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November 25, 2024

Mr. Jackson Day
Technical Director
Financial Accounting Standards Board
801 Main Avenue
P.O. Box 5116
Norwalk, CT 06856-5116

By email: director@fasb.org

RE: File Reference No. 2024-ED200, Derivatives and Hedging (Topic 815) – Hedge Accounting Improvements

Dear Mr. Day,

The International Swaps and Derivatives Association's (ISDA)[1] North American Accounting Committee (the "Committee") appreciates the opportunity to comment and provide our feedback on the Financial Accounting Standards Board's ("FASB" or "Board") Proposed Accounting Standards Update, *Derivatives and Hedging (Topic 815) Hedge Accounting Improvements* (the "Proposed ASU" or "Exposure Draft"). Collectively, the Committee members have substantial professional and practical expertise addressing accounting policy issues related to financial instruments. This letter provides our organization's overall views on the Proposed ASU.

The Committee appreciates the FASB's consideration of this topic and thanks you for providing the proposed reporting guidelines and clarifications to address questions that have been raised by stakeholders. The Committee commends the FASB's continued efforts to take on projects to improve the accounting and reporting for derivatives and hedge accounting and is supportive of the FASB's proposals in the Exposure Draft and believes that the Exposure Draft achieves the Board's objective of improving the application and relevance of the Derivatives and Hedging (Topic 815) guidance. The examples and guidance in the Exposure Draft address relevant issues commonly observed in the application of the existing hedge accounting guidance to address unintended consequences or unresolved practice issues that emerged from Accounting Standards Update (ASU) 2017-12, Derivatives and Hedging (Topic 815): *Targeted Improvements to Accounting for Hedging Activities*. We have discussed the questions provided by the Board for respondents and provided our feedback below.

In addition to our responses to the questions for respondents specific to this ASU, we have included an appendix to this letter that summarizes other opportunities to improve the accounting and reporting for hedge accounting under Topic 815. Those issues are further discussed in a whitepaper recently published by ISDA

1 Since 1985, ISDA has worked to make the global derivatives markets safer and more efficient. Today, ISDA has over 990 member institutions from 78 countries. These members comprise a broad range of derivatives market participants, including corporations, investment managers, government and supranational entities, insurance companies, energy and commodities firms, and international and regional banks. In addition to market participants, members also include key components of the derivatives market infrastructure, such as exchanges, intermediaries, clearing houses and repositories, as well as law firms, accounting firms and other service providers. Information about ISDA and its activities is available on the Association's website: www.isda.org. Follow us on Twitter, LinkedIn, Facebook and YouTube.

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highlighting a number of other issues across cash flow, fair value, and foreign currency hedge accounting[2], which we believe can be addressed through standard setting.

Questions for Respondents

Question 1—Similar Risk Assessment for Cash Flow Hedges: Do the amendments in this proposed Update clarify and improve the guidance on cash flow hedges of individual forecasted transactions hedged as a group? In addition, are the proposed amendments clear and operable? Please explain why or why not. If not, what changes would you suggest?

The Committee supports the Board's Proposed ASU to simplify the hedge accounting model for cash flow hedges of individual forecasted transactions hedged as a group (i.e., a cash flow portfolio hedge), particularly the ability to aggregate risks that are viewed as similar risk exposures rather than a shared risk. We agree this improves U.S. generally accepted accounting principles ("GAAP") by allowing hedge accounting to be applied more broadly, while also reducing operational burdens. Specifically, allowing the aggregation of items subject to similar risks will potentially eliminate the need for entities to operate and maintain separate hedge programs for each individual risk. This will also allow entities to look more broadly when assessing whether it remains probable that sufficient forecasted transactions will occur to support hedge program designations. However, as discussed further below, we believe the requirement to fully de-designate a hedge relationship when risks cease to be considered similar may prevent entities from taking advantage of being able to hedge multiple risks in a single hedge program.

Under the proposed guidance, ASC 815-20-55-23D will require an ongoing similar risk assessment and a full de-designation whenever the similar risk assessment determines that risks within a group of forecasted transactions are no longer similar. We believe requiring a full de-designation in all such circumstances is overly punitive and should not always be required. For example, there could be a scenario where an entity designates a cash flow pool hedge relationship under which Prime and 1M SOFR ("secured overnight financing rate") cash receipts are pooled together as similar risks. Subsequently, it could be determined that Prime and 1M SOFR cease to be considered similar. However, the entity may have sufficient forecasted cash flows referencing 1M SOFR that would allow the hedge relationship to remain highly effective. As a result, a mandatory de-designation of this hedge when there are expected to be sufficient qualifying forecasted cash flows is counterintuitive. Furthermore, no change in critical terms has occurred for the hedge relationship, as the cash flows supporting the hedge notional remain exactly the same.

