|  |  |
| --- | --- |
|  |  |
| Test ScriptSAP S/4HANA - 20-08-20 | public |
| Hedge Accounting for FX Option - Group Ledger IFRS (2RW\_DE) |

Table of Contents

[1 Purpose 4](#_Toc51099312)

[2 Prerequisites 5](#_Toc51099313)

[2.1 System Access 5](#_Toc51099314)

[2.2 Roles 5](#_Toc51099315)

[2.3 Master Data, Organizational Data, and Other Data 6](#_Toc51099316)

[2.4 Business Conditions 6](#_Toc51099317)

[3 Overview Table 8](#_Toc51099318)

[4 Test Procedures 11](#_Toc51099319)

[4.1 FX Options as Hedging Instruments 11](#_Toc51099320)

[4.1.1 Define or Adjust Hedging Area 12](#_Toc51099321)

[4.1.2 Collect and Determine Exposure Data 23](#_Toc51099322)

[4.1.3 Create Raw Exposure 23](#_Toc51099323)

[4.1.4 Take Snapshot 26](#_Toc51099324)

[4.1.5 Review Net Open Exposure in Hedge Management Cockpit 27](#_Toc51099325)

[4.1.6 Agree on Hedging Instrument 28](#_Toc51099326)

[4.1.7 Check Limit Utilization Report (Optional) 29](#_Toc51099327)

[4.1.8 Create Foreign Exchange Contract with Hedging Classification 29](#_Toc51099328)

[4.1.8.1 Create Plain Vanilla FX Option 30](#_Toc51099329)

[4.1.8.2 Create Zero/Low Cost Collar FX Option (Cylinder Option) 33](#_Toc51099330)

[4.1.8.2.1 Option 1: Create Two Options Separately and Create Option Reference 33](#_Toc51099331)

[4.1.8.2.2 Option 2: Create Zero/Low Cost Collar FX Option in Single Step 38](#_Toc51099332)

[4.1.9 Automatic Designation (Planned) 42](#_Toc51099333)

[4.1.10 Set Contract Settlement Status with Incoming Confirmation 48](#_Toc51099334)

[4.1.11 Release Hedging Relationship 50](#_Toc51099335)

[4.1.12 Process Premium Payment 53](#_Toc51099336)

[4.1.13 Period End Closing 55](#_Toc51099337)

[4.1.13.1 Calculate NPV of Hedging Instrument and Hypothetical Derivative 55](#_Toc51099338)

[4.1.13.2 Run Key Date Valuation 57](#_Toc51099339)

[4.1.13.3 Run Classification 61](#_Toc51099340)

[4.1.14 Process Reclassification for Hedging Business Transaction at Balance Sheet Recognition Date 64](#_Toc51099341)

[4.1.15 Contract Maturity 67](#_Toc51099342)

[4.1.15.1 (1X1) Foreign Currency Risk Management and (1X9) Foreign Currency Risk Management - Group Ledger IFRS 67](#_Toc51099343)

[4.1.15.2 Process Dedesignation for Hedging Business Transaction at Maturity Date for Hedging Instrument 69](#_Toc51099344)

[4.1.16 Reclassify Hedging Reserve and Cost of Hedging Reserve at Exposure Subitem End Date 72](#_Toc51099345)

[4.1.17 Reporting 76](#_Toc51099346)

[4.1.17.1 Display Treasury Position Flows 76](#_Toc51099347)

[4.1.17.2 Display Treasury Posting Journal 77](#_Toc51099348)

[4.1.17.3 Display Treasury Position Values 79](#_Toc51099349)

[5 Appendix 81](#_Toc51099350)

[5.1 Process Integration 81](#_Toc51099351)

[5.1.1 Preceding Process 81](#_Toc51099352)

[5.2 Overhedge Processing - Dedesignation 82](#_Toc51099353)

[5.2.1 Create Raw Exposure 82](#_Toc51099354)

[5.2.2 Take Snapshot 84](#_Toc51099355)

[5.2.3 Create and Submit Dedesignation Request 85](#_Toc51099356)

[5.2.4 Release Dedesignation Request 87](#_Toc51099357)

[5.2.5 Process Dedesignation for Hedging Business Transaction 89](#_Toc51099358)

[5.3 Effectiveness Test 91](#_Toc51099359)

[5.3.1 Create Market Data Set 92](#_Toc51099360)

[5.3.2 Adjust Hedging Area 93](#_Toc51099361)

[5.3.3 Create Foreigh Exchange Contract with Hedging Classification 95](#_Toc51099362)

[5.3.4 Automatic Designation (Planned) 96](#_Toc51099363)

[5.3.5 Release Hedging Relationship with Prospective Effectiveness Test 96](#_Toc51099364)

[5.4 Designation of Underlying Spot Transaction into Hedging relationship 98](#_Toc51099365)

[5.4.1 Exercise Plain Vanilla FX Option 99](#_Toc51099366)

[5.4.2 Release Hedging Business Transactions at Exercise Date 99](#_Toc51099367)

[5.5 Termination of Hedging Instrument 101](#_Toc51099368)

[5.5.1 Create, Submit and Release Termination Request for Hedging Instrument 101](#_Toc51099369)

[5.5.2 Terminate Hedging Instrument 103](#_Toc51099370)

[5.5.3 Set Termination Settlement Status for Hedging Instrument 105](#_Toc51099371)

[5.5.4 Process Dedesignation for Hedging Business Transaction at Termination Date 106](#_Toc51099372)

[5.5.5 Post Flows for Termination 108](#_Toc51099373)

# Purpose

The Hedge Management and Hedge Accounting process helps you to mitigate profit and loss volatility from the use of derivatives.

Currently the scope item supports IFRS 9 and covers Cash Flow Hedge using European Style FX Option as Hedging Instruments.

The functionality helps you to automate labor-intensive processes, such as calculating net open exposure amount, creating hedging relationship for hedge item and hedge instrument, determining the key figures calculation (NPV, Intrinsic Value, Time Value, CCBS, CVA/DVA), performing the valuation of FX transaction, checking classification, processing balance sheet crossover, dealing with the de-designation and generating posting journal reports.

This document provides a detailed procedure for testing this scope item after solution activation, reflecting the predefined scope of the solution. Each process step, report, or item is covered in its own section, providing the system interactions (test steps) in a table view. Steps that are not in scope of the process but are needed for testing are marked accordingly. Project-specific steps must be added.

# Prerequisites

This section summarizes all the prerequisites for conducting the test in terms of systems, users, master data, organizational data, other test data and business conditions.

## System Access

|  |  |
| --- | --- |
| System | Details |
| System | Accessible via SAP Fiori launchpad. Your system administrator provides you with the URL to access the various apps assigned to your role. |

## Roles

Assign the following business roles to your individual test users. Alternatively, if available, you can create business roles using the following spaces with pages and predefined apps for the SAP Fiori launchpad and assign the business roles to your individual test users.

Note These roles or spaces are examples provided by SAP. You can use them as templates to create your own roles or spaces.

For more information about business roles, refer to Assigning business roles to a user in the [Administration Guide to Implementation of SAP S/4HANA with SAP Best Practices](https://help.sap.com/viewer/S4HANA2020_AdminGuide) .

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| Name (Role) | Description | ID (Role) | Description (Space) | ID (Space) | Log On |
| Treasury Specialist - Middle Office |  | SAP\_BR\_TREASURY\_SPECIALIST\_MOE | Treasury Middle Office | SAP\_BR\_TREASURY\_SPECIALIST\_MOE |  |
| Treasury Specialist - Front Office |  | SAP\_BR\_TREASURY\_SPECIALIST\_FOE | Treasury Front Office | SAP\_BR\_TREASURY\_SPECIALIST\_FOE |  |
| Treasury Specialist - Back Office |  | SAP\_BR\_TREASURY\_SPECIALIST\_BOE | Treasury Back Office | SAP\_BR\_TREASURY\_SPECIALIST\_BOE |  |
| Treasury Accountant |  | SAP\_BR\_TREASURY\_ACCOUNTANT | Treasury Accounting | SAP\_BR\_TREASURY\_ACCOUNTANT |  |

## Master Data, Organizational Data, and Other Data

The organizational structure and master data of your company have been created in your system during activation. The organizational structure reflects the structure of your company. The master data represent materials, customers, and vendors, for example, depending on the operational focus of your company.

Use your own master data to go through the test procedure. If you have installed an SAP Best Practices baseline package, you can use the following baseline package sample data:

|  |  |  |  |
| --- | --- | --- | --- |
| Master Data | Value | Details | Comments |
| Company Code | 1010 |  |  |
| Valuation Area | 002 |  |  |
| Hedging Area | HA0002 |  |  |
| Business Partner | 10537001 |  |  |

For more information on creating master data objects, see the following [Master Data Scripts (MDS)](https://support.sap.com/content/dam/SAAP/Sol_Pack/BP_OP_ENTPR/BP_OP_ENTPR_S4HANA2020_7_Master_Data_EN_XX.htm)

Table 1: Master Data Script Reference

|  |  |
| --- | --- |
| MDS | Description |
| 22G | Create Business Partner for Treasury and Risk Management |

## Business Conditions

Before this scope item can be tested, the following business conditions must be met.

|  |  |
| --- | --- |
| Scope Item | Business Condition |
| 1X1 - Foreign Currency Risk Management | As a prerequisite for running current test script, an appropriate business partner (counterparty) must exist, please follow preliminary step Create Business Partner in test script 1X1 - Foreign Currency Risk Management to create a business partner. |
| 1XN - Market Rates Management - Manually via Upload | As perquisites for running current test script, execute the following steps in test script 1XN - Market Rates Management - Manually via Upload to maintain the necessary market data manually for hedge accounting:* Enter FX Spot Rates (OB08)
* Enter Interest Rates (JBIRMC)
* Create Reference Entities for Business Partners
* Assign Attributes to Evaluation Type (CFMEVAL)
* Maintain Reference Entities
* Enter Credit Spreads (RMCSM)
* Enter Basis Spreads (RMBSM)
 |
| 1X1 - Foreign Currency Risk Management | This is optional for you to set up correspondence for business partner.If you use Designation Type that requires counter-confirmation, correspondence setting should be maintained for business partner in advance. Please follow preliminary step of Maintain Profile and BP Group Assignments to External Recipient in the Foreign Currency Risk Management (1X1) test script for correspondence settings. |
| 1X1 - Foreign Currency Risk Management | This is optional for you to maintain credit limits.Please follow preliminary step Maintaining Credit Limit in the Foreign Currency Risk Management (1X1) test script to maintain credit limits. |

# Overview Table

This scope item consists of several process steps provided in the table below.

If your system administrator has enabled spaces and pages on the SAP Fiori launchpad, the homepage will only contain the essential apps for performing the typical tasks of a business role.

You can find all other apps not included on the homepage using the search bar.

If you want to personalize the homepage and include the hidden apps, navigate to your user profile and choose Settings > App Finder .

