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Regnskapsmessige utfordringer ved sikring

Med fokus på;
- olje/råvareprissikringer
- forslag til endringer

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Regnskapsmessige utfordringer ved sikring under IFRS

Noteopplysninger

Sikringsobjekt ?

Sikringsinstrument ?

”Dollar offset”

Effektivitets-
testing

Sikring av netto
posisjoner ?

Dokumentasjons-
krav

Verdisikring

Kontantstrømsikring

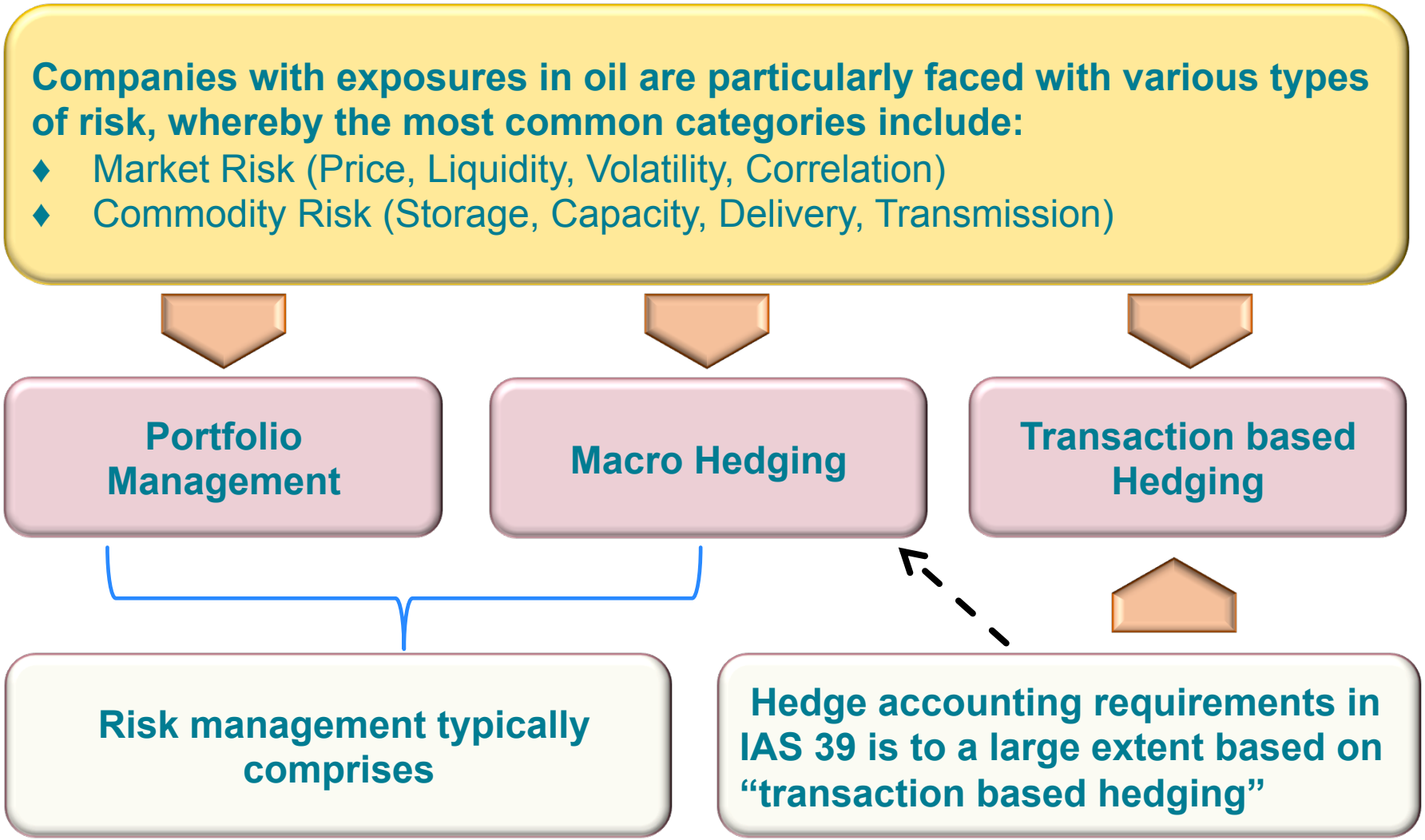
Retrospektiv/prospektiv testing

Kontantstrømsikring

”Critical terms match”

Regresjonsanalyse

Risk Management



Objective of hedge accounting

For mange selskaper er det viktig å tilfredsstille kriteriene for å unngå ”støy” i regnskapet

Stadig flere selskaper som rapporterer ”adjusted earnings”

Application of hedge accounting permits to:

- **Remeasure both the items from which the risk exposure arises and the instruments used to manage the risk in profit or loss; or**
- **Defer recognition in profit or loss of certain gains and losses on derivatives by recognising them in OCI**

Solves accounting mismatch in profit or loss

Qualifying hedged risks

Financial items

Can be hedged with respect to:
- **all of its risks**
- **any one or more of its individual risk types that are separately identifiable and reliably measurable**

