Statement of Financial Accounting Standards No. 161

Disclosures about Derivative Instruments and Hedging Activities

an amendment of FASB Statement No. 133
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Summary

Why Is the FASB Issuing This Statement and When Is It Effective?

The use and complexity of derivative instruments and hedging activities have increased significantly over the past several years. Constituents have expressed concerns that the existing disclosure requirements in FASB Statement No. 133, *Accounting for Derivative Instruments and Hedging Activities*, do not provide adequate information about how derivative and hedging activities affect an entity’s financial position, financial performance, and cash flows. Accordingly, this Statement requires enhanced disclosures about an entity’s derivative and hedging activities and thereby improves the transparency of financial reporting. This Statement is effective for financial statements issued for fiscal years and interim periods beginning after November 15, 2008, with early application encouraged. This Statement encourages, but does not require, comparative disclosures for earlier periods at initial adoption.

What Is the Scope of This Statement?

This Statement has the same scope as Statement 133. Accordingly, this Statement applies to all entities.

How Will This Statement Change Current Practice?

This Statement changes the disclosure requirements for derivative instruments and hedging activities. Entities are required to provide enhanced disclosures about (a) how and why an entity uses derivative instruments, (b) how derivative instruments and related hedged items are accounted for under Statement 133 and its related interpretations, and (c) how derivative instruments and related hedged items affect an entity’s financial position, financial performance, and cash flows.

How Does This Statement Improve Financial Reporting?

This Statement is intended to enhance the current disclosure framework in Statement 133. The Statement requires that objectives for using derivative instruments be disclosed in terms of underlying risk and accounting designation. This disclosure better conveys the purpose of derivative use in terms of the risks that the entity is intending to manage. Disclosing the fair values of derivative instruments and their gains and
losses in a tabular format should provide a more complete picture of the location in an entity’s financial statements of both the derivative positions existing at period end and the effect of using derivatives during the reporting period. Disclosing information about credit-risk-related contingent features should provide information on the potential effect on an entity’s liquidity from using derivatives. Finally, this Statement requires cross-referencing within the footnotes, which should help users of financial statements locate important information about derivative instruments.

**What Is the Effect of This Statement on Convergence with International Financial Reporting Standards?**

In August 2005, the International Accounting Standards Board issued International Financial Reporting Standard (IFRS) 7, *Financial Instruments: Disclosures*. The scope of IFRS 7 includes all financial instruments, not just derivative instruments. The FASB decided to limit the scope of its disclosure project to derivative instruments because of its desire to not delay the improved transparency about the location and amounts of derivative instruments in an entity’s financial statements. The FASB may consider a longer term project to improve disclosures about all financial instruments and to achieve greater convergence with IFRS 7 in the future.
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March 2008

Financial Accounting Standards Board
of the Financial Accounting Foundation
401 MERRITT 7, PO BOX 5116, NORWALK, CONNECTICUT 06856-5116
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March 2008

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Statement of Financial Accounting Standards No. 161

Disclosures about Derivative Instruments and Hedging Activities

an amendment of FASB Statement No. 133

March 2008

OBJECTIVE

1. FASB Statement No. 133, Accounting for Derivative Instruments and Hedging Activities, establishes, among other things, the disclosure requirements for derivative instruments and for hedging activities. This Statement amends and expands the disclosure requirements of Statement 133 with the intent to provide users of financial statements with an enhanced understanding of:

   a. How and why an entity uses derivative instruments
   b. How derivative instruments and related hedged items are accounted for under Statement 133 and its related interpretations
   c. How derivative instruments and related hedged items affect an entity’s financial position, financial performance, and cash flows.

To meet those objectives, this Statement requires qualitative disclosures about objectives and strategies for using derivatives, quantitative disclosures about fair value amounts of and gains and losses on derivative instruments, and disclosures about credit-risk-related contingent features in derivative agreements.

STANDARDS OF FINANCIAL ACCOUNTING AND REPORTING

Scope

2. This Statement has the same scope as Statement 133. Accordingly, this Statement applies to all entities. This Statement applies to all derivative instruments,
including bifurcated derivative instruments (and nonderivative instruments that are designated and qualify as hedging instruments pursuant to paragraphs 37 and 42 of Statement 133) and related hedged items accounted for under Statement 133 and its related interpretations.

Amendments to Statement 133

3. Statement 133 is amended as follows: [Added text is underlined and deleted text is struck out.]

a. Paragraph 44:

An entity with derivative instruments shall disclose information to enable users of the financial statements to understand:

a. How and why an entity uses derivative instruments
b. How derivative instruments and related hedged items are accounted for under this Statement and related interpretations
c. How derivative instruments and related hedged items affect an entity’s financial position, financial performance, and cash flows.

An entity that holds or issues derivative instruments (or nonderivative instruments that are designated and qualify as hedging instruments pursuant to paragraphs 37 and 42) shall disclose the following for every annual and interim reporting period for which a statement of financial position and statement of financial performance are presented:

(1) Its objectives for holding or issuing those instruments, the context needed to understand those objectives, and its strategies for achieving those objectives. Information about those instruments shall be disclosed in the context of each instrument’s primary underlying risk exposure (for example, interest rate, credit, foreign exchange rate, interest rate and foreign exchange rate, or overall price). The description shall distinguish between derivative instruments (and nonderivative instruments) designated as fair value hedging instruments, derivative instruments designated as cash flow hedging instruments, derivative instruments (and nonderivative instruments) designated as hedging instruments for hedges of the foreign currency exposure of a net investment in a foreign operation, and all other derivatives. The description also shall indicate the entity’s risk management policy for
each of those types of hedges, including a description of the items or
transactions for which risks are hedged. Further, those instruments shall
be distinguished between those used for risk management purposes and
those used for other purposes. Derivative instruments used for risk
management purposes include those designated as hedging instruments
under this Statement as well as those used as economic hedges and for
other purposes related to the entity’s risk exposures. For derivative
instruments designated as hedging instruments under this Statement,
the description shall distinguish between derivative instruments desig-
nated as fair value hedging instruments, derivative instruments desig-
nated as cash flow hedging instruments, and derivative instruments
designated as hedging instruments of the foreign currency exposure in
a net investment in a foreign operation. For derivative instruments not
designated as hedging instruments under this Statement, the description
shall indicate the purpose of the derivative activity.
(2) Information that would enable users of its financial statements to
understand the volume of its derivative activity. Entities shall select the
format and the specifics of disclosures relating to their volume of
derivative activity that are most relevant and practicable for their
individual facts and circumstances.

Qualitative disclosures about an entity’s objectives and strategies for using
derivative instruments may be more meaningful if such objectives and
strategies are described in the context of an entity’s overall risk exposures
relating to interest rate risk, foreign currency exchange rate risk, commodity
price risk, credit risk, and equity price risk. Those additional qualitative
disclosures, if made, should include a discussion of those exposures even
though the entity does not manage some of those exposures by using derivative
instruments to manage all those exposures. If appropriate, an entity is en-
couraged, but not required, to provide such additional qualitative disclosures
about those risks and how they are managed.

b. Paragraphs 44C–44E are added as follows:

44C. An entity that holds or issues derivative instruments (and nonderivative
instruments that are designated and qualify as hedging instruments pursuant to
paragraphs 37 and 42).
paragraphs 37 and 42) shall disclose for every annual and interim reporting period for which a statement of financial position and statement of financial performance are presented:

a. The location and fair value amounts of derivative instruments reported in the statement of financial position:
   (1) The fair value of derivative instruments shall be presented on a gross basis, even when the derivative instruments are subject to master netting arrangements and qualify for net presentation in the statement of financial position in accordance with FASB Interpretation No. 39, *Offsetting of Amounts Related to Certain Contracts*. Cash collateral payables and receivables associated with the derivative instruments shall not be added to or netted against the fair value amounts.
   (2) Fair value amounts shall be presented as separate asset and liability values segregated between derivatives that are designated and qualifying as hedging instruments under this Statement and those that are not. Within each of those two broad categories (designated and qualifying hedges versus those that are not), fair value amounts shall be presented separately by type of derivative contract—for example, interest rate contracts, foreign exchange contracts, equity contracts, commodity contracts, credit contracts, other contracts, and so forth.
   (3) The disclosure shall identify the line item(s) in the statement of financial position in which the fair value amounts for these categories of derivative instruments are included.

   See Example 2 in the disclosures section of Appendix B of this Statement for an illustration of the disclosure of fair value amounts of derivative instruments reported in the statement of financial position.

b. The location and amount of the gains and losses reported in the statement of financial performance (or when applicable, the statement of financial position, for example, gains and losses initially recognized in other comprehensive income [OCI]) on derivative instruments and related hedged items. Gains and losses shall be presented separately for:
   (1) Derivative instruments designated and qualifying as hedging instruments in fair value hedges and related hedged items designated and qualifying in fair value hedges.
(2) The effective portion of gains and losses on derivative instruments designated and qualifying in cash flow hedges and net investment hedges that was recognized in OCI during the current period.

(3) The effective portion of gains and losses on derivative instruments designated and qualifying in cash flow hedges and net investment hedges recorded in accumulated other comprehensive income during the term of the hedging relationship and reclassified into earnings during the current period.

(4) The portion of gains and losses on derivative instruments designated and qualifying in cash flow hedges and net investment hedges representing (a) the amount of the hedges’ ineffectiveness and (b) the amount, if any, excluded from the assessment of hedge effectiveness.