FX Options as Hedging Instruments:

|  |  |  |  |
| --- | --- | --- | --- |
| Process Step | Business Role | Transaction/APP | Expected Results |
| [Define or Adjust Hedging Area](#unique_8) [page ] 12 | Treasury Specialist - Middle Office | Define Hedging Area (TOE\_HEDGING\_AREA) | Hedging Area is created or extended. |
| [Collect and Determine Exposure Data](#unique_9) [page ] 23 | Treasury Specialist - Middle Office | N/A | Exposure data has been appropriately prepared outside of SAP system. |
| [Create Raw Exposure](#unique_10) [page ] 23 | Treasury Specialist - Middle Office | Process Raw Exposure (FTREX1) | Raw exposure has been created and released. |
| [Take Snapshot](#unique_11) [page ] 26 | Treasury Specialist - Middle Office | Take Snapshot (TOESNAP) | Snapshot of exposures has been created. |
| [Review Net Open Exposure in Hedge Management Cockpit](#unique_12) [page ] 27 | Treasury Specialist - Middle Office | Hedge Management Cockpit (TOENE) | Exposure, net exposure, net open exposure has been reviewed in app Hedge Management Cockpit. |
| [Agree on Hedging Instrument](#unique_13) [page ] 28 | Treasury Specialist - Middle Office | N/A | Related teams and organizations have agreed on which financial instruments should be used as hedging instruments. |
| [Check Limit Utilization Report (Optional)](#unique_14) [page ] 29 | Treasury Specialist - Middle Office | Review Limit Utilizations (TBLB) | Limit utilization has been checked. |
| [Create Foreign Exchange Contract with Hedging Classification](#unique_15) [page ] 29 | Treasury Specialist - Front Office | Create OTC Option (TI71) | FX transactions have been created as Hedging Instruments. |
| [Automatic Designation (Planned)](#unique_16) [page ] 42 | Treasury Specialist - Back Office | Manage Hedging Relationships (TPM100);Process OTC Options - Collective Processing (TI91) Reprocess Transactions - Automated Designation (TPM104) | Automatic designation has been created in status 'Planned Designation'. |
| [Set Contract Settlement Status with Incoming Confirmation](#unique_17) [page ] 48 | Treasury Specialist - Back Office | Process OTC Options - Collective Processing (TI91) | Status of transaction becomes 'Contract Settlement'. |
| [Release Hedging Relationship](#unique_18) [page ] 50 | Treasury Specialist - Back Office | Release Hedging Business Transactions (TPM120) Reverse Release of Hedging Business Transactions (TPM121) | Designation has been released, hypothetical derivative has been created, NPV and market value components have been calculated at the designation date. |
| [Process Premium Payment](#unique_19) [page ] 53 | Treasury Specialist - Back Office;Treasury Accountant | Post Flows (TBB1) Automatic Payment Transactions for Payment Requests (F111) Process Business Transactions (TPM10) | Premium payment and posting have been processed. |
| [Calculate NPV of Hedging Instrument and Hypothetical Derivative](#unique_20) [page ] 55 | Treasury Specialist - Back Office | Calculate Net Present Values - With CVA and DVA (TPM60CVA) | NPV and market value components have been calculated at period end. |
| [Run Key Date Valuation](#unique_21) [page ] 57 | Treasury Accountant | Run Valuation (TPM1) Reverse Valuation (TPM2) | Valuation posting has been created for FX transaction at period end. |
| [Run Classification](#unique_22) [page ] 61 | Treasury Accountant | Run Classification (TPM101) Reverse Classification (TPM102) | Classification posting has been created on Exposure Subitem level at period end. |
| [Process Reclassification for Hedging Business Transaction at Balance Sheet Recognition Date](#unique_23) [page ] 64 | Treasury Specialist - Back Office | Release Hedging Business Transactions (TPM120) | Hedging Business Transaction has been processed at the balance sheet recognition date for crossover. |
| [(1X1) Foreign Currency Risk Management and (1X9) Foreign Currency Risk Management - Group Ledger IFRS](#unique_24) [page ] 67 | Treasury Specialist - Front Office;Treasury Specialist - Back Office;Treasury Accountant | Process OTC Options - Collective Processing (TI91) Post Derived Business Transactions (TPM18) | The FX option is exercised or expired.The postings for derived business transactions (if there are) at end date of FX option are created in operative valuation area DE0 and parallel valuation area 002. |
| [Process Dedesignation for Hedging Business Transaction at Maturity Date for Hedging Instrument](#unique_25) [page ] 69 | Treasury Specialist - Back Office | Release Hedging Business Transactions (TPM120) | Hedging Business Transaction has been processed at the maturity date of hedging instrument. |
| [Reclassify Hedging Reserve and Cost of Hedging Reserve at Exposure Subitem End Date](#unique_26) [page ] 72 | Treasury Accountant | Post Derived Business Transactions (TPM18) | Reclassification postings have been created and relevant flows have been fixed at the end date of exposure subitem. |
| [Display Treasury Position Flows](#unique_27) [page ] 76 | Treasury Accountant | Display Treasury Position Flows (F1754) | Position flows for FX transaction and exposure subitem are checked. |
| [Display Treasury Posting Journal](#unique_28) [page ] 77 | Treasury Accountant | Display Treasury Posting Journal (F1755) | Posting journals for FX transaction and exposure subitem are checked. |
| [Display Treasury Position Values](#unique_29) [page ] 79 | Treasury Accountant | Display Treasury Position Values (F1867) | Position values for FX transaction and exposure subitem are checked. |

# Test Procedures

This section describes test procedures for each process step that belongs to this scope item.

## FX Options as Hedging Instruments

Purpose

This section covers the Hedge Management and Hedge Accounting process for forecast cashflows in foreign currencies according to a company’s hedging policy, and the hedging instruments are FX option contracts.

The treasury department is responsible for executing a given hedging policy for hedging the risk of forecast cashflows in foreign currencies of future periods. The forecast itself is represented as exposures in the Hedge Management Cockpit. A snapshot is taken for the forecast exposures from Exposure Management. Based on the snapshot, net open exposure amount, risk currency and period are detailed in the Hedge Management Cockpit. Based on rules of the hedging policy, the net open exposures are reduced by trading financial instruments like a FX option. In case of expected inflows of a risk currency, the resulting exposure shall be closed by a plain vanilla FX option or zero/low cost collar FX option whose underlying spot transaction sells the inflow currency and buys the local currency of the company code; in case of expected outflows of risky currency, a plain vanilla FX option or zero/low cost collar FX option is traded whose underlying spot transaction buys the outflow currency and sells the local currency.

With the creating of the plain vanilla FX option contract or the reference of the two legs of zero/cost collar FX option, the financial transactions are automatically designated into a Hedging Relationship as Hedging Instrument together with the exposure item of the Hedge Management Cockpit as Hedged Item: The matching exposure item is determined based on characteristics of the Hedging Instrument, e.g. hedging classification, foreign currency of underlying FX Spot Transaction, exercise of FX option. At the same time, the Hypothetical Derivative is created and all necessary mathematical evaluations necessary for the measurement of effectiveness are performed and stored.

At period end, the determination of NPVs including the decomposition of market values for Hedging Instrument and the Hypothetical Derivative is performed, and the key date valuation of the FX option transactions is executed, meanwhile the measurement and postings of the Hedging Reserve (OCI I), Cost of Hedging Reserve (OCI II) and ineffectiveness are executed on exposure subItem level. The period end close can be executed using two different procedures: valuation and classification with Reset or without Reset. In case of zero/low cost collar FX option, the two legs which are designated into one Hedging Relationship are evaluated and posted separately as usual, the classification result of the Hedging Relationship is calculated as the sum of the component NPVs of the single leg according to the Hedging Relationship Scenario of the Hedging Relationship.

At the Balance Sheet Recognition Date, the Reclassification Flows are automatically created; depending on the rule which was set in the Hedging Area Definition, the Reclassification Flows are posted immediately or at the Exposure Subitem End Date or at a Deviant Reclassification Date.

At the Expiry Date of the FX Option transaction, the FX Option can be exercised or expired. The cumulated Hedging Reserve and Cost of Hedging Reserve amounts are classified as frozen. At the end date of the Exposure Subitem, the cumulated Hedging Reserve and Cost of Hedging Reserve amounts are to be reclassified to profit or loss as a reclassification adjustment.

This section can be executed using the following product type as Hedging Instrument:

• 76A: OTC Currency Option

Note Hedge Accounting for FX Option only support European Style FX Option.

### Define or Adjust Hedging Area

Test Administration

Customer project: Fill in the project-specific parts.

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| Test Case ID | <X.XX> | Tester Name |  | Testing Date | Enter a test date. |
| Business Role(s) |  |
| Responsibility | <State Service Provider, Customer or Joint Service Provider and Customer> | Duration | Enter a duration. |

Purpose

The hedging area is an entity that represents a section of hedging policy of the company. The creation of a Hedging Area is a necessary requirement to start the process of Hedge Management and Hedge Accounting. It is the central steering entity that contains all relevant settings for this process.

In this section, as an example, one single Hedging Area HA0002 for Hedge Accounting using FX Option is created. During testing, HA0002 can be shared by different company codes from different countries with different local currencies.

* As the first tester to run this test script in system, please create new Hedging Area HA0002 by following Option 1: Create a New Hedging Area.
* If you find out that the Hedging Area HA0002 already exists in the system, you create a new version for HA0002 and extend it by entering specific parameters of your company code/country, that is Option 2: Extend an Existing Hedging Area.

A company can have multiple Hedging Areas for Hedge Accounting according to its hedging policy. However, a hedge accounting relevant Hedging Classification can only be assigned to one Hedging Area for Hedge Accounting, therefore creating additional Hedging Area means the necessity of defining additional Hedging Classifications. Hedging Classification is a configuration which can be created via the IMG Define Hedging Classifications in SAP Logon through SPRO > Financial Supply Chain Management > Treasury and Risk Management > Transaction Manager > General Settings > Hedge Accounting for Positions > Define Hedging Classifications .

8 Hedging Classifications are pre-defined for IFRS 9 Cash Flow Hedge of FX risk by using FX Options (includes plain vanilla FX option, zero/low cost collar FX option):

* YFC20: For plain vanilla FX option. Intrinsic Value of FX option is Hedging Reserve (OCI I), Time Value and Cross Currency Basis Spread of FX option is Cost of Hedging Reserve (OCI II); Valuation will be carried out when releasing the designation. YFC20 should be always bundled with Hedging Profile F20 when maintaining tab Hedge Accounting II of a Hedging Area.
* YFC21: For plain vanilla FX option. Intrinsic Value of FX option is Hedging Reserve (OCI I), Time Value and Cross Currency Basis Spread of FX option is Cost of Hedging Reserve (OCI II): No valuation will be carried out when releasing the designation. YFC21 should be always bundled with Hedging Profile F21 when maintaining tab Hedge Accounting II of a Hedging Area.
* YFC22: For plain vanilla FX option. Intrinsic Value of FX option is Hedging Reserve (OCI I), Time Value, Cross Currency Basis Spread, and Others Element of FX option is Cost of Hedging Reserve (OCI II); Valuation will be carried out when releasing the designation. YFC22 should be always bundled with Hedging Profile F22 when maintaining tab Hedge Accounting II of a Hedging Area.
* YFC23: For plain vanilla FX option. Intrinsic Value of FX option is Hedging Reserve (OCI I), Time Value. Cross Currency Basis Spread, and Other Element of FX option is Cost of Hedging Reserve (OCI II): No valuation will be carried out when releasing the designation. YFC23 should be always bundled with Hedging Profile F23 when maintaining tab Hedge Accounting II of a Hedging Area.
* YFC30: For zero/low cost collar FX option (cylinder FX option). Intrinsic Value of FX option is Hedging Reserve (OCI I), Time Value and Cross Currency Basis Spread of FX option is Cost of Hedging Reserve (OCI II); Valuation will be carried out when releasing the designation. YFC30 should be always bundled with Hedging Profile F30 when maintaining tab Hedge Accounting II of a Hedging Area.
* YFC31: For zero/low cost collar FX option (cylinder FX option). Intrinsic Value of FX option is Hedging Reserve (OCI I), Time Value and Cross Currency Basis Spread of FX option is Cost of Hedging Reserve (OCI II): No valuation will be carried out when releasing the designation. YFC31 should be always bundled with Hedging Profile F31 when maintaining tab Hedge Accounting II of a Hedging Area.
* YFC32: For zero/low cost collar FX option (cylinder FX option). Intrinsic Value of FX option is Hedging Reserve (OCI I), Time Value. Cross Currency Basis Spread, and Other Element of FX option is Cost of Hedging Reserve (OCI II); Valuation will be carried out when releasing the designation. YFC32 should be always bundled with Hedging Profile F32 when maintaining tab Hedge Accounting II of a Hedging Area.
* YFC33: For zero/low cost collar FX option (cylinder FX option). Intrinsic Value of FX option is Hedging Reserve (OCI I), Time Value. Cross Currency Basis Spread, and Other Element of FX option is Cost of Hedging Reserve (OCI II): No valuation will be carried out when releasing the designation. YFC33 should be always bundled with Hedging Profile F33 when maintaining tab Hedge Accounting II of a Hedging Area.

