
Accounting Standards Advisory Forum meeting

Date	March 2026
Project	Post-implementation review of IFRS 9—Hedge Accounting
Topic	Phase 1—Identifying matters to be examined
Contacts	Juliane-Rebecca Upmeier (jrupmeier@ifrs.org) Riana Wiesner (rwiesner@ifrs.org)

This paper has been prepared for discussion at a public meeting of the Accounting Standards Advisory Forum (ASAF). This paper does not represent the views of the International Accounting Standards Board (IASB) or any individual IASB member. Any comments in the paper do not purport to set out what would be an acceptable or unacceptable application of IFRS[®] Accounting Standards. The IASB's technical decisions are made in public and are reported in the IASB[®] *Update*.
Copyright © 2026 IFRS Foundation. All rights reserved.

PIR of IFRS 9—Hedge Accounting: Session overview

Purpose of this session

- Share your views on the implementation and application of the hedge accounting requirements in IFRS 9 *Financial Instruments* and the related disclosure requirements in IFRS 7 *Financial Instruments: Disclosures*
- Help the IASB identify matters to include in the Request for Information (RFI) for public consultation

Questions for ASAF members

- Considering our questions (slides 4–6) and the objective of the PIR (slide 9), are you aware of any matters that the IASB should investigate in Phase 1 of this PIR?

Background information

- PIR process (slides 8–11)
- Expected effects of IFRS 9 hedge accounting requirements and related IFRS 7 disclosure requirements (slides 12–16)
- IFRS 9 hedge accounting requirements and related IFRS 7 disclosure requirements (slides 17–28)

Questions for ASAF members

Questions for ASAF members (1/3)

1

Are there fundamental questions on the clarity and suitability of the core objectives or principles in the requirements that indicate they are not working as intended?

Please specify, separately for IFRS 9 and IFRS 7, whether the requirements achieve their objective of representing, in the financial statements, the effect of an entity's risk management activities that use financial instruments to manage exposures arising from particular risks?

2

Are the benefits to users arising from entities applying the amended disclosure requirements in IFRS 7 significantly lower than expected?

Do the additional disclosures help users understand:

- an entity's risk management strategy;
- how an entity's hedging activities affect the amount, timing and uncertainty of its future cash flows;
- the effect that hedge accounting has had on an entity's financial statements?

3

Are the costs of applying, auditing and enforcing the requirements in IFRS 9 or IFRS 7 significantly greater than expected?

- Do the actual effects differ from those expected in the Effects Analysis (e.g., the costs of providing information required by IFRS 7)?
- Have there been any significant effects (positive or negative) that were not identified in the Effects Analysis?

Questions for ASAF members (2/3)

4

How have the requirements in IFRS 9 been applied in your jurisdiction?

Please provide information on which industries (or sectors) apply the hedge accounting requirements in IFRS 9, and which have elected to continue applying IAS 39

5

Are the requirements in IFRS 9 and IFRS 7 being applied consistently in your jurisdiction?

Please provide information on whether the hedge accounting requirements in IFRS 9 and related disclosure requirements in IFRS 7 are being applied consistently in your jurisdiction. If not, please explain:

- the main drivers of inconsistency (e.g., are there any significant market developments since the requirements were issued causing inconsistent application);
- what is the effect of this inconsistent application

* Appendix A explains what we mean by ‘consistent application’

Questions for ASAF members (3/3)

6

Are there any application questions that the IASB or the IFRS Interpretations Committee (IC) needs to answer urgently or endeavour to start working on before the next agenda consultation or consider in the next agenda consultation?

