

SuperDerivatives launches Hedge Accounting services to assist corporations in their financial statements reporting

London, 31 March 2010: SuperDerivatives (SD), the derivatives benchmark and leading multi-asset front office system, has launched a bespoke consultancy service to assist corporations that need to improve the reporting efficiency of their derivatives activity for hedging.

Hedge accounting modifies the ordinary accounting treatment, and allows hedging instruments and hedged exposures to be considered together as part of financial reports to mitigate fluctuations in the income of the business stemming from changing exchange rates, interest rates and commodity costs.

SD will offer all the effective measuring methods in all asset classes such as dollar-offset, the linear regression, the critical term and scenario-based methods to ensure hedging effectiveness is measured following the necessary regulations. At the same time market data integrity is maintained using SD's own market data, considered the benchmark for OTC derivatives valuation. The service will include guidance and training for treasury departments, a system for treasury departments and interaction with the auditor of the corporation where required.

Accounting standards, under IFRS and US GAAP, require businesses to report on their balance sheet all gains and losses resulting from derivative activity, based on fair market value (FMV).

Common areas where accounting reporting of derivatives holdings introduce risk include breach of covenants such as the ratio of EBIT to financial expenses, ratio of debt for equity and earnings forecast (EPS).

This results, for example, in fluctuations in income statements, balance sheets and cash flow reports, increasing the risk of having to issue a restatement because the original filing was substantially in mismatch due to ineffective valuation.

Eran Cohen, Product Manager, SD Hedge Accounting, explains: "Using derivatives to hedge risk provides institutions with the financial insurance needed, but it also leaves them vulnerable to accounting and regulations' exposure. Hedge accounting lets companies minimise volatility in the income statement, reduce the sensitivity of financial reporting to constant changes in commercial markets and enhance their ability to meet financial forecasts.

"Corporates should focus on selecting vendors and services that navigate the complexities of hedge accounting and which let them ascertain whether their hedging instruments are eligible for hedge accounting.

"SD offers a trusted, independent system which can deliver both accurate valuations for derivatives portfolios based on the widest range of asset classes as well as hedging effectiveness advisory services.

"Our role at SD is to assist companies carry out the actual hedge effectiveness testing. This often means creating a tailor-made solution that fits specific accounting guidelines using the appropriate effectiveness-measuring method."

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About SuperDerivatives

SD is transforming the world of derivatives by introducing transparency to all major traded derivative classes including foreign currency, interest rates, equities, commodities, energy and credit. Providing prices that reflect the interdealer market has led the company's web-based, market-calibrated solutions to be widely accepted as the benchmark for derivatives pricing.

Trading professionals on both the buy and sell side benefit daily from SD's unique combination of unbiased, aggregated market data and sophisticated modelling techniques. The company also provides fully-fledged risk management solutions, award winning derivatives data and independent portfolio revaluation services.

At the core of all the company's solutions is SD's extensively sourced and intelligently amalgamated market data, comprising true live market rates that are acid tested in real-time in the marketplace by active traders and run through a proven pricing model.

SD customers include leading banks, hedge funds, asset managers, custodians and hedge fund administrators in more than 60 countries, supported by a global network of SD offices with 24-hour support services.

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