Procedure

Option 1: Create a New Hedging Area

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| Test Step # | Test Step Name | Instruction | Expected Result | Pass / Fail / Comment |
| 1 | Log On | Log on to the SAP Fiori Launchpad as a Treasury Specialist - Middle Office. | The SAP Fiori Launchpad displays. |  |
| 2 | Access the SAP Fiori App | Open Define Hedging Area (TOE\_HEDGING\_AREA). | The Display Hedging Area screen displays. |  |
| 3 | Enter Hedging Area ID | On the Display Hedging Area screen, enter the following data and choose the Create tab:Hedging Area: for example, HA0002 | Dialog box Create Hedging Area displays.If message Hedging area HA0002 already existsdisplays, please skip Option 1 and go to execute Option 2: Extend an Existing Hedging Area. If you find the parameters mentioned in Option 2 have been maintained, you can also skip Option 2, |  |
| 4 | Enter Data in Dialog Box Create Hedging Area | In the dialog box Create Hedging Area, enter the following data and choose the Create tab:Hedging Area: for example, HA0002Description: for example, Hedging Area for Hedge Accounting using FX OptionAuthorization Group: for example, HAG01Valid From: for example, first day of current yearWithout Template: choose this radio button | The Change Hedging Area screen displays. |  |
| 5 | Enter Data on Main Data Tab | Choose the tab Main Data, enter the following data:Risk Category: choose 1 (Foreign Exchange Risk) if it is not entered by defaultExposure Aggregation Level: for example, Net and Gross. It defines the level at which exposure items are stored in a snapshot.Local Currency: <choose this radio button>Hedge Accounting: <choose this checkbox>Product Type for Exposure Subitems: 91ADate for Determining Exp. Item for FX Option: for example, <Value Date of Underlying>Activate Trading Platform Integration: <Choose this checkbox>.You only choose this checkbox in case of testing integration with trading platform.Calendar Related: <choose this radio button>Number of Periods: for example, 12Period Length: for example, Month | Data on tab Main Data has been maintained. |  |
| 6 | Enter Data on Tab General Settings | Choose the tab General Settings, and enter the following data:Company Code: for example, 1010In sub-area Differentiation Criteria: for example, select the checkbox of differentiation criterion Currency and Company CodeIn sub-area Hedging Classification:Choose Add Hedging Classification, and enter the following data:

|  |  |
| --- | --- |
| Hdg Class. | Description |
| YFC20 | FX Risk; CFH; Vanilla; Intrinsic, Time+CCBS; with 1stDayRes |
| YFC21 | FX Risk; CFH; Vanilla; Intrinsic, Time+CCBS; w/o 1stDayRes |
| YFC22 | FX Risk; CFH; Vanilla;Intrinsic,Time+CCBS+Others;1st Day Res |
| YFC23 | FX Risk; CFH; Vanilla;Intrinsic,Time+CCBS+Others;w/o 1stDayR |
| YFC30 | FX Risk; CFH; Collar; Intrinsic, Time+CCBS; with 1stDayRes |
| YFC31 | FX Risk; CFH; Collar; Intrinsic, Time+CCBS; w/o 1stDayRes |
| YFC32 | FX Risk; CFH; Collar;Intrinsic,Time+CCBS+Others;1st Day Res. |
| YFC33 | FX Risk; CFH; Collar;Intrinsic,Time+CCBS+Others;w/o 1stDayRe |

 | Data on tab General Settings has been maintained. |  |
| 7 | Enter Data on Tab Currencies | Choose the tab Currencies.In sub-area Hedging-Relevant Currencies, choose Add Currency, and enter the currencies which will be used as risk currencies in later steps in current test script. For example:USD | Data on tab Currencies has been maintained. |  |
| 8 | Enter Data on Tab Filters for Exposures | Choose the tab Filters for Exposures.in the sub-area Filter List for Exposures, choose Create Filter.In the dialog box New Filter for Exposures, enter the following data and choose Create Filter:Filter: for example, FLT\_EXPFilter Description: for example, Filter for ExposuresSource: E\_EM2In the sub-area Other Filter - Specific Selections , enter the following data:Exposure Position Type: YFX | Data on tab Filters for Exposures has been maintained. |  |
| 9 | Enter Data on Tab Filters for Hedges | Choose the tab Filters for Hedges.In the sub-area Filter List for Hedges, choose Create Filter.In the dialog box New Filter for Hedges, enter the following data and choose Create Filter:Filter: for example, FLT\_HDGFilter Description: for example, Filter for HedgesSource: H\_TMIn the sub-area Other Filter - Specific Selections , enter the following data:Product Type: 76A | Data on tab Filters for Hedges has been maintained. |  |
| 10 | Enter Data on Tab Hedge Accounting I | Choose the tab Hedge Accounting I.In sub-area Designation Level, choose Insert, and enter the following data:Company Code: for example, 1010Valuation Area: 002Designation Level: choose G (Gross Exposure Item with Larger Absolute Value) if it is not selected by defaultSplitting: for example, 1 (Active)Sequence: for example, N (No Consumption Sequence)In sub-area Designation Activation, choose Insert, and enter the following data:

|  |  |  |  |
| --- | --- | --- | --- |
| CoCode | VA | Currency | Desig. |
| 1010 | 002 | USD | 1 (Active) |

In sub-area Designation Splitting, choose Insert, and enter the following data:Company Code: for example, 1010Valuation Area: 002Risk Currency: for example, USDDirection: for example, I (Incoming)Split ID: for example, 1Splitting Ratio: for example, 100Reclassification Offset Category: for example, 4 (Due Date HInst + PT)Balance Sheet Recognition: 2 (Reclassification at the End Date of the Exposure Subitem)Extend Hypothetical Derivative Period: for example, 1 (Yes)Payment Term (Days): for example, 10Note The sum of the splitting ratios of corresponding Split IDs for a specific combination of Company Code, Valuation Area, Risk Currency, and Direction should be 100.Split ID is the numerical identifier that is used to number the different designation splits: 1, 2, 3, etc.Note With the Reclassification Offset Category, you define the date on which the reclassification of Hedging Reserve and Cost of Hedging Reserve, for example, when 4 (Due Date HInst + PT) is selected, reclassification date = maturity date of hedging instrument + payment term.Note Only enter a value for Balance Sheet Recognition when your scenario is balance sheet crossover (from Cash Flow Hedge to Fair Value Hedge), The Balance Sheet Recognition Date = Maturity Date of Hedging Instrument - Payment Term.The different types of reclassification depend on the company code and distinguish the reclassification of Hedging Reserve and Cost of Hedging Reserve amounts which were classified for the Hedging Relationship up to and equal to the Balance Sheet Recognition Date:* 1 - Immediate Reclassification at Balance Sheet Recognition Date
* 2 - Reclassification at the End Date of the Exposure Subitem: the classification result between Designation Date and Balance Sheet Recognition Date is frozen until end date of the Exposure Subitem.
* 3 - Reclassification at Deviant Reclassification Date: the classification result between Designation Date and Balance Sheet Recognition Date is frozen until the Deviant Reclassification Date = Due Date of Hedging Instrument + DIO (Days Inventory Outstanding) - Payment Term.

Note When you choose to extend the period of the hypothetical derivative (value for field Extend Hypothetical Derivative Period is 1 - Yes), the due date of the hypothetical derivative = maturity date of the hedging instrument + payment term. If you do not want to extend the hypothetical derivative period, the due date of the hypothetical derivative = maturity date of the hedging instrument. | Data on tab Hedge Accounting I has been maintained. |  |
| 11 | Enter Data on Tab Hedge Accounting II | Choose the tab Hedge Accounting II.In sub-area Designation Control, choose Insert, and enter the following data:

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| CoCode | VA | Hdg Class. | Des. Type | HdgProfile | MDS ID |
| 1010 | 002 | YFC20 | YFX1W | F20 |  |
| 1010 | 002 | YFC21 | YFX1W | F21 |  |
| 1010 | 002 | YFC22 | YFX1W | F22 |  |
| 1010 | 002 | YFC23 | YFX1W | F23 |  |
| 1010 | 002 | YFC30 | YFX2W | F30 |  |
| 1010 | 002 | YFC31 | YFX2W | F31 |  |
| 1010 | 002 | YFC32 | YFX2W | F32 |  |
| 1010 | 002 | YFC33 | YFX2W | F33 |  |

YFX1W and YFX2W are designation types that do not require counterconfirmation. There are another two designation types YFX1C and YFX2C that require counterconfirmation.When using YFX1C or YFX2C, hedging relationship can be released only after the corresponding hedging instrument has been successfully counterconfirmed, which requires correspondence functionality.MDS ID (Market Data Set ID) is used for Effectiveness Test. Leave the column MDS ID blank since Test Procedures do not include process steps of Effectiveness Test. Furthermore, special hedging profile should be used for Effectiveness Test, You can find more details regarding Effectiveness Test in Appendix – Effectiveness Test. | Data on tab Hedge Accounting II has been maintained. |  |
| 12 | Save the Hedging Area | Choose Save (Ctrl+S). | Message Hedging area HA0002 version 001 saved displayed.The Hedging Area for Hedge Accounting has been created successfully. |  |

Option 2: Extend an Existing Hedging Area

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| Test Step # | Test Step Name | Instruction | Expected Result | Pass / Fail / Comment |
| 1 | Log on | Log onto the SAP Fiori Launchpad as a Treasury Specialist - Middle Office. | The SAP Fiori Launchpad displays. |  |
| 2 | Access the SAP Fiori App | Open Define Hedging Area (TOE\_HEDGING\_AREA). | The Display Hedging Area screen displays. |  |
| 3 | Enter Hedging Area ID | On the Display Hedging Area screen, enter the following data and choose Display tab:Hedging Area: for example, HA0002 | Hedging Area HA0002 is displayed. |  |
| 4 | Create New Version | Choose New Version.In the dialog box Create New Version of Hedging Area HA0002, enter the following data and choose Create:Valid From: for example, the given default date, or the current date | The Change Hedging Area screen displays. |  |
| 5 | Update Data on Tab General Settings | Choose the tab General Settings, choose the button Multiple selection of field Company Code.In the dialog box Multiple Selection for Company Code, add company code 1010 into the area Select Single Values, and choose Copy (F8). | Data on tab General Settings has been updated. |  |
| 6 | Update Data on Tab Currencies | Choose the tab Currencies.In sub-area Hedging-Relevant Currencies, choose Add Currency, and enter the currencies (if they have not been maintained) which will be used as risk currencies in later steps in current test script. For example:USD | Data on tab Currencies has been updated. |  |
| 7 | Update Data on Tab Hedge Accounting I | Choose the tab Hedge Accounting I.In sub-area Designation Level, choose Insert, and enter the following data:Company Code: for example, 1010Valuation Area: 002Designation Level: choose G (Gross Exposure Item with Larger Absolute Value) if it is not selected by defaultSplitting: for example, 1 (Active)Sequence: for example, N (No Consumption Sequence)In sub-area Designation Activation, choose Insert, and enter the following data:

|  |  |  |  |
| --- | --- | --- | --- |
| CoCode | VA | Currency | Desig. |
| 1010 | 002 | USD | 1 (Active) |

In sub-area Designation Splitting, choose Insert, and enter the following data:Company Code: for example, 1010Valuation Area: 002Currency: for example, USDDirection: for example, I (Incoming)Split ID: for example, 1Ratio: for example, 100Reclassification Offset Category: for example, 4 (Due Date HInst + PT)Balance Sheet Recognition: 2 (Reclassification at the End Date of the Exposure Subitem)Extend Hypothetical Derivative Period: for example, 1 (Yes)Payment Term (Days): for example, 10Split ID is the numerical identifier that is used to number the different designation splits: 1, 2, 3, etc.The sum of the splitting ratios of corresponding Split IDs for a specific combination of Company Code, Valuation Area, Risk Currency, and Direction should be 100.Note With the Reclassification Offset Category, you define the date on which the reclassification of Hedging Reserve and Cost of Hedging Reserve, for example, when 4 (Due Date HInst + PT) is selected, reclassification date = maturity date of hedging instrument + payment term.Only enter a value for Balance Sheet Recognition when your scenario is balance sheet crossover (from Cash Flow Hedge to Fair Value Hedge), The Balance Sheet Recognition Date = Maturity Date of Hedging Instrument - Payment Term.The different types of reclassification depend on the company code and distinguish the reclassification of Hedging Reserve and Cost of Hedging Reserve amounts which were classified for the Hedging Relationship up to and equal to the Balance Sheet Recognition Date:* 1 -Immediate Reclassification at Balance Sheet Recognition Date
* 2 -Reclassification at the End Date of the Exposure Subitem: the classification result between Designation Date and Balance Sheet Recognition Date is frozen until end date of the Exposure Subitem.
* 3 - Reclassification at Deviant Reclassification Date: the classification result between Designation Date and Balance Sheet Recognition Date is frozen until the Deviant Reclassification Date = Due Date of Hedging Instrument + DIO (Days Inventory Outstanding) - Payment Term.