Non-financial items

Can be hedged with respect to:
- **all of its risks**
- **foreign currency risk**

Qualifying hedged risks

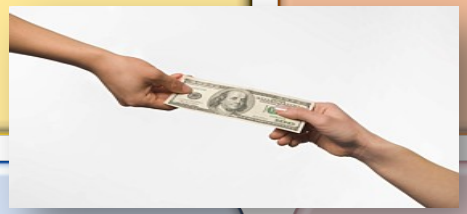
Many disagree

For example; crude oil component of jet fuel

Qualifying hedging instruments

Derivatives (including embedded)
- forwards, futures
- options
- swaps
- combination of derivatives

Exchange
- NYMEX (WTI)
- ICE (Brent

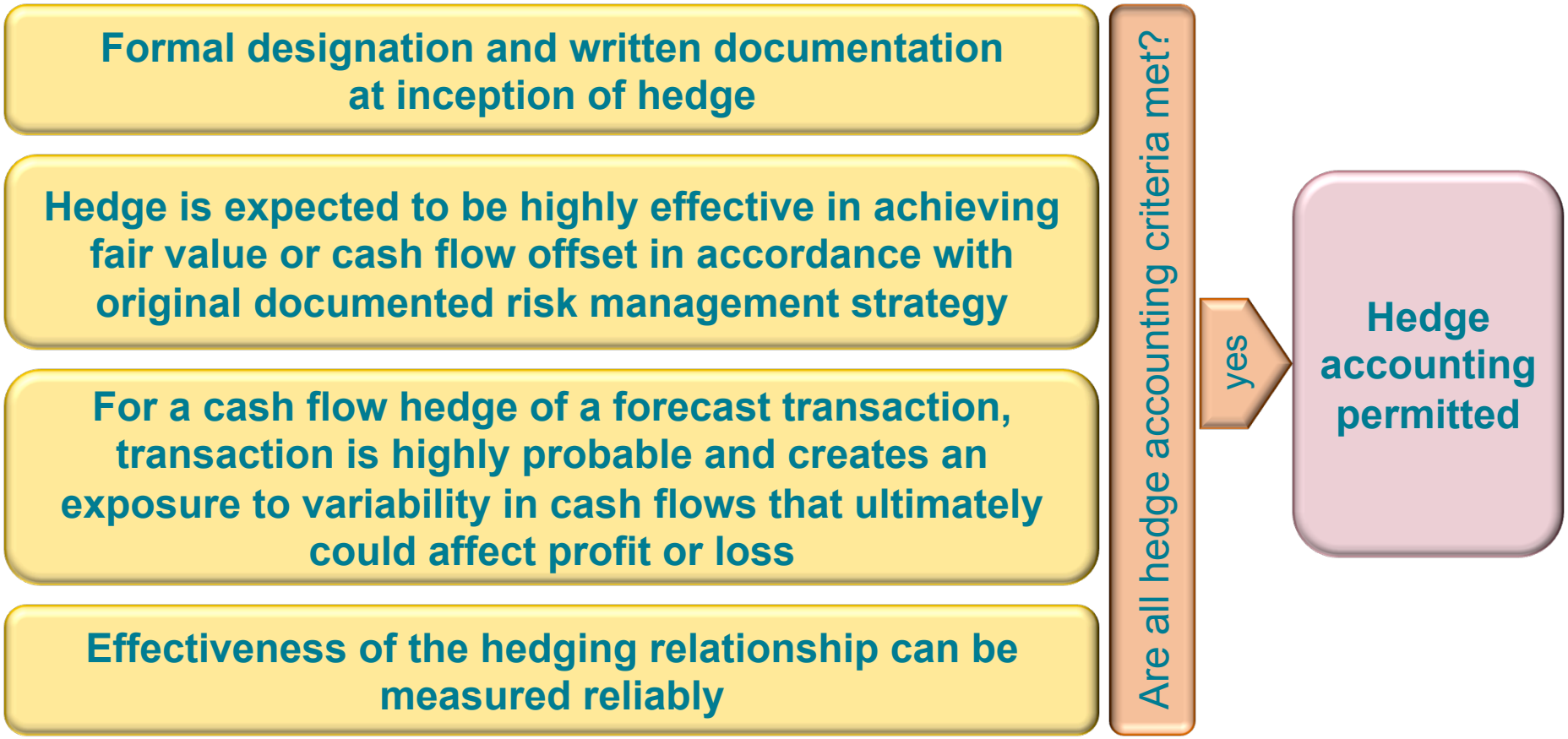


OTC Swaps
- "Contract-for-differences" swap
- Differential swaps
  - Crack (refined product vs crude)
  - Basket (Basket of indices)
  - Seasonal