(5) Derivative instruments not designated or qualifying as hedging instruments under this Statement.

The above information shall be presented separately by type of derivative contract, for example, interest rate contracts, foreign exchange contracts, equity contracts, commodity contracts, credit contracts, other contracts, and so forth. The disclosure shall identify the line item(s) in the statement of financial performance in which the gains and losses for these categories of derivative instruments are included.

The quantitative disclosures required by subparagraphs (a) and (b) above shall be presented in tabular format except for the information required for hedged items by subparagraph 44C(b)(1). Information about hedged items can be presented in a tabular or nontabular format. (See Example 1 in the disclosures section of Appendix B of this Statement for an illustration of a nontabular presentation.) See Example 2 in the disclosures section of Appendix B of this Statement for an illustration of the disclosures about the gains and losses on derivative instruments reported in the statement of financial performance.

c. For derivative instruments that are not designated or qualifying as hedging instruments under this Statement, if an entity’s policy is to include those derivative instruments in its trading activities (for example, as part of its trading portfolio that includes both derivative and nonderivative or cash instruments), the entity can elect to not separately disclose gains and losses as required by subpara-
(1) The gains and losses on its trading activities (including both derivative and nonderivative instruments) recognized in the statement of financial performance, separately by major types of items (such as fixed income/interest rates, foreign exchange, equity, commodity, and credit).

(2) The line items in the statement of financial performance in which trading activities gains and losses are included.

(3) A description of the nature of its trading activities and related risks, and how the entity manages those risks.

See Example 2 in the disclosures section of Appendix B of this Statement for an illustration of the information required in items (1) and (2) above.

44D. An entity that holds or issues derivative instruments (or nonderivative instruments that are designated and qualify as hedging instruments pursuant to paragraphs 37 and 42) shall disclose for every annual and interim reporting period for which a statement of financial position is presented:

a. The existence and nature of credit-risk-related contingent features and the circumstances in which the features could be triggered in derivative instruments that are in a net liability position at the end of the reporting period.

b. The aggregate fair value amounts of derivative instruments that contain credit-risk-related contingent features that are in a net liability position at the end of the reporting period.

c. The aggregate fair value of assets that are already posted as collateral at the end of the reporting period and (1) the aggregate fair value of additional assets that would be required to be posted as collateral and/or (2) the aggregate fair value of assets needed to settle the instrument immediately, if the credit-risk-related contingent features were triggered at the end of the reporting period.

See Example 3 in the disclosures section of Appendix B of this Statement for an illustration of a credit-risk-related contingent feature disclosure.

44E. If information on derivative instruments (or nonderivative instruments that are designated and qualify as hedging instruments pursuant to paragraphs 37 and 42) is disclosed in more than a single footnote, an entity shall
cross-reference from the derivative footnote to other footnotes in which

derivative-related information is disclosed.

12a2 See footnote 12a1.
12a3 Amounts required to be reported for nonderivative instruments that are designated and
qualify as hedging instruments pursuant to paragraphs 37 and 42 shall be the carrying value of
the nonderivative hedging instrument, which includes the adjustment for the foreign currency
transaction gain or loss on that instrument.
12a4 See footnote 12a1.
12a5 See footnote 12a3.

c. Paragraph 45, as amended:

An entity’s disclosures for every annual and interim reporting period for which
a statement of financial position and a statement of financial performance
complete set of financial statements is presented also shall include the
following:

Fair value hedges

a. For derivative instruments, as well as nonderivative instruments that
may give rise to foreign currency transaction gains or losses under
Statement 52, that have been designated and have qualified as fair value
hedging instruments and for the related hedged items:

(1) The net gain or loss recognized in earnings during the reporting
period representing (a) the amount of the hedges’ ineffectiveness
and (b) the component of the derivative instruments’ gain or loss,
if any, excluded from the assessment of hedge effectiveness, and
a description of where the net gain or loss is reported in the
statement of income or other statement of financial performance.

(2) The amount of net gain or loss recognized in earnings when a
hedged firm commitment no longer qualifies as a fair value hedge.

Cash flow hedges

b. For derivative instruments that have been designated and have qualified
as cash flow hedging instruments and for the related hedged transactions:

(1) The net gain or loss recognized in earnings during the reporting
period representing (a) the amount of the hedges’ ineffectiveness
and (b) the component of the derivative instruments’ gain or loss,
if any, excluded from the assessment of hedge effectiveness, and a description of where the net gain or loss is reported in the statement of income or other statement of financial performance.

(2) A description of the transactions or other events that will result in the reclassification into earnings of gains and losses that are reported in accumulated other comprehensive income, and the estimated net amount of the existing gains or losses at the reporting date that is expected to be reclassified into earnings within the next 12 months.

(3) The maximum length of time over which the entity is hedging its exposure to the variability in future cash flows for forecasted transactions excluding those forecasted transactions related to the payment of variable interest on existing financial instruments.

(4) The amount of gains and losses reclassified into earnings as a result of the discontinuance of cash flow hedges because it is probable that the original forecasted transactions will not occur by the end of the originally specified time period or within the additional period of time discussed in paragraph 33.

**Hedges of the net investment in a foreign operation**

e. For derivative instruments, as well as nonderivative instruments that may give rise to foreign currency transaction gains or losses under Statement 52, that have been designated and have qualified as hedging instruments for hedges of the foreign currency exposure of a net investment in a foreign operation, the net amount of gains or losses included in the cumulative translation adjustment during the reporting period.

The quantitative disclosures about derivative instruments may be more useful, and less likely to be perceived to be out of context or otherwise misunderstood, if similar information is disclosed about other financial instruments or nonfinancial assets and liabilities to which the derivative instruments are related by activity. Accordingly, in those situations, an entity is encouraged, but not required, to present a more complete picture of its activities by disclosing that information.
Section 4: Examples Illustrating Application of Certain Disclosure Requirements

205A. The following examples that illustrate the application of this Statement do not address all possible ways of applying the disclosure requirements of this Statement. Also, the examples illustrate certain, but not all, of the disclosure requirements of this Statement. The examples reflect the overall objectives of the disclosures required by this Statement: (a) how and why an entity uses derivatives, (b) how derivatives and related hedged items are accounted for, and (c) how derivatives and related hedged items affect an entity’s financial position, financial performance, and cash flows. An entity should consider those overall objectives in providing the disclosures required in this Statement.

Example 1: Disclosure of Objectives and Strategies for Using Derivative Instruments by Underlying Risk

205B. In addition to the existing disclosures in paragraph 44 that require information by accounting designation, this Statement requires that qualitative information also be provided by underlying risks. The example below illustrates the implementation of these qualitative requirements, including volume of activity, and also includes a nontabular presentation of the quantitative information about the hedged items in fair value hedges as permitted by paragraph 44C.

The Company is exposed to certain risks relating to its ongoing business operations. The primary risks managed by using derivative instruments are commodity price risk and interest rate risk. Forward contracts on various commodities are entered into to manage the price risk associated with forecasted purchases of materials used in the company’s manufacturing process. Interest rate swaps are entered into to manage interest rate risk associated with the Company’s fixed-rate borrowings.

SFAS No. 133 requires companies to recognize all derivative instruments as either assets or liabilities at fair value in the statement of financial position. In accordance with SFAS No. 133, the Company designates commodity forward contracts as cash flow hedges of forecasted purchases of commodities and interest rate swaps as fair value hedges of fixed-rate borrowings.
Cash flow hedges

For derivative instruments that are designated and qualify as a cash flow hedge, the effective portion of the gain or loss on the derivative is reported as a component of other comprehensive income and reclassified into earnings in the same period or periods during which the hedged transaction affects earnings. Gains and losses on the derivative representing either hedge ineffectiveness or hedge components excluded from the assessment of effectiveness are recognized in current earnings.

As of December 31, 20XX, the Company had the following outstanding commodity forward contracts that were entered into to hedge forecasted purchases:

<table>
<thead>
<tr>
<th>Commodity</th>
<th>Number of Bushels (000s)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Wheat</td>
<td>XX,XXX</td>
</tr>
<tr>
<td>Corn</td>
<td>XX,XXX</td>
</tr>
<tr>
<td>Oats</td>
<td>XXX</td>
</tr>
</tbody>
</table>

Fair value hedges

For derivative instruments that are designated and qualify as a fair value hedge, the gain or loss on the derivative as well as the offsetting loss or gain on the hedged item attributable to the hedged risk are recognized in current earnings. The Company includes the gain or loss on the hedged items (that is, fixed-rate borrowings) in the same line item—interest expense—as the offsetting loss or gain on the related interest rate swaps as follows:

<table>
<thead>
<tr>
<th>Income Statement Classification</th>
<th>Gain/(Loss) on Swaps</th>
<th>Gain/(Loss) on Borrowings</th>
</tr>
</thead>
<tbody>
<tr>
<td>Interest expense</td>
<td>$(XXX)</td>
<td>$XXX</td>
</tr>
</tbody>
</table>

As of December 31, 20XX, the total notional amount of the Company’s receive-fixed/pay-variable interest rate swaps was $XXX million.

For information on the location and amounts of derivative fair values in the statement of financial position and derivative gains and losses in the statement of financial performance, see the tabular information presented in Example 2 below.
Example 2: Disclosure in Tabular Format of Fair Value Amounts, and Gains and Losses on Derivative Instruments and Related Hedged Items

205C. This example illustrates the disclosure in tabular format of fair value amounts of derivative instruments and gains and losses on derivative instruments as required by paragraph 44C of this Statement. This example is presented in two sections: (a) implementation guidance related to the tables and (b) examples of the quantitative tables.