When you choose to extend the period of the hypothetical derivative (value for field Extend Hypothetical Derivative Period is 1 - Yes), the due date of the hypothetical derivative = maturity date of the hedging instrument + payment term. If you do not want to extend the hypothetical derivative period, the due date of the hypothetical derivative = maturity date of the hedging instrument. | Data on tab Hedge Accounting I has been updated. |  |
| 8 | Update Data on Tab Hedge Accounting II | Choose the tab Hedge Accounting II.In sub-area Designation Control, choose Insert, and enter the following data:

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| CoCode | VA | Hdg Class. | Des. Type | HdgProfile | MDS ID |
| 1010 | 002 | YFC20 | YFX1W | F20 |  |
| 1010 | 002 | YFC21 | YFX1W | F21 |  |
| 1010 | 002 | YFC22 | YFX1W | F22 |  |
| 1010 | 002 | YFC23 | YFX1W | F23 |  |
| 1010 | 002 | YFC30 | YFX2W | F30 |  |
| 1010 | 002 | YFC31 | YFX2W | F31 |  |
| 1010 | 002 | YFC32 | YFX2W | F32 |  |
| 1010 | 002 | YFC33 | YFX2W | F33 |  |

YFX1W and YFX2W are designation types that do not require counterconfirmation. There are another two designation types YFX1C and YFX2C that require counterconfirmation.When using YFX1C or YFX2C, hedging relationship can be released only after the corresponding hedging instrument has been successfully counterconfirmed, which requires correspondence functionality.MDS ID (Market Data Set ID) is used for Effectiveness Test. Leave the column MDS ID blank since Test Procedures do not include process steps of Effectiveness Test. Furthermore, special hedging profile should be used for Effectiveness Test, You can find more details regarding Effectiveness Test in Appendix – Effectiveness Test. | Data on tab Hedge Accounting II has been updated. |  |
| 9 | Save the Hedging Area | Choose Save (Ctrl+S). | The Hedging area HA0002 version XXX saved message displays.The Hedging Area for Hedge Accounting has been extended to support your company code/country testing successfully. |  |

### Collect and Determine Exposure Data

Purpose

Middle office collects exposure data based on forecast cash flows in risk currencies from various sources, and consolidate the exposures data which should be ready to be entered SAP system as Raw Exposures. The exposure data should be aggregated in granularity which differentiates:

* Company code
* Risk currency
* The period in which exposure will be due

Procedure

This step is done outside of the SAP system.

### Create Raw Exposure

Test Administration

Customer project: Fill in the project-specific parts.

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| Test Case ID | <X.XX> | Tester Name |  | Testing Date | Enter a test date. |
| Business Role(s) |  |
| Responsibility | <State Service Provider, Customer or Joint Service Provider and Customer> | Duration | Enter a duration. |

Purpose

The creation and subsequent release of a Raw Exposure leads to the creation of a derived Exposure Position (automatic released).

As an example, how to manually key in Raw Exposure is introduced in current step. Besides manually key in Raw Exposure, you can also import Raw Exposures from spreadsheet, for details please see Option 2: Import the raw exposures from spreadsheet of step Create Raw Exposure in test script Foreign Currency Risk Management (1X1).

Procedure

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| Test Step # | Test Step Name | Instruction | Expected Result | Pass / Fail / Comment |
| 1 | Log on | Log on to the SAP Fiori Launchpad as a Treasury Specialist - Middle Office. | The SAP Fiori Launchpad displays. |  |
| 2 | Access the SAP Fiori App | Open Process Raw Exposure (FTREX1). | The Raw Exposure: Initial screen displays. |  |
| 3 | Enter Selection Criteria | On the Raw Exposure: Initial screen, enter the following data and choose theCreate tab.Exposure Activity Type: for example, YFXIIf the direction of consolidated FX exposure is outgoing, use Exposure Activity Type YFXO. | The Raw Exposure Maintenance: Create screen displays. |  |
| 4 | Enter Header Data | On the Raw Exposure Maintenance: Create screen and under the tab Header Data, enter the following data:Default Exposure Category: for example, 01 (Forecasted Transaction)Company Code: for example, 1010Cirt4ExpPosType: FX (FX Exposure)Direction: for example, IN (Incoming Cash Flow)Cirt4ExpPosType is a criterion used to derive the Exposure Position Type YFX which you entered on tab Filters for Exposures of Hedging Area.If you use Exposure Activity Type YFXO on previous screen, please enter Direction OUT (Outgoing Cash Flow) on this screen. | Necessary header data is entered. |  |
| 5 | Enter Line Item Data | Choose the tab Line Item Data.In the sub-area Raw Exposure Line Item, choose theCreate New Line Item button, and enter the following data:Exposure Due Date : for example, <Current date + 2 Months>Exposure Amount: for example, 2000000Exposure Amount Currency: for example, USDTarget Currency: for example, EUR | Necessary line item data is entered. |  |
| 6 | Save Raw Exposure | Choose Save. | A dialog box displays, and states that:* Raw exposure has been saved;
* Raw exposure has been released;
* Position IDs have been updated.

You can check Exposure Position and Exposure Position Flows via app Process Exposure Positions and Display Exposure Position Flows. |  |

### Take Snapshot

Test Administration

Customer project: Fill in the project-specific parts.

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| Test Case ID | <X.XX> | Tester Name |  | Testing Date | Enter a test date. |
| Business Role(s) |  |
| Responsibility | <State Service Provider, Customer or Joint Service Provider and Customer> | Duration | Enter a duration. |

Purpose

You take a snapshot of the exposure data belonging to specific hedging area. For the subsequent process of Hedge Management and Hedge Accounting, it is mandatory to rely on fully versioned data. This ensures that at all times an auditor can check which data served as the basis for a hedging decision.

The selected incoming or outgoing exposures and the exposure items are saved on the database, and can be reviewed in app Hedge Management Cockpit (TOENE) in next step.

Procedure

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| Test Step # | Test Step Name | Instruction | Expected Result | Pass / Fail / Comment |
| 1 | Log on | Log on to the SAP Fiori Launchpad as a Treasury Specialist - Middle Office. | The SAP Fiori Launchpad displays. |  |
| 2 | Access the SAP Fiori App | Open Take Snapshot (TOESNAP). | The Take Snapshot (TOESNAP)screen displays. |  |
| 3 | Enter General Selections | On the Take Snapshot (TOESNAP)screen, enter the following data and choose Execute:Hedging Area: for example, HA0002Description: for example, snapshot for hedge accounting using FX OptionDay Reference: <select this checkbox>Extraction Date: for example, <the current date> | The Display logs screen displays and the snapshot is created. |  |

### Review Net Open Exposure in Hedge Management Cockpit

Test Administration

Customer project: Fill in the project-specific parts.

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| Test Case ID | <X.XX> | Tester Name |  | Testing Date | Enter a test date. |
| Business Role(s) |  |
| Responsibility | <State Service Provider, Customer or Joint Service Provider and Customer> | Duration | Enter a duration. |

Purpose

Review the exposure data in the app Hedge Management Cockpit (TOENE) based on the snapshot you took in previous step.

Procedure

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| Test Step # | Test Step Name | Instruction | Expected Result | Pass / Fail / Comment |
| 1 | Log on | Log on to the SAP Fiori Launchpad as a Treasury Specialist - Middle Office. | The SAP Fiori Launchpad displays. |  |
| 2 | Access the SAP Fiori App | Open Hedge Management Cockpit (TOENE). | The Hedge Management Cockpit for Hedging Area screen displays. |  |
| 3 | Enter Selection Criteria | On the Hedge Management Cockpit for Hedging Area screen, enter the following data and choose Start:Hedging Area: for example, HA0002Layout ID: for example, 1R\_ALL\_CHYou can also choose alternative layout ID 1C\_CURR\_OV - Currency Pairs Overview (Key Figures in Columns) or 1C\_ALL\_CH - All Characteristics (Key Figures in Columns).Choose Manage Layouts, you can create new layout on next screen Layout Overview. | The Hedge Management Cockpit for Hedging Area HA0002 displays.You can see the amounts of exposures have been reflected in specific cells for differentiation criteria of raw exposures you created previously (company code, risk currency, period of due date, incoming/outgoing indicator of Exposure Activity Type).Choose a cell, you can click Drilldown (cell) to display more detailed information of Exposure Item, Exposure Position, Raw Exposure. |  |

### Agree on Hedging Instrument

Purpose

Middle office analyzes the exposure data for FX risk with related teams and organizations, and then agree on which financial instruments should be used as hedging instruments. In the current section, plain vanilla FX option or zero/low cost collar (cylinder FX option) is used as hedging instrument.

Procedure

This step is done outside of the SAP system.

### Check Limit Utilization Report (Optional)

Purpose

Before front office trade a financial instrument with counterparty, usually the middle office should check the limit utilization status to see if there is enough credit limit for trading new deals.

Prerequisites

Credit limits have been maintained, please see section [Business Conditions](#unique_6) [page ] 6.

Procedure

This step is optional since it is not a key process step of Hedge Accounting. For checking limit utilization, please see the step Check Limit Utilization Report in test script 1X1:Foreign Currency Risk Management.

### Create Foreign Exchange Contract with Hedging Classification

Purpose

In this step, you create FX option contract (plain vanilla FX option, or zero/low cost collar FX option) as hedging instruments.

The saving of the FX Transaction with a Hedge Accounting-specific Hedging Classification initiates the Hedge Accounting processing:

* According to the Contract Start Date and Hedging Classification, a valid Hedging Area is determined.
* According to the differentiating criteria (currency, company code, etc.) of the Hedging Area and by means of the Contract Start and Value Date, the Exposure Item of the Snapshot is determined.
* According to the settings of the Designation Splitting of the Hedging Area, one Hedging Relationship or multiple Hedging Relationships are created.

Prerequisites

Business partner has been created, please see section [Business Conditions](#unique_6) [page ] 6.

If you used the Designation Type which requires counterconfirmation in step [Define or Adjust Hedging Area](#unique_8) [page ] 12, hedging relationship can be released only after the FX transaction has been successfully counterconfirmed, you need to run the correspondence process which will set the status of FX transaction to 'Counterconfirmed' automatically after receiving the incoming confirmation from counterparty, and correspondence setting should be maintained for business partner before creating a FX transaction (please see section [Business Conditions](#unique_6) [page ] 6).

#### Create Plain Vanilla FX Option

Test Administration

Customer project: Fill in the project-specific parts.

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| Test Case ID | <X.XX> | Tester Name |  | Testing Date | Enter a test date. |
| Business Role(s) |  |
| Responsibility | <State Service Provider, Customer or Joint Service Provider and Customer> | Duration | Enter a duration. |

Procedure

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| Test Step # | Test Step Name | Instruction | Expected Result | Pass / Fail / Comment |
| 1 | Log On | Log on to the SAP Fiori Launchpad as a Treasury Specialist - Front Office. | The SAP Fiori Launchpad displays. |  |
| 2 | Access the SAP Fiori App | Open Create OTC Option (TI71). | The Create OTC Option: Initial Screen displays. |  |
| 3 | Enter Data on Initial Screen | On the Create OTC Option: Initial Screen, enter the following data and choose Enter:Company Code: for example, 1010Product Type: 76ATransaction Type: 100Partner: for example, 10537001 | The OTC Option: Create Contract: Structure screen displays. |  |
| 4 | Enter Data on Tab Structure | On the tab Structure, enter the following data:Sub-area Option:Expiry Date: for example, <Current date + 2 Months>Exercise Type: for example, EuropeanSettlement: for example, Physical ExerciseStrike: <Local Currency>/<Risk Currency Rate>, for example, EUR/USD1.05Put/Call: for example, PutTraded Amt: Risk Currency Amount, for example, USD800000Value Date: for example, <Current date + 2 Months + 2 Days>Sub-area Premium:Flow Type: for example, 1300 Option Premium - Profit/LossPayment Date: <Current date + 2 days>Amount: <local currency your option premium amount>, for example, EUR500The Expiry Date of FX option should be within the same period as the due date of exposure.You long put option if it is incoming exposure, you long call option if it is outgoing exposure.The currency of Traded Amt should be the risk currency. The amount of Traded Amt should be less or equal to the amount of Raw Exposure Line Item for this risk currency you created previously. | Data on tab Structure has been entered. |  |
| 5 | Enter Data in Administration tab | Choose tab Administr., and enter the following data:Gen. Valn Class: for example, 45 Derivatives: Cash Flow HedgeHdg Classific.: for example, YFC21 (FX Risk; CFH; Vanilla; Intrinsic, Time+CCBS; w/o 1stDayRes)The appropriate General Valuation Class will derive the correct Position Management Procedure for Hedge Accounting in valuation area 002 for IFRS.In operative valuation area DE0, a Position Management Procedure for non-Hedge Accounting is determined. | Data on tab Administr. has been entered. |  |
| 6 | Save the OTC FX Option | Choose Save. | Dialog box Document lines: Display messages displays, and shows NO warning message Reprocessing of financial transaction required after save about auto designation could not be finished.Choose Continue (Enter), message Financial transaction saved under number XXXXXXXXXXXXX displays.Note down the transaction number. |  |

After the plain vanilla FX option is saved, you can logon as Treasury Specialist - Middle Office and open app Hedge Management Cockpit (TOENE) to check the net open exposure again.

In app Hedge Management Cockpit (TOENE), the amounts of FX transactions will be reflected in corresponding cells for Key Figure Name Net Hedges and relevant company code, risk currency and period; Net Open Exposure should be reduced accordingly.

