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| Project | <b>Financial Instruments (Replacement of IAS 39)—Hedge Accounting</b> |
| Topic   | <b>(No) voluntary discontinuation—clarification</b>                   |

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## Introduction

### *Background*

1. This paper addresses the feedback received on the proposals in the exposure draft *Hedge Accounting* (ED) regarding discontinuation of hedge accounting (question 8 in the invitation to comment).
2. The paper contains two questions to the Board.

### *Overview of the proposals in the ED*

3. The ED proposes changing the discontinuation provisions for hedge accounting. Under the proposed model, an entity must discontinue hedge accounting prospectively when the hedging relationship ceases to meet the qualifying criteria<sup>1</sup>. These qualifying criteria include that the hedging relationship still meets the risk management objective and strategy on the basis of which the hedging relationship qualified for hedge accounting.
4. Upon changes in the risk management objective, the hedging relationship must be discontinued.
5. In addition, the ED proposed that if a hedging relationship meets all the qualifying criteria including that the risk management objective has not been

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<sup>1</sup> Refer to paragraphs B61 to B66 of the ED.

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This paper has been prepared by the technical staff of the IFRS Foundation for discussion at a public meeting of the IASB.

The views expressed in this paper are those of the staff preparing the paper. They do not purport to represent the views of any individual members of the IASB.

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The tentative decisions made by the IASB at its public meetings are reported in IASB *Update*. Official pronouncements of the IASB, including Discussion Papers, Exposure Drafts, IFRSs and Interpretations are published only after it has completed its full due process, including appropriate public consultation and formal voting procedures.

## IASB Staff paper

changed, the entity is prohibited from *voluntarily* discontinuing hedge accounting<sup>2</sup>.

6. As a consequence, the ED made rebalancing mandatory if it is needed to continue to meet the qualifying criteria regarding the hedge ratio. That prevents an entity electing to discontinue hedge accounting for a hedging relationship for which the original risk management objective still applies, by simply omitting to adjust the hedge ratio.

***Rationale for the proposals***

7. The changes to the discontinuation requirements were proposed because:
  - (a) the new hedge accounting model eliminates some of the main reasons for needing to discontinue hedge accounting under the current hedge accounting model; and
  - (b) discontinuing hedge accounting ‘at will’ does not result in useful information (particularly because the risk management objective is unchanged).
8. Currently IAS 39 *Financial Instruments: Recognition and Measurement* provides a free choice to discontinue hedge accounting by simply revoking the designation of the hedging relationship (ie irrespective of reason or justification). This has been used mainly because the current model creates the need for it. IAS 39 does not allow adjustments to a hedging relationship as a continuing hedging relationship (ie in case of a need for an adjustment there is no alternative available to discontinuing the hedging relationship). A need for adjustments often results from how the effectiveness assessment in IAS 39 works. The notion of rebalancing in conjunction with eliminating the retrospective effectiveness assessment based on the 80 to 125 per cent range removes the need for discontinuation of hedge accounting for many instances where it is needed under IAS 39.
9. The aim of the ED is to better link hedge accounting to risk management. If the risk management objective changes hedge accounting must be discontinued—so

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<sup>2</sup> Refer to paragraph B62 of the ED.

## IASB Staff paper

a voluntary revocation could only occur if the risk management objective was unchanged. A choice to revoke the designation of a hedging relationship (and hence discontinue hedge accounting) 'at will' therefore undermines the link with risk management and does not result in useful information because it would allow discontinuing hedge accounting even if the entity for risk management purposes continued to hedge the exposure in accordance with its original risk management objective. Hence, in such situations voluntary discontinuation of hedge accounting would be arbitrary and unjustifiable.

**Feedback from comment letters and outreach activities**

10. The responses in the comment letters and feedback from the outreach activities showed mixed views. Those who disagreed argued if starting hedge accounting was voluntary ceasing hedge accounting should also be voluntary.
11. Those who agreed with the proposals think that the proposals will strengthen the reliability of financial reporting, because the ability to change accounting policies for no valid reason would be reduced. These commentators also thought that there should be a clear link between the risk management objective for the hedging relationship and the continuation or discontinuation of a hedge accounting. Other commentators within this group argue that if there is a change to such a risk management objective, this should be subject to disclosure. Along the same line of thought, some agree that hedge accounting should be continued when the entity still manages the same risk through the use of the same hedging instruments.
12. Some of the respondents and participants who agreed with the proposals also thought that the current model in IAS 39 provides an opportunity for structuring. They argued that the fact that a hedging relationship can be arbitrarily discontinued at any point in time is not conceptually sound and does not result in useful information. Others thought that the current provision in IAS 39 creates an opportunity for cherry-picking and to engage in abusive accounting behaviour to produce a desired accounting outcome.
13. Commentators who expressed conditional agreement with the proposals asked the Board to provide guidance on the meaning of 'risk management' and at what level it should be considered for the purpose of hedge accounting. In their view,

