

International Financial Reporting Standards



Financial Instruments: Hedge accounting Agenda Paper 2A

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



Objectives of the project

2

Feedback on current hedge accounting

- Lack of an overarching principle in IAS 39
- Inability for preparers to reflect hedges in financial statements
- Hard for users to understand risk management



Solutions in IFRS 9: *Financial Instruments*

- Align accounting treatment with risk management activity
- Enable preparers to better reflect hedging in financial statements
- Provide disclosures to help users understand risk management and its impact on the financial statements

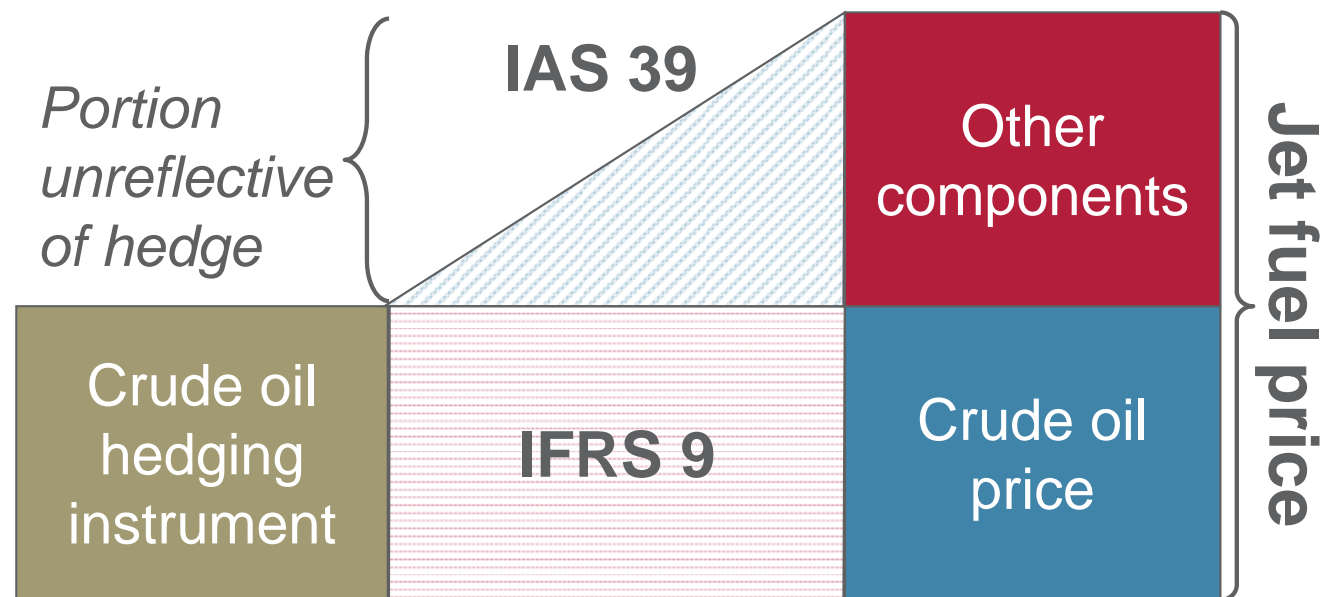
Key changes from current accounting

3

This has been a comprehensive review of hedge accounting

- Closer link between risk management and hedge accounting information
- Ability to account for more hedges of non-financial items
- Achieve hedge accounting based on more economic assessment of hedging relationship

Example: Measuring the success of hedging jet fuel price risk with crude oil futures



Who is most interested in the project?

4

Most interesting to corporate community

Financial institutions also benefit, but changes are less pronounced

Users are major beneficiaries (reduced reliance on non-GAAP information)

Expected to be a well received change in accounting

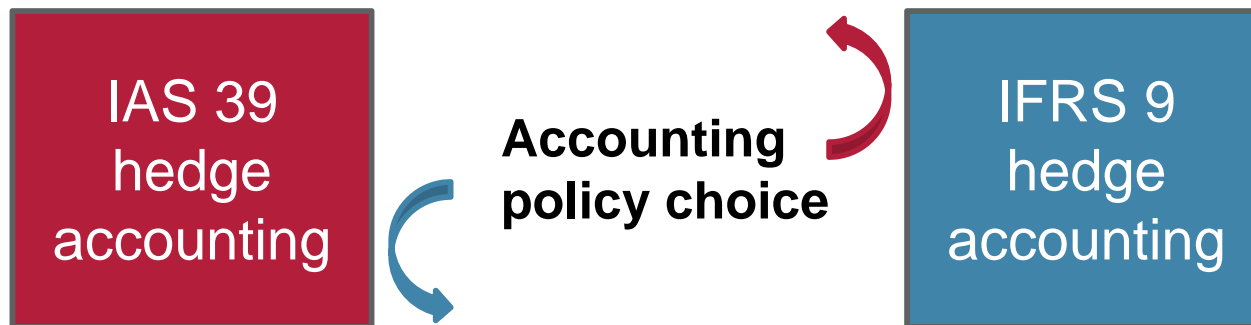
Project doesn't address macro hedging

5

Concerns about macro hedging are the source of the current EU carve-out

For now entities can choose to keep using IAS 39

- The IASB is simultaneously working on a specific project to consider accounting for macro hedges



Some banks may not make any changes to their hedge accounting at this time

An IASB-only project

	2013: Publication of IFRS 9 hedge accounting
	April 2013: Finalised redeliberations
	December 2010: Published Exposure Draft
	2013: Yet to redeliberate hedge accounting
	2011: Asked stakeholders about IASB's ED
	2008/2010: Exposed smaller changes



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.