#### Create Zero/Low Cost Collar FX Option (Cylinder Option)

Purpose

In this step, you create a zero/low cost collar FX option (cylinder option).

There are two alternatives to manually create zero/low cost collar FX option:

* Option 1: Create Two Options Separately and Create Option Reference. You create a FX option (long leg), and create another FX option (short leg), and then create the reference for these two legs and become the zero/low cost collar FX option.
* Option 2: Create Zero/Low Cost Collar FX Option in Single Step. The two legs and the reference are saved at the same time.

No matter which option you choose, the following attributes are necessary to be identical in both FX option transactions (two legs):

* Company code
* Product type
* Business partner
* Expiry Date
* Risk currency, risk amount
* Premium payment date, premium currency
* Contract date
* Hedging classification

##### Option 1: Create Two Options Separately and Create Option Reference

Procedure

Purchase a Put/Call FX Option (Long Leg):

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| Test Step # | Test Step Name | Instruction | Expected Result | Pass / Fail / Comment |
| 1 | Log On | Log on to the SAP Fiori Launchpad as a Treasury Specialist - Front Office | The SAP Fiori Launchpad displays. |  |
| 2 | Access the SAP Fiori app | Open Create OTC Option (TI71). | The Create OTC Option: Initial Screen displays. |  |
| 3 | Enter Data on Initial Screen | On the Create OTC Option: Initial Screen, enter the following data and choose Enter:Company Code: for example, 1010Product Type: 76ATransaction Type: 100Partner: for example, 10537001 | The OTC Option: Create Contract: Structure screen displays. |  |
| 4 | Enter Data on Tab Structure | On the tab Structure, enter the following data:Sub-area Option:Expiry Date: for example, <Current date + 2 Months>Exercise Type: for example, EuropeanSettlement: for example, Physical ExerciseStrike: <Local Currency>/<Risk Currency Rate>, for example, EUR/USD1.05Put/Call: for example, PutTraded Amt: <Risk Currency><Amount>, for example, USD500000Value Date: for example, <Current date + 2 Months + 2 days>Sub-area Premium:Flow Type: for example, 1300 Option Premium - Profit/LossPayment Date: <Current date + 2 days>Amount: <local currency> <your option premium amount>, for example, EUR500Sub-area Contract Conclusion:Contract Date: for example, <current date>The Expiry Date of FX option should be within the same period as the due date of exposure.you long call option in cylinder option if it is outgoing exposure.You long put option in cylinder option if it is incoming exposure,The currency of Traded Amt should be the risk currency. The amount of Traded Amt should be less or equal to the amount of Net Open Exposure. | Data on tab Structure has been entered. |  |
| 5 | Enter Data in Administration tab | Choose tab Administr., and enter the following data:Gen. Valn Class: for example, 45 Derivatives: Cash Flow HedgeHdg Classific.: for example, YFC31 (FX Risk; CFH; Collar; Intrinsic, Time+CCBS; w/o 1stDayRes)The appropriate General Valuation Class will derive the correct Position Management Procedure for Hedge Accounting in valuation area 002 for IFRS.In operative valuation area DE0, a Position Management Procedure for non-Hedge Accounting is determined. | Data on tab Administr. has been entered. |  |
| 6 | Save the OTC FX Option (Long Leg) | Choose Save. | If dialog box Document lines: Display messages displays, make sure no error message is there (otherwise please correct data and save again), and choose Continue (Enter).Message Financial transaction saved under number number displays.Note down the transaction number of this long leg. |  |

Sell a Call/Put FX Option (Short Leg):

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| Test Step # | Test Step Name | Instruction | Expected Result | Pass / Fail / Comment |
| 1 | Log On | Log on to the SAP Fiori Launchpad as a Treasury Specialist - Front Office | The SAP Fiori Launchpad displays. |  |
| 2 | Access the SAP Fiori app | <Open Create OTC Option (TI71). | The Create OTC Option: Initial Screen displays. |  |
| 3 | Enter Data on Initial Screen | On the Create OTC Option: Initial Screen, enter the following data and choose Enter:Company Code: for example, 1010Product Type: 76ATransaction Type: 200Partner: for example, 10537001 | The OTC Option: Create Contract: Structure screen displays. |  |
| 4 | Enter Data on Tab Structure | On the tab Structure, enter the following data:Sub-area Option:Expiry Date: for example, <Current date + 2 Months>Exercise Type: for example, EuropeanSettlement: for example, Physical ExerciseStrike: Local Currency/Risk Currency Rate, for example, EUR/USD1.05Put/Call: for example, CallTraded Amt: <Risk Currency> <Amount>, for example, USD500000Value Date: for example, <Current date + 2 Months + 2 days>Sub-area Premium:Flow Type: for example, 1300 Option Premium - Profit/LossPayment Date: <Current date + 2 days>Amount: <local currency> <your option premium amount>, for example, EUR500Sub-area Contract Conclusion:Contract Date: for example, <current date>The Expiry Date of FX option should be within the same period as the due date of exposure.You short call option in cylinder option if it is incoming exposure.You short put option in cylinder option if it is outgoing exposure.The currency of Traded Amt should be the risk currency. The amount of Traded Amt should be less or equal to the amount of Net Open Exposure. | Data on tab Structure has been entered. |  |
| 5 | Enter Data in Administration tab | Choose tab Administr., and enter the following data:Gen. Valn Class: for example, 45 Derivatives: Cash Flow HedgeHdg Classific.: for example, YFC31 (FX Risk; CFH; Collar; Intrinsic, Time+CCBS; w/o 1stDayRes)The appropriate General Valuation Class will derive the correct Position Management Procedure for Hedge Accounting in valuation area 002 for IFRS.In operative valuation area DE0, a Position Management Procedure for non-Hedge Accounting is determined. | Data on tab Administr. has been entered. |  |
| 6 | Save the OTC FX Option (Short Leg) | Choose Save. | If dialog box Document lines: Display messages displays, make sure no error message is there (otherwise please correct data and save again), and choose Continue (Enter).Message Financial transaction saved under number number displays.Note down the transaction number of this short leg. |  |

Create Option Reference:

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| Test Step # | Test Step Name | Instruction | Expected Result | Pass / Fail / Comment |
| 1 | Log on | Log on to the SAP Fiori Launchpad as a Treasury Specialist - Front Office | The SAP Fiori Launchpad displays. |  |
| 2 | Access the SAP Fiori app | Open Create Reference (TBR6). | The Create Reference: Initial Screen displays. |  |
| 3 | Enter Data on Initial Screen | On the Create Reference: Initial Screen, enter the following data:Reference Category: OPTSub-area Object 1 to Be Linked:Company Code: for example, 1010Transaction: <The transaction number of the long leg>Sub-area Object 2 to Be Linked:Company Code: for example, 1010Transaction: <The transaction number of the short leg>Choose Enter. | The Create Reference: Data screen displays. |  |
| 4 | Save Reference | On the Create Reference: Data screen, choose Save, | Massage Reference number created displays. |  |

##### Option 2: Create Zero/Low Cost Collar FX Option in Single Step

Procedure

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| Test Step # | Test Step Name | Instruction | Expected Result | Pass / Fail / Comment |
| 1. | Log on | Log on to the SAP Fiori Launchpad as a Treasury Specialist - Front Office | The SAP Fiori Launchpad displays. |  |
| 2. | Access the SAP Fiori app | Open Create Collar FX Option (TI4B). | The Create Option Entry - Spread: Initial Screen displays. |  |
| 3. | Enter Data on Initial Screen | On the Create Option Entry - Spread: Initial Screen, enter the following data:Company Code: for example, 1010Partner: for example, 10537001Sub-area First Transaction:Product Type: 76ATransaction: 100Sub-area Second Transaction:Product Type: 76ATransaction: 200Choose Enter. | The Currency Option Entry - Spread: Structure screen displays. |  |
| 4. | Enter Data for 1st Transaction (Long Leg) | On the Currency Option Entry - Spread: Structure screen, enter the following data in area 1st Transaction:Sub-area Option:Exercise Type: for example, EuropeanSettlement: for example, Physical ExerciseExpiry Date: for example, <Current date + 2 Months>Strike: <Local Currency>/<Risk Currency Rate>, for example, EUR/USD1.20Put/Call: for example, PutTraded Amt: <Risk Currency> <Amount>, for example, USD500000Value Date: for example, <Current date + 2 Months + 2 days>Sub-area Premium:Flow Type: for example, 1300 Option Premium - Profit/LossPayment Date: <Current date + 2 days>Amount: <local currency> <your option premium amount>, for example, EUR500Gen. Valn Class: for example, 45 Derivatives: Cash Flow HedgeHdg Classific.: for example, YFC31 (FX Risk; CFH; Collar; Intrinsic, Time+CCBS; w/o 1stDayRes)Choose Enter.Note The Expiry Date of FX option should be within the same period as the due date of exposure.You long put option in cylinder option if it is incoming exposure,you long call option in cylinder option if it is outgoing exposure.Note The currency of Traded Amt should be the risk currency. The amount of Traded Amt should be less or equal to the amount of Net Open Exposure. | Data for 1st Transaction (long leg) has been entered. |  |
| 5. | Enter Data for 2nd Transaction (Short Leg) | Enter the following data in area 2nd Transaction:Sub-area Option:Exercise Type: <it is automatically copied from 1st transaction>Settlement: <it is automatically copied from 1st transaction>Expiry Date: <it is automatically copied from 1st transaction>Strike: currency pair is automatically copied from 1st transaction, only need to enter the exchange rate, for example, 1.20Put/Call: it is automatically derived from 1st transaction; if it is Call for 1st transaction, it should be Put for the 2nd transaction.Traded Amt: currency and amount are automatically copied from 1st transactionValue Date: <it is automatically copied from 1st transaction>Sub-area Premium:Flow Type: for example, 1300 Option Premium - Profit/LossPayment Date: Current date + 2 daysAmount: <local currency> <your option premium amount>, for example, EUR500Gen. Valn Class: for example, 45 Derivatives: Cash Flow HedgeHdg Classific.: for example, YFC31 (FX Risk; CFH; Collar; Intrinsic, Time+CCBS; w/o 1stDayRes)Choose Enter.You short call option in cylinder option if it is incoming exposure.you short put option in cylinder option if it is outgoing exposure.For both legs:The appropriate General Valuation Class will derive the correct Position Management Procedure for Hedge Accounting in valuation area 002 for IFRS.In operative valuation area DE0, a Position Management Procedure for non-Hedge Accounting is determined. | Data for 2nd Transaction (short leg) has been entered. |  |
| 6. | Enter Contract Conclusion Data | In sub-area Contract Conclusion, enter the following data:Contract Date: for example, <current date> | Contract date has been entered. |  |
| 7. | Save the Cylinder Option (Both Legs) | Choose Save. | If dialog box Document lines: Display messages displays, make sure no error message is there (otherwise please correct data and save again), and choose Continue (Enter).Message Options number 1 and number 2 created in company code company code displays.Two legs of cylinder option have been saved, the reference for them has been created.Note down the transaction numbers of these two legs. |  |

After the zero/low cost collar FX option (cylinder FX option) is created, you can logon as Treasury Specialist - Middle Office and open app Hedge Management Cockpit (TOENE) to check the net open exposure again.

In app Hedge Management Cockpit (TOENE), the amount of long leg will be reflected in corresponding cells for Key Figure Name Net Hedges and relevant company code, risk currency and period; Net Open Exposure should be reduced accordingly.

### Automatic Designation (Planned)

Test Administration

Customer project: Fill in the project-specific parts.

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| Test Case ID | <X.XX> | Tester Name |  | Testing Date | Enter a test date. |
| Business Role(s) |  |
| Responsibility | <State Service Provider, Customer or Joint Service Provider and Customer> | Duration | Enter a duration. |

Purpose

With saving the FX option transaction, the Exposure Item in a snapshot is found and the Hedging Relationship is automatically created in status Planned Designation, the Exposure Item is determined based on attributes of the relevant Snapshot and Hedging Area and FX Option transaction.

This step introduces how to check the automatically created Hedging Relationship.

For zero/low cost collar FX option (cylinder FX option), the attributes of the long leg are used for the determination of the Exposure Item of the relevant Exposure Snapshot of a valid Hedging Area version.

The automated designation of a FX transaction into a hedging relationship is prevented if the calculated Balance Sheet Recognition Date is earlier than or on the same date as the Designation Date (Contract Date), and the portion of the FX Transaction is processed as freestanding position.

