



Memorandum

To:	AASB members	Date:	7 October 2014
From:	Sue Lightfoot	Agenda Item:	11.1 (M141)
Subject:	Discussion Paper: Accounting for Dynamic Risk: A Portfolio Approach to Macro Hedging	File:	

Action

Consider feedback from outreach activities and consider the key issues arising from the IASB's Discussion Paper on *Accounting for Dynamic Risk: A Portfolio Approach to Macro Hedging*

Consider outreach activities on the IASB Discussion Paper.

Attachments

Agenda Paper 11.2 Notes from AASB Roundtables – Agenda Paper 11.2

Agenda Paper 11.3 IASB Slides – roundtable on 4 September 2014

Agenda Paper 11.4 A draft submission on the DP: Accounting for Dynamic Risk Management [to be tabled]

Agenda Paper 11.5 Submission on ITC 31 from CPAA and CAANZ

Background

The IASB issued a 'final' version of IFRS 9 *Financial Instruments* on 24 July 2014.

IFRS 9 has been issued in a phased approach with an objective of replacing IAS 39 *Financial Instruments Recognition and Measurement* in full for classification and measurement, recognition and derecognition, hedge accounting and impairment. However the requirements relating to fair value hedge accounting for a portfolio hedge of interest rate risk – commonly known as accounting for 'macro-hedging'¹ remain in IAS 39.

In its May 2012 Board meeting the IASB scoped macro-hedging out of the IFRS 9 project. The IASB decided to issue a DP on macro hedging rather than an exposure draft to enable it to seek views from constituents on a range of alternatives and broaden the scope beyond interest rate risk.

The IASB issued the DP *Accounting for Dynamic Risk Management: a Portfolio Revaluation Approach to Macro Hedging* in April 2014. The IASB's DP was incorporated into AASB Invitation to Comment [ITC 31](#).

¹ Refer to IAS 39 paragraphs 89-94.

The DP sets out a new ‘portfolio revaluation approach’ (PRA) for accounting for open portfolios of financial instruments for which ‘dynamic risk management’ (DRM) is used.

Comments on ITC 31 were due to the AASB by 19 September 2014. Comments are due to the IASB on its Discussion Paper by 17 October 2014 however an extension has been provided to the AASB to submit after its October Board meeting.

As at the date of this memo the AASB had received one comment letter – agenda paper 11.5.

Outreach Activities

The AASB held two roundtables for discussion of ITC 31.

- A ‘by invitation’ roundtable focussing on the major banks: 19 August 2014
- A general roundtable: Thursday 4 September 2014.

Each roundtable was run via videoconference linking venues in Sydney and Melbourne. IASB board members and IASB staff participated via videoconference from London. Observers in New Zealand also listened to the roundtables.

Staff notes and IASB slides from the roundtables are provided as agenda papers 11.2 and 11.3 respectively. Note that the slides were only used at the second roundtable.

Draft Submission

AASB staff will table a draft submission to the IASB (tabled agenda paper 11.4) taking into account feedback received from outreach activities on ITC 31.