Implementation Guidance Related to Disclosure Tables

205D. If a proportion of the derivative instrument is designated and qualifying as a hedging instrument and a proportion is not designated and qualifying as a hedging instrument, an entity would allocate the related amounts to the appropriate categories within the disclosure table.

205E. The disclosure table examples below provide quantitative information about derivative instruments. However, in many instances, the use of derivative instruments in an entity’s risk management strategies represents only a portion of the instruments used for that purpose. As permitted in paragraph 44C(c), an entity can elect to disclose information about certain derivatives included in an entity’s trading activities in separate disclosures outside the required tabular format. If the option is elected, the entity would need to include a footnote in the required tables referencing the use of alternative disclosures for trading activities.

205F. Not-for-profit organizations within the scope of the AICPA Audit and Accounting Guide, Health Care Organizations, should present a similarly formatted table. Those organizations would refer to amounts within their performance indicator, instead of in income, and amounts outside their performance indicator, instead of in other comprehensive income. Other not-for-profit organizations would disclose the gain or loss recognized in changes in net assets using a similar format. All not-for-profit organizations also would indicate which class or classes of net assets (unrestricted, temporarily restricted, or permanently restricted) are affected.

205G. The major types of derivative instruments presented in the tabular examples below are for illustrative purposes. Entities need to exercise judgment in identifying their major types of derivative instruments that may require additional line items in the tabular disclosures. [Note: For ease of reading the new tables, the underlining has been omitted.]
Tabular Disclosure of (a) Fair Values of Derivative Instruments in a Statement of Financial Position and (b) the Effect of Derivative Instruments on the Statement of Financial Performance

<table>
<thead>
<tr>
<th>In millions of dollars</th>
<th>Asset Derivatives</th>
<th>Liability Derivatives</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2010</td>
<td>2009</td>
</tr>
<tr>
<td>Derivatives designated as hedging instruments under Statement 133</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Interest rate contracts</td>
<td>Other assets $XX,XXX</td>
<td>Other assets $XX,XXX</td>
</tr>
<tr>
<td>Foreign exchange contracts</td>
<td>Other assets $XX,XXX</td>
<td>Other assets $XX,XXX</td>
</tr>
<tr>
<td>Equity contracts</td>
<td>Other assets $XX,XXX</td>
<td>Other assets $XX,XXX</td>
</tr>
<tr>
<td>Commodity contracts</td>
<td>Other assets $XX,XXX</td>
<td>Other assets $XX,XXX</td>
</tr>
<tr>
<td>Credit contracts</td>
<td>Other assets $XX,XXX</td>
<td>Other assets $XX,XXX</td>
</tr>
<tr>
<td>Other contracts</td>
<td>Other assets $XX,XXX</td>
<td>Other assets $XX,XXX</td>
</tr>
<tr>
<td>Total derivatives designated as hedging instruments under Statement 133</td>
<td>$XX,XXX</td>
<td>$XX,XXX</td>
</tr>
<tr>
<td>Derivatives not designated as hedging instruments under Statement 133 (x)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Interest rate contracts</td>
<td>Other assets $XX,XXX</td>
<td>Other assets $XX,XXX</td>
</tr>
<tr>
<td>Foreign exchange contracts</td>
<td>Other assets $XX,XXX</td>
<td>Other assets $XX,XXX</td>
</tr>
<tr>
<td>Equity contracts</td>
<td>Other assets $XX,XXX</td>
<td>Other assets $XX,XXX</td>
</tr>
<tr>
<td>Commodity contracts</td>
<td>Other assets $XX,XXX</td>
<td>Other assets $XX,XXX</td>
</tr>
<tr>
<td>Credit contracts</td>
<td>Other assets $XX,XXX</td>
<td>Other assets $XX,XXX</td>
</tr>
<tr>
<td>Other contracts</td>
<td>Other assets $XX,XXX</td>
<td>Other assets $XX,XXX</td>
</tr>
<tr>
<td>Total derivatives not designated as hedging instruments under Statement 133</td>
<td>$XX,XXX</td>
<td>$XX,XXX</td>
</tr>
<tr>
<td>Total derivatives</td>
<td>$XX,XXX</td>
<td>$XX,XXX</td>
</tr>
</tbody>
</table>

(a) See footnote XX for additional information on the ABC Company’s purpose for entering into derivatives not designated as hedging instruments and its overall risk management strategies.
The Effect of Derivative Instruments on the Statement of Financial Performance for the Years Ended December 31, 2016, and 2009

<table>
<thead>
<tr>
<th>Derivatives in Statement 133 Fair Value Hedging Relationships</th>
<th>Location of Gain or (Loss) Recognized in Income on Derivative (A)</th>
<th>Amount of Gain or (Loss) Recognized in Income on Derivative 2016</th>
<th>2009</th>
</tr>
</thead>
<tbody>
<tr>
<td>Interest rate contracts</td>
<td>Interest income/(expense)</td>
<td>$XX,XXX</td>
<td>$XX,XXX</td>
</tr>
<tr>
<td>Foreign exchange contracts</td>
<td>Foreign currency gain/(loss)</td>
<td>XX,XXX</td>
<td>XX,XXX</td>
</tr>
<tr>
<td>Equity contracts</td>
<td>Other income/(expense)</td>
<td>XX,XXX</td>
<td>XX,XXX</td>
</tr>
<tr>
<td>Commodity contracts</td>
<td>Other income/(expense)</td>
<td>XX,XXX</td>
<td>XX,XXX</td>
</tr>
<tr>
<td>Credit derivatives</td>
<td>Other income/(expense)</td>
<td>XX,XXX</td>
<td>XX,XXX</td>
</tr>
<tr>
<td>Other contracts</td>
<td>Other income/(expense)</td>
<td>XX,XXX</td>
<td>XX,XXX</td>
</tr>
<tr>
<td>Total</td>
<td></td>
<td>$XX,XXX</td>
<td>$XX,XXX</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Derivatives in Statement 133 Cash Flow Hedging Relationships</th>
<th>Amount of Gain or (Loss) Recognized in OCI on Derivative (Effective Portion) 2016</th>
<th>2009</th>
<th>Location of Gain or (Loss) Reclassified from Accumulated OCI into Income (Effective Portion) 2016</th>
<th>2009</th>
<th>Location of Gain or (Loss) Recognized in Income on Derivative (Ineffective Portion and Amount Excluded from Effectiveness Testing) (A)</th>
<th>2016</th>
<th>2009</th>
</tr>
</thead>
<tbody>
<tr>
<td>Interest rate contracts</td>
<td>$XX,XXX</td>
<td>$XX,XXX</td>
<td>Interest income/(expense)</td>
<td>$XX,XXX</td>
<td>Other income/(expense)</td>
<td>$XX,XXX</td>
<td>$XX,XXX</td>
</tr>
<tr>
<td>Foreign exchange contracts</td>
<td>XX,XXX</td>
<td>XX,XXX</td>
<td>Sales/Revenue</td>
<td>XX,XXX</td>
<td>XX,XXX</td>
<td>XX,XXX</td>
<td>XX,XXX</td>
</tr>
<tr>
<td>Equity contracts</td>
<td>XX,XXX</td>
<td>XX,XXX</td>
<td>Other income/(expense)</td>
<td>XX,XXX</td>
<td>XX,XXX</td>
<td>XX,XXX</td>
<td>XX,XXX</td>
</tr>
<tr>
<td>Commodity contracts</td>
<td>XX,XXX</td>
<td>XX,XXX</td>
<td>Cost of sales</td>
<td>XX,XXX</td>
<td>XX,XXX</td>
<td>XX,XXX</td>
<td>XX,XXX</td>
</tr>
<tr>
<td>Credit derivatives</td>
<td>XX,XXX</td>
<td>XX,XXX</td>
<td>Other income/(expense)</td>
<td>XX,XXX</td>
<td>XX,XXX</td>
<td>XX,XXX</td>
<td>XX,XXX</td>
</tr>
<tr>
<td>Other contracts</td>
<td>XX,XXX</td>
<td>XX,XXX</td>
<td>Other income/(expense)</td>
<td>XX,XXX</td>
<td>XX,XXX</td>
<td>XX,XXX</td>
<td>XX,XXX</td>
</tr>
<tr>
<td>Total</td>
<td>$XX,XXX</td>
<td>$XX,XXX</td>
<td></td>
<td>$XX,XXX</td>
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<td>$XX,XXX</td>
<td>$XX,XXX</td>
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<tr>
<td>Derivatives in Statement 133 Net Investment Hedging Relationships</td>
<td>Amount of Gain or (Loss) Recognized in OCI on Derivative (Effective Portion)</td>
<td>Location of Gain or (Loss) Reclassified from Accumulated OCI into Income (Effective Portion)</td>
<td>Amount of Gain or (Loss) Recognized in Income on Derivative (Ineffective Portion and Amount Excluded from Effectiveness Testing)</td>
<td>Amount of Gain or (Loss) Recognized in Income on Derivative (Ineffective Portion and Amount Excluded from Effectiveness Testing)</td>
<td></td>
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<tr>
<td>Foreign exchange contracts</td>
<td>$XXX,XXX</td>
<td>$XXX,XXX</td>
<td>Gain or (loss) on sale of subsidiary</td>
<td>$XXX,XXX</td>
<td>$XXX,XXX</td>
<td>Other income/(expense)</td>
<td>$XXX,XXX</td>
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<table>
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<tr>
<th>Derivatives Not Designated as Hedging Instruments under Statement 133 (P.L.C.)</th>
<th>Location of Gain or (Loss) Recognized in Income on Derivative</th>
<th>Amount of Gain or (Loss) Recognized in Income on Derivative</th>
<th>2010</th>
<th>2009</th>
<th>2010</th>
<th>2009</th>
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<tr>
<td>Interest rate contracts</td>
<td>Other income/(expense)</td>
<td>$XXX,XXX</td>
<td>$XXX,XXX</td>
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<tr>
<td>Foreign exchange contracts</td>
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<td>$XX,XXX</td>
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<td></td>
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<tr>
<td>Equity contracts</td>
<td>Other income/(expense)</td>
<td>$XX,XXX</td>
<td>$XX,XXX</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Commodity contracts</td>
<td>Other income/(expense)</td>
<td>$XX,XXX</td>
<td>$XX,XXX</td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>Credit derivatives</td>
<td>Other income/(expense)</td>
<td>$XX,XXX</td>
<td>$XX,XXX</td>
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<td>Other contracts</td>
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<tr>
<td>Total</td>
<td>$XXX,XXX</td>
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(a) If gains and losses associated with a type of contract (for example, interest rate contracts) are displayed in multiple line items in the income statement, the entity is required to disclose the amount included in each line item.

