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FASB Amends Guidance on Hedge Accounting

Overview

On November 25, 2025, the FASB issued [ASU 2025-09](#),¹ which amends certain aspects of the hedge accounting guidance in ASC 815.² In addition to addressing stakeholder concerns, the amendments are intended to more closely align hedge accounting with the economics of an entity's risk management activities.

Background

In 2019, the Board issued a [proposed ASU](#)³ to clarify various aspects of the guidance amended by [ASU 2017-12](#).⁴ However, stakeholders indicated that the proposed amendments would not sufficiently resolve certain issues and that the guidance needed further clarification. In addition, respondents to the FASB's 2021 [invitation to comment](#)⁵ on future standard-setting priorities expressed concerns that the current guidance in U.S. GAAP was negatively affecting the decision-usefulness of financial information provided to investors.

On the basis of this and other stakeholder input, the FASB released a [proposed ASU](#)⁶ in 2024 to obtain feedback on five discrete issues. The Board subsequently issued ASU 2025-09, which provides guidance on those issues, each of which is discussed below. As noted in the ASU, the purpose of the amendments is to better enable "entities to achieve and maintain hedge accounting for highly effective economic hedges" while reducing the occurrence of missed forecasted transactions and unintuitive hedge dedesignation events.

¹ FASB Accounting Standards Update (ASU) No. 2025-09, *Hedge Accounting Improvements*.

² FASB Accounting Standards Codification (ASC) Topic 815, *Derivatives and Hedging*.

³ FASB Proposed Accounting Standards Update, *Codification Improvements to Hedge Accounting*.

⁴ FASB Accounting Standards Update No. 2017-12, *Targeted Improvements to Accounting for Hedging Activities*.

⁵ FASB Invitation to Comment, *Agenda Consultation*.

⁶ FASB Proposed Accounting Standards Update, *Hedge Accounting Improvements*.

Key Provisions of ASU 2025-09

Similar Risk Assessment for Cash Flow Hedges

ASU 2025-09 amends the existing requirement that cash flow hedges of groups of individual forecasted transactions that use a single derivative as the hedging instrument share the same risk exposure. Instead, the ASU requires such groups to have a *similar* risk exposure. Further, the ASU clarifies that the quantitative threshold for similar is consistent with the *highly effective*⁷ threshold used in the assessment of hedge effectiveness. The amended guidance is intended to expand the population of hedged risks eligible for aggregation in a single group or pool, thereby reducing cost, complexity, and the risk of unintuitive missed forecasts in the application of these hedging strategies.

In addition, the ASU requires entities to perform a similar risk assessment at hedge inception and on an ongoing basis. The amendments clarify that in some cases, entities may conduct such assessments on a qualitative basis (on a hedge-by-hedge basis) in a manner similar to the approach described in the guidance in ASC 815-20-35-2A through 35-2F on qualitative effectiveness assessments.

Under the ASU, entities are also explicitly permitted to conclude that the risk exposures in a group of forecasted transactions are similar if the hedging instrument is highly effective against each risk in the group. In other words, an entity may choose to either (1) determine whether each hedged risk related to a forecasted transaction hedged in a group is similar to each other hedged risk in the group or (2) determine whether the designated hedging instrument is highly effective against each risk in the group. An entity should apply its selected method consistently to similar hedges. The method of determining whether the transactions in a group are similar must be documented at the inception of the hedging relationship.



Connecting the Dots

In paragraph BC25 of the ASU, the Board acknowledges that in current practice, some entities use a dual-purpose assessment, commonly known as the test-to-worst approach, in which they perform the same assessment to determine hedge effectiveness and shared risk exposure. Under this approach, entities have concluded that if a hedging instrument is highly effective against the least effective risk in the group, it must also be highly effective against all other risks in the group. The amendments expressly permit entities to use this quantitative approach, which is expected to reduce the cost and complexity of hedge accounting for entities that seek to hedge a group of forecasted transactions that have a similar, but not necessarily the same, risk exposure and for which the hedging instrument may therefore have varying degrees of effectiveness against those risks. Entities using a test-to-worst approach should exercise caution and thoughtfully determine which risk or risks in the group are the least effective in any given period to ensure that the eligibility criteria for hedges of groups of forecasted transactions have been met.