## IASB Staff paper

risk management encompasses a variety of tools and techniques and can be defined at different levels. They argue that the fact that risk management is not defined might mean that treasury departments need to change their hedging relationships as a consequence of applying hedge accounting. Some also expressed the view that the lack of this definition affects the objective of hedge accounting, because risk management is not defined.

14. Commentators who disagreed with the proposals did so on the basis of the voluntary nature of hedge accounting. In their view, the fact that applying hedge accounting is in itself voluntary should be enough to justify that an entity can voluntarily discontinue the hedging relationship. Some commentators consider that voluntary discontinuation is necessary in scenarios where an entity decides to terminate a hedging relationship on the basis that the hedge is no longer cost efficient, because it is too onerous to apply hedge accounting due to the administrative burden or simply because the entity wants to change the hedging instrument without changing the risk management objective. Some of these commentators raised the issue that voluntary discontinuation is an important tool within the current hedge accounting model for financial institutions who normally run hedging programmes based on portfolio items on a macro basis. These portfolios are subject to constant changes and entities remove the hedge designation with the aim of adjusting the hedging relationship for new hedged items and hedging instruments.
15. Other commentators within the same group argue that not allowing voluntary discontinuation is inconsistent with the mechanics of cash flow hedges. These commentators argue, for example, that when an entity enters into a cash flow hedge for forecast sales in a foreign currency, the aim of the risk management strategy is to protect its cash flows until settlement of the invoice. However, hedge accounting would only be applied until the moment when the sales invoice becomes an on-balance-sheet item, after which the entity obtains a natural offset in the income statement because of the translation of the hedged item in accordance with IAS 21 *The Effects of Changes in Foreign Exchange Rates* and the accounting of the hedging instrument at fair value through profit or loss. In their view, the way to solve this issue is to allow the voluntary discontinuation of the hedging relationship at the time the forecast transaction becomes an on-balance-sheet item (eg a trade receivable).

## IASB Staff paper

16. Auditors thought that the prohibition had been created to prevent abuse. They argue that this prohibition might have unintended consequences, and in particular that it might discourage the use of hedge accounting. In their view, the ability to voluntarily discontinue hedge accounting has not caused many issues in practice and should therefore be maintained. Some auditors asked the Board to consider allowing voluntary discontinuation but to require disclosures that would allow users to understand the circumstances in which an entity voluntarily discontinues hedge accounting.
17. Finally, a few commentators thought that the proposals could be circumvented. They argue that voluntary discontinuation can be achieved by closing the hedging instrument and immediately entering into another hedging instrument that is then used to pursue the same objective as the previous one but not designating the new hedging instrument into a hedging relationship for accounting purposes. These commentators therefore thought that this proposal might be difficult to enforce.
18. Almost all users agreed with the proposals. In their view, allowing voluntary discontinuation of hedge accounting when the hedging relationship still meets the risk management objective and all other qualifying criteria introduces arbitrary differences in financial reporting and impedes comparability.

**Staff analysis**

19. The feedback highlighted two main issues:
  - (a) whether voluntary discontinuation should be allowed given that hedge accounting is optional; and
  - (b) clarification regarding how the link of the proposed discontinuation requirements to the risk management objective and strategy works.

***Voluntary discontinuation because hedge accounting is optional?***

20. The concerns of commentators who objected to the proposal are mainly a disagreement in principle on the basis that if hedge accounting is voluntary, then discontinuation of hedge accounting should also be voluntary.