(b) See footnote XX for additional information on the ABC Company’s purpose for entering into derivatives not designated as hedging instruments and its overall risk management strategy.

(c) For alternative disclosures about "trading derivatives," see separate table for trading activities in footnotes to the financial statements.

(d) The amount of gain or loss recognized in income represents $XXX related to the ineffective portion of the hedging relationships and $XXX related to the amount excluded from the assessment of hedge effectiveness.
Tabular Disclosure of Nondesignated/Nonqualifying
Derivative Instruments That Are Included in an Entity’s
Trading Activity

205H. This example illustrates one approach for presenting the quantitative information required under paragraph 44C(c) when an entity elects the alternative disclosure for gains and losses on derivative instruments included in its trading activities. The example does not address all possible ways of complying with the alternative disclosure requirements under paragraph 44C(c). Many entities already include the required information about their trading activities in other disclosures within the financial statements. According to paragraph 44E, an entity that discloses the required information in other disclosures would need to provide a cross-reference from the derivative footnote to other footnotes in which trading derivative-related information is included.


<table>
<thead>
<tr>
<th>Type of Instrument</th>
<th>Trading Revenue</th>
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<tr>
<td></td>
<td>2010</td>
<td>2009</td>
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<tr>
<td>Fixed income/Interest rate</td>
<td>$XX,XXX</td>
<td>$XX,XXX</td>
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<td>XX,XXX</td>
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<td>Equity</td>
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<td>Commodity</td>
<td>XX,XXX</td>
<td>XX,XXX</td>
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<tr>
<td>Credit</td>
<td>XX,XXX</td>
<td>XX,XXX</td>
</tr>
<tr>
<td>Other</td>
<td>XX,XXX</td>
<td>XX,XXX</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$XX,XXX</strong></td>
<td><strong>$XX,XXX</strong></td>
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</table>

<table>
<thead>
<tr>
<th>Line Item in Statement of Financial Performance</th>
<th>Trading Revenue</th>
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</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2010</td>
<td>2009</td>
</tr>
<tr>
<td>Principal/Proprietary transactions</td>
<td>$XX,XXX</td>
<td>$XX,XXX</td>
</tr>
<tr>
<td>Asset management income</td>
<td>XX,XXX</td>
<td>XX,XXX</td>
</tr>
<tr>
<td>Other income</td>
<td>XX,XXX</td>
<td>XX,XXX</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$XX,XXX</strong></td>
<td><strong>$XX,XXX</strong></td>
</tr>
</tbody>
</table>

The revenue related to each category includes realized and unrealized gains and losses on both derivative instruments and nonderivative instruments.
Example 3: Disclosure of Contingent Features in Derivative Instruments

205I. This example illustrates the disclosure of credit-risk-related contingent features in derivative instruments as required by paragraph 44D of this Statement.

Contingent Features

Certain of the Company’s derivative instruments contain provisions that require the Company’s debt to maintain an investment grade credit rating from each of the major credit rating agencies. If the Company’s debt were to fall below investment grade, it would be in violation of these provisions, and the counterparties to the derivative instruments could request immediate payment or demand immediate and ongoing full overnight collateralization on derivative instruments in net liability positions. The aggregate fair value of all derivative instruments with credit-risk-related contingent features that are in a liability position on December 31, 2009, is $XX million for which the Company has posted collateral of $X million in the normal course of business. If the credit-risk-related contingent features underlying these agreements were triggered on December 31, 2009, the Company would be required to post an additional $XX million of collateral to its counterparties.

Amendment to Statement 52

4. FASB Statement No. 52, Foreign Currency Translation, is amended as follows:

a. Paragraph 30, as amended:

The aggregate transaction gain or loss included in determining net income for the period shall be disclosed in the financial statements or notes thereto. For that disclosure, gains and losses on derivative instruments shall comply with paragraph 45 of Statement 133. Certain enterprises, primarily banks, are dealers in foreign exchange. Although certain gains or losses from dealer transactions may fit the definition of transaction gains or losses in this Statement, they may be disclosed as dealer gains or losses rather than as transaction gains or losses.
Amendment to Statement 107

5. FASB Statement No. 107, *Disclosures about Fair Value of Financial Instruments*, is amended as follows:

a. Paragraph 15A, as added:

Except as indicated in paragraph 15B, an entity shall disclose all significant concentrations of credit risk arising from all financial instruments, whether from an individual counterparty or groups of counterparties. Group concentrations of credit risk exist if a number of counterparties are engaged in similar activities and have similar economic characteristics that would cause their ability to meet contractual obligations to be similarly affected by changes in economic or other conditions. The following shall be disclosed about each significant concentration:

a. Information about the (shared) activity, region, or economic characteristic that identifies the concentration
b. The maximum amount of loss due to credit risk that, based on the gross fair value of the financial instrument, the entity would incur if parties to the financial instruments that make up the concentration failed completely to perform according to the terms of the contracts and the collateral or other security, if any, for the amount due proved to be of no value to the entity
c. The entity’s policy of requiring collateral or other security to support financial instruments subject to credit risk, information about the entity’s access to that collateral or other security, and the nature and a brief description of the collateral or other security supporting those financial instruments
d. The entity’s policy of entering into master netting arrangements to mitigate the credit risk of financial instruments, information about the arrangements for which the entity is a party, and a brief description of the terms of those arrangements, including the extent to which they would reduce the entity’s maximum amount of loss due to credit risk.

3a1 Throughout this paragraph, the term financial instruments includes derivative instruments accounted for under FASB Statement No. 133, *Accounting for Derivative Instruments and Hedging Activities*. 
Amendment to Opinion 28

6. APB Opinion No. 28, *Interim Financial Reporting*, is amended as follows:

   a. Paragraph 30(m) is added as follows:

   The information about derivative instruments as required by FASB Statement No. 161, *Disclosures about Derivative Instruments and Hedging Activities*.

Effective Date and Transition

7. This Statement shall be effective for financial statements issued for fiscal years and interim periods beginning after November 15, 2008. Early application is encouraged.

8. This Statement encourages but does not require disclosures for earlier periods presented for comparative purposes at initial adoption. In years after initial adoption, this Statement requires comparative disclosures only for periods subsequent to initial adoption. For example, a December 31, 2009, calendar-year entity would present annual comparative disclosures for 2009 beginning in the December 31, 2010, statement of financial position. If the entity presents three-year comparative statements of financial performance, its financial report for year-end 2010 would require comparative income statement disclosures for 2009 but not for 2008.

   The provisions of this Statement need not be applied to immaterial items.

This Statement was adopted by the unanimous vote of the seven members of the Financial Accounting Standards Board:

Robert H. Herz, *Chairman*
George J. Batavick
G. Michael Crooch
Thomas J. Linsmeier
Leslie F. Seidman
Lawrence W. Smith
Donald M. Young
Appendix A

BACKGROUND INFORMATION AND BASIS FOR CONCLUSIONS

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Appendix A

BACKGROUND INFORMATION AND BASIS FOR CONCLUSIONS

Introduction

A1. This appendix summarizes the Board’s considerations in reaching the conclusions in this Statement. It includes reasons why the Board accepted particular approaches and rejected others. Individual Board members gave greater weight to some factors than to others.

Background Information

A2. Statement 133 was issued in 1998 and was effective for financial statements for fiscal years beginning after June 15, 2000. It establishes standards of financial reporting and accounting for derivative instruments and hedging activities. Statement 133 provides comprehensive disclosure requirements for derivative instruments and hedging activities and supersedes FASB Statements No. 105, Disclosure of Information about Financial Instruments with Off-Balance-Sheet Risk and Financial Instruments with Concentrations of Credit Risk, and No. 119, Disclosure about Derivative Financial Instruments and Fair Value of Financial Instruments.

A3. Certain disclosures from Statements 105 and 119 were incorporated into Statement 133. However, many disclosures were not carried forward to ease the implementation of Statement 133. Additionally, at that time the Board believed that the improved accounting requirements would satisfy users’ information needs, thus eliminating the need for certain disclosures. Since Statement 133’s issuance, however, its disclosure requirements have been criticized for not providing adequate information about derivative instruments and hedging activities.