The ASU also clarifies that if one or more of the hedged risks in the group become dissimilar, entities must fully dedesignate all cash flow hedges related to the pool. As noted in paragraph BC27 of the ASU, such dedesignation would be “necessary to remain in line with the core hedge accounting model.” Amounts previously recognized in accumulated other comprehensive income (AOCI) should remain until the forecasted transactions affect earnings or until it has become probable that the transactions will not occur in accordance with ASC 815-30-40-4 through 40-6.

⁷ ASC 815 does not define “highly effective,” but in practice this term has been interpreted to be an 80 percent to 125 percent offset between the change in the fair value of the hedging instrument and the change in the cash flows of the forecasted transaction attributable to the hedged risk.



Connecting the Dots

In practice, questions have arisen related to when to perform a similar risk assessment or when to apply the “best estimate” approach discussed in Example 16 in ASC 815-30-55-94 through 55-99 pertaining to hedging the forecasted issuance of fixed-rate debt.

In paragraph BC87 of the ASU, the Board observed that a similar risk assessment would be required in hedges of “not-yet-existing financial contracts such as a cash flow hedge of a forecasted issuance of debt when an entity expects that the hedged forecasted transactions will have multiple risks occurring at the same time.” Entities should carefully consider this observation when establishing cash flow hedges of interest payments derived from the forecasted issuance of fixed-rate debt instruments that involve multiple interest rate indexes or tenors in the same hedging relationship.

Hedging Forecasted Interest Payments on Choose-Your-Rate Debt Instruments

ASU 2025-09 adds to U.S. GAAP an alternative model for the application of hedge accounting to cash flow hedges of interest payments on choose-your-rate (CYR) debt instruments⁸ (sometimes referred to as “you-pick-‘em” debt). Before the ASU’s adoption, the guidance in ASC 815 does not specifically address how an entity considers the uncertainty (i.e., optionality) associated with such transactions, which has resulted in diversity in practice. The Board envisions that the amendments will reduce the potential for unintuitive accounting outcomes that often occur when entities make economically prudent decisions to exercise their purchased optionality and then change the rate on which interest is accrued on the CYR debt instrument. Key provisions of the ASU’s guidance on this issue — including the requirements related to scope, hedge designation, and assessments of hedge effectiveness — are summarized below.

Scope

The CYR model is optional for all entities and applies only to CYR debt instruments classified as a liability. Its application is limited to cash flow hedges of variable interest payments on (1) existing CYR debt instruments, (2) the subsequent replacement(s) of existing CYR debt instruments, and (3) the forecasted issuance of CYR debt instruments. ASU 2025-09 precludes entities from applying the model by analogy to other circumstances, and entities may apply it on a hedge-by-hedge basis.



Connecting the Dots

The CYR model was initially proposed as a hedge accounting model only for existing CYR debt instruments and the replacement of such instruments. However, to improve the operability of the amendments in practice, the FASB decided to expand the model’s application to the forecasted issuance of CYR debt. During the Board’s redeliberation process, stakeholders identified circumstances in which the application of the CYR model would be severely limited if it were not expanded to the forecasted issuance of CYR debt instruments. Entities commonly hedge issuances of CYR debt in the forecasted period and would have been required to dedesignate and redesignate the hedging relationship to continue applying hedge accounting upon the issuance of the CYR debt instrument. However, if the debt had been plain-vanilla variable-rate debt, entities could have continued to use hedge accounting, and the Board did not want to establish a restriction under the CYR model that does not exist in the core hedge accounting model. Accordingly, ASU 2025-09 permits entities to hedge the forecasted issuance of CYR debt.

⁸ ASC 815-20-25-3(d)(1)(viii) (as amended by ASU 2025-09) defines a CYR debt instrument as a “variable-rate debt instrument that permits the borrower to select at each reset period the interest rate index from a list of contractual options (including the interest rate tenor) upon which interest is accrued.”

