

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 ID: 00000319, Version: 38, State: Verified, Pricing Group ID: []

Hedge: State: 15/10/2018, End: 15/09/2022, Strategy: FVGL082, Coy: EUR

Comment: []

More: []

Basis adjustment amortization:

 Basis adj. amort. at De-Designation

 Basis adj. amort. at end date

 Recognition adjustment at offset

 Basis adj. amort. at fail

 Basis adj. amort. at inception

 Recognition adjustment at trade termination

Attributes: Assessment: PROSPECT-DOLLAROFFSET-16/10/2018

Period Start: 15/10/2018, Period End: 16/10/2018, Simulation Date: [], PASS

Description: RATIO = 1.04922, RATIO Bounds (0.90, 1.25)

Comments: []

Ratio: []

Date	Hedged Value	Hedging Value	Hedged Change	Hedging Change	Cum Hedged	Cum Hedging	Ratio
12/10/2018	-48,314,302.06	3,379,141.41	0.00	0.00	0.00	0.00	0.00
15/10/2018	-48,250,000.19	3,313,521.00	64,301.86	-66,220.41	64,301.86	-66,220.41	1.03
16/10/2018	-48,189,999.98	3,249,321.41	60,000.22	-64,199.59	124,302.08	-130,420.00	1.05

Hedge Strategy

Hedge Strategy Definition - FVGL082 - STANDARD

Strategy: FVGL082, Version: 12, State: LIVE

Effectiveness:

Retrospective: DOLLAROFFSET

Prospective: DOLLAROFFSET

Hedge type: FV

Hedge method: MFM

Ordering: DIRECT

Designated risks:

Schedule: Retrospective, Prospective, Test

Frequency: D, D, D

Anniversary day: []

Calendar: NYB, NYB, NYB

Roll: MF, MF, MF

Date rule: []

MTM parameters:

 Theoretical bond

 Include bond settlement

 Theoretical listed option

Future price: MARKET

Other options:

 Adjust FX spot

 Use cumulative changes

 Cross currency linear regression

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

Accounting Entries Report - STANDARD

Display type: Spreadsheet, Template file: [], Shared: [], Market cache: []

Copy report to: []

General: Format: [], Options: [], Sorting: []

Filter: 319 Value Date From date: 16/10/18 To date: 16/10/18 Posting type: System Hedge filter: 319HF Status=Completed Start time: 17/12/2024 14:48:12

Ge	AccountID	Coy	TradeId	Δ	ValueDate	Event	Dt/Ct	Amount	PostingC	PostingTyp
1	BDUNREGLFU	EUR	000002808		16/10/2018	IAC	CREDIT	13,737.50	EUR	SYSTEM
2	BDUNREGLFU	EUR	000002808		16/10/2018	PUX	CREDIT	1,089,999.98	EUR	SYSTEM
3	BDUNREGLFU	EUR	000002808		16/10/2018	PUX	DEBIT	1,089,999.98	EUR	SYSTEM
11	BONDINTFUNDE	EUR	000002808		16/10/2018	IAC	DEBIT	13,737.50	EUR	SYSTEM
74	OCI	EUR	00000319		16/10/2018	PVMADJ	CREDIT	124,302.08	EUR	SYSTEM
158	VALUATION_PL_	EUR	00000319		16/10/2018	PVMADJ	DEBIT	124,302.08	EUR	SYSTEM
45	INTACCR_EU	EUR	218265		16/10/2018	IAC	DEBIT	4,506.00	EUR	SYSTEM
46	INTACCR_EU	EUR	218265		16/10/2018	IAC	DEBIT	13,737.50	EUR	SYSTEM
47	INTPAYREC	EUR	218265		16/10/2018	IAC	CREDIT	4,506.00	EUR	SYSTEM
48	INTPAYREC	EUR	218265		16/10/2018	IAC	CREDIT	13,737.50	EUR	SYSTEM
154	VALUATION_FU	EUR	218265		16/10/2018	NPV	DEBIT	1,224,564.00	EUR	SYSTEM
155	VALUATION_FU	EUR	218265		16/10/2018	NPV	DEBIT	1,224,564.00	EUR	SYSTEM

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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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