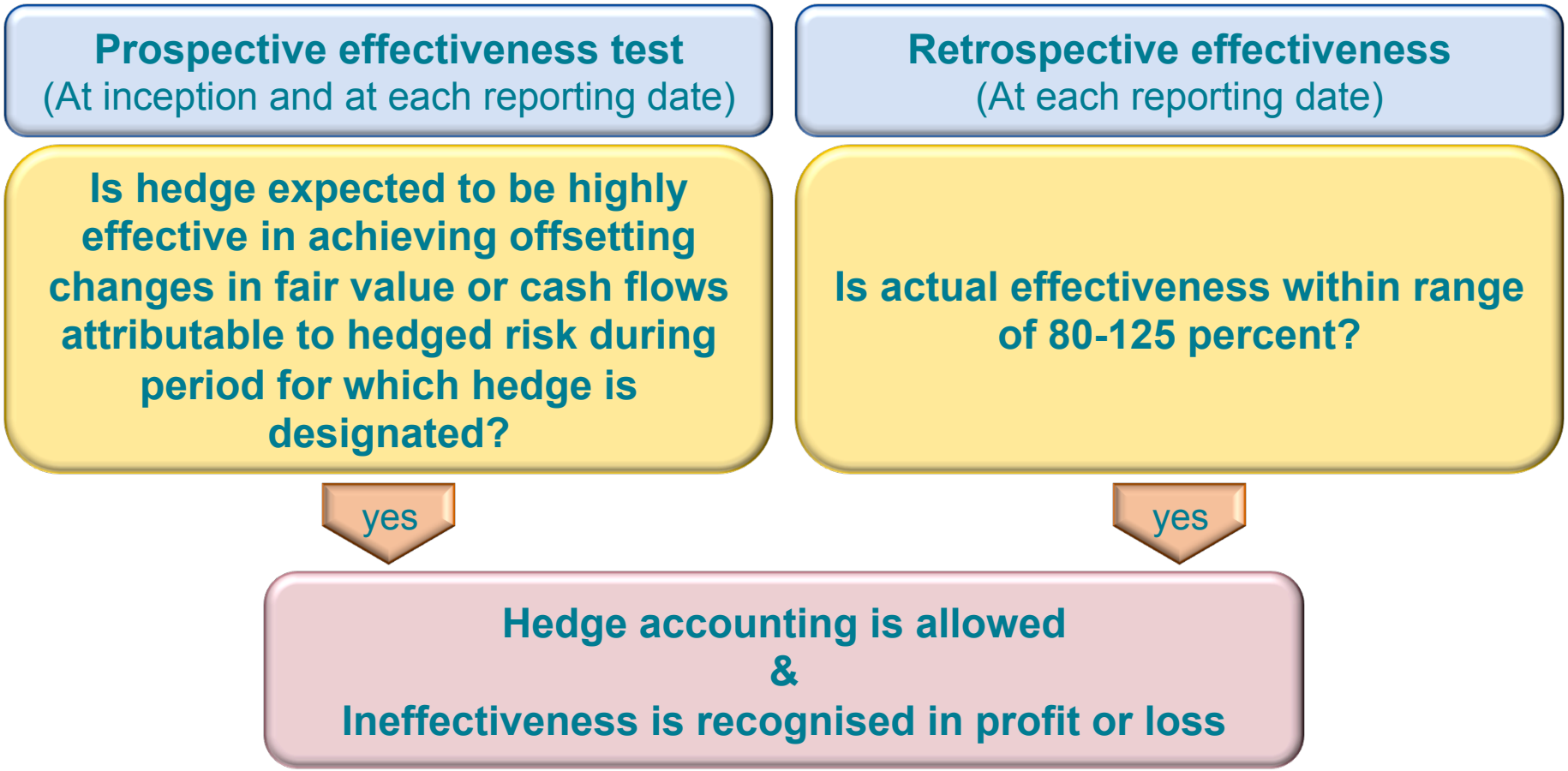
Non-derivatives designated as hedging instruments for hedges of foreign exchange risk only