Similarly, as highlighted in paragraph BC55 of the ASU, the Board expects that the forecast period will, in most cases, be minimal. As a result, the rates documented at the inception of the hedging relationship for the forecasted issuance of CYR debt are not likely to differ significantly from the rates included in the CYR debt instrument when it is ultimately issued.

Hedge Designation

Forecasted Issuance of CYR Debt

An entity must (1) document the interest rate indexes (and interest rate tenors, if applicable) expected to be included in the CYR debt when issued on the basis of the terms of CYR debt available in the marketplace, (2) assert that it is probable that the entity will issue CYR debt, and (3) select one of the interest rates originally documented when the CYR debt is issued.

From the list of originally documented interest rates, an entity makes an initial best estimate of the interest rate it will select when the CYR debt is issued. This estimate will be used in its initial assessment of hedge effectiveness (see [discussion](#) further below).

Before the issuance of the CYR debt, if the entity's best estimate of the interest rate that it will select when the debt is issued changes to another interest rate that was originally documented, the entity must (1) perform a final retrospective hedge effectiveness assessment on the basis of changes in cash flows attributable to the previous best estimate of the interest rate to determine whether hedge accounting may be applied during that period (i.e., whether changes in fair value should be recorded in earnings or deferred in OCI) and (2) perform a prospective hedge effectiveness assessment on the basis of changes in cash flows attributable to the new best estimate of the interest rate to determine whether hedge accounting may continue (i.e., the hedging relationship is expected to be highly effective on a prospective basis) in accordance with ASC 815-30-35-37F and 35-37G.

If the entity's best estimate of the interest rate that it will select when the CYR debt is issued changes to an interest rate that was not originally documented, or if the entity determines that it is probable that the entity will not issue CYR debt, hedge accounting ceases and all accumulated gains and losses on the derivative should be reclassified into earnings. The ASU also notes that an entity must consider whether it has demonstrated "a pattern of determining that hedged forecasted transactions are probable of not occurring and the propriety of using hedge accounting in the future for similar forecasted transactions."

Transition From Forecasted Issuance to Existing CYR Debt

For hedge accounting to continue, the first interest rate index and tenor selected in the CYR debt instrument that now exists must have been included as part of the originally documented list at inception.

Existing CYR Debt and Replacement Debt

An entity must (1) document the interest rate indexes (and interest rate tenors, if applicable) included in the existing CYR debt⁹ and (2) assert that it is probable that the forecasted interest payments on the existing CYR debt or any replacement debt will be made at one of the newly documented rates.

An entity is allowed to change to a newly selected rate if such rate is derived from the entity's list of rates included in the existing CYR debt. After selecting an acceptable new rate, the entity would (1) perform a final retrospective hedge effectiveness assessment on the basis of

⁹ The original list of interest rates documented during the forecast period becomes irrelevant after the first interest rate index and tenor are selected in the issued CYR debt instrument. That is, the list resets to the rates included in the CYR debt instrument if the criteria to continue hedge accounting are met.

changes in cash flows attributable to the previously selected rate to determine whether hedge accounting may be applied during that period (i.e., whether changes in fair value should be recorded in earnings or deferred in OCI) and (2) perform a prospective hedge effectiveness assessment on the basis of changes in cash flows attributable to the newly selected rate to determine whether hedge accounting may continue (i.e., the hedging relationship is expected to be highly effective on a prospective basis) in accordance with ASC 815-30-35-37L and 35-37M.

If the entity selects an interest rate that was not originally documented or determines that it is probable that it will not make forecasted issuance payments on one of the documented rates, hedge accounting ceases and all accumulated gains and losses on the derivative should be reclassified into earnings.

Upon replacement of the CYR debt instrument, hedge accounting can continue as long as the interest rate index and tenor selected in the replacement instrument was initially documented as part of the terms of the original, existing CYR debt instrument.

Assessments of Hedge Effectiveness

Entities would not consider possible changes in cash flows that would occur if a different interest rate index and tenor is selected (or is expected to be selected in the case of forecasted issuances of CYR debt) on a future date.

