



Australian Government

Australian Accounting Standards Board

# *Hedge Accounting update*

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28 April 2011**



## Redeliberation of issues raised in response to ED/2010/13

ISSUE	AGENDA PAPER	STAFF RECOMMENDATION	IASB DECISION
Designation of equity investments at fair value through OCI as hedged items	8	Permit designation of equity investments measured at FVTOCI as eligible hedged items, and any ineffectiveness resulting from the hedging relationship to be recognised in OCI.	Agree
Hedging of items with Sub-LIBOR interest rates	9	Retain the restriction that portions of items that are larger than the cash flows of the hedged item cannot be hedged to avoid counterintuitive results.	Agree



## Redeliberation of issues raised in response to ED/2010/13 (continued)

ISSUE	AGENDA PAPER	STAFF RECOMMENDATION	IASB DECISION
Designation of cash instruments, other than those at FVTPL, as hedging instruments against risks other than FX	10A	Retain the limitation that cash instruments measured at FVTPL are eligible as hedging instruments against risks other than FX risk.	Agree
Impact of the FVO on the eligibility cash instruments as hedging instruments	10B	Allow financial instruments designated under the FVO as eligible hedging instruments, but clarify that financial liabilities designated under the FVO where part of the change in fair value is recognised in OCI should not be eligible.	Agree



## Redeliberation of issues raised in response to ED/2010/13 (continued)

ISSUE	AGENDA PAPER	STAFF RECOMMENDATION	IASB DECISION
Foreign exchange – funding swaps – Currency swaps or forwards are entered to hedge against FX risk and lock in a net interest margin.	11	The current and proposed treatments are inconsistent with the way in which forward points are perceived economically. Staff will consider possible alternatives that will ensure the accounting reflects the economics/risk management views of such transactions for a future meeting.	Agree



## Macro hedge accounting – managing portfolios – education session (Agenda item 6)

- Macro hedging accounting model – not industry specific
- Various approaches and hedging strategies may be utilised in managing a portfolio
- How to recognise ineffectiveness
- Need to consider user needs – need for transparency and how portfolios are being managed – what isn't being hedged!
- Timetable considered



## What's next

- Additional meeting to be held on 27 April 2011 to discuss:
  - Zero-cost collars – whether the final requirements for time value of options should apply to zero-cost collars
  - Fair value hedge accounting – the use of other comprehensive income
  - Nominal components – whether the IASB wants to change the eligibility of a layer based designation in some circumstances