## IASB Staff paper

21. This rationale is superficially appealing but ignores the fact that hedge accounting is allowed *for a purpose* and hence that purpose cannot be ignored when considering voluntary discontinuation of hedge accounting. While the application of hedge accounting is optional it is provided to facilitate the provision of useful information for financial reporting purposes—explaining how hedging instruments are used to manage risk.
22. If an entity chooses to apply hedge accounting, it has the aim of representing in the financial statements the effect of pursuing a particular risk management objective by using hedge accounting. This means the entity chooses to explain that activity using that kind of accounting. If that risk management objective has not changed and the other qualifying criteria for hedge accounting are still met, the ability to discontinue hedge accounting would undermine the aspect of consistency over time in accounting for that hedging relationship.
23. This results in erratic ‘chop and change’ accounting for that hedging relationship in that the accounting initially chosen can be changed for no reason. This makes the financial information less understandable because there is a change in the accounting, which typically signals a change in the reported phenomenon, even though there is no actual change in the reported phenomenon.
24. The staff also consider that a free choice to discontinue hedge accounting reflects a view of hedge accounting as a mere accounting exercise that does not have any particular meaning. Conversely, the aim of the ED of better aligning accounting with risk management is inconsistent with a free choice to discontinue hedge accounting.
25. The staff also note that other optional accounting treatments of IFRSs do not allow the entity to overturn its initial election:
  - (a) the fair value option in IAS 39 and IFRS 9 *Financial Instruments*;
  - (b) the lessee’s option to account for a property interest held under an operating lease as an investment property, which is available (irrevocably) on a property-by-property basis.<sup>3</sup>

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<sup>3</sup> See IAS 40 *Investment Property*, paragraph 6.

## IASB Staff paper

26. Using the same ‘logic’ cited in support of voluntary discontinuation of hedge accounting, the fact that these accounting treatments are elective would mean that an entity should have the choice to revoke that election at any time.
27. Hence, the staff consider that the statement ‘if hedge accounting is voluntary, then discontinuation of hedge accounting should also be voluntary’ is not a valid argument.
28. Some commentators observed that the proposals could be circumvented by extinguishing the designated hedging instrument and entering into a new one that is not designated as a hedging instrument. The staff note that any elective accounting treatment that does not allow overturning the original election can be ‘circumvented’ by a transaction that achieves derecognition for the item for which the election was made (eg a ‘wash sale’<sup>4</sup>) because the elections are eligible on initial recognition of an item. The staff also note that such transactions result in incurring transaction costs, which provides a commercial disincentive that creates a trade-off (regarding the potential ‘accounting benefit’).

***Clarification of the link of the proposed discontinuation requirements to the risk management objective and strategy***

29. The clarification that commentators requested for the link of the proposed discontinuation requirements to the risk management objective regards two aspects that are interrelated:
  - (a) how the references to risk management *objective* and risk management *strategy* relate to each other; and
  - (b) at *what level* (of risk management) each of those notions apply.
30. Those requests for clarification resulted from two scenarios that commentators mentioned to illustrate their concerns:
  - (a) hedge accounting approaches that are a surrogate for ‘dynamic’ hedging; and

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<sup>4</sup> A ‘wash sale’ refers to the repurchase of an item shortly after it has been sold.

## IASB Staff paper

(b) hedging relationships that at a specific stage automatically turn into a 'natural hedge'.

31. The staff first illustrate how risk management objective and strategy relate to each other. Then the staff illustrate in the following sections how this understanding of the terms applies to the two scenarios that commentators mentioned.

*Risk management objective versus risk management strategy*

32. Paragraph 88(a) of IAS 39 refers to the terms risk management objective and strategy as part of the qualifying criteria for hedge accounting:

At the inception of the hedge there is formal designation and documentation of the hedging relationship and the entity's risk management objective and strategy for undertaking the hedge. [...]

33. However, the requirements of IAS 39 do not attach much importance to the difference between the risk management objective and the risk management strategy<sup>5</sup> whereas the ED refers to these terms for the purpose of determining when a hedging relationship is discontinued.

34. The risk management *strategy* is the highest level at which an entity determines how it manages its risk. Risk management strategies typically identify the risks to which the entity is exposed and sets out how the entity responds to them. A risk management strategy is typically in place for a longer period and may include some flexibility to react to changes in circumstances that occur while that strategy is in place (eg different interest rate or commodity price levels that result in a different extent of hedging). This is normally a general document that is cascaded down through an entity through policies containing more specific guidelines. These can for example include policies for which time horizon(s) a risk is managed, risk limits, eligible instruments that may be used to hedge the exposure, frequency of review of the hedging strategies and what management

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<sup>5</sup> The references are either to both risk management objective and strategy or only to risk management strategy. There are few references to risk management strategy and they are in the context of what particular hedge effectiveness assessment an entity applies. The main importance of the references to these terms in IAS 39 is that the entity must have documented at inception of the hedging relationship how it assesses the hedge effectiveness (which makes the reference to the risk management strategy somewhat redundant as IAS 39.88(a) explicitly refers to documentation of how the entity will assess hedge effectiveness anyway).