A4. In March 2005, the Board agreed to add a project to its agenda to reconsider the disclosure requirements of Statement 133, specifically because of constituent concerns that those requirements do not provide adequate information on the effect that derivatives have on an entity’s financial position, financial performance, and cash flows. The Board has addressed many of these concerns in developing the objectives and enhanced disclosure framework included in this Statement.
A5. In December 2006, the Board issued an Exposure Draft, *Disclosures about Derivative Instruments and Hedging Activities*, for an 85-day comment period. Sixty-three organizations and individuals responded to the Exposure Draft. The Board considered the comments received during its redeliberations of the issues addressed by the Exposure Draft in four public Board meetings during May, July, September, and December 2007. The Board concluded that it could reach informed decisions on the basis of existing information without a public hearing.

**Scope**

A6. The Board decided that the scope of this Statement should be the same as that of Statement 133. Accordingly, this Statement applies to all entities. All entities include, but are not limited to, not-for-profit organizations, defined benefit pension plans, and mutual fund companies. The Board further decided that the scope should be limited to derivative instruments (or nonderivative instruments, when applicable) accounted for under Statement 133, as well as hedged items designated in a qualifying hedging relationship (hereafter referred to as related hedged items) under Statement 133. An embedded derivative separated from a host contract and accounted for as a derivative instrument pursuant to the guidance in Statement 133 is included in the scope of this Statement. However, a hybrid instrument that an entity measures at fair value in its entirety is not included in the scope of this Statement even if that instrument would be required under paragraph 12 of Statement 133 to be separated into a host contract and a derivative instrument.

A7. In developing the scope, the Board talked to various constituent groups, including the Financial Accounting Standards Advisory Council and a group of financial statement users assembled specifically to solicit input on the project. The general view of those groups was that the project should focus on providing enhanced disclosures about derivative instruments and the related hedged items to help users of financial statements better understand why an entity uses derivatives in the context of an entity’s risk exposures. They further said that those disclosures would provide important information on the effect that using derivatives has on an entity’s financial position, financial performance, and the timing, amount, and uncertainty of an entity’s future cash flows.

A8. The Board agreed with those views and specifically acknowledged that the scope of this project should result in disclosures that provide information on (a) why entities enter into derivative instruments, (b) how those instruments modify the risks that the entity is facing, and (c) where in the financial statements those risk management effects
are reported. The Board concluded that to address those issues, the project’s scope should encompass all derivative instruments accounted for under Statement 133 and the related hedged items.

A9. The Board also considered other scope alternatives in its deliberations. One alternative would have encompassed all financial instruments. Certain Board members favored this broad scope alternative. They stated that it would provide a more accurate description of an entity’s overall risk profile, because risks an entity fails to manage with derivatives are just as important as the risks they have purposely attempted to manage. In addition, those Board members pointed out that derivative instruments could be part of a larger hedging or risk management strategy and it would be misleading to provide information about only derivative-related risks without providing disclosures about risks associated with all financial instruments.

A10. While the Board acknowledged those concerns, it decided that such a broad scope could result in a long-term project and therefore would not provide the timely transparency on derivative instruments and related hedged items that is desired by users of financial statements. Furthermore, such a broad scope would require bringing into one standard the disclosures that already are required in other accounting literature, which many feel is unnecessary at this time.

A11. The Board also considered expanding the scope to include financial statement presentation guidance. Certain Board members favored expanding the scope and stated that addressing financial statement presentation could add more usefulness to the tabular disclosures by potentially providing a link between the tables and the financial statements. Other Board members stated that it would be extremely difficult to provide prescriptive guidance on financial statement presentation of derivative instruments because Statement 133 has an underlying elective nature and entities identify and manage risk in different ways.

A12. Overall, the Board agreed that providing timely improvements to disclosures about the use of derivatives was an important objective. Addressing presentation as part of the current scope of the project potentially could delay issuing a standard that would improve significantly the transparency of derivative instruments and related hedged items, and their overall effect on an entity’s financial position, results of operations, and cash flows. In addition, various presentation issues related to derivatives and related hedged items are being addressed in the Board’s current project on financial statement presentation. For these reasons, the Board decided that presentation should not be part of the project scope.
A13. The majority of respondents to the Exposure Draft agreed with the Board’s decision to limit the scope of the project. While many of those respondents acknowledged that disclosures about all financial instruments are important, they stated that the Board should consider those disclosures in a separate project. Some respondents noted that addressing those disclosures in this project would delay the issuance of a final Statement. Other respondents indicated that a scope that includes disclosures about all financial instruments would be overly broad and was not necessary to understand the entity’s use of derivatives. Furthermore, some respondents emphasized that there is no need for additional guidance on all financial instruments because Securities and Exchange Commission (SEC) registrants already are required to provide quantitative and qualitative market risk information on financial instruments in the Management’s Discussion and Analysis (MD&A) section of their SEC filings.

A14. Other respondents disagreed with the Board’s decision to limit the scope of the project. They stated that disclosures about derivatives and related hedged items would provide misleading information to users about an entity’s overall risk management activities and profile, especially when considered in the context of financial institutions that engage in heavy derivative use and have elaborate and dynamic risk management strategies that entail entering into derivatives, in addition to many other types of financial instruments.

A15. Users generally agreed that a broader scope would provide the most comprehensive information, but they were satisfied with a limited scope in the near term and supported pursuing a broader project in the long term.

A16. Based on the Board’s original decisions in the Exposure Draft and the comments received from constituents about the scope of the project, the Board decided to retain the limited scope proposed in the Exposure Draft.

Amendments Considered and Made

Background

A17. To develop the incremental disclosures included in this Statement, the Board decided to first develop specific objectives and then develop enhanced disclosures that satisfy those objectives. The Board decided that the three objectives of the disclosures
included in this Statement are intended to provide users of financial statements with an enhanced understanding of:

a. How and why an entity uses derivatives
b. How derivatives and related hedged items are accounted for under Statement 133 and its related interpretations
c. How derivatives and related hedged items affect an entity’s financial position, financial performance, and cash flows.

A18. With respect to the effect of derivatives on an entity’s cash flows, the Board decided to focus on the potential effect on future collateral or cash requirements (that is, the effect on the entity’s liquidity), not on the presentation of derivative instruments in the statement of cash flows under FASB Statement No. 95, Statement of Cash Flows. In this limited-scope project, the Board decided not to include a reconsideration of how cash flows from derivative instruments are presented under Statement 95.

A19. The Board also initially considered a fourth objective, that disclosures should help users of financial statements understand an entity’s overall risk exposures and the strategy for managing those risks. The Board rejected this objective because the scope of this project is limited to derivative instruments accounted for under Statement 133 and related hedged items; therefore, the disclosures developed as part of this project might not fully provide insight into an entity’s overall risk exposure and risk management strategies. Derivatives, in many instances, contribute to only a portion of an entity’s strategy for mitigating risk. Thus, for a discussion of overall risk to be meaningful, disclosures would need to encompass all risks an entity faces, how entering into derivatives changes those risks, and other strategies employed by the entity to manage its risk, all of which are outside the scope of this project. Based on its decision during the redeliberations process to retain the limited-project scope, the Board decided not to add that fourth objective. The Board did decide, however, to retain (and clarify) the provisions in paragraph 44 of Statement 133 that encourage disclosure about an entity’s market risks and how it manages those risks.

A20. In developing the enhanced disclosures included in this Statement, the Board reconsidered the usefulness of the current disclosure requirements in Statement 133. It also considered the following disclosure requirements:

a. Disclosure requirements in Statements 105 and 119 that were not carried forward in Statement 133
b. Disclosure requirements included in the June 1996 Exposure Draft and August 1997 Task Force Draft of Statement 133 that were not carried forward in Statement 133
c. SEC requirements in Financial Reporting Release 48, *Disclosure of Accounting Policies for Derivative Financial Instruments and Derivative Commodity Instruments and Disclosure of Quantitative and Qualitative Information About Market Risk Inherent in Derivative Financial Instruments, Other Financial Instruments, and Derivative Commodity Instruments*


A21. Further, a working group consisting of various users, preparers, academics, and auditors provided input on the potential disclosures considered by the Board during its deliberations.

**Disclosure of Objectives and Strategies for Using Derivative Instruments**

A22. This Statement amends paragraph 44 of Statement 133 to require disclosure of an entity’s objectives and strategies for using derivatives by primary underlying risk (for example, interest rate, credit, foreign exchange rate, or overall price). Paragraph 44 required this disclosure by accounting designation. The Board decided that disclosure by accounting designation would continue to provide meaningful information and should not be removed from the requirements of paragraph 44. However, the Board decided to require disclosure of objectives and strategies for using derivatives by underlying risk to better convey how and why an entity uses derivatives in terms of the risks intended to be managed. Additionally, if derivatives are not used to manage risks, then the disclosure clearly will indicate that fact.

A23. The Board clarified in its deliberations that disclosing objectives and strategies for using derivative instruments by primary underlying risk is the minimum required disclosure. Entities may deem it appropriate to provide additional information, such as information on different types of derivative instruments used for each type of primary underlying risk. Entities also may deem it appropriate to provide information on specific exposures within each underlying risk category (for example, exposures to specific foreign currencies).
Disclosure in Tabular Format of Fair Value Amounts, and Gains and Losses on Derivative Instruments and Related Hedged Items

A24. This Statement requires disclosure in tabular format of (a) the location and fair values of derivative instruments in the statement of financial position and (b) the location and amount of gains and losses on derivative instruments in the statement of financial performance.