OTC arrangements based on Platts forward curve

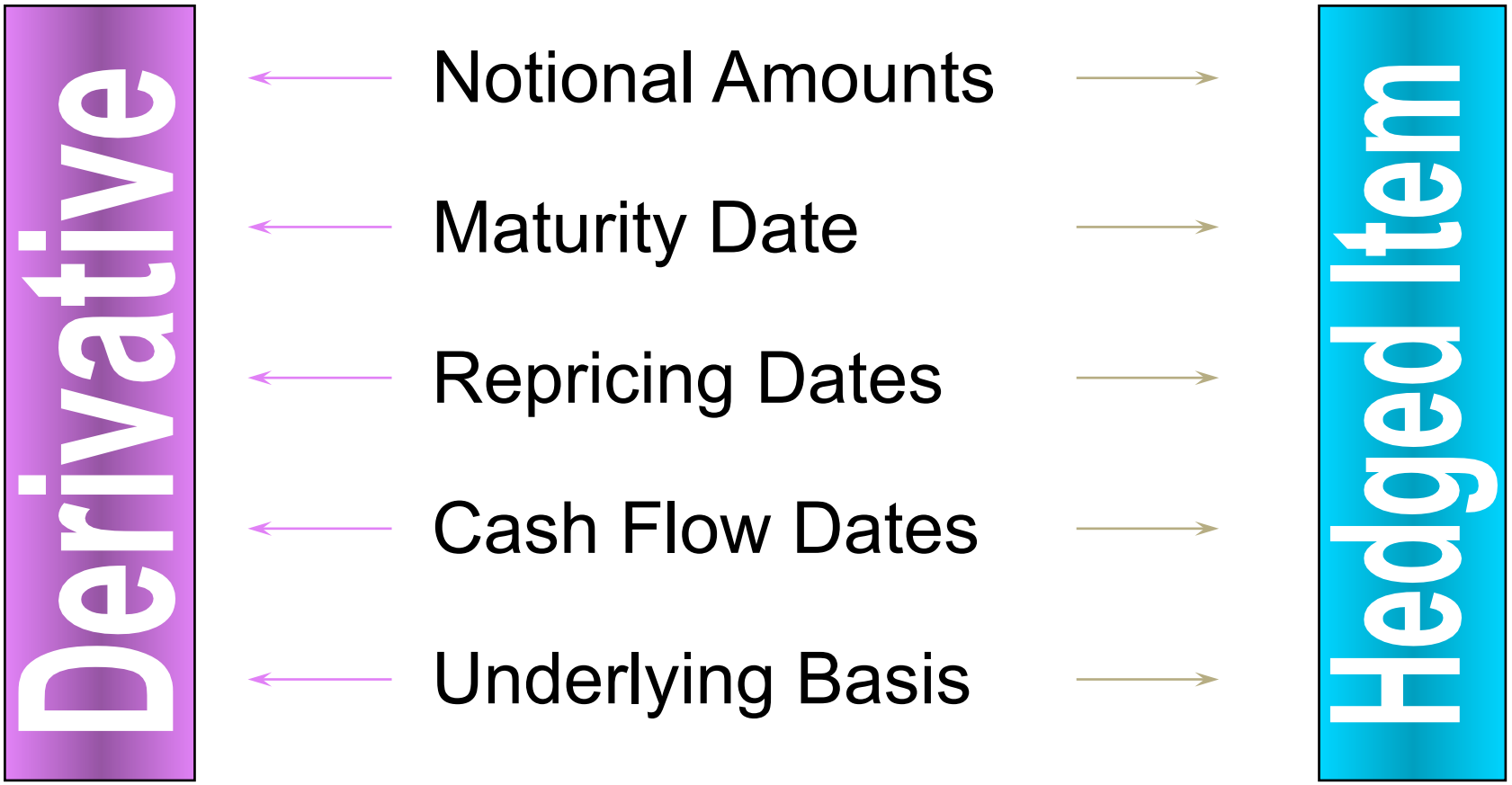
Hedge accounting criteria



Effectiveness testing



Hedge effectiveness - sources of ineffectiveness



Eksempel

Periode	Salgspris	Endring	Platts Crude Oil	Endring	"Dollar offset"
1	31,2		31,3		
2	33,0	1,8	32,7	1,4	131,9 %
3	25,2	-7,8	30,5	-2,1	367,0 %
4	23,5	-1,7	24,9	-5,7	29,6 %
5	26,7	3,2	25,7	0,9	367,4 %
6	27,2	0,5	27,5	1,8	27,9 %
7	28,6	1,4	28,4	0,8	171,2 %
8	27,9	-0,7	29,8	1,4	-48,6 %
9	27,5	-0,4	27,1	-2,7	15,2 %
10	28,1	0,6	29,7	2,6	23,6 %
11	28,5	0,4	28,7	-0,9	-45,5 %
12	30,3	1,8	29,9	1,1	154,6 %
13	30,0	-0,3	31,2	1,4	-25,4 %
14	32,3	2,4	30,8	-0,4	-594,7 %
15	32,4	0,1	33,8	3,0	2,7 %
16	34,4	2,0	33,3	-0,5	-366,1 %
17	35,8	1,4	37,8	4,6	31,8 %
18	34,4	-1,4	35,0	-2,8	51,3 %
19	40,6	6,2	38,3	3,3	188,5 %
20	40,9	0,3	43,0	4,7	7,2 %

Er dette en ”effektiv” sikring ?

Eksempel forts.

Krav til regr.analyse ?	Revisjonsselskap 1	Revisjonsselskap 2
R square	> 0.96	> 0.80
Specifics regarding the ”line”	Gradient of the line; In the range 0.8<b<1.25	95 % confidence that slope of the line is within 80-125 %
Other statistic variables	F-statistic must be significant	Not specified

SUMMARY OUTPUT

Regression Statistics	
Multiple R	0,936812446
R Square	0,87761756
Adjusted R Square	0,870818535
Standard Error	1,673853239
Observations	20

ANOVA

	df	*SS*	*MS*	*F*	*Significance F*
Regression	1	361,654151	361,654151	129,0799	1,21091E-09
Residual	18	50,43212396	2,801784664		
Total	19	412,086275			

