

# EY CAFTA

## Certificate in Treasury Hedge Accounting

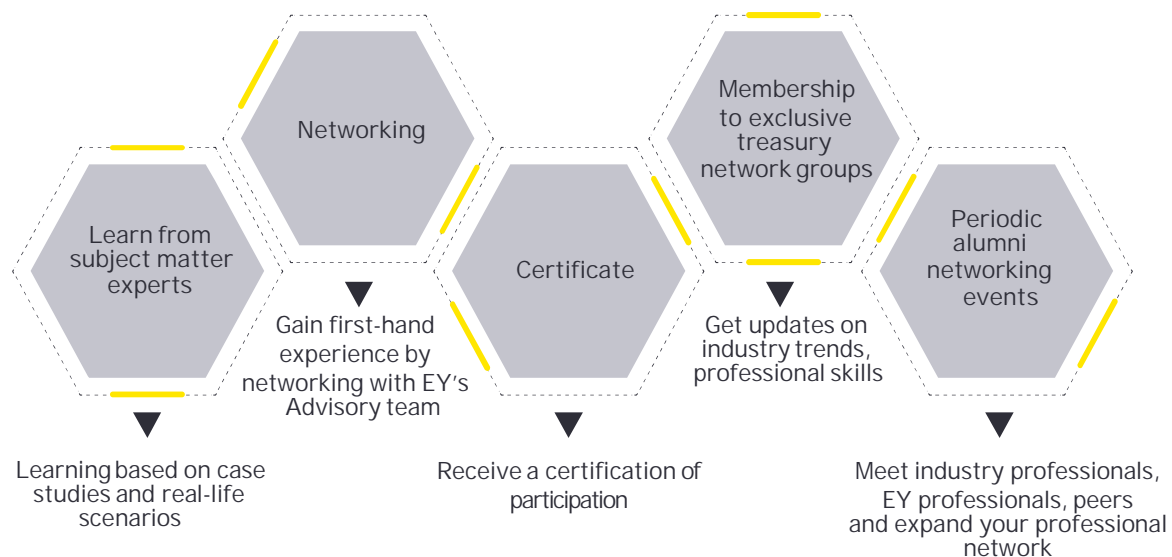
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Building a better  
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# It's an experience that will last you a lifetime

## Benefits of Certificate in Treasury Hedge Accounting



Learn from EY professionals and industry leaders having varied experience across banks, corporates, consulting, NBFC and insurance

Let their experience become your learning

*A mix of professionals having diverse credentials such as CFA, FRM, CA, MBA*



*Team of professionals with significant experience in varied areas:*

- Strategic treasury transformations
- Management consulting to corporates, insurance, NBFC, Fintech etc
- Local and global treasury projects
- Trading in global financial markets
- Treasury Technology enablement and Analytics deployment
- Risk advisory for financial institutions
- Liquidity and investment advisory

# Program Coverage



## Overview of derivatives

- ▶ Need and use of derivatives
- ▶ Various types of derivative instruments available for hedging
- ▶ Understand how derivatives affect financial statements
- ▶ Classification and accounting of derivatives instruments and its impact on financial statements



## Objective and need for hedge accounting

- ▶ Hedge accounting's application by companies to
  - ❑ Align risk management activities to reflect in accounting
  - ❑ Reduce volatility in P&L statement
  - ❑ Mitigate accounting mismatch in measurement of financial Instruments



## Application of hedge accounting in practice

- ▶ Types of permitted hedge relationship such as Cashflow hedge, Fair Value hedge and Net investment hedge
- ▶ Accounting implications of each hedge relationship
- ▶ Pre-requisites of application of hedge accounting
  - ❑ Hedged item, hedging instruments, risk components, Layering etc
  - ❑ Eligibility criteria for designation in hedge relationship
  - ❑ Key aspects of hedge documentation
  - ❑ Hedge effectiveness testing requirements
- ▶ Apply hedge accounting to different components of hedging instruments (forwards and options)
- ▶ Criteria for highly probable forecast transactions



## Hedge effectiveness methodologies

- ▶ Concepts of economic relationship, hypothetical derivatives, rebalancing and hedge ratio
- ▶ Different methods of assessing hedge effectiveness: Critical terms method, Dollar offset method, regression method
- ▶ Key aspects while performing effectiveness testing
- ▶ Role of credit risk in assessment of hedge effectiveness testing
- ▶ Hedge accounting for rollover hedging strategy
- ▶ Rebalancing of hedged item and hedged instrument



## Discontinuation of hedge accounting

- ▶ Scenarios which result in discontinuation of hedge accounting
- ▶ Impact of discontinuation of hedge relationship



# Program Coverage



## Practical scenarios in hedge accounting

- ▶ Common challenges in application of hedge accounting such as mismatch in critical terms, hedge designation post trade date etc



## Case studies

- ▶ Currency risk: Designation of forward contract for hedge against highly probable sales
- ▶ Currency and interest rate risk: Designation of Cross Currency Interest Rate Swap (CCIRS) against External Commercial Borrowing
- ▶ Commodity price risk: Designation of commodity futures contract against inventory
- ▶ Currency risk: Designation of currency option contract against foreign currency term loan
- ▶ Currency risk at subsidiary entity: Designation of Non-derivative financial instrument against net assets of a subsidiary

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\*Financial Risk Management (FRM) module, part of CAFTA program.



## Financial Risk Management

### Overview of financial market

- ▶ Global financial markets overview

### Transaction life cycle: FX risk management

- ▶ FX risk in corporates - Accounting risk and cashflow risk
- ▶ Exposure recognition, collation and communication
- ▶ Industry insight: Exposure recognition in different companies
- ▶ Timing mismatch and netting of exposure
- ▶ Hedge ratio setting using different risk mitigating instruments
- ▶ Deal execution and negotiation with banks during deal execution
- ▶ Use case: use of Supply Chain financing to mitigate FX risk

### Interest Risk Management

- ▶ Interest rate risk in Insurance, Banks and NBFC

### Commodity risk management

- ▶ Commodity market value chain and its price risk

### Risk Management Policy

- ▶ Use case: Setting risk appetite using VAR and arriving at hedge ratio
- ▶ Use case: Managing FX and IR risk: All-in cost of borrowing

### Use-cases:

- ▶ Use of analytics and statistical methods in FRM

# Join CAFTA to get ahead of your competition

Course fee

Certificate in Treasury Hedge Accounting (CTHA) INR 8,000 + taxes

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