IFRS Accounting

Dynamic Risk Management Webcast

The views expressed in this presentation are those of the presenter, not necessarily those of the IFRS Foundation, International Accounting Standards Board or the International Sustainability Standards Board.

Risk mitigation intention and benchmark derivatives

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Elements of the DRM model

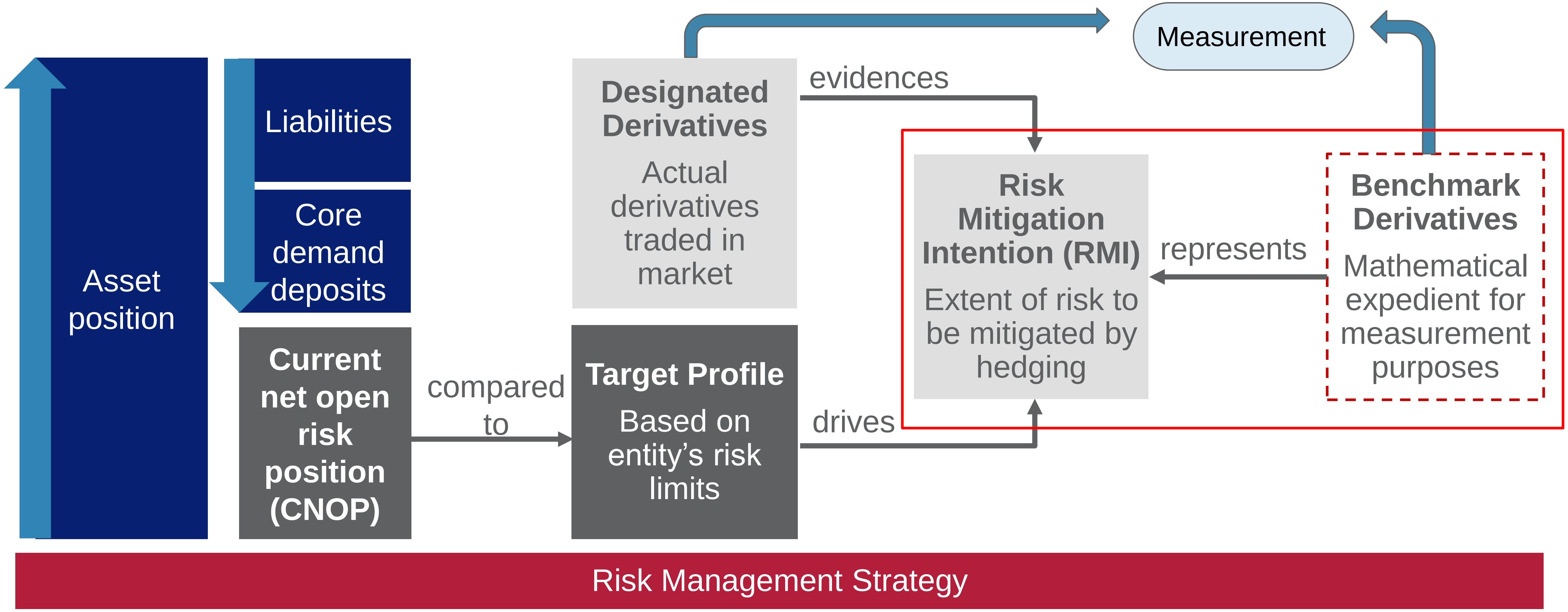
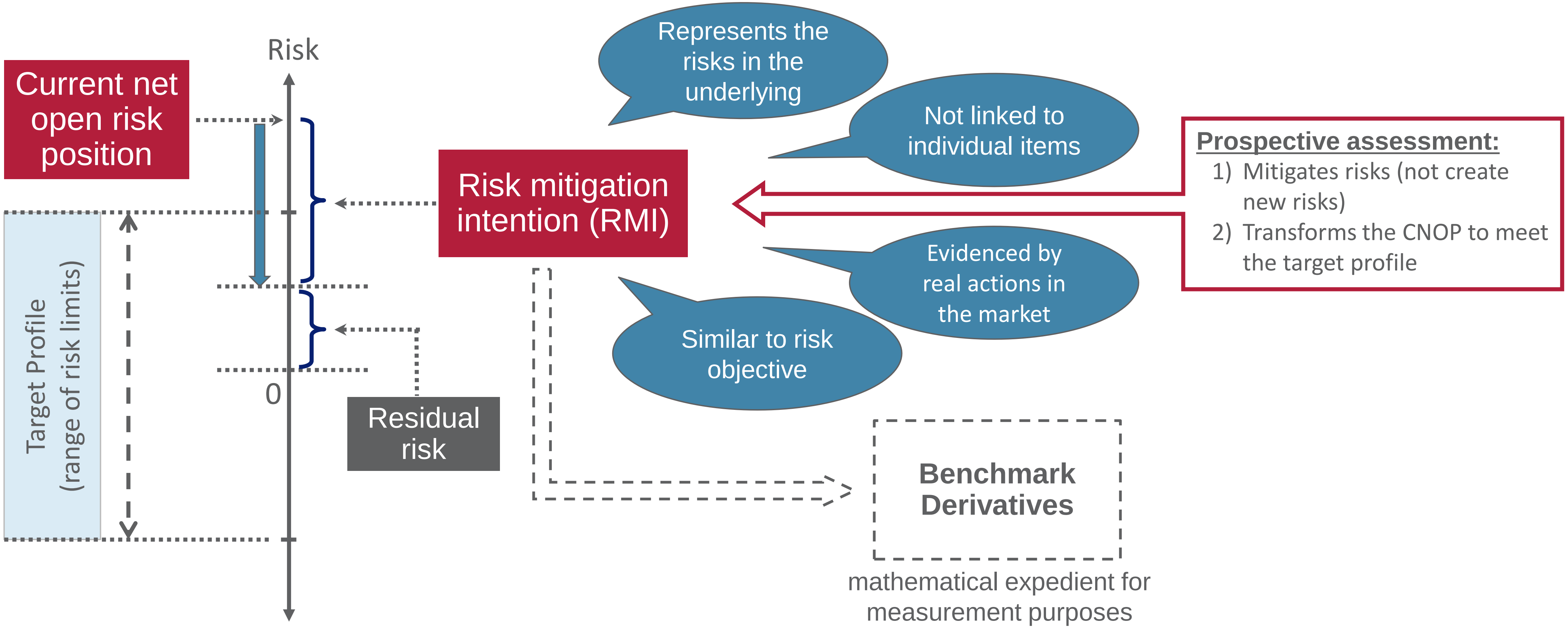


Illustration of RMI bringing CNOP within target profile



Risk mitigation intention and benchmark derivatives

Question

- What does it mean that the RMI is evidenced by actual market actions, such as the actual derivatives traded in the market?
- Doesn’t this lead to outcomes whereby benchmark derivatives equal designated derivatives, resulting in perfect alignment?

Response

- The actual market action gives an indication of the ‘amount’ of risk an entity intends to mitigate
- The risk mitigation intention is based on the managed risk
- Therefore there could be misalignment due to factors such as basis mismatch

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