Entities design their cash flow hedge strategies to avoid potential de-designations in the future. As a result, a requirement to de-designate a hedge relationship when one of the risks is no longer similar will cause some entities to avoid implementing hedge programs that incorporate similar risks, thus negating the benefits introduced by the similar risk guidance. Said differently, rather than taking the risk that forecasted cash flows may cease to be similar in the future, some entities will choose to implement multiple hedge programs for each individual risk, as allowed under current guidance.

A better approach would be to allow entities to evaluate whether a hedging relationship is expected to remain highly effective after the removal of the risk no longer considered to be similar. If sufficient forecasted cash flows referencing the remaining risk are considered probable of occurring, the entity should be allowed to continue hedge accounting. This would be similar to a situation where an entity designates a similar hedge to the example above (i.e., inclusive of Prime and 1M SOFR cash flows), but later decides to cease originating loans referencing Prime. The hedging relationship could potentially remain highly effective based solely on

[2] Hedge Accounting Under US GAAP – International Swaps and Derivatives Association

the amount of forecasted cash flows associated with the 1M SOFR loans. We do not believe there should be a mandatory de-designation in either circumstance.

If the forecasted cash flows related to the remaining risk are not expected to be sufficient relative to the hedged notional, the entity should be allowed the option to either fully de-designate the hedge or partially de-designate the hedge to the level of expected forecasted cash flows. The cash flows associated with the risk no longer considered similar (and no longer included in the forecasted transactions) will serve to justify the amortization of cumulative amounts within Accumulated Other Comprehensive Income associated with the de-designated portion of the hedge.

We believe such an approach would better align with actual hedging strategies and risk management objectives. Reflecting a mandatory de-designation of a highly effective hedge relationship in the financial statements would not provide useful information to the users of the financial statements.

Additionally, a requirement to de-designate will create administrative and operational burdens on entities that otherwise could potentially have a highly effective hedging relationship. Specifically, entities will have to: (1) re-designate a new hedge relationship with narrowed hedged risks that would still be considered similar, (2) consider the impact on the hedge effectiveness assessment using an off-market derivative which may increase the risk of entities being unable to achieve hedge accounting due to ineffectiveness from off-market elements, (3) if time lapses between de-designation and re-designation entities will need to track and amortize the AOCI associated with off-market elements (4) create new hedge documentation, and (5) in some circumstances incur new transaction costs to enter into an at market derivative. Additionally, since banks will create larger pools under the new guidance, a de-designation could apply to hundreds of derivatives since it is common to layer multiple derivatives on a pool over time.

Based on the foregoing, the Committee believes that ASC 815-20-55-23D should permit entities to prospectively remove dissimilar cash flows from a hedging relationship without requiring de-designation, as it provides a more accurate reflection of the entity's risk management objectives, allowing for flexibility as cash flows change over time. It would also reduce the operational burden mentioned above in scenarios where an entity would otherwise still have a highly effective hedge relationship and sufficient cash flows that are probable to occur. Additionally, this approach allows entities to prospectively remove a specified interest rate but does not provide entities with an ability to retrospectively add interest rates using hindsight. For the avoidance of doubt, the Committee is only suggesting to allow the removal of a hedged risk and not providing the ability to include new hedged risks or modify the existing hedged risks. In ASC 815-20-55-23D, the Committee suggests including:

> If an entity determines as part of its ongoing similar risk assessment that one or more hedged risks related to the group of individual forecasted transactions are no longer similar, or expects the risks to no longer be similar in the future, the entity can make an election to:
>
> 1. Remove the risk from the hedge relationship that is no longer similar and continue the hedge relationship if there are expected to be sufficient forecasted cash flows generated by the remaining risk,
> 2. Proportionately de-designate the hedge relationship to reflect an amount of forecasted cash flows that continue to remain probable of occurring related to the remaining risk,
> 3. ~~It should~~ Dedesignate the hedging relationship as of the last date when all hedged risks in the group were assessed to have similar risk exposure, unless the entity can determine the specific date that all hedged risks in the group were no longer similar.