Procedure

Option 1: via app Manage Hedging Relationships

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| Test Step # | Test Step Name | Instruction | Expected Result | Pass / Fail / Comment |
| 1 | Log on | Log onto the SAP Fiori Launchpad as a Treasury Specialist - Back Office. | The SAP Fiori Launchpad displays. |  |
| 2 | Access the SAP Fiori App | Open Manage Hedging Relationships (TPM100). | The P-Hedge Accounting screen displays. |  |
| 3 | Enter Selection Criteria | On the P-Hedge Accounting screen, choose the Selection tab on the left side of screen, and enter the following data:Find: <All Hedging Relationships>By: <Hedging Instrument>Company Code: for example, 1010Valuation Area: 002Product Group: select the checkbox of OTC Trans., and choose OTC Transactions Selection beside OTC Trans.. In the OTC Transactions Selection dialog box, enter the transaction number(s) you noted down in the previous step, then choose Continue (Enter).Choose Start. | The list of Hedging Relationship Number(s) displays on bottom-left side of screen. You may need to zoom out the screen in web browser to see it.Note down the Hedging Relationship Number(s). |  |
| 4 | Display Header of Hedging Relationship | Double click a HR Number from bottom-left side of screen, the detailed information of Hedging Relationship will display on right side of screen.Check the data of Hedge Relationship Header. | The header of Hedging Relationship displays on upper-right side of screen, it provides details which are relevant for the Hedging Relationship as general entity.The Hedging Relationship Status should be Planned Designation since it has not been released.Choose Display All Flows, you can check the created flows resulting from the Designation.Choose Display H.Rel. Related Trans, in Hedge Related Transactions for Hedging Relationship dialog box, double click the row of Business Transaction Category Designation, then you can see the designation details in Designation of Hedging Relationship dialog box. |  |
| 5 | Display Tab Hedging Relationship Detail | Check the data of the Hedge Relationship Details tab. | The Hedging Relationship Detail tab contains information about:* Risk Type and Risk Profile Details
* Date information on Hedging Relationship level

The following fields are automatically populated:* Risk Currency: your exposure currency
* Profile: the Hedging Profile which is mapped (on tab Hedge Accounting II of Hedging Area) to the Hedging Classification you used when created FX transaction.
* Category: Cash Flow Hedge
* Risk Indicator: Currency Risk
* Valid-From Date: contract date of FX Option
* Planned Designation Date: contract date of FX Option
* Planned Dedesign. Date: Value Date of FX Option
* Bal.Sheet Rec.Date: the Balance Sheet Recognition Date of crossover

Note down the Balance Sheet Recognition Date.* Reclassification Date: the Deviant Reclassification Date other than the Balance Sheet Recognition Date and the End Date of the Exposure Subitem, the Deviant Reclassification Date = Due Date of Hedging Instrument + DIO (Days Inventory Outstanding) - Payment Term.
* Designation Type: the Designation Type which is mapped (on tab Hedge Accounting II of Hedging Area) to the Hedging Classification you used when created FX transaction

The Balance Sheet Recognition Date is only available when you gave value 1, 2 or 3 for the field Balance Sheet Recognition in sub-area Designation Splitting on tab Hedge Accounting I of the Hedging Area.The Reclassification Date is only available when you gave value 3 for the field Balance Sheet Recognition in sub-area Designation Splitting on tab Hedge Accounting I of the Hedging Area. |  |
| 6 | Display Tab Hedged Item | Choose tab Hedged Item, and check data of it. | The Hedged Item tab contains information about:* Hedged Item Details
* Position Management information of the Exposure Subitem

The following fields are automatically populated:* Number: generated number

Note down the Hedged Item Number.* Start Date: contract date of FX Option
* End Date: it is determined by the parameters you entered in sub-area Designation Splitting on the Hedge Accounting I tab of the Hedging Area, it is the date on which reclassification of OCI I and OCI II should carry out (except the case that Immediate Reclassification at Balance Sheet Recognition Date, or Reclassification at Deviant Reclassification Date). Note down this date.
* Category: Planned Forecast
* Hypothetical Derivative: empty at this moment, it will be created after designation is released.
* Product Group: Exposures
* Valuation Class: determined from pre-defined configuration on Product Type level
* Exposure Item ID: generated number. Note down the Exposure Item.
* Exposure Subitem ID: generated number. Note down the Exposure Subitem ID.
 |  |
| 7 | Display Tab Hedging Instrument | Choose the Hedging Instrument tab, and check data of it. | The Hedging Instrument tab contains information about:* Hedging Instrument Details
* Position Management information of the Hedging Instrument

The following fields are automatically populated:* Number: generated number

Note down the Hedging Instrument Number.* Product Group: OTC Transactions: Money Market, FX, Derivatives
* Valuation Class: derived from pre-defined configuration and the General Valuation Class you chose when created FX transactions.
* Transaction Number: the FX option number you created in previous step.
* Start Date: Contract Date of FX Option
* End Date: Value Date of FX Option

For zero/low cost collar FX option (cylinder FX option), there are two hedging instruments, and each hedging instrument has its details. |  |

Option 2: via app Process FX Option (Subtitle: Collective Processing)

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| Test Step # | Test Step Name | Instruction | Expected Result | Pass / Fail / Comment |
| 1 | Log on | Log onto the SAP Fiori Launchpad as a Treasury Specialist - Back Office. | The SAP Fiori Launchpad displays. |  |
| 2 | Access the SAP Fiori App | Open Process FX Options (Subtitle: Collective Processing). | The OTC Option: Collective Processing screen displays. |  |
| 3 | Enter Selection Criteria | On the OTC Option: Collective Processing screen, enter the following data and choose Execute:Company Code: for example, 1010Transaction: <the FX Option number(s) you created in the previous step> | The list of FX transaction(s) displays in area OTC Option: Collective Processing. |  |
| 4 | Display Transaction | Select the checkbox of a transaction on OTC Option: Collective Processing, and choose Display. | The OTC Option: Display: Structure screen displays. |  |
| 5 | Display the Hedging Relationship | Choose tab Administr., choose Show Hedging Relationship.On the List of Hedging Relationships screen, select the checkbox of a Hedging Relationship, and then choose Display Hedging Rel.. | The P-Hedge Accounting screen displays, you can check detailed information of Hedging Relationship just like in app Manage Hedging Relationships (TPM100). |  |

If you cannot see the Hedging Relationship for your FX Option transaction via app Manage Hedging Relationships (TPM100) or Process FX Options (Subtitle: Collective Processing), or message Reprocessing of financial transaction required after save displays when you saved the FX Option transaction in step [Create Foreign Exchange Contract with Hedging Classification](#unique_15) [page ] 29, the system did not finish the automated designation of the financial transaction and exposure. To analyze the error situation and postprocess the financial transaction for the designation, use app Reprocess Transactions (Subtitle: Automated Designation), for details please see the procedure as below:

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| Test Step # | Test Step Name | Instruction | Expected Result | Pass / Fail / Comment |
| 1 | Log on | Log on to the SAP Fiori Launchpad as a Treasury Specialist - Back Office | The SAP Fiori Launchpad displays. |  |
| 2 | Access the SAP Fiori App | Open Reprocess Transactions (Subtitle: Automated Designation). | The Reprocess Financial Transactions for Automated Designation screen displays. |  |
| 3 | Enter Selection Criteria | On the Reprocess Financial Transactions for Automated Designation screen, enter the following data and choose Execute:Company Code: for example, 1010Valuation Area: for example, 002Transaction: <the FX Option number(s) you created in the previous step> | The Transaction Numbers screen displays.If you cannot see any transaction on this screen, please skip current step because automated designation is created for the transaction(s) you selected on previous screen. |  |
| 4 | Display Log | Select the checkbox of a transaction, and choose Display Log. | The Messages dialogue displays, and you can see the relevant message and figure out why automated designation failed. |  |

### Set Contract Settlement Status with Incoming Confirmation

Test Administration

Customer project: Fill in the project-specific parts.

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| Test Case ID | <X.XX> | Tester Name |  | Testing Date | Enter a test date. |
| Business Role(s) |  |
| Responsibility | <State Service Provider, Customer or Joint Service Provider and Customer> | Duration | Enter a duration. |

Purpose

Once a FX Option transaction is saved in system, the status of transaction needs to set as 'Contract Settlement' before you could create postings for flows (e.g., for flow of premium), usually it is done after you receive the incoming confirmation from counterparty. You can settle the transaction via the following ways once you get counterparty confirmation:

* Option 1: Manual Settlement via app Process FX Options (Subtitle: Collective Processing)
* Option 2: Automatic settlement via Correspondence Process

In this step, we only proceed Option 1 - Manual Settlement.

As described in section Prerequisites of step Create Foreign Exchange Contract with Hedging Classification: If you used the Designation Type which requires counterconfirmation, you need to run the correspondence process which will set the status of FX transaction to 'Counterconfirmed' automatically after receiving the incoming confirmation from counterparty, and correspondence setting should be maintained for business partner before creating a FX transaction (please see section Business Conditions).

For details regarding how to do Automatic Settlement via Correspondence Process, please see the steps under Foreign Currency Risk Management and Accounting - Vanilla Options > Correspondence > Correspondence with PDF Form in test script Foreign Currency Risk Management (1X1).

Procedure

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| Test Step # | Test Step Name | Instruction | Expected Result | Pass / Fail / Comment |
| 1 | Log On | Log on to the SAP Fiori Launchpad as a Treasury Specialist - Back Office. | The SAP Fiori Launchpad displays. |  |
| 2 | Access the SAP Fiori App | Open Process OTC Options - Collective Processing (TI91) | The OTC Options: Collective Processing screen displays. |  |
| 3 | Enter Selection Criteria | On the OTC Options: Collective Processing screen, enter the following data and choose Execute:Company Code: for example, 1010Transaction: the FX Option transaction number(s) | The list of FX Option transaction(s) displays on OTC Options: Collective Processing screen. |  |
| 4 | Settle the Transaction | Select the checkbox of a transaction on OTC Options: Collective Processing screen, and choose Settle. | The OTC Option: Settle Contract: Structure screen displays. |  |
| 5 | Save the Change | On the OTC Option: Settle Contract: Structure screen, the value of field Activity in header is 2 - Contract Settlement.Choose Save.If dialog Document lines: Display messages displays, choose Continue (Enter). | The FX Option transaction is saved with status Contract Settlement.For zero/low cost collar FX option (cylinder FX option), please set the Contract Settlement status for both legs. |  |

### Release Hedging Relationship

Test Administration

Customer project: Fill in the project-specific parts.

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| Test Case ID | <X.XX> | Tester Name |  | Testing Date | Enter a test date. |
| Business Role(s) |  |
| Responsibility | <State Service Provider, Customer or Joint Service Provider and Customer> | Duration | Enter a duration. |

Purpose

In this step, you release the automated designation which is in status 'Planned Designation'. After release, the status will become Designated.

Prerequisite

Market data (FX spot rates, interest rates, FX Volatilities, credit spreads, basis spreads) for relevant currencies and reference entities have been maintained in system, please see section [Business Conditions](#unique_6) [page ] 6.

If you used the Designation Type which requires counterconfirmation in step Define or Adjust Hedging Area, hedging relationship can be released only after the FX transaction has been successfully counterconfirmed. You need to run steps under Foreign Currency Risk Management and Accounting - Vanilla Options > Correspondence > Correspondence with PDF Form in test script Foreign Currency Risk Management (1X1), the correspondence process in 1X1 will set the status of FX Option transaction to 'Counterconfirmed' automatically after receiving the incoming confirmation from counterparty.

In SAP Logon, open SPRO > Financial Supply Chain Management > Treasury and Risk Management > Transaction Manager > General Settings > Hedge Accounting for Positions > Define Hedging Profiles , find out the hedging profiles you maintained in the Hedge Accounting II tab of hedging area HA0002, and unselect the checkbox Documentation Optional (Yes/No) for each hedging profile, otherwise the Hedge Documentation cannot be displayed when releasing the hedging relationship.