*Tabular Format*

A25. The Board agreed to require the disclosure in tabular format to best convey an overall understanding of how and why an entity uses derivatives. The Board believes that using tables will improve the transparency of accounting for derivatives as well as help users of financial statements understand the effects of derivatives on an entity’s financial position, financial performance, and cash flows.

A26. The Exposure Draft proposed that a tabular disclosure be required for each underlying risk to portray derivative use in terms of the risks that an entity has intended to manage with derivatives. Within each table, the Exposure Draft would have required that derivatives be separated further by accounting designation. That would have resulted in a category for derivative instruments (and nonderivative instruments where applicable) designated and qualifying in fair value hedges, cash flow hedges, and hedges of the foreign currency exposure of a net investment in a foreign operation as well as for derivatives not designated or not qualifying as hedging instruments. Within each accounting designation category, an entity would have been required to further categorize its derivative instruments by purpose.

A27. A majority of the respondents to the Exposure Draft expressed significant operational concerns about complying with the proposed tabular disclosures. Many respondents did not support the requirement for a separate table for each underlying risk and stated that the proposed disclosures were too voluminous and would not provide useful information. Users stated that under the existing Statement 133 disclosure requirements, it is often difficult to ascertain where and in what amounts derivative instruments and their gains and losses are recorded in the statement of financial position and in the statement of financial performance.

A28. To balance the significant operational concerns of preparers with the users’ need for improved transparency, the Board decided to revise the proposed tabular disclosure requirements. Instead of separate tables for each underlying risk, this Statement requires only two tables—one for statement of financial position disclosures and the
other for statement of financial performance disclosures. The revised tabular disclosures distinguish between derivative instruments that are designated as hedging instruments under Statement 133 and those that are not. The tabular disclosures also require further segregation by each major type of derivative instrument—that is, interest rate contracts, foreign exchange contracts, equity contracts, commodity contracts, credit contracts, and other contracts. Based on the input received on the revised tables, the Board understands that the tabular disclosures required in this Statement will reduce the operational burden on the preparers while, at the same time, provide useful information about the location and amounts of fair values and gains and losses of derivative instruments. The revised tabular disclosures are illustrated in paragraph 3(d) of this Statement.

**Level of Aggregation of Fair Value Amounts**

A29. The Board decided that in the table summarizing fair values of derivatives:

a. Derivative instruments should be presented on a gross basis, even when they are subject to master netting arrangements and qualify for net presentation in the statement of financial position in accordance with FASB Interpretation No. 39, *Offsetting of Amounts Related to Certain Contracts*.

b. Cash collateral payables and receivables associated with derivative instruments should be excluded.

c. Fair value amounts should be presented as separate asset and liability values.

A30. The Board agreed that disclosing the fair value amounts of derivative instruments on a gross basis will help in better understanding what and how risks are being managed. Reporting information on a net basis could provide misleading information about the types of risks being managed with derivatives. For example, assume an entity had an interest rate risk derivative with a $100 asset fair value and a foreign currency exchange risk derivative with a $60 liability fair value that was subject to a master netting arrangement. Those derivatives would be reported as a $40 asset on the balance sheet. If those derivatives also were reported as a net $40 in the disclosure tables, there would be a lack of understanding about the type of risk being managed. The Board concluded that gross disclosure best conveys information on how and why an entity uses derivative instruments and therefore agreed to require gross presentation in the table.

A31. The Board also agreed that cash collateral payables and receivables associated with derivative instruments, including those subject to master netting arrangements, should be excluded from the disclosure table. The Board agreed that including cash
collateral payables and receivables in the disclosure table would not be consistent with the scope of the project, which is limited to derivatives accounted for under Statement 133 and related hedged items. The Board agreed that netting the payables or receivables related to cash collateral would make it difficult to analyze the relationship between the fair value of derivatives and the associated gains or losses reported. The Board therefore concluded that cash collateral payables and receivables should not be part of the disclosure table.

**Gains and Losses Related to Derivative Instruments**

A32. To help users understand the effect that derivatives have on an entity’s financial position, financial performance, and cash flows, this Statement requires disclosure of the location and the fair values of derivatives in the statement of financial position and derivative gains and losses reported in the statement of financial performance.

A33. One of the main criticisms of the current disclosure requirements in Statement 133 is that they provide little information about the effect that derivatives have on the risk profile of a reporting entity. Many constituents stated that it is difficult to ascertain where derivative-related gains and losses are recorded.

A34. The Board acknowledged those concerns and decided to require that information be provided in tabular format on the gains and losses related to (a) derivative instruments not designated or qualifying as hedging instruments, (b) derivative instruments designated and qualifying in fair value hedges, and (c) derivative instruments designated and qualifying as cash flow hedges and hedges of a net investment in a foreign operation (including the effective portion, the ineffective portion, and the amount excluded from effectiveness testing). The earnings streams from cash flow hedges result in gains and losses related to the ineffective portion and the amount excluded from effectiveness testing being reported in earnings in the period in which the hedge relationship exists, while the effective gains and losses are reclassified out of accumulated other comprehensive income and into earnings in the period in which the income statement is affected by the hedged transaction. The Board decided that for the tabular disclosure to be meaningful, it should distinguish between those earnings streams, since the reclassification of the gains and losses on the effective portion could occur in periods different from when the hedging relationship existed.

A35. With respect to derivative instruments not designated or qualifying as hedging instruments, some constituents stated that disclosing gains and losses on only derivative instruments when they are part of an entity’s trading activity should not be required because a trading activity of a large financial institution or dealer generally includes
both derivative as well as nonderivative (or cash) instruments. A dealer’s trading activity often is included in a trading portfolio that contains both market-making and proprietary positions. The dealer manages the overall risk in the trading portfolio by using both derivative and nonderivative instruments. Under these circumstances, disclosing the gains and losses only on derivative instruments included in a dealer’s trading portfolio would not be meaningful (and could even be misleading) because the offsetting losses and gains on the nonderivative instruments included in the same trading portfolio are not disclosed. The Board agreed with those concerns and decided that an entity does not have to complete certain sections of the required statement of financial performance tabular disclosure as long as the entity includes alternative disclosures about gains and losses from trading activities that include nondesignated/nonqualifying derivative instruments as well as nonderivative instruments.

**Gains and Losses Related to Hedged Items**

A36. This Statement also requires disclosure of the gains and losses related to hedged items in instances in which fair value hedge accounting applies. The Board agreed that for users of financial statements to understand the full effects of a designated and qualifying fair value hedging relationship, information should be provided about the location and amount of gains and losses on hedged items that are reported in the statement of financial performance. That disclosure will provide information on the risks being offset by derivatives, especially in instances in which an entity may be including the effects of the derivative and the hedged item in different line items. Furthermore, the Board believes this disclosure will enhance comparability among entities. However, the Board decided to permit entities to use a nontabular format for presenting the required information because a tabular format for fair value hedged item information may not be necessary in all cases. Example 1 in paragraph 3(d) of this Statement includes an example of information about fair value hedged items presented outside the tabular disclosures.

A37. The Board also decided that this Statement should not permit or require disclosure of the gains and losses related to hedged items not designated and qualifying in a Statement 133 hedging relationship within the required statement of financial performance table. The Board acknowledged that permitting that disclosure would make it difficult to analyze the effect of the underlying risks being managed by derivatives when there is no requirement in those situations to designate the hedging instrument and hedged item at the start of the hedging relationship. There are differing views of what constitutes a hedging relationship in cases that do not qualify for hedge accounting under Statement 133 and, therefore, entities would have to arbitrarily identify relationships for disclosure purposes. In addition, gains and losses on hedged
items designated in a Statement 133 hedging relationship are based on changes in fair value attributable to the hedged risk. Gains and losses on financial instruments measured at fair value and used in hedging relationships not designated and qualifying under Statement 133 include all changes in fair value. Using different measurement methods to determine gains and losses on financial instruments reported in the same table would provide noncomparable information when analyzing the effect of the underlying risks being managed by derivatives.

A38. The prohibition on disclosing in the statement of financial performance table the gains and losses related to hedged items not designated and qualifying in a Statement 133 hedging relationship is somewhat mitigated by the ability to provide alternative disclosures that should include information about and gains and losses of all trading instruments—both derivative and nonderivative (or cash) trading instruments—on a combined basis. The alternative disclosures also require a discussion of an entity’s risks from trading activities and how the entity manages those risks.

**Notional Amounts and Leverage Factors**

A39. To provide insight into the overall pervasiveness of the use of derivatives and the risks they are intended to manage, the Exposure Draft would have required disclosure of the notional amounts of derivative instruments. Statement 119 previously required disclosure of notional amounts to provide information on the relative significance of an entity’s overall exposure to derivative instruments and to help in understanding the purpose for which the derivative instruments were held or issued. However, Statement 133 did not carry forward this disclosure requirement because it was believed that the enhanced accounting prescribed in that Statement would obviate the need for additional disclosure requirements.