- For each matter raised, please explain whether:
 - the matter has substantial consequences (e.g., widespread diversity in practice materially affects users' ability to analyse trends and compare entities);
 - the matter is pervasive (e.g., it affects transactions that occur frequently in various industries and jurisdictions);
 - the matter arises from a financial reporting issue that can be addressed by the IASB or the IC (i.e., a feasible solution is likely to exist); and
 - the benefits of any action are expected to outweigh the costs (considering the extent of disruption to current practice and operational costs from change in the light of the importance of the matter to users)
- Please also explain how the matter is being addressed in practice today and whether, in your view, the question is appropriate for submission to the IC

PIR of IFRS 9—Hedge Accounting: Topic areas

1 Eligible hedged items and hedging instruments

2 Hedge effectiveness requirements

3 ‘Cost of hedging’ concept

4 Basis adjustment, rebalancing & discontinuation

5 Transition

6 Disclosures

Please note:

- When responding to the questions on slides 4–6, please specify which topic area your feedback relates to
- Slides 17–28 explain the changes introduced by the hedge accounting phase of the IFRS 9 project per topic area

PIR process

PIR—What is the objective?



OBJECTIVE

To **assess** whether the **effects** of applying new requirements on users, preparers, auditors and regulators of financial statements are **as intended** when the IASB developed those new requirements

Overall, are the requirements working as intended?

Fundamental questions about the core objectives or principles—their clarity and suitability—would indicate that the new requirements are not working as intended

Are there specific application questions?

Specific application questions would not necessarily prevent the IASB from concluding that the new requirements are working as intended, but might nonetheless need to be addressed if they meet the criteria for whether the IASB would take further action

PIR—How does the IASB respond to identified matters?

1

Consider whether to take action based on extent to which...

- objective of the new requirements is not being met
- benefits to users are significantly lower than expected
- costs of application are significantly greater than expected

2

Determine prioritisation of matters based on extent to which...

- matter has substantial consequences
- matter is pervasive
- matter arises from a financial reporting issue that can be addressed by the IASB or IFRS Interpretations Committee (IC)
- benefits of any action are expected to outweigh the costs

3

Actions could include:

- standard-setting
- referring a matter to the IC
- developing materials to support consistent application

The IASB might also conclude that no action is required

A PIR is not a standard-setting project and does not automatically lead to standard-setting

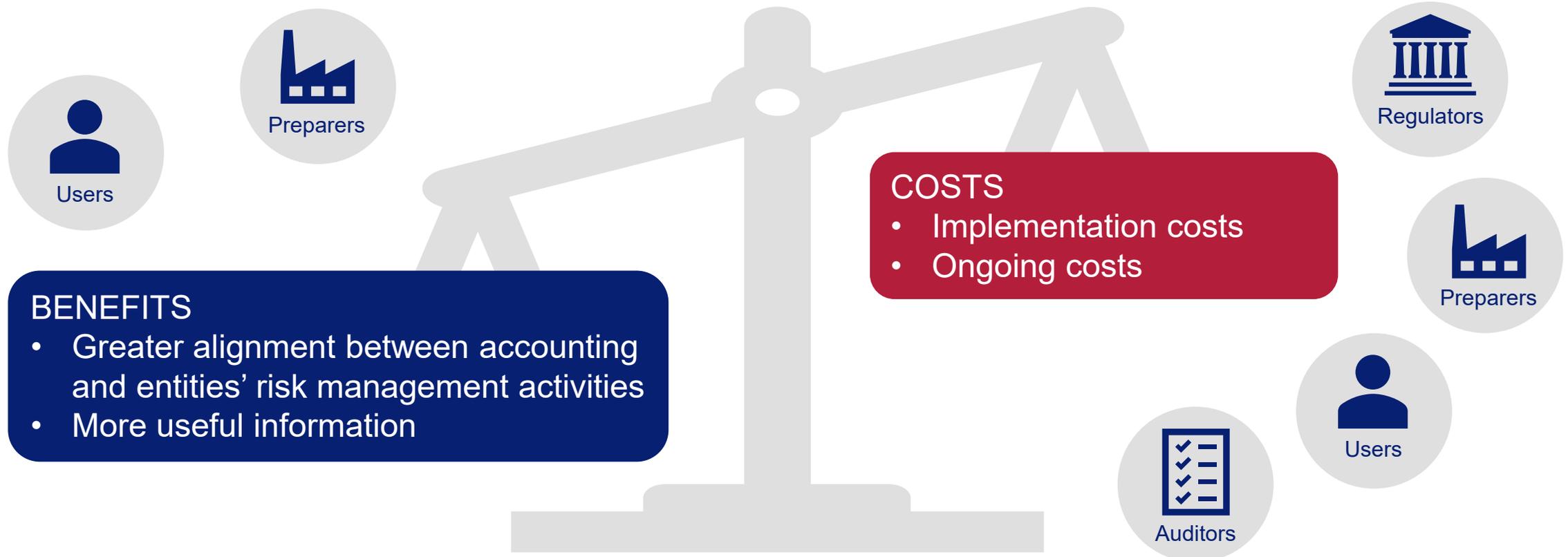
PIR—What is the process and where are we?