	Coefficients	*Standard Error*	*t Stat*	*P-value*	*Lower 95%*	*Upper 95%*	*Lower 95,0%*	*Upper 95,0%*
Intercept	0,305308963	2,721511093	0,112183619	0,911919	-5,412378101	6,022996026	-5,412378101	6,022996026
X Variable 1	0,972382817	0,085587024	11,3613346	1,21E-09	0,792571013	1,152194621	0,792571013	1,152194621

Eksempel

- A european oil refining Company expects to purchase 1.5 million barrels of WTI oil expected to be agreed on 30 september 200X at the spot price prevailing at that date. Delivery and payment were going to take place simultaneously on 10 october 200X. The Company's functional currency is EUR and the Company believes that the EUR value of the oil purchase will increase. To hedge its exposure the Company entered into a long October futures position for 1 million barrels at a price of USD 60 per barrel. The futures contract were to expire on 18 october. At the same time the Company entered into an FX forward to buy USD 60 million at an exchange rate of 1.2 on september 30 200X.

- The Company designated the combination of the oil futures contract and the FX forward as the hedging instrument in a cash flow hedge of its highly expected purchase.

Eksempel

Hedge no 14	Hedge documentation
Risk Management Objective	The objective of the hedge is to protect the EUR value of a highly expected purchase of 1 million barrels of WTI oil against unfavourable movements of the oil price in EUR
Risk being hedged	The variability in EUR value of the highly expected cash flow
Type of Hedge	Cash flow hedge
Hedging instrument	The combined effect of; 1. A long future contract position for delivery of 1 million barrels on 18 october at a price of USD 60 per barrel. 2. An fx-forward to buy USD 60 million and sell EUR at an exchange rate of 1.2
Hedged item	Highly expected purchase of 1 million of barrels on 30 September 200x, at the spot price of WTI oil on that date
Hedge effectiveness testing	Hedge effectiveness will be assessed by comparing changes in the fair value of the hedging instrument to changes in the fair value of the hedged item. The fx forward will be valued at the forward rate. The hedged item will be valued at the forward price of oil in EUR *Prospective test* Will be performed at inception and at each reporting date using regression analysis method. *Retrospective test* Will be performed at each reporting date using the accumulated ”dollar offset method

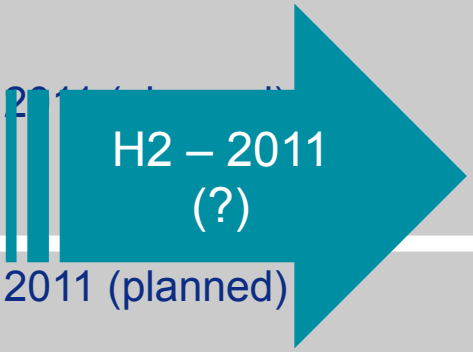
Eksempel forts.

RETROSPECTIVE TESTS	31.07	31.08	30.09
Futures contract accumulated FV-change	5.440.000	6.760.000	10.345.000
FX-forward accumulated FV-change	(950.000)	(1.670.000)	(2.860.000)
Hedging instrument accumulated FV-change	4.490.000	5.090.000	7.485.000
Accumulated FV change highly probable purchase	4.600.000	4.900.000	7.650.000
Dollar offset ratio	97.6 %	103.9 %	97.8 %
Hedge effective amount	4.490.000	410.000	2.585.000
Hedge ineffective amount	0	190.000	-190.000

Background
IASB IAS 39 replacement project

- Objective of the IAS 39 replacement project:
  - improve decision-usefulness of financial statements for users by simplifying the classification and measurement requirements.

Project phase	Exposure Draft	Standard
Classification and measurement - Financial assets - Additions (Financial liabilities)		November 2009 October 2010
Impairment of financial assets	ED 2009/12 - November 2009 Supplement to ED12 - January 2011	Q2 2011 (planned)
Hedge accounting	General - December 2010 Portfolio - ?	Q2 2011 (planned)

