



European Financial Reporting Advisory Group ■

Confidentiality: All of the information that you provide to ANC, ASB, ASCG, OIC and EFRAG in response to this questionnaire and during the meetings will remain confidential. Information used in the effects report will be presented in such a way that no individual company and person will be able to be identified. The IASB will also participate and have access to the information.

This Questionnaire has been prepared by the ANC, ASB, ASCG, OIC and EFRAG staff.

Introduction

In [March 2012], the IASB published the Review Draft *Hedge Accounting*. The Review Draft introduces significant changes to the current general hedge accounting requirements. The IASB's work plan foresees the issuance of the final standard in the second half of 2012.

Field-testing objectives

The purpose of the field-test is to:

- identify fatal flaws, if any, in the Review Draft
- test the operability of proposals by applying them to a sample of actual instruments and transactions so as to identify difficulties or limitations in the implementation and application;
- assess the quality and effects of the future accounting standard
- assess the usefulness of the hedge accounting results from applying the proposals; and
- estimate the effort required to implement and apply the proposals.

The input obtained will be used as input to the drafting of any EFRAG draft endorsement advice on general hedge accounting, including the costs and benefits analysis.

Outline of the questionnaire

- Part 1: General questions as regards the company
- Part 2: Questions pertaining to the nature of the risks and to the risk management
- Part 3: Assessing the quality and effects of the future accounting standard
- Part 4: Assessing the costs of the proposed accounting standard

Field-test of IASB Review Draft on general hedge accounting

What you are asked to do

What is field-testing?

- 1 Field-testing involves testing of the proposals by applying them to actual transactions. You will be asked to select a number of hedges, apply the full set of proposals to them and to report any issues that you experience. The time required to perform the tests and document the results will depend on the nature and complexity of your operations.

When will it be conducted?

- 2 Below is a provisional timetable for the field-testing. The timetable will be finalised once the Review Draft is published by the IASB.
 - Planning:
 - Selection of participants – by XXXX 2012
 - Instructions to participants – by XXXX 2012
 - Testing by participants: six weeks after the publication of the Review Draft.
 - *Feedback report: XXXX 2012 (to be confirmed after the publication of the Review Draft).*

What to do?

- 3 Select hedges for testing – The objective is to test different types of hedges and find out whether the proposed requirements will cause challenges and impact the financial position and performance. The purpose is not to select many similar contracts but contracts that could be affected differently by the proposals of the Review Draft.
- 4 The time constraints should be taken into account in making the selection to ensure that it is feasible to test the contracts selected.
- 5 If you have any questions about the selection of hedge for testing, please contact:

ANC	Damien Chartron	–	damien.chartron@anc.gouv.fr
ASB	Deepa Raval	–	d.raval@frc-asb.org.uk
OIC	Tommaso Fabi	–	tfabi@fondazioneoic.it
ASCG	Peter Zimniok	–	zimniok@drsc.de
EFRAG	Anna Vidal	+32-2-2104400	anna.vidal@efrag.org
- 6 Inform your contact of the selected sample. This could be done as a summary of key terms of each hedge (note: the identity of the counterparty, the amounts involved and other confidential details are generally not relevant for the field-testing; therefore, there is no need to include this information).
- 7 Read the Review Draft on general hedge accounting once it is published.

Field-test of IASB Review Draft on general hedge accounting

- 8 Apply the proposals to each hedge selected (and different scenarios if relevant), based on the assumption that you would need to apply the requirements of IFRS 9 to all other aspects of financial instruments accounting.
- 9 The Review Draft may require using information currently not collected or documented. In these cases, you should make assumptions, document their basis, and carry out the test on the basis of these assumptions. The proposals may require some information that you have not previously collected. It may, therefore, be necessary for you to make some estimates when assessing the impact. In such cases, the basis for your estimates should be documented. In other cases, you may not find the proposals clear. If this is the case, please describe how you have interpreted the proposals when assessing the impact.
- 10 In addition, when the requirements of the Review Draft are considered to be unclear, this fact should be noted and the interpretation applied in carrying out the test should be documented and duly communicated via the questionnaire.
- 11 Please prepare yourself also to document your findings in respect of the following:
 - (a) Any difficulties experienced in applying the proposals;
 - (b) Expected impact of the new requirements on the financial position and performance. In many cases it may be challenging to specify the exact quantitative impact of the various requirements. However, describing the direction of the impact of the proposals on the financial position and performance could be feasible and therefore should be done; and
 - (c) Expected effort (cost) needed to implement the changes.
- 12 Document your findings in the questionnaire.
- 13 The results of the field-testing will be discussed by representatives of the National Standard Setters, IASB staff and EFRAG.