Procedure

Release Hedging Relationship:

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| Test Step # | Test Step Name | Instruction | Expected Result | Pass / Fail / Comment |
| 1 | Log on | Log onto the SAP Fiori Launchpad as a Treasury Specialist - Back Office. | The SAP Fiori Launchpad displays. |  |
| 2 | Access the SAP Fiori App | Open Release Hedging Business Transactions (TPM120). | The Release Hedging Business Transactions (TPM120) screen displays. |  |
| 3 | Enter Selection Criteria | On the Release Hedging Business Transactions (TPM120) screen, enter the following data and choose Execute:Company Code: for example, 1010Valuation Area: for example, 002Up to Key Date: for example, current dateTransaction Selection: <select this radio button>Transaction Number:the FX Option transaction number(s)Test Run: <deselect this checkbox>Save Values with Warnings: <select this checkbox>Detailed Log (Market Val. Calc): <select this checkbox>Enter Posting Date: <select this checkbox> | A new screen Release Hedging Business Transactions (TPM120) displays. |  |
| 4 | Choose Hedging Relationship and Execute | On the Release Hedging Business Transactions (TPM120) screen, choose Execute. | The Hedging Relationships screen displays, and Hedging Relationship has been released without errors. |  |
| 5 | Check Market Data Calculation Details | Choose Display Market Data Calculation Details . | The NPVs including CVA/DVA from the Market Risk Analyzer screen displays. You can see the details of the calculation of the full NPV as well as the Hedge Accounting Key Figures. The offered detail lists and analysis options are the same as the ones available in app Calculate Net Present Values (Subtitle: with CVA and DVA) which will be used when period end closing.Choose Hedge Accounting Key Figures, you can see the amounts of different components (Intrinsic Value, Time Value, CCBS) of FX Option transaction and hypothetical derivative.Go back to the Hedging Relationships screen. |  |
| 6 | Check Hedging Relationship | On the Hedging Relationships screen, select the checkbox of a HR Number, choose Display Hedging Relationships. | The screen P-Hedge Accounting display, and you can see Hedging Relationship Status is now Designated.Choose tab Hedged Item, you can see the field Hypothetical Derivative has been filled with a generated number. |  |
| 7 | Display Hedge Documentation | On the Hedging Relationships screen, select the checkbox of a HR Number, choose Display Hedge Documentation. | The Hedging Relationship Documentation in PDF format will be opened. |  |

(Optional) Reverse Release of Hedging Relationship:

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| Test Step # | Test Step Name | Instruction | Expected Result | Pass / Fail / Comment |
| 1 | Log on | Log onto the SAP Fiori Launchpad as a Treasury Specialist - Back Office. | The SAP Fiori Launchpad displays. |  |
| 2 | Access the SAP Fiori App | Open Reverse Release of Hedging Business Transactions (TPM121). | The Reverse Release of Hedging Business Transactions (TPM121) screen displays. |  |
| 3 | Enter Selection Criteria | On the Reverse Release of Hedging Business Transactions (TPM121) screen, enter the following data and choose Execute:Company Code: for example, 1010Valuation Area: for example, 002Date to be Reversed: for example, the contact date of transactionTransaction Selection: <select this radio button>Transaction Number:the FX Option transaction number(s)Reversal Reason: for example, 04Enter Rev.Date: <select this checkbox>Test Run: <deselect this checkbox>On the next screen Reverse Hedging Business Transactions, choose Execute. | The Hedging Relationships screen displays, and Release of Hedging Relationship has been reversed without errors. |  |
| 4 | Check Hedging Relationship | Select the checkbox of a HR Number, and choose Display Hedging Relationship. | The screen P-Hedge Accounting display, and you can see Hedging Relationship Status is returned to Planned Designation. |  |
| 5 | Release Hedging Relationship Again | Open app Release Hedging Business Transactions (TPM120), and release the Hedging Relationship again (follow introductions in Release Hedging Relationship), otherwise you will not be able to continue the testing. | Hedging Relationship is released again. |  |

### Process Premium Payment

Test Administration

Customer project: Fill in the project-specific parts.

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| Test Case ID | <X.XX> | Tester Name |  | Testing Date | Enter a test date. |
| Business Role(s) |  |
| Responsibility | <State Service Provider, Customer or Joint Service Provider and Customer> | Duration | Enter a duration. |

Purpose

In this step, you run steps for premium payment and postings.

Procedure

Perform the following steps in test script Foreign Currency Risk Management (1X1) -> Foreign Currency Risk Management and Accounting - Vanilla Options-> Premium Payment for the FX Option transactions you created in step [Create Foreign Exchange Contract with Hedging Classification](#unique_15) [page ] 29:

|  |  |  |
| --- | --- | --- |
| Step Name in 1X1 | Mandatory/Optional for Continuing Testing 2RW | Purpose |
| Generate Payment Request for Mature Transaction | Mandatory | Generate payment request for payment of premium at its payment date via app Post Flows (TBB1). |
| Process Payment Request | Optional | Process the payment run procedure for payment request and create posting for premium payment via app Automatic Payment Transactions for Payment Requests (F111). |
| Post to General Ledger | Mandatory | Generate posting for premium payment (outgoing payment) in valuation area DE0 (local GAAP) via app Process Business Transactions (TPM10). |

Perform the following step in test script Foreign Currency Risk Management - Group Ledger IFRS (1X9) for the FX Option transactions you created in step [Create Foreign Exchange Contract with Hedging Classification](#unique_15) [page ] 29:

|  |  |  |
| --- | --- | --- |
| Step Name in 1X9 | Mandatory/Optional for Continuing Testing 2RW | Purpose |
| Post Flows to General Ledger (Parallel Valuation Area) | Mandatory | Generate posting for premium payment (outgoing payment) in valuation area 002 (IFRS) via app Process Business Transactions (TPM10). |

If it is zero/low cost collar FX option (cylinder FX option), please perform steps mentioned above for both legs.

### Period End Closing

This test script only introduces the period end closing activities of valuation area 002 (IFRS 9 Hedge Accounting).

For period end closing activities for FX Option transactions in valuation area DE0 (local GAAP, non-Hedge Accounting), please see test script Foreign Currency Risk Management (1X1) -> Foreign Currency Risk Management and Accounting - Vanilla Options -> Period end has been reached.

#### Calculate NPV of Hedging Instrument and Hypothetical Derivative

Test Administration

Customer project: Fill in the project-specific parts.

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| Test Case ID | <X.XX> | Tester Name |  | Testing Date | Enter a test date. |
| Business Role(s) |  |
| Responsibility | <State Service Provider, Customer or Joint Service Provider and Customer> | Duration | Enter a duration. |

Purpose

In this step, you calculate the Net Present Values (Fair Values) of FX Option transactions and corresponding Hypothetical Derivatives at period end, system also calculates market value components (Intrinsic Value, Time Value, CCBS) for FX Option transactions and corresponding Hypothetical Derivatives, Credit Value Adjustment/Debit Value Adjustment of FX transactions are decomposed as well.

Prerequisite

Market data (FX spot rates, interest rates, FX Volatilities, credit spreads, basis spreads) for relevant currencies and reference entities have been maintained in system and valid at period end, please see section [Business Conditions](#unique_6) [page ] 6.

Procedure

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| Test Step # | Test Step Name | Instruction | Expected Result | Pass / Fail / Comment |
| 1 | Log on | Log onto the SAP Fiori Launchpad as a Treasury Specialist - Back Office. | The SAP Fiori Launchpad displays. |  |
| 2 | Access the SAP Fiori App | Open Calculate Net Present Values - With CVA and DVA (TPM60CVA). | The Determine NPVs Including Credit and Debit Value Adjustments screen displays. |  |
| 3 | Enter Selection Criteria and Execute | On the Determine NPVs Including Credit and Debit Value Adjustments screen, enter the following data:Sub-area Selection Mode:Evaluation Parameter Derivatn: <select this checkbox>Select OTC Transactions: <select this checkbox>Market Value Decomposition: <select this checkbox>Sub-area Common Selection Criteria:Company Code: for example, 1010Valuation Area: for example, 002Sub-area OTC Transaction Selection Criteria:Transaction: the FX Option transaction number(s)Note For zero/low cost collar FX option (cylinder FX option), enter the transaction numbers of both legs.Sub-area Evaluation Parameters:Evaluation Date: for example, last date of current monthSub-area Save Results:Test Run: <deselect this checkbox>Save Values with Warnings: <select this checkbox>Detail Log: <select this checkbox>Choose Execute. | The NPVs including CVA/DVA from the Market Risk Analyzer screen displays.You can see the NPV, risk-free NPV, CVA/DVA of each transaction on this screen.You can also check different information by clicking on buttons:* Single Transaction:
* CVA/DVA Key Figures
* Hedge Accounting Key Figures
* Detailed Log
* Calculation Bases
* Error Log

Hedge Accounting Key Figures provides a list showing the detailed amount information of market value components (Intrinsic Value, Time Value, CCBS) for FX Option transactions and corresponding Hypothetical Derivatives. |  |

#### Run Key Date Valuation

Test Administration

Customer project: Fill in the project-specific parts.

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| Test Case ID | <X.XX> | Tester Name |  | Testing Date | Enter a test date. |
| Business Role(s) |  |
| Responsibility | <State Service Provider, Customer or Joint Service Provider and Customer> | Duration | Enter a duration. |

Purpose

You use the valuation function to evaluate the positions of FX transactions based on the previously calculated NPVs, and transfer results to financial accounting.

Prerequisite

NPVs and market value components values have been calculated for FX transitions and Hypothetical Derivatives in valuation area 002 (IFRS).

Procedure

Run Valuation:

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| Test Step # | Test Step Name | Instruction | Expected Result | Pass / Fail / Comment |
| 1 | Log On | Log on to the SAP Fiori Launchpad as a Treasury Accountant. | The SAP Fiori Launchpad displays. |  |
| 2 | Access the SAP Fiori App | Open Run Valuation (TPM1). | The Run valuation screen displays. |  |
| 3 | Enter Selection Criteria for Test Run | On the Run valuation screen, enter the following data:Sub-area Product Groups:Securities: <unselect this checkbox>OTC Transactions: <select this checkbox>Sub-area General Selections:Company Code: for example, 1010Valuation Area: for example, 002Sub-area OTC Transactions:Transaction: the FX Option transaction number(s)Note For zero/low cost collar FX option (cylinder FX option), enter the transaction numbers of both legs.Sub-area Valuation Parameters:Key Date for Valuation: for example, last date of current monthValuation Category: for example, Mid-year Valuation without ResetNote You can also use Mid-year Valuation with Reset. In addition to the valuation flows, reset flows will be generated for the day following the valuation key date (usually reset flows will be posted at the first date of next month). You can therefore see the effects of the valuation only on the valuation key date.Sub-area Posting Control:Test Run: <select this checkbox>Choose Execute. | The Display Selected Treasury Positions for Valuation screen displays. |  |
| 4 | Execute Valuation for Test Run | On the Display Selected Treasury Positions for Valuation screen, choose Run valuation.If dialog Message shows up, choose Continue. | The screen Valuation Log displays, if red traffic light exist, click on it and check the error message, solve the issue and perform test run again until there is no error.You can check the simulated Posting Log for IFRS (valuation area 002) by choosing Logs + Messages, the offsetting account for fair value change of FX transaction is a Technical Clearing Account. |  |
| 5 | Enter Selection Criteria for Production Run | Choose Back until initial screen of this app.On the initial screen, change the following data and choose Execute:Test Run: <deselect this checkbox> | The Display Selected Treasury Positions for Valuation screen displays. |  |
| 6 | Execute Valuation for Production Run | On the Display Selected Treasury Positions for Valuation screen, choose Run valuation. | The screen Valuation Log displays, you can check the Posting Log for IFRS (valuation area 002) by choosing Logs + Messages, this time, accounting documents have been created for IFRS (valuation area 002). |  |

(Optional) Reverse Valuation:

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| Test Step # | Test Step Name | Instruction | Expected Result | Pass / Fail / Comment |
| 1 | Log on | Log onto the SAP Fiori Launchpad as a Treasury Accountant. | The SAP Fiori Launchpad displays. |  |
| 2 | Access the SAP Fiori App | Open Reverse Valuation (TPM2). | The Reverse Valuation (TPM2) screen displays. |  |
| 3 | Enter Selection Criteria for Test Run | On the Reverse Valuation (TPM2) screen, enter the following data:Sub-area Product Groups:OTC Transactions: <select this checkbox>Sub-area General Selections:Company Code: for example, 1010Valuation Area: for example, 002Sub-area OTC Transactions:Transaction: the FX Option transaction number(s)Note For zero/low cost collar FX option (cylinder FX option), enter the transaction numbers of both legs.Sub-area Valuation Parameters:Key Date for Valuation: for example, last date of current month, same as the date you ran valuationSub-area Posting Control:Reason for Reversal: for example, 04Test Run: <select this checkbox>Update Derived Bus. Trans: Use System SettingsChoose Execute. | The Display Positions to Be Reversed screen displays. |  |
| 4 | Execute Reversal for Test Run | On the Display Positions to Be Reversed screen, choose Reverse Valuation (TPM2). | If dialog Information Overview shows up, choose Reversal Log.The screen Reversal Log: Reversed Business Transactions displays, you can check the simulated reversal valuation postings for IFRS (valuation area 002). |  |
| 5 | Enter Selection Criteria for Production Run | Choose Back until initial screen of this app.On the initial screen, change the following data and choose Execute:Test Run: <deselect this checkbox> | The Display Positions to Be Reversed screen displays. |  |
| 6 | Execute Reversal for Production Run | On the Display Positions to Be Reversed screen, choose Reverse Valuation (TPM2). | If dialog Information Overview shows up, choose Reversal Log.The screen Reversal Log: Reversed Business Transactions displays, you can check the reversal valuation postings for IFRS (valuation area 002), accounting document has been created. |  |
| 7 | Run Valuation Again | Open app Run Valuation (TPM1), and create the postings for valuation again (follow introductions in Run Valuation), otherwise you will not be able to continue the testing. | Valuation is executed again. |  |

#### Run Classification

Test Administration

Customer project: Fill in the project-specific parts.