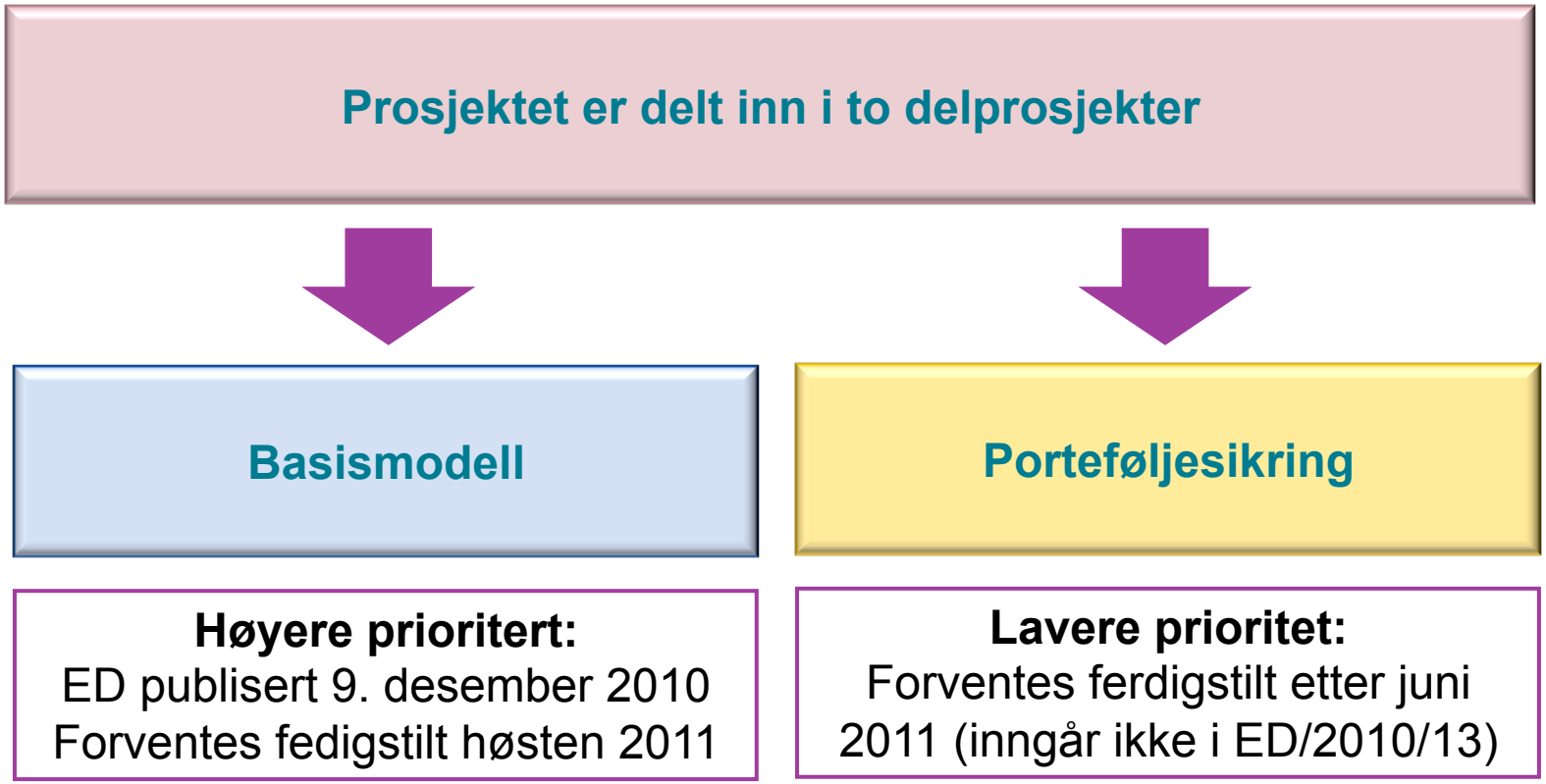


ED/2010/13 – Hedge Accounting (Desember 2010)

- **Bakgrunn – kritikk av IAS 39**
  - Kompleksitet (vanskelig å forstå, bruke og tolke)
  - Regelbasert og lite prinsipiell
  - Ofte ikke mulig eller hensiktsmessig å sikringsbokføre
  - Manglende link mellom regnskap og faktisk risikostyring

- **Formål med høringsforslaget**
  - Gjennomgripende revurdering av gjeldende regelverk
  - Enklere (mindre kompleks) og mer prinsippbasert modell
  - Bedre beslutningsnytte
  - Etablere nærmere link mot foretakets faktiske risikostyring

Nye sikringsregler ?



Nye sikringsregler ?

Fortsatt frivillig å regnskapsmessig reflektere sikring

Sikring av netto investering: Uendret

Kontantstrømsikring: Beholdes, men *krav* om justering av kostpris (”basis adjustment”) hvor aktuelt

Virkelig verdisikring: Beholdes, men

Ny linje i balansen (verdiending på separat linje)

Verdiendring for både instrument og objekt mot OCI med enhver differanse (ineffektivitet) mot resultat

Hedging instruments

Qualifying instruments:

- Derivatives
  - including embedded features in hybrid contracts separately accounted for as derivatives
  - except for some written options
- Non-derivative financial instruments if:
  - Hedge of foreign currency risk (unless FVTOCI) **or**
  - Instrument measured at FVTPL