Questionnaire

PART 1: GENERAL QUESTIONS AND CONTACT INFORMATION

Please provide the following details about your company:

Q1. Short description of your activity/industry:

- Name of listed group with IFRS consolidated financial statements
- Size of the company: total balance sheet, total sales, number of employees
- Main activities carried out by the company

Q2. Country where you are located:

Q3. Contact details including e-mail address:

PART 2: QUESTIONS ON THE NATURE OF THE RISKS AND RISK MANAGEMENT

Q4. Please provide a short description of the main risks to which you are exposed (e.g. interest rate risk, foreign currency risk, commodity price risk, credit risk or prepayment risk).

Q5. Do you currently apply hedge accounting? If so, could you please describe:

- the types of hedge accounting that you apply;
- the risks being hedged;
- the hedging instruments used; and
- the relative importance (e.g. volume or amount) of these hedges.

Q6. Are there any economic hedges to which you do not apply hedge accounting under the current hedge accounting requirements? If so, what is the reason?

Q7. Based on your findings in this field-test of the new hedge accounting requirements, do you expect to apply hedge accounting in more situations than is currently the case? Why?

PART 3: ASSESSING THE QUALITY AND EFFECTS OF THE PROPOSED ACCOUNTING STANDARD

General

Q8. Based on the results of your analysis, please indicate the main benefits of the new standard for you:

Q9. Do the requirements in the Review Draft meet your hedge accounting needs (i.e. allow you to apply hedge accounting in a more meaningful manner)? If not, please explain why?

Q10. Are you able to closer align your hedge accounting to your internal risk management under the requirements in the Review Draft? If not, please explain why?

Q11. Are the Basis for Conclusions helpful to you in understanding the requirements of the Review Draft? If not, please explain why?

Eligible hedged items (Review Draft eligible hedged items requirements in paragraphs (X) to (Y))

[Description of the main changes and requirements regarding eligible hedged items, which is to be taken from the introductory section of the Review Draft]

Q12. Did you understand the requirements in the Review Draft regarding eligible hedged items? If not, please explain.

Field-test of IASB Review Draft on general hedge accounting

Q13. Do you have economic hedges for any of the following types of exposures? Could you apply hedge accounting to these economic hedges under the requirements of the Review Draft?

<i>Type of exposure</i>	<i>Economic hedge</i>		<i>Hedge accounting</i>	
	<i>Yes</i>	<i>No</i>	<i>Yes</i>	<i>No</i>
Equity investments measured at fair value through other comprehensive income	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Risks not affecting profit or loss	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Derivatives and aggregated exposures	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Risk components:				
Separately identifiable, reliably measurable risk component	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Layer components	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Inflation risk	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Sub-Libor	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Group of items as the hedged item	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Group of items: Nil net position	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Q14. To the extent that there were there any economic hedges to which you could not apply hedge accounting under the Review Draft because of the guidance on eligible hedged items; what was the underlying cause for this?

Q15. Did you encounter operational issues when applying the new requirements for eligible hedged items? If so, could you please explain?

Q16. What are the main impacts of the guidance in the Review Draft on the way you identify eligible hedged items?

Eligible hedging instruments (Review Draft eligible hedging instrument requirements in paragraphs (X) to (Y))

[Description of the main changes and requirements regarding eligible hedging instruments, which is to be taken from the introductory section of the Review Draft]

Q17. Did you understand the requirements in the Review Draft regarding eligible hedging instruments? If not, please explain.

Q18. Do you have economic hedges in which you use any of the following types of hedging instruments? Could you apply hedge accounting to these economic hedges under the requirements of the Review Draft?

<i>Type of hedging instrument</i>	<i>Economic hedge</i>		<i>Hedge accounting</i>	
	Yes	No	Yes	No
Partially designated hedging instruments	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Cash instruments at fair value through profit or loss	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Instruments designated under the fair value option	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Time value of option (with transaction- or time period-related hedged item)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Combination of options	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Forward points and funding swap	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Q19. To the extent that there were there any economic hedges to which you could not apply hedge accounting under the Review Draft because of the guidance on eligible hedging instruments; what was the underlying cause for this?

Q20. Did you encounter operational issues when applying the new requirements for eligible hedging instruments? If so, could you please explain?

Field-test of IASB Review Draft on general hedge accounting

Q21. What are the main impacts of the guidance in the Review Draft on the way you identify eligible hedging instruments?

