



To:	AASB members	Date:	17 November 2011
From:	Sue Lightfoot and Shu In Oei	Agenda Item:	17.1
Subject:	Macro Hedge Accounting	File:	

Action

Receive an education session and update on recent developments in part of the third phase of the IASB's project on Financial Instruments - Macro Hedge Accounting.

Background

The IASB published Discussion Paper *Reducing Complexity in Reporting Financial Instruments* in March 2008, on which a number of constituents raised concerns in respect of the complexity of the hedge accounting requirements. In response the IASB issued ED/2010/13 *Hedge Accounting* in December 2010 as part of the IASB's project to replace IAS 39 *Financial Instruments: Recognition and Measurement*.

The Board considered hedge accounting only in the context of groups of items that constitute a gross position or a net position in closed portfolios, not an open portfolio. The IASB has completed its re-deliberations on general hedge accounting and will issue a staff draft to be available on the IASB's website for "fatal flaw" review.

The IASB is continuing to discuss proposals for hedge accounting for risk management strategies for open portfolios (macro hedging) which were not covered by ED/2010/13. To date the staff have only focussed on management of interest rate risk to develop general principles for a macro hedge accounting approach, however macro hedge accounting could also apply to portfolio hedges of other risks.

Attachments

Agenda paper 17.1.1 – Slides on Financial Instruments - Macro Hedge Accounting (to be provided at the December 2011 AASB meeting)