## IASB Staff paper

information is to be produced for the purpose of monitoring the effectiveness of the hedges.

35. The risk management *objective* for a hedging relationship applies at the *level of that hedging relationship*. It relates to how the particular hedging instrument designated is used to hedge the particular exposure designated as the hedged item.
36. Hence, a risk management strategy can (and often does) involve many different hedging relationships whose risk management objectives relate to executing that risk management strategy.
37. This can be illustrated with a simple example. An entity has a *strategy* of managing its interest rate exposure<sup>6</sup> on debt funding that sets ranges for the overall entity for the mix between variable rate and fixed rate.<sup>7</sup> The strategy is to maintain between 20 and 40 per cent of the debt at fixed rates. The entity decides how to execute this strategy, ie where it positions itself within the 20 to 40 per cent range for fixed rate interest exposure, depending on the level of interest rates. If interest rates are low the entity fixes the interest for more debt than when interest rates are high.
38. For example, the entity's debt is CU100<sup>8</sup> of variable rate debt of which CU30 had been swapped into fixed rate. The entity then uses low interest rates to issue an additional CU50 of debt to finance a major investment, which is a placement of a *fixed* rate bond. This results in a total debt of CU150<sup>9</sup> of which CU80<sup>9</sup> are fixed rate exposure (ie 53.3 per cent). In the light of the low interest rates and the increased funding the entity decides to reduce the fixed interest rate exposure to 40 per cent of total debt. Hence, the entity discontinues hedging CU20 of the previously hedged variable rate exposure resulting in CU60<sup>10</sup> of fixed rate exposure.

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<sup>6</sup> The term 'exposure' is used because the interest rate risk profile can result directly from an instrument or as a result of a hedge. For example, for risk management purposes fixed rate debt and variable rate debt that has been swapped into fixed both give rise to fixed rate exposure.

<sup>7</sup> This is typically done by time buckets but for the sake of simplicity the example does not differentiate by time buckets.

<sup>8</sup> In this paper, monetary amounts are denominated in 'currency units (CU)'.

<sup>9</sup> The total of the new CU50 fixed rate debt and the CU30 of variable rate debt that was swapped into fixed in the past.

<sup>10</sup> CU60 fixed rate exposure of the total debt of CU150 equals 40 per cent.

## IASB Staff paper

39. In this case the risk management *strategy* remains unchanged. However, the entity's execution of that strategy has changed and this means that for CU20 of variable rate exposure that was previously hedged the risk management *objective* has changed (ie at the hedging relationship level). Hence, the proposals in the ED mean that in this situation hedge accounting *must* be discontinued for CU20 of previously hedged variable rate exposure.<sup>11</sup>

*Hedge accounting approaches that are a surrogate for 'dynamic' hedging*

40. This understanding of the terms 'risk management strategy' and 'risk management objective' can now be applied to the two scenarios that commentators mentioned. The first one is that of many banks that use a hedge accounting approach under IAS 39 that involves frequent discontinuations and restarts of hedging relationships. The exposures that are hedged result from positions that frequently change, particularly interest rate risk of a portfolio (or 'book') of debt instruments. The addition of new debt instruments and the derecognition of debt instruments continuously change that exposure (ie it is different from simply running off a position that matures) and the bank frequently adjusts the hedging instruments used to manage the interest rate risk of the exposure as it changes.
41. Hedge accounting is difficult to apply to this dynamic change of both the exposure and the hedging instruments used to manage it because the hedged item and the hedging instrument do not remain the same for long. Hence, in practice banks tend to designate hedging relationships but they are discontinued after only a short period (such as a month) and then replaced by a new hedging relationship that takes into account changes in the exposure and the related hedging instruments over that period (ie the past month).
42. For example, a time bucket of debt instruments with 24 months remaining maturity is designated as the hedged item for interest rate risk for 24 months. The same procedure is applied to the other time buckets (eg 23 months maturity and so on). One month later the entity discontinues the hedging relationship for all time buckets designated in the previous month and designates new hedging

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<sup>11</sup> This would often involve reducing the swap position by a CU20 nominal amount but depending on the circumstances an entity might retain that swap volume and use it for a different hedge or it might become part of a trading book.