> When the entity elects to dedesignate all or a portion of the hedge relationship, amounts previously recognized in accumulated other comprehensive income should remain until the forecasted transactions affect earnings or become probable of not occurring in accordance with paragraphs 815-30-40-4 through 40-6.

The approach outlined above will eliminate the risk of mandatory dedesignation when an entity continues to have a highly effective hedge relationship. This will reduce the operational burden on entities and more closely align hedge accounting with risk management activities. As noted above, introducing the risk of de-designation when there is a highly effective hedge relationship introduces an unnecessary operational burden and, in some cases, additional transaction costs, which also will prevent entities from implementing these types of hedge relationships.

As an additional matter, the Committee suggests a targeted change with respect to the subsequent assessment of similar risks. Specifically, when grouping individual transactions, the guidance in ASC 815-20-55-23C indicates that after performing an initial quantitative assessment at hedge inception, an entity may elect on a hedge-by-hedge basis to qualitatively assess whether a group of individual forecasted transactions has a similar risk exposure in subsequent periods, if the entity can reasonably support an expectation of similar risk on a qualitative basis, in a manner similar to the guidance in paragraphs 815-20-35-2A through 35-2F.

The implementation guidance for a subsequent qualitative approach in ASC 815-20-55-79G indicates that entities should carefully consider the alignment of the critical terms of the hedging relationship. In order to promote consistent application of the guidance, the Committee suggests defining the critical terms or including examples of terms that are not critical. The Committee believes critical terms include features related to the calculation of the future cash flows. This includes the notional/principal amount, interest rate index, tenor, reset periods and any caps or floors. The Committee does not believe other features unrelated or de minimis to the determination of cash flows should be deemed as critical terms, such as payment/reset dates, accrual period start dates and day count conventions. Regarding payment dates, the time value associated with the timing of the payment is inconsequential to the hedge effectiveness or similar risk assessment. Similarly, accrual period starting dates and day-count conventions do not have significant impacts on the results of the hedge effectiveness or similar risk assessments. For example, in a pool of loans that include monthly payments, whether the first accrual starts at the beginning or end of the month or uses Actual/365 versus modified 30/360, does not influence the results of the quantitative assessments over the term of the hedge relationship.

Question 2—Hedging Forecasted Interest Payments on Choose-Your-Rate Debt Instruments: Do the proposed amendments clarify and improve the guidance on cash flow hedges of interest payments on choose-your-rate debt instruments? In addition, are the proposed amendments clear and operable? Please explain why or why not. If not, what changes would you suggest?

Yes, the proposed amendments clarify and improve the guidance for cash flow hedges on interest payments of choose-your-rate debt instruments. However, the Committee suggests two modifications to further illustrate the impact of the proposed guidance.

Choose-Your-Rate Criterion

Paragraph 815-30-35-37C sets forth the criterion required for a debt instrument to be eligible for the Choose-Your-Rate guidance one of which is that the maturity date of the existing choose-your-rate debt instrument is on or after the end of the hedge period. However, paragraph 815-30-35-3 permits reporting entities to also include replacement debt that would have one or more interest rates that include the interest rate that was identified at inception of the hedge as the hedged risk. Because of the elective nature of hedge accounting

and dynamic nature of interest rate risk management, it's possible that an entity may execute an interest rate hedge after origination of a choose-your-rate debt instrument (e.g., because the entity's fixed vs floating rate debt target has changed) that has a maturity that extends beyond the existing debt instrument with the expectation that such debt will be refinanced with similar choose-your-rate debt. Given the Proposed ASU provides entity's the ability to identify replacement debt as a source of the hedged forecasted interest payments when applying the choose-your-rate debt guidance, we recommend that FASB eliminate criterion "b" in 815-30-35-37C as entities will invariably need demonstrate why forecasted interest cash flows beyond the existing chose-your-rate debt instrument are probable as a condition of qualifying for hedge accounting and that such cash flows will embody economically similar interest rate characteristics as the existing debt.