Expected effects of IFRS 9 hedge accounting requirements & related IFRS 7 disclosure requirements

Expected effects—an overview

The IASB expected the benefits of the hedge accounting requirements in IFRS 9 and the related disclosure requirements in IFRS 7 to outweigh the costs



Expected benefits

 **Preparers**

Greater alignment between accounting and entities' risk management

- Reduced need to produce information solely for accounting purposes (i.e., entities can use some of the information already being produced for risk management purposes)

Reduced volatility in financial statements

- Reduced need to produce non-GAAP measures for reporting on hedging activities

 **Users**

More useful information for decision-making, allowing users to understand:

- an entity's risk management strategy
- how an entity's hedging activities affect the amount, timing and uncertainty of its future cash flows
- the effect that hedge accounting has had on an entity's financial statements

Expected implementation costs



Preparers

Communication and education

- Accounting & Treasury functions, management
- Analysts, investors



Adjustments to systems, processes and controls

- New eligible hedging relationships
- Updates to hedge documentations
- Updates to internal policies



Adjustments to financial reporting

- Notes to the financial statements
- Tagging of digital reports, if applicable



Users/auditors/regulators

Education and updates to methodologies to analyse, audit or enforce financial statements

- Hedge accounting mechanics remain unchanged
- Some changes to accounting (e.g., 'cost of hedging' concept or basis adjustment)
- Some new eligible hedging relationships

Expected ongoing costs



Capturing of data for disclosure in the notes to the financial statements



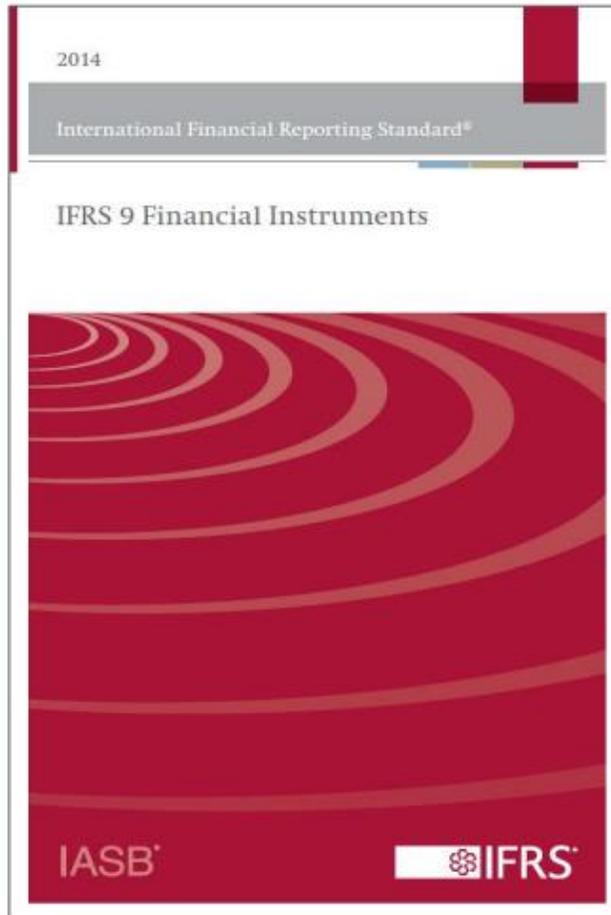
Some costs to maintain hedging relationships, but expected to be substantially lower than under IAS 39, e.g.:

- Testing of hedge effectiveness requirements
- Updates to hedge documentation or other documents/policies



IFRS 9 hedge accounting requirements & related IFRS 7 disclosure requirements

IFRS 9 and related PIRs at a glance



- IFRS 9 was issued in three phases
 - Classification and measurement
 - Impairment
 - **Hedge accounting**
 - Final version of IFRS 9 was issued in July 2014 and became effective for annual reporting periods beginning on or after 1 January 2018*
 - IFRS 9 replaces IAS 39 *Financial Instruments: Recognition and Measurement* except for hedge accounting requirements (for which entities may continue to apply IAS 39)
-
- Status of PIRs of IFRS 9
 - PIR of classification and measurement requirements (completed in December 2022)
 - PIR of impairment requirements (completed in July 2024)
 - **PIR of hedge accounting requirements (starting in Q1 2026)**

IFRS 9 vs. IAS 39

IFRS 9 (principles-based requirements)

- Greater alignment between accounting and entities' risk management activities, e.g.:
 - more eligible hedged items and hedging instruments
 - principles-based effectiveness test
 - rebalancing allowed to meet effectiveness (continuation of hedging relationship)
- Disclosures more closely aligned with entities' risk management activities

IAS 39 (rules-based requirements)

- Stronger focus on meeting technical eligibility criteria, e.g.:
 - retrospective effectiveness test (80–125% 'bright line' quantitative threshold)
 - rebalancing not allowed, instead forced de-designation and re-designation (no continuation of hedging relationship)
- Disclosures focused on demonstrating technical effectiveness rather than explaining entities' risk management activities



Slides 20–28 discuss in more detail—for the six topic areas identified on slide 7—the changes to the hedge accounting requirements and related disclosure requirements

Topic area 1—Eligible hedged items (1/2)

More eligible hedged items under IFRS 9, for example, IFRS 9 allows...

individual **risk components of non-financial items** to be designated as hedged item if they are separately identifiable and can be measured reliably (e.g., the oil price component of jet fuel)

Under IAS 39, only the foreign exchange risk components of non-financial items can be designated as hedged items

a **net position of a group of items** containing offsetting risk positions to be designated as the hedged item

Under IAS 39, the net position of a group of items could not be designated as the hedged item except in specific circumstances

net nil positions to be designated in a hedging relationship that does not include a hedging instrument in specific circumstances

Under IAS 39, net nil positions could not be designated as the hedged item except in specific circumstances

Topic area 1—Eligible hedged items (2/2)

More eligible hedged items under IFRS 9, for example, IFRS 9 allows...

an entity to designate as the hedged item a **variable nominal amount of forecast electricity transactions** that is **aligned** with the variable amount of nature dependent electricity expected to be delivered by the generation facility as referenced in the contract referencing nature-dependent electricity that is **used as the hedging instrument***

Under IAS 39 (and before the amendment to IFRS 9 in December 2024), entities were required to designate the hedged item as a specified nominal amount or volume (or as a component of such a nominal amount or volume)

* In December 2024, the IASB issued [*Contracts Referencing Nature-dependent Electricity*](#)

Topic area 1—Eligible hedging instruments

More eligible hedging instruments under IFRS 9,
for example, IFRS 9 allows...

non-derivative financial assets and liabilities at
fair value through profit or loss to be designated
as hedging instruments

Under IAS 39, non-derivative financial
instruments are only allowed to be designated
as hedging instruments for hedging foreign
currency risk

Topic area 2—Hedge effectiveness requirements

IFRS 9 introduces principles-based hedge effectiveness criteria that require:

- the existence of an **economic relationship** between the hedged item and the hedging instrument;
- that the **effect of credit risk does not dominate the value changes** that result from that economic relationship; and
- that the **hedge ratio** of the hedging relationship is the same as that resulting from the quantity of the hedged item that the entity actually hedges and the quantity of the hedging instrument that the entity actually uses to hedge that quantity of hedged item