Whenever an entity changes its best estimate in the forecast period or selects a different interest rate index and tenor to be designated as the contractually specified interest rate in the hedging relationship, the entity must:

- Perform a final retrospective assessment of hedge effectiveness on the basis of changes in cash flows attributable to the previous best estimate or previously selected interest rate index and tenor.
- Begin prospectively assessing hedge effectiveness solely on the basis of changes in cash flows attributable to forecasted interest payments on the new best estimate or newly selected hedged risk until such hedged risk is subsequently changed, if applicable.

Documentation Requirements Under the ASU

See the [appendix](#) for a table outlining an entity's documentation requirements under the ASU.

Cash Flow Hedges of Nonfinancial Forecasted Transactions

ASU 2025-09 supersedes the approach in ASC 815 known as the contractually specified component (CSC) model, under which entities could designate, as the hedged risk in a cash flow hedge of a forecasted purchase or sale of a nonfinancial asset, any variable price component explicitly referenced (or expected to be explicitly referenced) in the pricing formula of the associated purchase or sales agreement. After the issuance of ASU 2017-12, stakeholders consistently expressed concerns that the CSC model limited the application of hedge accounting for common risk management strategies — most notably, forecasted nonfinancial transactions to be consummated in the spot market.

The ASU replaces the CSC model with a principles-based approach that permits hedges of variable price components that are clearly and closely related to the nonfinancial asset being

purchased or sold.¹⁰ Specifically, the ASU adds ASC 815-20-25-22C (reproduced below), which expands the application of hedge accounting, most notably by expressly allowing entities to hedge price components in forecasted nonfinancial spot-market transactions.

ASC 815-20
Pending Content (Transition Guidance: ASC 815-20-65-7)
<p>25-22C An entity may designate the variability in cash flows attributable to changes in a component (or subcomponent) of the forecasted purchase price or sales price of a nonfinancial asset as the hedged risk in a cash flow hedge as follows:</p> <ol style="list-style-type: none">a. If the purchase price or sales price of the nonfinancial asset is not determined in accordance with a pricing formula in an agreement, the hedged variable component is clearly and closely related (as described in paragraph 815-10-15-32(a) through (b)) to the nonfinancial asset being purchased or sold.b. If the purchase price or sales price of the nonfinancial asset is determined in accordance with a pricing formula in an agreement, the hedged variable component is either of the following:<ol style="list-style-type: none">1. Explicitly referenced in the agreement's pricing formula and clearly and closely related (as described in paragraph 815-10-15-32(a) through (b)) to the nonfinancial asset being purchased or sold2. Clearly and closely related (as described in paragraph 815-10-15-32(a) through (b)) to a variable component that meets the conditions in (b)(1) (that is, a "subcomponent"). (Throughout Subtopic 815-20, reference to a subcomponent refers only to the designation guidance in this subparagraph.)

The Board observed¹¹ that the market (forward or spot) in which an entity expects to purchase or sell a nonfinancial asset may affect its determination of whether the forecasted transaction presents an exposure to cash flow variability that could affect reported earnings,¹² potentially limiting the population of eligible hedged risks in forecasted nonfinancial transactions consummated in the forward market (as compared with those consummated in the spot market). Accordingly, under the guidance in ASC 815-20-25-22C, the eligibility criteria for hedge accounting are bifurcated.

As discussed above, ASC 815-20-25-22C(b)(1) addresses hedges of variable price components explicitly referenced in an agreement's pricing formula that are clearly and closely related to the nonfinancial asset being purchased or sold. However, the ASU also broadens the application of hedge accounting by permitting an entity that transacts in the forward market to hedge variable price components that are clearly and closely related to any explicitly referenced variable component that meets the conditions in ASC 815-20-25-22C(b)(1). The ASU refers to these components as "subcomponents."