A40. Many respondents to the Exposure Draft stated that reporting notional amounts, in and of themselves, is not an accurate indicator of the magnitude of risks being managed. Some respondents also stated that information on notional amounts could be misleading because the gross presentation does not appropriately reflect the effect of some common strategies, such as synthetic terminations of derivatives (by entering into offsetting contracts) and the use of common instruments, such as four separate forward contracts instead of one swap contract with four coupon dates. Additional discussions with users confirmed that for the notional information to be useful, disclosures about individual derivative instruments would be necessary rather than an aggregated notional amount for each major category of derivative instruments. However, the disclosure of the key terms of individual derivative instruments is unrealistic, and the disclosure of aggregated notional amounts has limited usefulness.
A41. On one hand, the Board acknowledges the concerns about the limited usefulness of the disclosure of gross and aggregated notional amounts. On the other hand, the Board believes that information about an entity’s volume of derivative activity is useful. Therefore, the Board decided to require such a disclosure. However, instead of prescribing a specific form and content for the disclosure related to an entity’s volume of derivative activity, the Board decided to permit entities to select the most appropriate form and content that are relevant for their specific facts and circumstances. Accordingly, paragraph 44 of Statement 133 is amended to require that entities provide information that would enable users to understand the entity’s volume of derivative activity. Example 1 in paragraph 3(d) of this Statement includes an example of information about an entity’s volume of derivative activities.

Gains and Losses Related to Existing Positions at Period End and Positions Existing during the Reporting Period

A42. The Exposure Draft would have required that the disclosure tables include gains and losses on (a) all derivatives and related hedged items that exist at the end of the reporting period, (b) all derivatives that existed during the reporting period but are no longer held at the end of the reporting period, and (c) all related hedged items that existed during the reporting period but are no longer held or are no longer in a designated hedging relationship at the end of the reporting period. As discussed earlier with respect to the tabular disclosures proposed in the Exposure Draft, many respondents stated that the proposed disclosures were too voluminous and not very useful. Accordingly, the Board has replaced the separate tables for each underlying risk with only one statement of financial position table and one statement of financial performance table. The revised statement of financial performance table does not require segregated disclosure of gains and losses on derivatives that exist at the end of the reporting period and those that are no longer held at the end of the reporting period.

Disclosure of Existence and Nature of Contingent Features

A43. The Exposure Draft proposed that the following disclosures about contingent features be required: disclosure of (a) the existence and nature of contingent features in derivative instruments, (b) the aggregate fair value amount of derivative instruments that contain those features, and (c) the aggregate fair value amount of assets that would be required to be posted as collateral or transferred under the provisions about the triggering of the contingent features.
A44. The Board acknowledged that derivative instruments often contain contingent features (for example, material adverse change clauses or payment acceleration clauses) that could result in an immediate payment to a counterparty on an agreement that is in a liability position. A material adverse change clause could provide the counterparty with the right to terminate the derivative agreement before maturity if specific events occur, such as a downgrade of the entity’s credit rating below investment grade. Contingent features within derivative instruments also may contain provisions that could result in a requirement to post additional collateral in instances in which the contingent feature is triggered.

A45. The Board decided that the disclosure of the existence and nature of contingent features will provide important information about the timing or likelihood of those contingencies being triggered, as well as the cash effect to the entity if the contingencies were triggered. The Board further decided that disclosing the aggregate fair value of derivative instruments with those features will provide important information about the magnitude of those contingencies. The Board also decided that disclosing the fair value amount of assets that would need to be posted as collateral or transferred in accordance with the settlement provisions about the triggering of the contingent features will provide a better understanding of the related effect of those features on an entity’s financial position, financial performance, and cash flows, in particular the effect on a company’s liquidity.

A46. Many respondents asked the Board to clarify (a) whether the term contingent features is meant to be broad and include non-credit-specific events (for example, price triggers within option contracts such as caps and floors, knockout provisions, and contingent dividend pass-through provisions) or (b) whether the Board’s intent in using the term contingent features is to focus on the potential effect on the entity’s liquidity by capturing only credit-specific events such as a material adverse change clause that provides the counterparty with a right to terminate the agreement early or to require posting of collateral. The Board agreed that a clarification was needed. Thus, this Statement clarifies that the intent is to capture information about only the reporting entity’s credit-risk-related contingent features for derivatives that are in a liability position at the end of the reporting period (for example, a credit downgrade of the reporting entity). This Statement also distinguishes between collateral that is already posted at the end of the reporting period and additional collateral that would be required to be posted if credit-risk-related contingent features were triggered at the end of the reporting period. The Board may consider in the future a separate project to enhance disclosures about credit-indexed derivatives such as credit default swaps.
Disclosure of Counterparty Credit Risk

A47. Statement 133 amended Statement 107 to carry forward the provisions about concentrations of credit risk previously required by Statement 105. Paragraph 15A was added to Statement 107 and requires disclosure of information about counterparty credit risk including concentrations, maximum potential exposure to credit losses, and the extent to which master netting arrangements potentially reduce the entity’s maximum amount of loss due to credit risk.

A48. Paragraph 15A of Statement 107 applies to all financial instruments. However, there had been some diversity in views about whether those disclosure requirements were intended to apply to derivative instruments. The Board therefore decided in this Statement to amend paragraph 15A of Statement 107 by adding a footnote to clarify that derivative instruments accounted for under Statement 133 are included in the scope of that disclosure.

Frequency of Disclosures: Interim and Annual Reporting Periods

A49. The Exposure Draft proposed that the disclosures should be required for all interim and annual reporting periods for which a statement of financial position and statement of financial performance are presented. The majority of preparer respondents to the Exposure Draft commented that requiring the disclosures for interim reporting periods would be overly onerous. Further, they claimed that compiling the necessary information within the condensed quarterly filing deadline (now 40 days after the quarter end) would be difficult and costly. Several of those respondents also noted that the intent of interim financial reporting is to provide a timely update to the year-end audited financial statements and that the SEC regulations for interim reporting require disclosure of only significant changes from the annual reporting period.

A50. Users, however, indicated that information about where and in what amounts derivatives and their related gains and losses are recorded in the statement of financial position and in the statement of financial performance is useful in assessing an entity’s financial performance. Given the frequent and often significant changes in derivative fair values, information on a quarterly basis would be useful to users in assessing the entity’s quarterly performance.

A51. The Board notes that as a result of its redeliberations, it has made significant changes to the tabular disclosures. Preparers who were asked to comment on revised tabular disclosures stated that those disclosures would be more operational and easier to compile than the tabular disclosures in the Exposure Draft. As a result, the Board
believes that the difficulties in preparing the tabular disclosures on an interim basis would be considerably reduced and that the benefits to users of updated interim disclosures would be significant because of the expected frequent changes in fair values of derivative instruments. Therefore, the Board decided to retain the interim reporting requirement as proposed in the Exposure Draft.

**Cross-Referencing to Other Footnotes Containing Derivative-Related Disclosures**

A52. This Statement requires cross-referencing to other footnotes in which derivative information is disclosed, to the extent that information is disclosed in more than a single footnote. Several constituents criticized the presentation of disclosures about derivative instruments as difficult to understand and follow. Many constituents stated that the disclosures about derivatives would be more useful if included in a single location in the footnotes, while others stated cross-referencing to other footnotes would be sufficient.

A53. Some Board members believe that disclosing derivative-related information in a single footnote would provide the desired information about derivative instruments. Further, those Board members believe that requiring disclosures in a single footnote could enhance the understandability of information about derivatives. Those Board members noted, however, that disclosures of derivative instruments are rarely included in a single footnote and, instead, are scattered throughout multiple footnotes to the financial statements.

A54. The majority of Board members do not believe that this Statement should prescribe the organization of footnote disclosures. They believe that management should be able to retain its flexibility in determining the most appropriate presentation of the footnote disclosures. The Board, therefore, decided that transparency would be best enhanced by requiring cross-referencing the derivatives footnote itself to the other footnotes that include disclosures about derivative instruments.

**Effective Date and Transition**

A55. The requirements of this Statement are effective for financial statements issued for fiscal years and interim periods beginning after November 15, 2008, with early application encouraged.
A56. This Statement encourages disclosures for earlier periods presented for comparative purposes at initial adoption. Further, the Statement requires disclosures for earlier periods presented for comparative purposes beginning in the first year after the year of initial adoption. For example, a December 31, 2009, calendar-year entity would present annual comparative disclosures for 2009 beginning in the December 31, 2010, statement of financial position. If the entity presents three-year comparative statements of financial performance, its financial report for year-end 2010 would require comparative income statement disclosures for 2009 but not for 2008.

A57. The Board originally considered requiring the disclosures for earlier periods presented for comparative purposes upon initial adoption. The Board, however, decided that due to potential operational concerns with providing prior-period information at initial adoption, entities would be required to provide comparative information in the first year after the year of initial adoption.

A58. The Board does not anticipate that entities would need to make major enhancements to systems to conform to the new disclosure requirements. The Board therefore believes that there would be an adequate amount of time for entities to put together the information that would satisfy the disclosure requirements in this Statement.

**Examples Illustrating Application of This Statement**

A59. The Board considered whether to include disclosure examples in this Statement. The Board was concerned that the examples would become boilerplate language that entities would include in their disclosures. The Board, however, decided that it would include the examples to illustrate one potential way of communicating information about how and why an entity uses derivatives, how derivative instruments and related hedged items are accounted for under Statement 133, and how derivatives and related hedged items affect an entity's financial position, financial performance, and cash flows. Furthermore, the Board stressed that an entity should refer to the overall objectives of the disclosure requirements in developing the disclosures required in this Statement.
Amendments Considered but Not Made

Disclosure of Overall Risk Profile

A60. The Board considered requiring the currently encouraged disclosure in paragraph 44 of Statement 133:

Qualitative disclosures about an entity’s objectives and strategies for using derivative instruments may be more meaningful if such objectives and strategies are described in the context of an entity’s overall risk management profile. If appropriate, an entity is encouraged, but not required, to provide such additional qualitative disclosures.

