

PRESS RELEASE

9 December 2010

IASB proposes improvements to hedge accounting

The International Accounting Standards Board (IASB) today published for public comment an exposure draft on the accounting for hedging activities. The exposure draft proposes requirements that will enable companies to reflect their risk management activities better in their financial statements, and, in turn, help investors to understand the effect of those activities on future cash flows.

The proposed model is principle-based, and will more closely align hedge accounting with risk management activities undertaken by companies when hedging their financial and non-financial risk exposures. The proposals also include enhanced presentation and new disclosure requirements.

Commenting on the proposals, Sir David Tweedie, Chairman of the IASB, said:

These proposals sweep away the existing rule-based, complex and inflexible hedge accounting requirements and replace them with a simple, principle-based approach.

The result, if adopted, will be a much simpler model that better reflects risk management practices whilst providing more useful information to investors.

A summary of the proposals (IASB Snapshot) is available to download from the Snapshot library at <http://www.ifrs.org/High+level+summaries/snapshot+library.htm>.

The exposure draft builds on proposals contained in the IASB's discussion paper *Reducing Complexity when Reporting Financial Instruments* published in March 2008. The exposure draft forms part of the IASB's project to replace IAS 39 *Financial Instruments: Recognition and Measurement*, and when its proposals are confirmed they will be incorporated into IFRS 9 *Financial Instruments*.

The exposure draft *Hedge Accounting* is open for comment until 9 March 2011 and can be accessed via the 'Comment on a proposal' section of www.ifrs.org. During the consultation period, the IASB will undertake further outreach to seek views on the proposals. The IASB will redeliberate the proposals with a view to completing the new hedge accounting requirements in the first half of 2011. In addition to the general hedge accounting proposals in the exposure draft, the IASB is continuing to discuss portfolio macro hedge accounting.

To find out more, visit the IFRS 9 *Financial Instruments* section of the IASB website via <http://go.ifrs.org/IFRS 9 Financial Instruments>.

An interactive webcast on the proposals will be held at 9.00am (UK time) on Monday, 13 December, and repeated at 3.00pm (UK time) on the same day. To register, please visit go to <http://go.ifrs.org/hedge accounting webcast>.

End

Notes to editors

About IFRS 9 *Financial Instruments*

Responding to the requests from the G20 and others to address urgent issues whilst also undertaking a comprehensive overhaul of the accounting for financial instruments, the IASB has been publishing IFRS 9 *Financial Instruments* in phases. Phase one, which was completed in October 2010, addressed classification and measurement requirements for financial instruments. The second and third phases address the accounting for the impairment of financial assets and hedge accounting. The IASB aims to complete those phases in 2011, and thus complete its project to replace IAS 39.

Press enquiries:

Mark Byatt, Director of Communications, IFRS Foundation
Telephone: +44 (0)20 7246 6472
Email: mbyatt@ifrs.org

Gillian Bishop, Communications Manager, IFRS Foundation
Telephone: +44 (0)20 7246 6463
Email: gbishop@ifrs.org

Technical enquiries:

Sue Lloyd, Director of Capital Markets, IASB
Telephone: +44 (0)20 7246 6454
Email: slloyd@ifrs.org

Martin Friedhoff, Technical Principal, IASB
Telephone: +44 (0)20 7246 6902
Email: mfriedhoff@ifrs.org

About the IASB

The IASB was established in 2001 and is the standard-setting body of the IFRS Foundation, an independent, private sector, not-for-profit organisation. The IASB is committed to developing, in the public interest, a single set of high quality global accounting standards that provide high quality transparent and comparable information in general purpose financial statements. In pursuit of this objective the IASB conducts extensive public consultations and seeks the co-operation of international and national bodies around the world. The IASB currently has 15 full-time members drawn from 11 countries and a variety of professional backgrounds. By 2012 the Board will be expanded to 16 members. Board members are appointed by and accountable to the Trustees of the IFRS Foundation, who are required to select the best available combination of technical expertise and diversity of international business and market experience. In their work the Trustees are accountable to a Monitoring Board of public authorities.