The amendments are expected not only to expand the application of hedge accounting for nonfinancial forecasted transactions but also to reduce the risk of missed forecasts for highly effective economic hedges. For example, the Board notes in paragraph BC88 of the

¹⁰ ASC 815-10-15-32 describes "clearly and closely related" as follows with respect to the normal purchases and normal sales scope exception (ASC 815-10-15-32(c) is inapplicable and therefore omitted):

The underlying in a price adjustment incorporated into a contract that otherwise satisfies the requirements for the normal purchases and normal sales scope exception shall be considered to be not clearly and closely related to the asset being sold or purchased in any of the following circumstances:

- a. The underlying is extraneous (that is, irrelevant and not pertinent) to both the changes in the cost and the changes in the fair value of the asset being sold or purchased, including being extraneous to an ingredient or direct factor in the customary or specific production of that asset.
- b. If the underlying is not extraneous as discussed in (a), the magnitude and direction of the impact of the price adjustment are not consistent with the relevancy of the underlying. That is, the magnitude of the price adjustment based on the underlying is significantly disproportionate to the impact of the underlying on the fair value or cost of the asset being purchased or sold (or of an ingredient or direct factor, as appropriate).

¹¹ See paragraphs BC70 and BC72 of the ASU.

¹² See ASC 815-20-25-15(c)(2).

ASU that “an entity [that] experiences an unexpected shortfall in the forecasted amount of a nonfinancial asset to be purchased under a forward contract and makes up the shortfall through a spot market purchase” can preserve hedge accounting under this revised model if (1) the component that is being hedged is clearly and closely related to the forward price and the spot price of the nonfinancial asset and (2) all other requisite conditions for the application of cash flow hedge accounting have been met.

In addition, the ASU clarifies that entities “may designate a variable price component in a contract that is accounted for as a derivative as the hedged risk if all other hedge criteria are satisfied.” Such guidance is intended to address the diversity in practice that has developed related to whether hedge accounting can be applied in these situations.

Net Written Options as Hedging Instruments

After receiving feedback that the amendments in the FASB’s 2024 proposed ASU related to the application of the net written option (NWO) test “were narrowly tailored, such that few . . . hedges would qualify for the Board’s intended relief,” the Board decided to refine the guidance. Specifically, ASU 2025-09 removes the presumption that “a compound hedging instrument comprising a swap and a written option is not a net written option in a hedge of interest rate risk” in the application of the NWO test in ASC 815-20-25-88.



Connecting the Dots

Lending institutions that make variable-rate loans to customers frequently hedge their interest rate exposure by using pay-variable, receive-fixed interest rate swaps. When those loans include a floor on the variable rate, lending institutions may choose to enter into interest rate swaps with mirror-image floors (i.e., a written option with a non-option derivative) to better mitigate their exposure to cash flow variability attributable to interest rates. Because the London Interbank Offered Rate (LIBOR) has been discontinued, it is now common for lending institutions to make floored loans tied to the term Secured Overnight Financing Rate (SOFR) and enter into floored interest rate swaps in which the variable leg is tied to Daily SOFR. Before the effective date of ASU 2025-09, these lending institutions are not eligible to apply cash flow hedge accounting because different underlyings in the hedged item and hedging instrument are indicators that the symmetry of potentially favorable and unfavorable cash flows under the NWO test cannot be met.

In paragraphs BC94 and BC105 of the ASU, the Board acknowledges that the accounting treatment for economically similar hedging relationships would differ in a LIBOR versus a post-LIBOR environment. Accordingly, the Board believes that hedge accounting in these circumstances should continue to apply in the absence of LIBOR.

Under the ASU, an entity designating a derivative instrument that consists of a written option and any other non-option derivative instrument as a hedging instrument need not apply the guidance in ASC 815-20-25-88 (as amended) if the following criteria in ASC 815-20-25-88(a)–(c) (added by the ASU) are met:

- a. The derivative is designated as the hedging instrument in a cash flow hedge or fair value hedge of interest rate risk (including the interest rate risk portion of a hedge of both interest rate risk and foreign exchange risk).
- b. The hedging instrument is a combination of a written option and a swap.
- c. The notional amount of the written option matches the notional amount of the swap.

If any of the above conditions are not met, the derivative instrument is considered a written option and therefore would be subject to the NWO test.

