

University of California

Governmental Accounting Standards Board (GASB) Statement No. 64, *Derivative Instruments: Application of Hedge Accounting Termination Provisions*

Issues Resolution Memo No. 64-1

Evaluation of GASB Statement No. 64 as it Relates to the UC Reporting Entities

Issued: February 22, 2012

Background

GASB Statement No. 64, *Derivative Instruments: Application of Hedge Accounting Termination Provisions*, was adopted by the University during the year ended June 30, 2012. This Statement clarifies the guidance in GASB Statement No. 53 whether hedge accounting should be ceased when a swap counterparty, or a swap counterparty's credit support provider, is replaced due to either acts of default or termination events.

Define Issues

The University must determine whether GASB Statements No. 64 is applicable.

Authoritative Guidance and Approach

The authoritative guidance in this standard permits an organization to continue hedge accounting when the swap counterparty or the swap counterparty's credit provider is replaced and the replacement meets certain criteria.

Implementation

The University did not replace any of its swap counterparties or swap counterparty's credit support providers during the years ending June 30, 2012 or 2011; therefore this statement does not apply to the University.

Note: The University replaced its swap counterparties and/or swap counterparty's credit support providers during the year ending June 30, 2009. GASB Statement No. 64 permits consideration of a replacement swap agreement (see footnotes in the standard), and does not require consideration of the original swap agreement. For purposes of analyzing this standard, we considered the replacement swap agreements.