Hedging—Last-of-Layer Method
Tentative Board Decisions to Date
as of January 22, 2020

The Tentative Board Decisions to date is provided for the information and convenience of constituents who want to follow the Board's deliberations. All of the conclusions reported may be changed at future Board meetings. Decisions become final only after a formal written ballot to issue a final Accounting Standards Update.

Topic	Decisions Reached	Meeting Date
Initial Deliberations		
Disclosures	The Board decided not to add or amend the last-of-layer disclosure requirements in Topic 815, Derivatives and Hedging, related to the addition of the proposed multiple-hedge model.	January 22, 2020
Transition	The Board decided that: 1. The proposed amendments, except for those related to disclosures required by Topics other than Topic 815, would be applied on a prospective basis. a. An entity would be permitted to modify documentation without dedesignating a last-of-layer hedging relationship existing as of the date of adoption to add one or more hedges to the closed portfolio if the requirements for the amended last-of-layer method are met. In those cases, an entity also would be permitted to modify documentation without dedesignating the existing hedging relationship to add the new elective documentation specifying the order in which multiple hedging relationships associated with the closed portfolio would be discontinued in the event of a breach. b. Fair value hedge basis adjustments allocated to an asset that exists on an entity's balance sheet on the date of adoption would remain allocated to that asset over the remaining life of the asset. The fair value hedge basis	January 22, 2020

	adjustments allocated to those assets existing on the balance sheet on the date of adoption would be amortized over the remaining lives of the assets to which they were allocated in the same manner as any premium or discount associated with those assets. Any new last-of-layer fair value hedge basis adjustments recorded after the date of adoption would be maintained at the closed portfolio level. 2. An entity would have the option to apply the proposed amendments related to disclosures required by Topics other than Topic 815 on a prospective basis as of the date of adoption or on a full retrospective basis. 3. An entity would be required to disclose the nature of and reason for the change in accounting principle related to accounting for last-of-layer fair value hedge basis adjustments in transition. 4. For an entity that has not yet adopted Accounting Standards Update No. 2016-13, *Financial Instruments—Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments,* as of the issuance date of a final Update of the proposed last-of-layer amendments, the proposed last-of-layer amendments related to Update 2016-13 would be effective upon the adoption of Update 2016-13. For an entity that has not yet adopted the amendments in Update 2016-13 as of the issuance date of a final Update of the proposed last-of-layer amendments and chooses to early adopt the amendments in Update 2016-13 before the effective date of the proposed last-of-layer Update, adoption of all amendments in the last-of-layer Update would be required upon the adoption of Update 2016-13. This decision does not affect when an entity is required to adopt the amendments in Update 2016-13.	
Multiple-Layer Issues	The Board decided that it would: 1. Require an entity to dedesignate the entirety of one or more hedging relationships affected by an actual breach. An actual breach occurs when the sum of the hedged items associated with a closed portfolio is greater than the total assets in the closed portfolio in the current period.	October 16, 2019

	2. Continue to allow partial dedesignation for anticipated breaches. An anticipated breach occurs when the sum of the hedged items is not in breach in the current period but is expected to be in breach in a future period. 3. Permit an entity to document at hedge inception a sequence in which hedging relationships associated with a closed portfolio would be dedesignated in the case of an actual breach. If an entity does not document a dedesignation sequence at hedge inception and an actual breach occurs, the entity would be required to dedesignate all hedging relationships associated with the closed portfolio. 4. Require that all hedging relationships associated with the closed portfolio be supported by all the assets in the closed portfolio. That is, all the assets in the closed portfolio must have a contractual maturity date after the latest partial-term hedge matures, and all financial assets in the closed portfolio must be prepayable by the earliest hedging relationship's maturity date.	
Fair Value Hedge Basis Adjustment Issues	The Board decided that it would: 1. Prohibit an entity from allocating the fair value hedge basis adjustment to the assets in the closed portfolio during an outstanding last-of-layer hedge. 2. Prohibit an entity from considering a last-of-layer fair value hedge basis adjustment on an outstanding hedge when determining an allowance under the current expected credit loss model. 3. Require a last-of-layer fair value hedge basis adjustment to be presented as a reconciling item in disclosures required by other areas of GAAP. 4. Require that an entity recognize and present the fair value hedge basis adjustment associated with an actual breach in the income statement based on how the assets that caused the breach were removed from the closed portfolio.	October 16, 2019