Foreign-Currency-Denominated Debt Instrument as Hedging Instrument and Hedged Item (Dual Hedge)

Under ASC 815, entities are permitted to simultaneously designate a single foreign-currency-denominated debt instrument as both (1) a hedging instrument in a hedge of a net investment in foreign operations and (2) a hedged item in a fair value hedge of interest rate risk. In practice, this combination of hedging relationships is commonly referred to as a “dual hedge.”

ASC 815 requires entities to record the gain or loss on remeasurement of a foreign-currency-denominated debt instrument that is designated in a highly effective net investment hedging relationship as a cumulative-translation adjustment (as part of AOCI) until the net investment is substantially liquidated. In a dual hedge, because the basis of the foreign-currency-denominated debt instrument is also adjusted for changes in its fair value that are attributable to changes in the designated interest rate before remeasurement of the debt for changes in foreign currency exchange rates, the gain or loss on the remeasurement of the fair value hedge basis adjustment is also deferred in AOCI as a result of the net investment hedge. Consequently, there is an imperfect offset between the changes in fair value of (1) the derivative hedging instrument for the fair value hedge that is recognized in earnings and (2) the foreign-currency-denominated debt, a portion of which is recognized in OCI under the net investment hedging relationship.

ASU 2025-09 removes this mismatch by requiring entities to exclude the fair value hedge basis adjustment from the assessment of the effectiveness of the net investment hedge when the hedging instrument is debt that is part of a dual hedge. As a result, the remeasurement for changes in spot rates on the fair value hedge basis adjustment would be recognized in earnings and offset against the remeasurement of the derivative that is designated as the hedging instrument.

Effective Dates and Transition

Effective Dates

For public business entities, the ASU's amendments are effective for fiscal years beginning after December 15, 2026, and interim periods therein. For all other entities, the amendments are effective for fiscal years beginning after December 15, 2027, and interim periods therein. Entities are permitted to early adopt the new guidance in any interim or annual period after the ASU's issuance.

Transition

The ASU's guidance should be applied prospectively for all hedging relationships as of the date of adoption. Entities must disclose the nature of and reason for the change in accounting principle, as well as the method of applying the change, in both the interim reporting period and the annual reporting period in which they adopt the ASU. In addition, “entities are permitted to modify certain critical terms of certain existing hedging relationships without dedesignating the hedge.” Such permitted modifications upon transition are summarized below and apply to cash flow hedges that exist as of the date of adoption.

When using cash flow hedge accounting for a group of individual forecasted transactions, entities may:

- Modify their method for assessing similar risk exposure to ensure that it is one of the methods described in ASC 815-20-55-23A (e.g., either (1) determine whether each hedged risk related to a forecasted transaction hedged in a group is similar to each other hedged risk in the group or (2) determine whether the designated hedging instrument is highly effective against each risk in the group). Alternatively, entities can change from one method to the other method.

- Change their method for assessing hedge effectiveness if the revised method leverages their method for assessing similar risk exposure in determining that the hedging relationship is highly effective.
- Modify hedging relationships to add another risk or risks to an existing pool.
- Migrate forecasted transactions from an existing pool to another existing pool, a newly created pool, or any combination thereof.¹³
- Reassign existing derivatives to new or existing pools or change their order within those pools.

On the date they adopt the ASU, entities should reassign gains and losses reported in AOCI by using a systematic and rational manner to align with the pools that result from performing the actions discussed above. This includes amounts still reported in AOCI related to hedges that were discontinued before the adoption date.

When hedging changes in the overall price or the contractually specified component of forecasted purchases or sales of nonfinancial assets, entities may “modify the hedging relationship to designate the hedged risk as variability in cash flows attributable to changes in a component (or subcomponent) . . . in accordance with paragraph 815-20-25-22C.”

Entities that are hedging forecasted interest payments on an existing CYR debt instrument may:

- Amend the relationship to allow for replacement debt.¹⁴
- Document the quantitative hedge effectiveness method to be used if they are currently assessing hedge effectiveness on a qualitative basis.
- If they are including interest payments on an existing CYR debt instrument in a hedge of a group of forecasted transactions under the first-payments-received technique, amend the hedging relationship to include only interest payments on the individual CYR instrument and replacement debt.

