

HEDGE ACCOUNTING IN A DAY

FRS102 'The Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland' was finalised in March 2013, this new version of the standard will replace all existing FRSS, SSAPs and UITFs and will become mandatory from 1st January 2015 with early adoption available. As a result, firms will be required to start accounting for comparative purposes from as early as 1st January 2014.

What does this mean for your organisation?

One of the implications of the new standard is the requirement to place derivatives on balance sheet at fair value. Therefore banks and building societies should now adopt hedge accounting in order to reduce accounting and capital volatility.

The Cambridge Building Society – a case study

The Cambridge Building Society, established in 1850, has assets over £1bn. The society offer savings, mortgage, insurance, investments and travel money products to over 130,000 members over an extensive branch network in various communities. The society has won many awards, including Best Mortgage Service Provider at the Moneyfacts Awards 2013. The society uses interest rate swaps to reduce and manage any interest risk resulting from offering customers a range of fixed rate products.

The Cambridge Building Society has used the ALMIS system since 2012, primarily for ALM (Asset Liability Management) and Regulatory Reporting purposes. It has also recently installed the CRD IV reporting functionality to enable them to comply with the imminent changes in the regulatory reporting environment.

Why The Cambridge chose ALMIS Hedge Accounting

Further to the announcement of the timescales for adoption of FRS102 The Cambridge Building Society realised the requirement for a Hedge Accounting solution which complies with the new standard. The option of using Spreadsheets for this purpose was quickly rejected once the scale and time required for set up became clear.

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When asked why The Cambridge Building Society decided to use the ALMIS system for hedge accounting Andrew Vernau, Finance Manager replied “ALMIS was recommended to us, plus we already had all of the required data coming in to the ALMIS system, so it was just a matter of adding the module and start using it.”

Benefits to Business

The ALMIS Hedge Accounting solution has been audited by the big four “the auditors know the ALMIS system and are familiar with the hedge accounting solution which makes it easier for our year ends” explains Vernau.

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The implementation process was quick and simple, even quicker than the expectation of the Finance Manager “The implementation of the Hedge Accounting module was a lot quicker than I expected which is great”.

Another benefit of choosing ALMIS is the access to expert consultancy services. ALMIS Consultancy Services are able to help clients understand hedge accounting and how it applies to their individual circumstances. “The consultant was able to cover how we will conduct hedge accounting using the ALMIS system and answered any questions on hedge accounting” Vernau explains.

The ALMIS Hedge Accounting solution was quick and easy to set up, with hedge accounting implemented in just one day at The Cambridge Building Society. “We feel well prepared for the new standard; internally the society is pleased with the progress already made to ensure readiness for the standard.”

The ALMIS Hedge Accounting module is a powerful IAS39, IFRS9 and FRS102 compliant Hedge Accounting solution designed for banking institutions. The module minimises the administrative burden of complying with complex accounting regulations and reducing accounting volatility.

For more information contact **ALMIS International**.