## IASB Staff paper

relationships for all time buckets on the basis of their size and the hedging instruments that exist at that date.

43. Commentators were concerned that those regularly occurring discontinuations of hedging relationships (and hence that entire approach to hedge accounting that involves such discontinuations) would no longer be allowed under the proposed discontinuation requirements of the ED. They noted that the risk management strategy of the entity remained unchanged (the interest rate risk for the time buckets is hedged in the same way month after month) and hence the hedging relationships could not be discontinued in the (in this example monthly) cycle like under IAS 39.
44. The staff consider that those discontinuations are not *voluntary* discontinuations ‘at will’ (that the ED prohibits) but instead that hedge accounting *must* be discontinued in those circumstances. The approach means that the entity each month looks at:
  - (a) each **time bucket** at that date as a completely new exposure (irrespective of what that bucket was a month earlier); and
  - (b) the financial instruments that are in place at that date, which qualify as hedging instruments.
45. This means that the hedge is established such that the entity looks at a *new* hedging instrument (focusing in this case on the new time bucket instead of the instrument as a whole) and a *new* hedged item instead of the hedging instrument and the hedged item that were designated a month ago. That previous hedging relationship is no longer considered for risk management purposes but has been completely *replaced* by the newly designated hedging relationships. That is different from hedging a particular debt instrument that is still hedged in the same way one month later and whose remaining maturity has simply reduced by one month.
46. Hence, the fact that the risk management strategy remains the same does not mean that the replaced previous hedging relationships continue. Because of the replacement of the previous hedging relationships by new ones there is no risk management *objective* that continues to apply for those *previously* designated hedging relationships—they no longer exist (compared to how they were designated a month earlier).

IASB Staff paper

*Hedging relationships that at a specific stage automatically turn into a 'natural hedge'*

47. The second scenario that commentators mentioned is common for hedges of foreign currency risk resulting from forecast<sup>12</sup> sales or purchases that are denominated in a foreign currency.
48. For example, for hedges of forecast sales in a foreign currency an entity can broadly take two risk management approaches:
  - (a) the entity manages the foreign currency risk as one continuous hedging relationship until the settlement date (ie when the cash flow is received);  
or
  - (b) the entity manages the foreign currency risk as a particular hedging relationship only up to the point of the recognition of the receivable. Thereafter the entity no longer manages the foreign currency risk on the basis of that hedging relationship but instead manages the foreign currency risk from receivables, payables and derivatives (that do not relate to a still pending forecast transaction) denominated in the same foreign currency together. For accounting purposes this works as a 'natural' hedge because the gains and losses from foreign currency risk on all these items are immediately recognised in profit or loss.
49. Under the hedge accounting model in IAS 39, the designation of the hedging relationship is normally revoked at the date the foreign currency denominated receivable or payable is recognised because:
  - (a) applying hedge accounting from that date until the settlement date (cash flow date) does not make a difference to profit or loss because the gains and losses from foreign currency risk on the foreign currency denominated receivable or payable and the hedging instrument are immediately recognised in profit or loss irrespective of whether hedge accounting applies.<sup>13</sup> Even regarding the line item classification there is generally no

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<sup>12</sup> For hedges of the foreign currency risk of firm commitments the issue is similar.

<sup>13</sup> This applies for both fair value and cash flow hedges. For cash flow hedges the change in fair value of the hedging instrument is immediately transferred from the cash flow hedge to profit or loss because the foreign currency translation gains and losses on the hedged receivable or payable affect profit or loss as they arise in accordance with IAS 21.

IASB Staff paper

effect as foreign exchange gains and losses are normally presented on a net basis.<sup>14</sup>

- (b) the *quantitative* hedge effectiveness assessment that is always required, even for straightforward hedge where currency, amount and timing of the hedging instrument and the hedged item are aligned, entails an operational burden in the absence of any benefit from hedge accounting (given the analysis in (a) above).
50. Commentators were concerned that those regularly occurring discontinuations of hedging relationships would no longer be allowed under the proposed discontinuation requirements of the ED.
51. The staff consider that the two different risk management approaches would have the following consequences under the ED:
- (a) if an entity manages the foreign currency risk as one continuous hedging relationship until the settlement date hedge accounting would continue; however, in contrast to IAS 39 the proposed hedge effectiveness assessment would in those circumstances normally be a straightforward qualitative assessment, which would alleviate all or at least much of the operational burden that gives rise to commentators' concerns.
  - (b) if an the entity manages the foreign currency risk after the recognition of the receivable or payable for all receivables, payables and derivatives (that do not relate to a still pending forecast transaction) denominated in the same foreign currency together, hedge accounting would be mandatorily discontinued when the receivable or payable is recognised. From that point in time the risk management *objective* of the original hedging relationship no longer applies because the foreign currency risk is now managed on a different basis (it involves other items than those designated into the original hedging relationship).

