

# Hedge accounting integrated

## Complete treasury solution

Bloomberg Hedge Accounting is part of Bloomberg's complete risk solution

- Flexible hedge relationship definition for cash flow, net investment and fair value hedges
- Proportional and partial term hedging
- Micro and portfolio hedging
- Transparent, independent valuations
- Credit valuation adjustments
- Ability to track the allocation of amounts to hedges
- Aggregation of forecasts as hedged items
- Time-intrinsic, spot-forward risk designations
- Regression, scenario analysis and dollar offset
- Rebalancing and hedge ratio adjustment also supported under IFRS 9
- Release schedule for recycling of OCI balances
- Amortization of fair value hedge adjustments
- Automatic creation of hypothetical derivatives
- Templates to document:
  - Hedge strategy
  - Hedge type
  - Hedged risk
  - Risk management objective
  - Hedge assessment methodologies
  - Release schedules
- SOCl certification
- Segregation of duties
- Hedge accounting reporting suite
- Integration with Bloomberg's Treasury TRM — designate trades directly from exposure management tools

Bloomberg's market-leading, fully integrated hedge accounting platform provides the solution for complying with the requirements of the hedge accounting and related financial instrument standards. The system facilitates the creation of coterminous hedge documentation, prospective hedge assessment testing to determine if a strategy can be considered highly effective and measurement of hedge effectiveness under both IFRS and U.S. GAAP. The hedge accounting solution ensures users comply with the fair value measurement, revenue/cost recognition, reporting and disclosure requirements of hedge accounting standards.

## Transparent independent valuations

Bloomberg Hedge Accounting relies on Bloomberg's market valuation models for calculating the mark-to-market on derivative instruments. Valuations are calculated using configurable market data and cut-off times. Bloomberg provides market standard valuations of OTC derivative contracts and bonds. Valuations can be run in real-time or periodically on a daily, monthly or quarterly basis.

Market data is fully integrated within Bloomberg Hedge Accounting. Robust documentation of valuation models provides transparency for auditors, who already use Bloomberg's models as the benchmark for derivative valuations.

## Fair value measurement

Bloomberg's market standard CVA/DVA tool, which supports individual and portfolio calculations based on simulation techniques, supports the credit valuation adjustments. Incorporating CVA/DVA adjustments into the valuation of derivatives for hedge accounting purposes is a seamless process and ensures compliance with fair value accounting standards. Advanced regression testing for hedge assessment incorporates the impact of CVA/DVA into the assessment and measurement of hedge effectiveness.

## Effectiveness testing

Bloomberg Hedge Accounting supports an extensive list of prospective and retrospective testing methods. Prospective tests include, Critical Terms Match, Shortcut, Backtesting, Scenario Analysis and Regression testing. Retrospective tests include Dollar Offset and Regression testing.

These quantitative tests can be run on a periodic or cumulative basis at each reporting date to support the assertion that the hedge is highly effective.

Assessment methodologies include change in fair value and the hypothetical derivative method. "What if" scenarios can be run prior to trading to determine whether or not a hedge will meet the criteria to apply hedge accounting on a prospective basis.

## Workflow

The hedge accounting solution manages all aspects of post-trade maintenance for the duration of the hedge. Batch scheduling of reports generates the market valuations for the hedging instruments and hedged items; hedge effectiveness is then calculated based on the method prescribed in the hedge documentation.

The accounting measurement report is generated and creates the accounting entries on a cumulative dollar offset basis. Subsequent accounting entries are created using an accounting period end close process.

The hedge accounting view empowers users to create and maintain hedge relationships and acts as a central repository to control administrative and reporting requirements. Hedge relationships can be created, amended, deleted or de-designated from here. The allocation of positions to hedge designations can be monitored from here.

## Integrated risk management

Bloomberg Hedge Accounting is integrated with TRM Risk, allowing risk managers to aggregate and analyse their commercial and financial exposures in one simplified workflow. Information in the platform is updated in real-time as subsidiaries update their forecasts or as hedges are executed to mitigate exposures. Designation can occur directly from risk management tools within the integrated solution.

Manage FX, Interest Rate and Credit risk with advanced analytics including scenario analysis, credit valuation adjustments (CVA), sensitivity analysis, and tail-risk quantification. Multi asset class curves and market information, updated in real-time, provides a complete and seamless risk management solution.

## Adjustments & amortizations

To accurately account for a fair value hedge requires an understanding of fair value basis adjustment calculations to ensure such adjustment are amortized out over the life of the fair value hedge. Bloomberg Hedge Accounting manages this for clients, thus avoiding a large residual entry in the income statement at maturity of the hedge.

Amounts recognized in Other Comprehensive Income (OCI), can be scheduled for release to the income statement to match the timing of the impact of the underlying on the income statement. This can be on a specific date or amortized over specific future dates.

## SOC1 certified

Bloomberg Hedge Accounting is SOC1 certified, allowing clients' auditors to rely on the control framework established by Bloomberg for the generation of records for financial transactions recognized in the user's financial statements.

## Segregation of duties

Bloomberg Hedge Accounting can be configured as part of on-boarding to ensure front office personnel do not have access to finance and back office functionality.

## Reporting

Bloomberg Hedge Accounting enables users to:

- Align hedges against hedging policies and monitor under/over hedging
- Perform hedge effectiveness testing at designation and monthly/quarterly batch effectiveness testing
- Measure hedge effectiveness and comply with reporting requirements of IAS 39, IFRS 7, 9, 13 and ASC 815, 820
- View full audit reporting on hedge designation history
- Manage hedge documentation templates

Reports can be run monthly or quarterly depending on the corporate reporting requirements.

## Training

Training sessions are conducted after the initial system configuration is set and are performed on the users own system and data. This allows users to acclimate themselves to the system with actual workflows and data. All training is included as part of the subscription price.

## Onboarding & support

A Bloomberg corporate treasury and hedge accounting specialist will guide you through every step of the onboarding process.

A comprehensive training and implementation assistance will ensure you are up to speed in no time, and our renowned global support team will be there to support you for the long haul, 24/7. All for one transparent price, with no hidden costs for implementation or service.

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## Take the next step.

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