Effects of Adding New Indexes to Replacement Debt

Paragraph 815-30-55-169 states

> *…if the replacement debt includes interest rate indexes or interest rate tenors not included in the terms of the original debt instrument and Entity A selects one of those interest rate indexes or interest rate tenors, the interest payments should not be considered the forecasted transactions designated at hedge inception. In that instance, the entity should discontinue the application of hedge accounting and immediately reclassify the gain or loss on the hedging instrument reported in accumulated other comprehensive income into earnings in accordance with paragraph 815-30-40-5.*

Given that the Choose-Your-Rate debt guidance is meant to be a narrow scope exception from the guidance in ASU Topic 815 on the accounting for a change in hedged risk, it's unclear why the mere addition of a new interest rate index to a replacement chose-your-rate debt instrument would require immediate cessation of hedge accounting and reclassification of hedge gains/losses from accumulated other comprehensive income to earnings if (i) the replacement debt instrument includes and interest rate option that was identified at inception of the hedge accounting relationship and (ii) interest cash flows remain probable of occurring based on one or more interest rates identified at inception of the hedge relationship. For example, it's possible that market practice may evolve between the origination of the existing debt and any replacement debt such that a new type of rate option is added to address regulatory or loan market changes. If indeed this is FASB's intent, it should incorporate this notion into the base principles in paragraph 815-30-35-37D and 37E and clearly articulate the reasons for this treatment in the Basis for Conclusions. BC35 states, "The Board decided that an entity should be permitted to continue hedge accounting for a replacement of a choose-your-rate debt instrument upon a refinancing to the extent that, upon replacement, the entity selects a rate that is captured within the terms of the original debt issuance and the interest payments remain probable of occurring over the hedge period", which does not address addition of another rate to the replacement financing.

Assessment of Hedge Effectiveness Upon a Change in Index

Paragraph 815-30-35-37F address how the prospective assessment of hedge effectiveness should be performed if the rate associated with a choose-your-rate debt instrument changes during the life of a hedge accounting relationship. Paragraph 815-30-35-37F states:

> *In performing a prospective assessment with a new contractually specified interest rate, the entity shall create the terms of the instrument used to estimate changes in the cash flows attributable to the new*

contractually specified interest rate (under the originally designated method, for example, the hypothetical derivative method or another acceptable method in Subtopic 815-30) on the basis of market data as of the inception of the hedging relationship as if the new contractually specified interest rate had been designated for the entire hedge period. All subsequent retrospective and prospective assessments of hedge effectiveness shall continue to be performed on the basis of only the then-selected interest rate.

It's unclear why the prospective assessment of hedge effectiveness would construct the hedged item using the newly selected interest rate index and associated revised hedged cash flows from inception of the original hedge accounting relationship when in fact the cash flows at inception were different. The basis for conclusions suggests this approach is being proposed so entities can avoid the implications of an off-market hedge but it is not clear. One way to evaluate the effects of the change in interest rate index and associated debt cash flows is to model the hedged item prospectively but considering, in a Hypothetical Derivative Method context, what the at-market fixed rate would have been at inception of the hedge accounting relationship on the basis of the cash flows prior to and after the change in index, assuming all information was know at inception.

Additionally, the Committee believes that Example 28 (Hedges of Forecasted Interest Payments on Choose-Your-Rate Debt) in the proposed update provides a useful starting point for illustrating the application of hedge accounting to choose-your-rate debt instruments. The Committee suggests modifying the example to further illustrate the impact of the Proposed ASU by including a wider variety of indices (e.g., SOFR, Fed Funds, Prime etc.). We suggest revising paragraph 815-30-55-166 in Example 28 as follows:

1. **815-30-55-166** On January 1, 20X1, Entity A enters into a debt arrangement with a bank for a 5-year, $20 million variable-rate note payable with the principal due at maturity. The frequency and timing of interest payments and interest rate resets are based on the then-selected variable interest rate. The note payable allows Entity A to pay interest at any of the following variable interest rates based on the rate that the entity selects at each reset date:
    a. 1-Month Term SOFR (paid every 30 days)
    b. 3-Month Term SOFR (paid every 90 days)
    c. Daily Compound SOFR (paid every 30 days)
    d. Effective Federal Funds Rate (paid every 30 days)
    e. Prime (paid every 90 days).

    ~~a. 6-Month Term SOFR (paid every 6 months)~~
    ~~b. 1-Month U.S. Treasury Rate (paid every 30 days)~~
    ~~c. Prime (paid every 30 days).~~

By highlighting more distinct indices, the example better illustrates the types of scenarios where an entity is permitted to continue to hedge accounting even after a change in the interest rate index, and not only tenor or payment date.

