

FASB Concludes Redeliberations on Targeted Improvements to Hedge Accounting

At its March 22, 2017, [meeting](#), the FASB concluded its redeliberations on its 2016 [proposed Accounting Standards Update \(ASU\), Targeted Improvements to Accounting for Hedging Activities](#), and made tentative decisions about whether to (1) add cross-currency basis spreads for currency swaps to the list of components that can be excluded from a hedging relationship and (2) change the base recognition model for excluded components to an amortization approach.

The Board tentatively concluded the following:

- *Cross-currency basis spreads* — The Board tentatively decided that cross-currency basis spreads for currency swaps should be added to the list of hedging instrument components that an entity can choose to exclude from its assessment of hedge effectiveness.
- *Excluded component recognition*:
 - *Designation of amortization approach as base recognition model* — The Board tentatively decided to change the base recognition model for excluded components to an amortization approach. Under the amortization approach, changes in the fair value of the excluded component are recorded in other comprehensive income, and the initial value of the excluded component is “amortized to earnings over the life of the derivative on a systematic and rational basis.”
 - *Election to apply a mark-to-market approach* — The Board also tentatively decided to allow entities to make an accounting policy election to apply a mark-to-market through earnings approach to excluded components.
 - *Discontinuation of hedging relationships under the amortization approach* — The Board tentatively decided that when an entity that uses the amortization approach discontinues a hedging relationship, it should release the related amounts in accumulated other comprehensive income to earnings in a manner consistent with existing guidance for each type of hedging relationship, specifically:
 1. For a cash flow hedge in which the hedged forecasted transaction is still probable of occurring, at the time that the hedged forecasted transaction affects earnings
 2. For a fair value hedge, consistent with how fair value hedge basis adjustments are recognized in earnings for the related hedged item.

Next Steps

The Board has now concluded its redeliberations on this project and expects to address any remaining sweep issues that arise from the staff’s drafting of the final ASU, including the determination of the effective date, in May 2017.

Refer to the summary of [tentative Board decisions](#) for additional information.

This publication is provided as an information service by Deloitte’s National Office and may contain summaries of Deloitte’s observations at meetings or other events. Such summaries are believed to be accurate; however, no representation can be made that it is complete or without error. Deloitte is not, by means of this publication, rendering accounting, business, financial, investment, legal, tax, or other professional advice or services. This publication is not a substitute for such professional advice or services, nor should it be used as a basis for any decision or action that may affect your business. Before making any decision or taking any action that may affect your business, you should consult a qualified professional advisor. Deloitte shall not be responsible for any loss sustained by any person who relies on this publication.

As used in this document, “Deloitte” means Deloitte & Touche LLP, a subsidiary of Deloitte LLP. Please see www.deloitte.com/us/about for a detailed description of our legal structure. Certain services may not be available to attest clients under the rules and regulations of public accounting.