Hedge effectiveness (Review Draft hedge effectiveness requirements in paragraphs (X) to (Y))

[Description of the main changes and requirements regarding hedge effectiveness, which is to be taken from the introductory section of the Review Draft]

Q22. Did you understand the requirements in the Review Draft regarding hedge effectiveness? If not, please explain.

Q23. Regarding the hedge ratio, what are your findings when applying the requirements?

Q24. Did you encounter operational issues when applying the new requirements regarding hedge effectiveness? If so, could you please explain?

Q25. What are the main impacts of the guidance in the Review Draft regarding hedge ineffectiveness?

Rebalancing and discontinuation (Review Draft requirements in paragraphs (X) to (Y))

[Description of the main changes and requirements regarding rebalancing and discontinuation of hedge relationships, which is to be taken from the introductory section of the Review Draft]

Rebalancing of hedge relationships

Q26. Did you understand the requirements in the Review Draft regarding rebalancing of hedge relationships? If not, please explain.

Field-test of IASB Review Draft on general hedge accounting

Q27. Do the rebalancing requirements allow you to maintain hedging relationships that would need to be discontinued under the existing hedge requirements?

Q28. Did you encounter operational issues when applying the requirements regarding rebalancing of hedge relationships? If so, could you please explain?

Q29. What are the main impacts of the guidance in the Review Draft regarding rebalancing of hedge relationships?

Discontinuation of hedge relationships

Q30. Did you understand the requirements in the Review Draft regarding discontinuation of hedge relationships? If not, please explain.

Q31. Did you encounter operational issues when applying the requirements regarding discontinuation of hedge relationships? If so, could you please explain?

Q32. What are the main impacts of the guidance in the Review Draft regarding discontinuation of hedge relationships?

Hedging of credit risk (Review Draft requirements in paragraphs (X) to (Y))

[Description of the main changes and requirements regarding hedges of credit risk, which is to be taken from the introductory section of the Review Draft]
--

Q33. Do you currently hedge credit risk?

Field-test of IASB Review Draft on general hedge accounting

Q34. Did you understand the requirements in the Review Draft regarding hedges of credit risk? If not, please explain.

Q35. Did you encounter operational issues when applying the requirements for hedges of credit risk? If so, could you please explain?

Q36. What are the main impacts of the guidance in the Review Draft regarding hedges of credit risk?

Hedging disclosures

[Description of the main changes and requirements regarding hedging disclosures, which is to be taken from the introductory section of the Review Draft]

Q37. Did you understand the disclosure requirements in the Review Draft? If not, please explain.

Q38. Did you experience any difficulties in collecting the information needed to meet the disclosure requirements?

Q39. Do you collect information similar to that required by the Review Draft for other purposes (e.g. management reporting or regulatory purposes)?

Effective date and transition

[Description of the effective date and transitional provisions, which is to be taken from the introductory section of the Review Draft]

Field-test of IASB Review Draft on general hedge accounting

Q40. Do you have any comments or concerns regarding the transitional provisions included in the Review Draft?

Overall assesment

Q41. How would you rate the overall operational difficulty of applying the new requirements to the sample that you have tested?

	<u>Operational difficulty</u>		
	High	Moderate	Low
Eligible hedged items	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Hedging instruments	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Credit risk	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
Hedge effectiveness	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Rebalancing	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
Discontinuation	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Hedging disclosures	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>

If you indicated 'high', please explain.

Q42. Does the Review Draft given rise to any other issues that you would like to comment upon?

PART 4: ASSESSING THE COSTS OF THE PROPOSED ACCOUNTING STANDARD

We would appreciate that you can make an estimate of the expected impacts of the new requirements on the financial position and performance of your company, and the effort (in terms of associated costs) needed to implement the changes. The following section is intended to assess the incremental one-off and on-going costs of implementing the new requirements. Examples of costs include, but are not limited to, training of employees, changes to accounting and reporting systems, changes to existing and implementation of new processes, audit and valuation services fees etc.

Q43. Based on your experience during this field-test, do you agree with the cost/benefit analysis as included in paragraphs X to Y in the Review Draft?

Q44. Could provide an overview of the types of costs (and the amount of costs) that you would expect to incur to implement and apply the requirements in the Review Draft?

Type	Estimated costs
<i>One-off costs</i>	
[]	
[]	
<i>On-going costs</i>	
[]	
[]	

Q45. Do you have any other comments regarding the cost of implementing and applying the new requirements?

Q46. Please describe and quantify (if possible) the benefits of applying the new requirements?