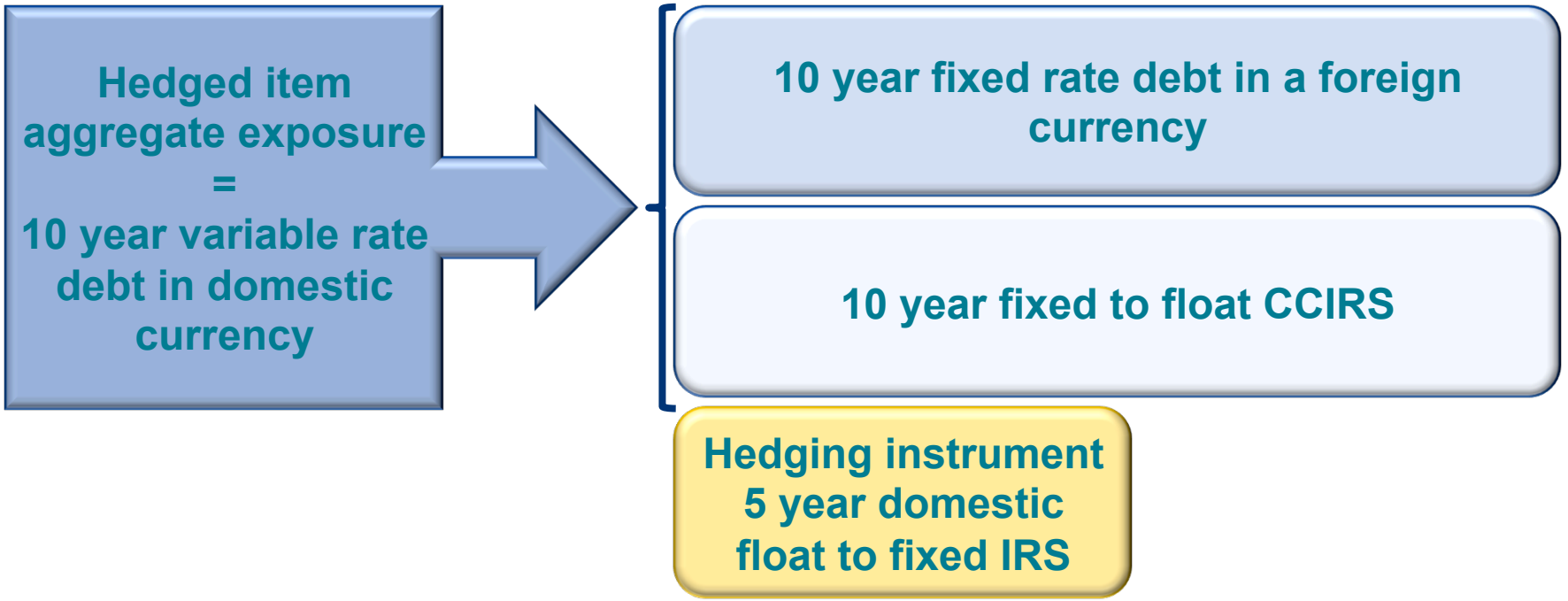
- Only contracts with a party external to the reporting entity can be designated as hedging instruments

Hedged items

Qualifying items:

- An aggregate exposure that is a combination of a derivative and another exposure may be designated as a hedged item e.g.:

NEW!



Hedged items

Designation of hedged items

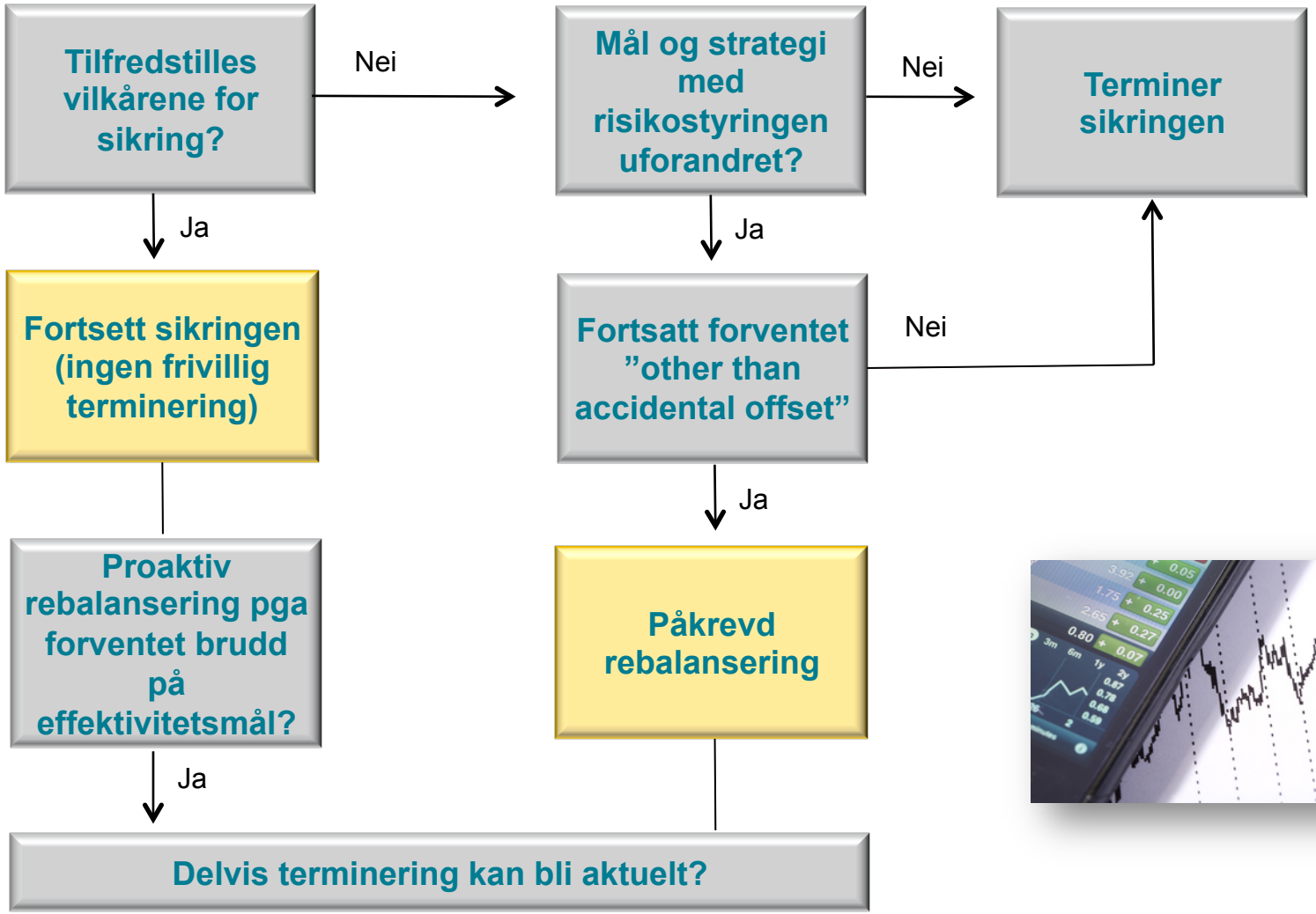
- An entity may designate:
  - *All* changes in the cash flows or fair value of an item as the hedged item or
  - *A (combination of) component(s)*
- Risk components that are separately identifiable and reliably measurable (principle)
  - based on judgement of the particular market structure
  - e.g. oil component of jet fuel, benchmark interest rate of fixed rate loan
  - includes one-sided risks
- Nominal components (percentage or layer)
- One or more selected contractual cash flows