A61. The Board decided against including a fourth disclosure objective as described in paragraph A19 of this Statement; thus, that disclosure would be outside the scope of the project. This Statement, however, clarifies that the phrase overall risk management profile, as used in paragraph 44 of Statement 133, refers to the entity’s overall risk exposures relating to interest rate risk, foreign currency risk, commodity price risk, credit risk, and equity price risk regardless of whether the entity uses derivative instruments to manage those risks.

Disclosure of Assessment of Hedge Effectiveness

A62. In deliberations leading up to the Exposure Draft, the Board also considered requiring disclosure of instances in which an entity has assumed zero ineffectiveness in assessing hedge effectiveness as well as disclosing the aggregate fair value of derivative instruments covered by those elections.

A63. Certain constituents indicated that the current disclosure requirements provide little insight into the methodology that management uses to assess effectiveness when a derivative has been designated and is in a qualifying hedging relationship under Statement 133. Other constituents stated that because numerous methods are allowed to assess hedge effectiveness, disclosing the specific methodology likely would not provide any incremental benefit to users of the financial statements. Those constituents did state, however, that it would be useful to disclose situations in which an entity is assuming no ineffectiveness in a hedging relationship (for example, the use of the shortcut method).

A64. Some Board members believe that disclosing instances in which an entity has assumed zero ineffectiveness would be a useful disclosure because they view the use of
the shortcut method as a treatment alternative that entities are able to elect. Furthermore, they believe that the main benefit of that disclosure is that it would highlight instances in which an election under Statement 133 has resulted in zero income statement volatility as compared to the long-haul method. Those Board members also believe that disclosure could be provided at little cost to the preparer.

A65. The majority of Board members, however, do not believe that disclosing instances in which an entity has assumed zero ineffectiveness would be useful. They see no benefit in highlighting the use of the shortcut method and further believe that disclosing instances in which generally accepted accounting principles (GAAP) are applied properly would not result in useful information. Those Board members noted that this disclosure might reflect negatively on entities that appropriately use the shortcut method as well as other methods that assume zero ineffectiveness. They noted that users may inappropriately attempt to unwind the application of the shortcut method solely due to a perceived accounting risk. Those Board members also noted that recently issued Statement 133 Implementation Issue E23, “Issues Involving the Application of the Shortcut Method under Paragraph 68,” addresses some practice issues about the application of the shortcut method and that there is a separate project on the Board’s agenda to simplify the application of hedge accounting under Statement 133.

Disclosure of Normal Purchases and Normal Sales Exception

A66. Constituents have criticized Statement 133 for allowing entities a choice in accounting methods. The normal purchases and normal sales exception included in paragraph 10(b) of Statement 133 is one example. While paragraph 10 of Statement 133 includes numerous scope exceptions, the normal purchases and normal sales exception allows entities to elect that scope exception on a contract-by-contract basis. Some constituents stated that comparability is reduced in the financial statements of entities when exceptions to accounting requirements are permitted.

A67. In deliberations leading up to the Exposure Draft, the Board also considered requiring disclosure of instances in which an entity is accounting for derivatives at fair value instead of electing the normal purchases and normal sales exception. The Board further considered disclosure of (a) the fair value of those derivatives, (b) the statement of financial position and statement of financial performance classification of those derivatives and related gains and losses, and (c) the reason for choosing to account for those derivatives in that manner.
A68. The Board, however, did not agree to include that disclosure in this Statement. The Board believes that because Statement 133 contains alternative accounting treatments for situations beyond the normal purchases and normal sales exception and because there are other scope exceptions in paragraph 10 of Statement 133, it would be inappropriate to single out the normal purchases and sales exception for specific disclosures relating to alternative accounting treatments.

**Benefit-Cost Considerations**

A69. The objective of financial reporting is to provide information that is useful to present and potential investors, creditors, donors, and other capital market participants in making rational investment, credit, and similar resource allocation decisions. However, the benefits of providing information for that purpose should justify the related costs. Investors, creditors, donors, and other users of financial information benefit from improvements in financial reporting, while the costs to implement a new standard are borne primarily by the preparer. The Board’s assessment of the costs and benefits of issuing an accounting standard is unavoidably more qualitative than quantitative because there is no method to objectively measure the costs to implement an accounting standard or to quantify the value of improved information in financial statements.

**Benefits**

A70. Statement 133 was effective for financial statements for fiscal years beginning after June 15, 2000. Since then, the use of derivatives has continued to increase for all types of entities, not just financial services companies. Over the last few years, financial statement users have expressed concerns that Statement 133’s disclosure requirements do not provide adequate information on the effect that derivatives have on an entity’s financial position, financial performance, and cash flows. To better understand and respond to the users’ concerns, the Board included user representatives on this project’s working group. Further, throughout this Statement’s due process, the FASB staff sought and received valuable input from users such as the Investors Technical Advisory Committee (ITAC), credit-rating agencies, and others.

A71. Based on the input received from financial statement users, the Board believes that the benefits of this Statement will include the following:

a. Financial statements will be more understandable. Users of financial statements will be able to better assess the effect that derivative instruments have on an entity’s financial position, financial performance, and cash flows.
b. The comparability of financial statements between entities will be improved in that users of financial statements will be able to compare between entities the overall effect of, reasons for, and effectiveness of using derivatives.

c. Information in the footnotes will be more transparent because the derivative footnote will now include cross-referencing to other footnotes that contain derivative-related information.

Costs

A72. Because the Board believes that the benefits of improved financial reporting must be weighed against the costs of complying with the new requirements, it also sought and received valuable input from financial statement preparers and auditors about ways to provide the desired information in the most cost-effective manner. Representatives from these constituents were included in the working group for this project. The FASB staff also specifically sought input from preparers on the operationality of the new disclosure requirements, particularly the revised tabular disclosures and the alternative disclosure for trading activities.

A73. Based on input from financial statement preparers, the Board believes that the incremental costs of implementing the disclosures required by this Statement will not be significant because most of the information needed for those disclosures is already being tracked for hedge accounting and risk management purposes. Further, this Statement has significantly simplified the tabular disclosure requirements proposed in the Exposure Draft by replacing individual tables for each underlying risk with only two tables—one for the statement of financial position and the other for the statement of financial performance.

A74. The Board also took certain steps to reduce the implementation costs. For example, this Statement requires prospective application rather than retrospective application in the initial year of adoption for comparative period information.

A75. Incremental one-time costs associated with reporting the disclosures required by this Statement may include the following:

a. Costs to implement changes in systems and processes used to compile and format the data required for inclusion in these disclosures
b. Costs to initially develop the tabular disclosure in an entity-specific format
c. Costs of gathering information on derivative contracts with contingent features.
A76. The Board believes that based on the input received from the representatives of financial statements users and preparers, the ongoing financial reporting benefits derived from the disclosures required by this Statement will exceed the costs of complying with the new requirements.

**International Accounting Comparison**

A77. IFRS 7 is the comprehensive international standard on disclosure for all financial instruments. IFRS 7 includes disclosure requirements specifically for derivative instruments; however, it was developed under a broader scope encompassing all financial instruments. This Statement was developed under a more limited scope and, therefore, was not developed with the objective of international convergence.
Appendix B

EFFECT ON RELATED LITERATURE

B1. This appendix addresses the effect of this Statement on authoritative accounting literature included in categories (b), (c), and (d) in the GAAP hierarchy discussed in AICPA Statement on Auditing Standards No. 69, *The Meaning of Present Fairly in Conformity With Generally Accepted Accounting Principles*.

B2. The following table lists Emerging Issues Task Force (EITF) Issues, Statement 133 Implementation Issues, and guidance issued by the AICPA or its staff relating to the disclosure requirements for derivative instruments and hedged items and indicates (a) the status of that literature after issuance of this Statement and (b) the effect of this Statement on that literature (if any). *(Note: The EITF Abstracts and Statement 133 Implementation Issues will be updated in the future.)*

B3. Decisions about whether to amend AICPA guidance are made by the FASB in conjunction with the AICPA. *(Note: The AICPA will make the changes until there is an FASB codification that is cleared by the Board.)*
B4. The following guidance is affected by the issuance of this Statement:

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<td>Accounting for Gas-Balancing Arrangements</td>
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<td>Issue 00-19</td>
<td>Accounting for Derivative Financial Instruments Indexed to, and Potentially Settled in, a Company's Own Stock</td>
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## Statement 133 Implementation Issues

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<td>Issue K4</td>
<td>Income Statement Classification of Hedge Ineffectiveness and the Component of a Derivative’s Gain or Loss Excluded from the Assessment of Hedge Effectiveness</td>
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<td>Issue K4 includes an excerpt from paragraph 45 of Statement 133. This Statement amends paragraph 45 of Statement 133. Therefore, the related portions of the excerpt in Issue K4 have been modified.</td>
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<td>AICPA Literature</td>
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<td>SOP 02-2 includes a description of the disclosure requirements in Statement 133, including information on the fact that Statement 133 does not require entities to disclose where and in what financial statement captions gains and losses related to derivative instruments are displayed. This Statement amends Statement 133 to require in paragraph 44C the disclosure of where and in what financial statement captions gains and losses on derivative instruments are displayed. Therefore, the description in SOP 02-2 has been updated to describe the additional disclosure requirements in paragraph 44C.</td>
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