If an entity’s transition method results in a change to the designated hedged risk, the instrument used to estimate the change in value of the hedged risk in the assessment of hedge effectiveness should be modified “on the basis of market data as of the inception of the hedging relationship.” An entity should also “amend hedge documentation upon adoption, including documentation of critical terms, the hedged forecasted transactions, hedge effectiveness assessments, and similar risk assessments, as needed to apply the pending content . . . for all existing and discontinued hedging relationships.”

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¹³ Entities may also migrate individual forecasted transactions stemming from hedges that were discontinued before the date of adoption that have amounts still in AOCI as of adoption.

¹⁴ For hedges of a group of forecasted interest payments designated under a first-payments-received technique, entities may also amend the relationship to include only interest payments on the existing CYR debt instrument.



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Appendix — Summary of Documentation Requirements

The table below summarizes an entity's documentation requirements under the ASU related to its (1) forecasted issuance of CYR debt and (2) existing CYR debt or replacement debt.

	Beginning of the Hedging Relationship	Change in Best Estimate of Interest Rate Index (Forecasted Issuance of CYR Debt) or Then-Selected Interest Rate Index (Existing CYR Debt or Replacement Debt)	CYR Debt Is Replaced	CYR Debt Is Issued
Forecasted issuance of CYR debt	<p>Documentation</p> <p>Entity must document the rates that are customarily included in CYR debt offerings (market terms for CYR debt).</p> <p>Effectiveness Testing</p> <p>Entity designates its best estimate of the interest rate index on which it will ultimately issue CYR debt as the hedged risk.</p> <p>Probability Assertion</p> <p>Entity asserts that it is probable it will issue CYR debt at one of the interest rates designated at hedge inception as part of the market terms.</p>	<p>Documentation</p> <p>No amendments to documentation.</p> <p>Effectiveness Testing</p> <p>Perform the retrospective and prospective effectiveness assessments in accordance with ASC 815-30-35-37F and 35-37G.</p> <p>If the new best estimate interest rate index was not documented at hedge inception, the entity would be considered to have a missed forecast.</p> <p>Probability Assertion</p> <p>No amendments to documentation.</p>	N/A	<p>Documentation</p> <p>The entity switches to the guidance for existing CYR debt and replacement debt and must document the interest rate indexes included in the terms of the now issued CYR debt instrument.</p> <p>Effectiveness Testing</p> <p>The initially selected interest rate index is considered the hedged risk.</p> <p>Probability Assertion</p> <p>Entity asserts that it is probable that it will accrue interest at one of the rates documented as part of the terms included in the original, existing CYR debt instrument for the duration of the hedged period.</p>
Existing CYR debt or replacement debt	<p>Documentation</p> <p>Entity documents the interest rate indexes included in the terms of the initial CYR debt instrument.</p> <p>Effectiveness Testing</p> <p>Entity designates the then-selected interest rate index as the hedged risk.</p> <p>Probability Assertion</p> <p>Entity asserts that it is probable that it will accrue interest at one of the rates documented at hedge inception for the duration of the hedged period.</p>	<p>Documentation</p> <p>No amendments to documentation.</p> <p>Effectiveness Testing</p> <p>Perform the retrospective and prospective effectiveness assessments in accordance with ASC 815-30-35-37L and 35-37M.</p> <p>If the newly selected interest rate index was not documented at hedge inception, the entity would be considered to have a missed forecast.</p> <p>Probability Assertion</p> <p>No amendments to documentation.</p>	<p>Documentation</p> <p>No change from existing guidance.</p> <p>Effectiveness Testing</p> <p>No change from existing guidance.</p> <p>Probability Assertion</p> <p>No change from existing guidance.</p> <p>Additional Considerations</p> <p>Application of hedge accounting must be discontinued and all gains and losses on the derivative in AOCI should be recognized in earnings if (1) the entity issues replacement debt that is fixed-rate debt (at any rate) or (2) the initial rate in replacement plain-vanilla variable-rate debt or CYR debt is not a rate that was documented and included in the terms of the original CYR debt instrument.</p>	N/A

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