Sikringseffektivitet

Qualifying criteria for hedge accounting
Effectiveness requirements

- The effectiveness assessment method is not specified in the ED, however the method used for the effectiveness assessment and the determination of the hedge ratio should capture the relevant characteristics of the hedging relationship including the sources of ineffectiveness:
  - May be qualitative or quantitative based whichever is most appropriate
  - Is changed if there are changes in circumstances that affect hedge effectiveness
- The effectiveness assessment method includes:
  - Analysis of the sources of hedge ineffectiveness and (no arbitrary bright line of 80-125 per cent as in IAS 39)
  - Determination of the hedge ratio, which is set to minimise the expected ineffectiveness
  - Assessment is expectations-based and forward-looking only (no retrospective test as required by IAS 39)
- Frequency:
  - At inception and
  - On an ongoing basis at least at each reporting date or upon a significant change in the circumstances underlying the effectiveness assessment.

Terminering og rebalansering



Accounting for the time value of purchased options

Accounting for the time value of purchased options if the hedging instrument is the intrinsic value of an option

- Time value is accounted for as purchased protection (insurance).
- The change in the fair value of the time value of a purchased option is recognised in OCI to the extent that it relates to the hedged item and is accumulated in a separate component of equity.
- An entity distinguishes the time value of purchased options by the type of hedged item that the option hedges:
  - A transaction related hedged item: the nature of the hedged item is that of transaction costs (e.g. related to purchases and sales).
  - A time period related hedged item: the nature of the hedged item is that of the cost for obtaining protection against a risk over a particular period of time

Forskjeller IASB vs FASB forslag

	IASB forslag	FASB forslag
Endring i ”risk management strategy” kan medføre at sikringsforholdet avsluttes/ikke kvalifiserer	Ja	Nei
Ikke derivative finansielle instrumenter kan utpekes som sikringsinstrumenter i sikring av valutarisiko	Tillatt for alle typer sikringsforhold	Tillatt for sikring av nettoinvestering i utenlandsk enhet og virkelig verdisikring av en bindende avtale
Finansielle instrumenter i kategorien FVTPL kan benyttes som sikringsinstrumenter for enhver type risiko	Tillatt	Forbudt
Sikring av risikokomponenter relatert til ikke finansielle sikringsobjekt	Tillates hvis risiko kan identifiseres og måles pålitelig	Tillates ikke, kun hele risikoen eller valutarisiko

Forskjeller IASB vs FASB forslag

	IASB forslag	FASB forslag
Sikring av nettoposisjoner	Tillatt hvis visse kriterier er oppfylt	Forbudt
Pliktig rebalansering av sikringsforhold	Påkrevd med rebalansering ved brudd på effektivitetskrav, men uforandret ”risk management strategy”	Vil aldri være pliktig
Virkelig verdisikring – endringer i virkelig verdi av sikringsobjekt relatert til den risiko som sikres	Presenteres på egen linje i balansen – ikke som justering av sikringsobjektet	Presenteres ”samlet” i balansen dvs på samme linje som sikringsobjektet
Kontantstrømsikring – justering av kostpris for ikke finansielle objekter (”basis adjustment”)	Ja, er påkrevd	Nei, ikke tillatt

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