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Heads Up

Proposed amendments to allow continuation of hedge accounting after novation of the hedging derivative

Contents

"In summary"

The IASB has issued for public comment an exposure draft (ED) proposing amendments to existing and future hedge accounting guidance to allow continuation of hedge accounting when the hedging derivative is novated to a central counterparty due to regulatory requirements.

The ED has been issued to address recent market developments where some jurisdictions either have changed (e.g. as a result of the *European Market Infrastructure Regulation)* or consider changing (e.g. US) their laws and regulations on over-the-counter derivatives requiring them to be transacted with a central counterparty.

The ED proposes the novation of a hedging derivative should not be considered an expiration or termination giving rise to the discontinuation of hedge accounting when the derivative is novated to a central counterparty, the novation is required by laws or regulations and certain further conditions are met. The proposals would not permit continuation of hedge accounting with a voluntarily novated derivative.

Comments on the ED are due by 2 April 2013.

The AASB has issued an equivalent exposure draft (ED 236) requesting comments by 25 March 2013.

IFRS in Focus

- *IFRS in Focus — IASB publishes exposure draft on novation of derivatives*

External Links

- *IASB press release*
- *IASB ED/2013/2 Novation of Derivatives and Continuation of Hedge Accounting (proposed amendments to AASB 9 and AASB 139)*
- *AASB ED 236 Novation of Derivatives and Continuation of Hedge Accounting (proposed amendments to AASB 9 and AASB 139)*