#### **FINASTRA**

### **Factsheet - Summit Hedge Accounting**

# Handle your hedge relations and comply with the latest IFRS9 regulations

Discover how the Summit Hedge Accounting module supports the requirements of IFRS9 relating to accounting for derivative transactions to facilitate hedging activities.

The Summit Hedge Accounting module is fully integrated and works in conjunction with Summit multi-currency accounting sub-ledger. It covers the creation of hedge relationships between hedged items: fixed income, deposits/loans, and hedging items: foreign exchange, interest rate swaps, financial futures, exchange-traded options, and over-the-counter options.

The Summit multi-currency accounting module provides fair value information and can post mark-to-market accounting entries for all derivative instruments.

#### IFRS9 requirements

- All derivatives are reported at fair value in the balance sheet and income statement
- Optional hedge accounting allowing both hedging instruments and hedged items to be recognized in P&L or OCI in the same accounting period, to eliminate or reduce the volatility in the statement of comprehensive income

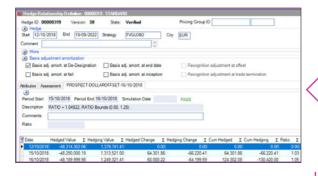
#### Key features of Summit Hedge Accounting

- Hedge strategies identifies individual hedging strategy including type of hedge, type of risk being hedged, frequency of effectiveness testing, and methodologies for calculating ineffectiveness
- Hedge relationship links derivative transactions to the asset or liability transactions or positions being hedged under the appropriate hedge strategy
- Hedge documentation summarizes hedged and hedging items, risk being hedged, risk strategy, assessment of effectiveness, and measurement of ineffectiveness
- Fair value calculation calculates incremental changes in fair values according to designated risk
- Effectiveness testing tests for hedge effectiveness against user-defined boundaries for fair value and cash flow hedges

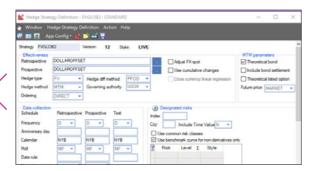
 Hedge de-designation – can suspend, or terminate hedge accounting for the effectiveness testing period

 Accounting reclassification entries – allowing hedged item fair value changes to be posted to P&L or OCI to compensate for hedging items' fair value changes

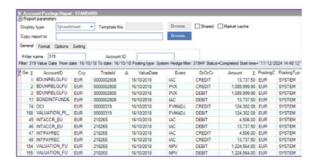
## Hedge Relationship Definition showing linked hedged Bond and hedging Swap



#### **Hedge Strategy**



## Accounting entries for hedged Bond, hedging Swap and reclassification Hedge Accounting Entries



#### **About Finastra**

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#### Reporting and accounting

The Summit Hedge Accounting module creates accounting entries at the trade level for hedged and hedging transactions, all reclassification entries are posted at the hedge relationship level. In addition, Summit provides a suite of reports and online inquiries specific to the Hedge Accounting module including:

- Hedge relationship definition
- Hedged and hedging fair value and fair value changes
- Hedge documentation
- Hedge effectiveness testing, ad hoc and batch
- Hedge report
- · Accounting posting report

#### Audit trail

The Summit Hedge Accounting module provides users with a complete audit trail for all processing activity including hedge strategy maintenance, fair value calculations, and effectiveness testing. All related data can be retrieved and used for investigation and reporting purposes.

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