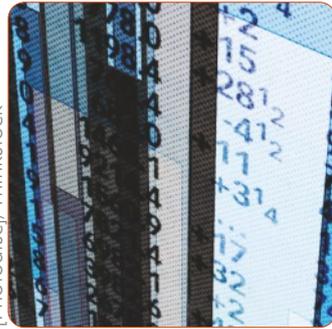




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Consulting on the definition,
management and evaluation
of hedge accounting



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Introduction

The use of International Financial Reporting Standards (IFRS) requires a higher level of formalities on the part of banks, insurers and non-financial corporations when it comes to using derivatives as hedging instruments.

The formalities required under IFRS, Bank of Spain Circular 4/2004 and the Spanish insurance industry's regulations and accounting plan require these entities to properly define, document and evaluate their hedge accounting to ensure they continue to qualify as hedges, and do not have unintended effects on the income statement.

The current environment warrants the use of hedge accounting to efficiently manage the risks associated with financial asset and liability portfolios.

Who is it targeted at?

Credit institutions and their subsidiaries which are obliged to draw up their accounts in accordance with Bank of Spain Circular 4/2004 and have to apply IAS 39 criteria to their hedge accounting.

Insurance companies which use derivatives to hedge their risks and which want to comply with IAS 39 requirements or to develop adequate in-house hedge definition, monitoring and evaluation procedures.

Any other corporations using financial instruments in the course of their business operations to hedge risks that wish to use hedge accounting.

Service characteristics

Depending on your entity's needs, the scope of the service can be tailored, adding the following modules as required:

- Definition of the Hedging Policy Manual used for reference purposes when arranging hedging transactions in accordance with stated risk management policy and depending on the classes of instruments used.
- Advice on hedge definition and design so that hedging arrangements qualify for hedge accounting under IAS 39.
- Formal documentation of each individual hedge from inception, and design of the related hedge effectiveness tests.
- Regular performance of hedge effectiveness tests based on valuations performed by Afi and the nature of the hedged transaction and hedging instrument.
- Adaptation to the new requirements introduced under IFRS 9.

References / customers

Afi performs this service for numerous banks and insurers and, more generally, non-financial corporations.

Contact

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