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<sup>14</sup> See IAS 1 *Presentation of Financial Statements*, paragraph 35.

## IASB Staff paper

**Staff recommendations and question to the Board**

52. The staff consider that the fact that hedge accounting is an election does *not* support a logical conclusion that discontinuation of hedge accounting should also be an election.<sup>15</sup> Hence, in the staff's view a decision to allow 'voluntary discontinuation' of hedge accounting is not justified by a conceptual argument.
53. However, there are some other considerations. The staff consider that the decision whether to finalise the ED on this point (ie prohibit voluntary discontinuation) or retain the ability to revoke the designation of a hedging relationship in IAS 39 (ie allow voluntary discontinuation) is subject to the following trade-off:
- (a) How many instances of voluntary discontinuation that are without a valid reason are there that would be prohibited by finalising the ED?<sup>16</sup>
  - (b) Versus what is the potential for misunderstanding that might remain after the clarifications analysed in this paper (that could be added as guidance<sup>17</sup>) and what is the complexity that would entail? The prohibition of voluntary discontinuation also necessitates that the proposed hedge accounting model includes the notion of mandatory<sup>18</sup> rebalancing.<sup>19</sup>
54. The staff note that retaining the ability to revoke the designation of a hedging relationship in IAS 39 would mean that the Board would not fully achieve its objectives reflected in the rationale<sup>20</sup> for the proposals in the ED.
55. The staff consider that allowing voluntary discontinuation of hedge accounting might create an impression of hedge accounting as an arbitrary exercise that serves no useful purpose. On balance, the staff consider that given the

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<sup>15</sup> See section 'Voluntary discontinuation because hedge accounting is optional?'

<sup>16</sup> See the related feedback summarised in paragraph 16.

<sup>17</sup> See section 'Clarification of the link of the proposed discontinuation requirements to the risk management objective and strategy'.

<sup>18</sup> This refers to the proposed requirement that an entity *must* rebalance the hedging relationship if that would result in continuing to meet the qualifying criteria even if the entity would like to discontinue that hedging relationship. This is different to a situation in which an entity *wants* a hedging relationship to qualify for hedge accounting, in which case it must ensure the hedging relationship meets all qualifying criteria, which means that an entity might need to rebalance a hedging relationship in order to achieve hedge accounting (but the entity could also *choose* not to rebalance at the expense of having to discontinue hedge accounting).

<sup>19</sup> See paragraph 6.

<sup>20</sup> See section 'Rationale for the proposals'.

IASB Staff paper

clarifications the Board could add to address the concerns of commentators, the detrimental effect of such an impression would outweigh the concerns about prohibiting voluntary discontinuation of hedge accounting.

56. In any case, the staff consider that it would be useful to include the clarification of how the risk management objective and the risk management strategy relate to each other in the final standard because it would still have relevance for mandatory *discontinuation* of hedge accounting (ie that an entity cannot retain hedge accounting for a hedging relationship that no longer pursues the risk management objective on the basis of which it qualified for hedge accounting).
57. Therefore the staff:
- (a) recommend adding guidance of how the risk management objective and the risk management strategy relate to each other (using the example in the section ‘Risk management objective versus risk management strategy’); and
  - (b) would like to ask whether the Board wants to prohibit voluntary discontinuation of hedge accounting but add additional guidance (using the examples in the sections ‘Hedge accounting approaches that are a surrogate for ‘dynamic’ hedging’ and ‘Hedging relationships that at a specific stage automatically turn into a ‘natural hedge’’).
58. Questions to the Board:

**Question 1—add guidance on terminology**

Does the Board agree with the staff recommendation in paragraph 57(a)?

If the Board disagrees with the staff recommendation, what would the Board prefer instead and why?

IASB Staff paper

**Question 2—(no) voluntary discontinuation of hedge accounting**

What is the Board's view on the question asked in paragraph 57(b)?