Under IAS 39, a retrospective assessment of hedge effectiveness is required, with hedge effectiveness needing to be within the 80–125% ‘bright line’ quantitative threshold for hedge accounting to be continued

Topic area 3—‘Cost of hedging’ concept

IFRS 9 introduces a ‘cost of hedging’ concept for the accounting treatment of changes in the value of an excluded component of a hedging instrument, specifically, IFRS 9:

- requires that entities account for changes in the value of an excluded time-value component of a purchased option in other comprehensive income (OCI)
- allows entities to account for changes in the value of an excluded forward component (forward points) or foreign currency basis spread either in:
 - profit or loss; or
 - OCI

Under IAS 39, changes in the value of an excluded component are accounted for in profit or loss

Topic area 4—Basis adjustment

IFRS 9 requires a ‘basis adjustment’ for specific hedging relationships, specifically, that...

the **carrying amount of a non-financial hedged item** (e.g., a cash flow hedge of a forecast transaction which results in the recognition of inventory) be **adjusted** for the accumulated gains or losses recognised in equity at initial recognition of the non-financial item in the statement of financial position



Mandatory ‘basis adjustment’

Under IAS 39, entities could—as an accounting policy choice—either:

- adjust the carrying amount of a non-financial item upon its recognition in the statement of financial position; or
- maintain the accumulated gains or losses in equity and reclassify them to profit or loss at the same time the non-financial item affects profit or loss

Topic area 4—Rebalancing & discontinuation

IFRS 9...

- **removes the option to voluntarily de-designate** a hedging relationship; and
- **introduces** the concept of ‘**rebalancing**’ which allows entities to **adjust** the designated quantities of either the hedged item or the hedging instrument of an existing hedging relationship for the **purpose of maintaining a hedge ratio that complies with the hedge effectiveness** requirements



Continuation of hedge accounting

Under IAS 39, entities:

- could decide to discontinue a hedging relationship
- needed to de-designate and re-designate a hedging relationship if the hedge ratio needed to be changed (because it fell outside the 80–125% ‘bright line’ quantitative threshold)

Topic area 5—Transition

Accounting policy choice to apply IFRS 9 hedge accounting requirements

Entities may continue to apply IAS 39 to all hedging relationships or apply IFRS 9, either to:

- all hedging relationships; or
- all hedging relationships except for fair value hedges of the interest rate exposure of a portfolio of financial assets or financial liabilities (macro hedge accounting), for which it may apply the specific requirements in IAS 39

Prospective application of IFRS 9 hedge accounting requirements

Requirements are generally applied prospectively, with some exceptions (e.g., mandatory retrospective application for options for which only the intrinsic value was designated under IAS 39)

Continuation of existing hedging relationships

Hedging relationships that meet the qualifying criteria in IFRS 9 at transition continue without de-designation (after any possible rebalancing)

Topic area 6—Disclosures

IFRS 9 introduces amendments to IFRS 7 *Financial Instruments: Disclosures*, in particular the requirement to disclose:

- for each risk category, information on:
 - an entity's **risk management strategy**
 - how the entity's hedging activities might **affect the amount, timing and uncertainty of its future cash flows**
 - the **effect** that hedge accounting has had on the entity's **financial statements**

Under IAS 39, IFRS 7 disclosures focused on measurement and effectiveness testing rather than an entity's risk management strategy

Appendix A—Consistent application

What we mean by consistent application of the requirements

Consistent application is the application of the requirements in IFRS Accounting Standards in a consistent way to similar facts or circumstances



The IASB distinguishes between...

Differences in application

- Differences arise because there are differences in facts or circumstances or different judgement calls made by management
- Differences in application does **not** represent inconsistent application

Inconsistent application

- Inconsistent application arises because people have read or interpreted the IFRS Accounting Standards differently or have overlooked or ignored aspects of the IFRS Accounting Standards

Follow us online

 ifrs.org

 @IFRSFoundation

 IFRS Foundation

 International Accounting
Standards Board