that it has considered;

(c) determines whether it has sufficiently understood the issues and actively sought the views of interested parties; and

(d) considers whether the various viewpoints were aired in the exposure draft and adequately discussed and reviewed in the Basis for Conclusions.

6.26 The IASB's decision on whether to publish its revised proposals for another round of comment is made in an IASB meeting. If the IASB decides that re-exposure is necessary, the due process to be followed is the same as for the first exposure draft. However, because it is not the first exposure of the proposed IFRS, it may be appropriate to have a shortened comment period, particularly if the IASB is only seeking comments on specific aspects of the revised exposure draft. The IASB normally allows a minimum period of 60 days for comment on a revised exposure draft.

4. The hedge accounting project has had the most extensive outreach programme 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 staff have summarised for the benefit of the IASB the substantive issues that have been raised during that fatal flaw process (excluding those that were disagreements with IASB decisions as these were outside the scope of that process). The question is whether any of this feedback and/or the changes proposed to the final document as a

result of that feedback warrant the IASB changing its previous tentative decision not to re-expose Hedge Accounting.

7. The two principal issues raised relate to the scope of macro hedge accounting and the use of hypothetical derivatives. We received extensive feedback on these issues through this process (in addition to feedback obtained earlier in the Exposure Draft process) so the staff are of the view that we have received sufficient information to thoroughly understand these issues, and we have obtained a lot of input from interested parties. Also, significant change is not proposed to the documents as a result of these issues. These issues will be thoroughly addressed in the Basis for Conclusions to the final chapter.
8. The staff consider that these are the only matters 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.
9. As is customary, the staff do not make a recommendation on this matter. It is for the IASB to make a decision.

Question for the IASB

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

Permission to draft

10. The staff have documented the IASB’s compliance with due process in paper 4D ‘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*.
11. 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 balloting of the Ballot Draft?

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