Question 4—Net Written Options as Hedging Instruments: Do the proposed amendments improve the guidance on net written options as hedging instruments? Please explain why or why not. If not, what changes would you suggest? In addition, the Board rejected an alternative to the proposed amendments related to the net written option test in paragraph 815-20-25-88 that would have removed the test from Topic 815 (see paragraph BC81). Do you have any views on the alternative rejected by the Board and whether it would be more operable, be less complex, and provide more decision-useful information compared with the proposed amendments?

Yes, the proposed amendments improve the guidance on net written options, but the Committee supports the alternative considered by the Board in the Basis for Conclusions paragraph 81. The Committee believes the hedge effectiveness assessment provides a sufficient safeguard and prevents any abuse of applying hedge accounting to written options. In the Basis for Conclusion paragraph 83, the Board noted the reason for not eliminating the net written option test was that they believe the test serves an important purpose that is incremental to the hedge effectiveness assessment, which is that it precludes a written option that is used to sell a portion of the gain potential on an asset or liability from being eligible for hedge accounting. An entity's risk management objectives may include writing options for risks exposed to on their balance sheet. The written option that management enters into may also be highly effective at offsetting the risk exposure intended to be hedged, which serves to protect against written options being used for speculative purposes. Receiving a cash premium should not preclude an entity from applying hedge accounting if the entity can demonstrate they are effectively managing the risks being hedged and the hedge relationship is highly effective. In addition, we note in practice that the written option assessment is complex to perform as it requires developing a range of scenarios and evaluating the fair value of the hedged item and option under such scenarios and often results in entities choosing to forego hedge accounting rather than increasing the operational burden by performing the test. Instead of an outright prohibition, the Committee supports eliminating the written option test and focusing on which strategies the Board does not believe should qualify for hedge accounting and prohibiting those explicitly, similar to the manner in which certain transactions are precluded from being designated in hedge accounting relationships.

Alternatively, if the Board does not agree to eliminating the written option test, the Committee proposes modifying the language in ASC 815-20-25-88. While the Committee agrees the three assumptions do simplify the test, it is unclear why the timing in which an entity can assume the settlement of the hedged forecasted transaction and hedging instrument match is limited to a 31-day period. When hedging forecasted interest receipts/payments, they commonly occur over 30, 60, 90 or 180-day periods. The Committee proposes expanding the allowable period beyond 31 days to accommodate the most common contractually specified reset frequencies, out to 180 days. This change would allow for better alignment with the contractual terms of the hedging relationship and reduce unnecessary administrative burden.

Additionally, the Committee recommends that the FASB clarify whether the simplifying assumptions for net written options in paragraph 815-20-25-88 also apply to the qualitative net written option test in paragraph 815-20-25-89(b). Specifically, the Committee suggests that when entities enter into combined options strategies where the strike prices and notional amounts remain constant, they should be able to assume the underlying rates are "the same" even if indexed to closely related benchmarks (e.g., SOFR OIS vs. Term SOFR). This would allow entities to streamline the assessment process for combined option strategies like collars, without being precluded from hedge accounting due to minor differences in underlying indices. While entities would typically use options indexed to the same underlying rate, the Committee believes this clarification would better align the amendments with the FASB's overall objectives and simplify application.

Question 5—Foreign-Currency-Denominated Debt Instrument as Hedging Instrument and Hedged Item (Dual Hedge): Do the proposed amendments improve the guidance on a foreign-currency-denominated debt instrument that is used as the hedging instrument and hedged item (commonly referred to as a "dual hedge")? In addition, are the proposed amendments on dual hedges clear and operable? Please explain why or why not. If not, what changes would you suggest?

The Committee believes the proposed amendments improve the guidance on the dual hedge and are clear and operable. While this hedge is not the most pervasive in practice, the guidance as written has encumbered entities from undertaking this strategy today.

Question 6—Transition: Are the proposed transition requirements operable? If not, why not, and what transition method would be more appropriate and why? Would the proposed transition disclosures be decision useful? Please explain why or why not.

The Committee agrees with the proposed transition method being prospectively and allowing a one-time election for existing cash flow hedges for changing the method in which the similar risk assessments are performed.

Question 7—Effective Date: In evaluating the effective date, how much time would be needed to implement the proposed amendments? Should the effective date for entities other than public business entities be different from the effective date for public business entities? Please explain why or why not. If the effective dates should be different, how much additional time would entities other than public business entities need to implement the proposed amendments?

In evaluation of the effective date, the Committee believes that the proposed amendments should be effective for annual and interim periods beginning one year after the publication of the ASU, and no distinction should be made between public business entities and entities other than public business entities. In addition, we believe that early adoption should be permitted in any interim or annual periods in which financial statements have not yet been issued or made available for issuance.

Question 8—General: Do you expect any unintended consequences of providing these proposed amendments? If so, please explain what those unintended consequences would be.

Refer to the Committee's comments above. The Committee does not believe there are other unintended consequences of the Proposed ASU.

Question 9—Benefits and Costs: Would the expected benefits of the proposed amendments justify the expected costs? If not, please describe the nature and magnitude of those costs, differentiating between one-time costs and recurring costs.

Yes, there should be minimal costs incurred to adopt the changes, and as discussed under Question 9, further clarity around the scoping of noncash consideration will help financial statement preparers.

Closing

We hope you find ISDA's comments and responses to the Proposed ASU informative and useful. Should you have any questions or desire further clarification on any of the matters discussed in this letter, please do not hesitate to contact the undersigned.

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Chair, North America Accounting Committee

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Appendix:

Below is a summary of other hedge accounting opportunities identified by the Committee that would further the FASB's goal to align hedge accounting with risk management objectives and activities. Additionally, the opportunities with a "*" denotes these topics were discussed in the whitepaper recently published by ISDA, "Hedge Accounting Under U.S. GAAP". They are summarized by theme and the type of hedge:

FVH – Fair Value Hedge Accounting

CFH – Cash Flow Hedge Accounting

FX – Cash Flow Hedge Accounting: Foreign Currency Risk

NIH – Net Investment Hedge Accounting

Theme	Opportunity	Applicable Hedge Strategy			
		FVH	CFH	FX	NIH
Expand the definition of hedged item	Create an ability to hedge held-to-maturity securities similar to the ability to hedge loans held-for-investment.*	X			
	Allowing entities to apply the portfolio-layer hedging concept to prepayable financial liabilities.	X			
	Creating an ability to hedge equity-classified instruments (e.g., preferred stock) that create exposure to interest rate risk, such as fixed or floating rate preferred shares, and dividends linked to interest rates	X	X		
	Allowing entities to hedge a forecasted bond purchase where the risk being hedge is defined as either the purchase prices of a seasoned bond or the variability of fixed interest receipts on a newly issued bond.*		X		
	Hedging a forecasted purchase or issuance of FX assets or liabilities.			X	
	The ability to hedge FX risk in net income from a foreign subsidiary at the parent entity. At the subsidiary level there is technically no currency risk and therefore cannot be hedged as FX risk.*			X	
	Ability to hedge intercompany foreign currency debt FX remeasurement.			X	
	Ability to hedge the foreign currency risk in business combinations.*			X	
Broaden the spectrum of risks eligible for hedge accounting	Adding inflation risk as a risk that is eligible to be hedged, and more broadly the ability to hedge components of a financial instrument. *	X			

Creating operable methods of assessing hedge effectiveness for other risks	Hedging interest rate risk using treasury locks (TLOCs)		X		
	Eliminate the settlement matching requirement for short-cut method to allow shortcut method application on forward-starting fair value hedges.*	X			
Expand the scope of eligible hedging instruments	Remove the requirement in a float to float swap for reset dates to match in a net investment hedge include a receive-variable-rate, pay-variable-rate cross-currency interest rate swap, provided the interest rates are based on the same currencies contained in the swap and both legs of the swap have the same repricing intervals and dates.				X
Improve the assessment for determining when a missed forecast has occurred	Remove the guidance for cash flow hedges must occur within 60 days of the original forecast by providing relief for continued hedge accounting as long as the forecasted transactions remain probable based on the facts and circumstances.* Probable already has a specific definition in US GAAP and the 60 days is duplicative.		X		
	Creating flexibility when using deal contingent swaps to hedge deal contingent debt. If the deal does not occur there may be a missed forecast even though the swap would also be cancelled. Without hedge accounting, the swap creates volatility in P&L Additionally, even if probability of the forecasted transaction is overcome, modelling the deal contingency in the hedge effectiveness assessment may result in failures.*		X		