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| Test Case ID | <X.XX> | Tester Name |  | Testing Date | Enter a test date. |
| Business Role(s) |  |
| Responsibility | <State Service Provider, Customer or Joint Service Provider and Customer> | Duration | Enter a duration. |

Purpose

The Classification of FX Transactions which are designated into one or several Hedging Relationships is executed via app Run Classification (TPM101) at month end.

With the execution of Classification, the designated Exposure Subitem Positions of the Hedging Relationship are selected and relevant classification amounts are calculated according to settings of the Hedge Accounting Rule:

* Hedging Reserve (OCI I)
* P/L ineffective of Hedging Reserve
* Cost of Hedging Reserve (OCI II)
* P/L ineffective of Cost of Hedging Reserve
* P/L ineffective

Postings to Financial Accounting are created on Exposure Subitem level.

Prerequisite

Valuation for FX transactions (hedging instruments) has been executed at period end.

Procedure

Run Classification:

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| Test Step # | Test Step Name | Instruction | Expected Result | Pass / Fail / Comment |
| 1 | Log on | Log onto the SAP Fiori Launchpad as a Treasury Accountant. | The SAP Fiori Launchpad displays. |  |
| 2 | Access the SAP Fiori App | Open Run Classification (TPM101). | The Execute Classification screen displays. |  |
| 3 | Enter Selection Criteria for Test Run | On the Execute Classification screen, enter the following data and choose Execute:Company Code: for example, 1010Valuation Area: for example, 002Key Date for Classification: for example, <last date of current month>Transaction Selection: <select this radio button>Transaction Number:the FX Option transaction number(s)Note For zero/low cost collar FX option (cylinder FX option), enter the transaction numbers of both legs.Test Run: <select this checkbox> | Dialog box Information Overview displays. |  |
| 4 | Check Classification Log | In the dialog box Information Overview, choose Hedge Management. | The Information Overview screen displays, you can check the Classification Log on this screen. |  |
| 5 | Check Posting Log | Choose Back.In the dialog box Information Overview, choose Posting Log. | The Posting Log: Posted Business Transactions screen displays.You can check the simulated Classification postings for IFRS (valuation area 002) on this screen, the offsetting account for OCI I, OCI II, P/L Ineffective is also the Technical Clearing Account. |  |
| 6 | Execute Valuation for Production Run | Choose Back, and choose Close in the dialog box Information Overview.On the initial screen of app Run Classification (TPM101), change the following data and choose Execute:Test Run: <deselect this checkbox> | The Information Overview screen displays again.The Classification postings have been created for IFRS (valuation area 002), you can chick Posting Log to check the postings. |  |

(Optional) Reverse Classification:

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| Test Step # | Test Step Name | Instruction | Expected Result | Pass / Fail / Comment |
| 1 | Log on | Log onto the SAP Fiori Launchpad as a Treasury Accountant. | The SAP Fiori Launchpad displays. |  |
| 2 | Access the SAP Fiori App | Open Reverse Classification (TPM102). | The Reverse Classification (TPM102) screen displays. |  |
| 3 | Enter Selection Criteria for Test Run | On the Reverse Classification (TPM102) screen, enter the following data and choose Execute:Company Code: for example, 1010Valuation Area: for example, 002Key Date for Classification: for example, last date of current monthTransaction Selection: <select this radio button>Transaction Number:the FX Option transaction number(s)Note For zero/low cost collar FX option (cylinder FX option), enter the transaction numbers of both legs.Reason for Reversal: for example, 04Test Run: <select this checkbox> | Dialog box Information Overview displays. |  |
| 4 | Check Reversal Log | In the dialog box Information Overview, choose Reversal Log. | The screen Reversal Log: Reversed Business Transactions displays, you can check the simulated reversal postings of classification for IFRS (valuation area 002). |  |
| 5 | Execute Reversal for Production Run | Choose Back, and choose Close in the dialog box Information Overview.On the initial screen of app Reverse Classification (TPM102), change the following data and choose Execute:Test Run: <deselect this checkbox> | The Information Overview screen displays again.The reversal postings of classification have been created for IFRS (valuation area 002), you can chick Reversal Log to check the postings. |  |
| 6 | Run Classification Again | Open app Run Classification (TPM101), and create the postings for Classification again (follow introductions in Run Classification), otherwise you will not be able to continue the testing. | Classification is executed again. |  |

### Process Reclassification for Hedging Business Transaction at Balance Sheet Recognition Date

Test Administration

Customer project: Fill in the project-specific parts.

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| Test Case ID | <X.XX> | Tester Name |  | Testing Date | Enter a test date. |
| Business Role(s) |  |
| Responsibility | <State Service Provider, Customer or Joint Service Provider and Customer> | Duration | Enter a duration. |

Purpose

At the Balance Sheet Recognition date, you run the app Release Hedging Business Transactions (TPM120), the following activities are done by this app:

* Calculation and saving of NPV of FX Transaction
* Calculation and saving of NPV component values for FX Transaction and Hypothetical Derivative
* Posting of key date valuation of the designated portion of the FX Transaction with actual NPV values
* Posting of classification of the selected Hedging Relationship with actual NPV component values
* Update amounts of Reclassification Update Types
* Fix scheduled Reclassification Updated Types

Three options are provided for the reclassification of Balance Sheet Crossover, they are maintained in field Balance Sheet Recognition in sub-area Designation Splitting on tab Hedge Accounting I of the Hedging Area:

* 1 - Immediate Reclassification at Balance Sheet Recognition Date
* 2 - Reclassification at the End Date of the Exposure Subitem: the classification result between Designation Date and Balance Sheet Recognition Date is frozen until end date of the Exposure Subitem.
* 3 - Reclassification at Deviant Reclassification Date: the classification result between Designation Date and Balance Sheet Recognition Date is frozen until the Deviant Reclassification Date = Due Date of Hedging Instrument + DIO (Days Inventory Outstanding) - Payment Term.

This step is only necessary when you do Balance Sheet Crossover, that means, you gave value 1, 2 or 3 for the field Balance Sheet Recognition in sub-area Designation Splitting on tab Hedge Accounting I of the Hedging Area, and you can see the Bal.Sheet Rec.Date on tab Hedging Relationship Detail of the Hedging Relationship as described in step Automatic Designation (Planned).

Prerequisite

Market data (FX spot rates, interest rates, FX Volatilities, credit spreads, basis spreads) for relevant currencies and reference entities have been maintained in system, please see section Business Conditions. And market date should be valid at the Balance Sheet Recognition Date.

Procedure

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| Test Step # | Test Step Name | Instruction | Expected Result | Pass / Fail / Comment |
| 1 | Log on | Log onto the SAP Fiori Launchpad as a Treasury Specialist - Back Office. | The SAP Fiori Launchpad displays. |  |
| 2 | Access the SAP Fiori App | Open Release Hedging Business Transactions (TPM120). | The Release Hedging Business Transactions (TPM120) screen displays. |  |
| 3 | Enter Selection Criteria | On the Release Hedging Business Transactions (TPM120) screen, enter the following data and choose Execute:Company Code: for example, 1010Valuation Area: for example, 002Up to Key Date: for example, Balance Sheet Recognition Date you noted down in step Automatic Designation (Planned)Transaction Selection: <select this radio button>Transaction Number:the FX Option transaction number(s)Test Run: <deselect this checkbox>Save Values with Warnings: <select this checkbox>Detailed Log (Market Val. Calc): <select this checkbox>Enter Posting Date: <select this checkbox> | A new screen Release Hedging Business Transactions displays. |  |
| 4 | Choose Hedging Relationship and Execute | On the Release Hedging Business Transactions (TPM120) screen, choose Execute. | The Hedging Relationships screen displays, and Hedging Relationship has been processed for balance sheet crossover without errors. |  |
| 5 | Display Log of Hedge Management | On the Hedging Relationships screen, select the checkbox of a HR Number, choose Display Log.In the Information Overview dialog box, choose Hedge Management. | The Information Overview screen displays, you can check the Classification Log on this screen. |  |
| 6 | Display Log of Posting | Choose Back.In the Information Overview dialog box, choose Posting Log. | The Posting Log: Posted Business Transactions screen displays, you can check the following postings on this screen:* Valuation
* Classification
* Reclassification (only available if you gave value 1 - Immediate Reclassification at Balance Sheet Recognition Date for field Balance Sheet Recognition on tab Hedge Accounting I of the Hedging Area)
 |  |

### Contract Maturity

#### (1X1) Foreign Currency Risk Management and (1X9) Foreign Currency Risk Management - Group Ledger IFRS

Test Administration

Customer project: Fill in the project-specific parts.

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| Test Case ID | <X.XX> | Tester Name |  | Testing Date | Enter a test date. |
| Business Role(s) |  |
| Responsibility | <State Service Provider, Customer or Joint Service Provider and Customer> | Duration | Enter a duration. |

Purpose

When the FX Option is reaching its expiry date, the exercising or expiration process steps for FX Option (which is a Hedging Instrument in Hedging Relationship) should be same as a normal FX Option (which is not in a Hedging Relationship), relevant process steps are described in test scripts Foreign Currency Risk Management (1X1) and Foreign Currency Risk Management - Group Ledger IFRS (1X9).

Procedure

Perform the following steps in test script Foreign Currency Risk Management (1X1) -> Foreign Currency Risk Management and Accounting - Vanilla Options-> Transaction is Mature for the FX Option transactions you created in step [Create Foreign Exchange Contract with Hedging Classification](#unique_15) [page ] 29:

|  |  |  |
| --- | --- | --- |
| Step Name in 1X1 | Mandatory/Optional for Continuing Testing 2RW | Purpose |
| Check FX Options Collective Processing Report -> Decide to Exercise | Mandatory | You can choose to either excise or expire the FX option.If you decide to excise the FX option, run this step. |
| Check FX Options Collective Processing Report -> Create FX Spot Contract | Mandatory | You can choose to either excise or expire the FX option.If you decide to excise the FX option, run this step to create the underlying FX spot contract. |
| Check FX Options Collective Processing Report -> Decide to Expire | Mandatory | You can choose to either excise or expire the FX option.If you decide to expire the FX option, run this step. |
| Post Realized Profit and Loss | Optional | Post derived business transactions (if there are) for the OTC FX option at its Expiry Date in valuation area DE0 (local GAAP) via app Post Derived Business Transactions (TPM18). |

Perform the following step in test script Foreign Currency Risk Management - Group Ledger IFRS (1X9) for the FX Option transactions you created in step [Create Foreign Exchange Contract with Hedging Classification](#unique_15) [page ] 29:

|  |  |  |
| --- | --- | --- |
| Step Name in 1X9 | Mandatory/Optional for Continuing Testing 2RW | Purpose |
| Post Flows to General Ledger (Parallel Valuation Area) | Optional | Post derived business transactions (if there are) for the OTC FX option at its Expiry Date in valuation area 002 (IFRS) via app Post Derived Business Transactions (TPM18). |

If it is zero/low cost collar FX option (cylinder FX option), please perform steps mentioned above for both legs.

If the long leg is in-the-money when maturity, usually the company will exercise the long leg and counterparty will expire the short leg.

If the long leg is out-of-the-money when maturity, usually the company will expire the long leg and counterparty will exercise the short leg.

#### Process Dedesignation for Hedging Business Transaction at Maturity Date for Hedging Instrument

Test Administration

Customer project: Fill in the project-specific parts.

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| Test Case ID | <X.XX> | Tester Name |  | Testing Date | Enter a test date. |
| Business Role(s) |  |
| Responsibility | <State Service Provider, Customer or Joint Service Provider and Customer> | Duration | Enter a duration. |

Purpose

At the maturity date (expiry date) of FX Option transaction, you run the app Release Hedging Business Transactions (TPM120), the following activities are done by this app:

* Calculation and saving of NPV of FX Transaction
* Calculation and saving of NPV component values for FX Transaction and Hypothetical Derivative
* Posting of key date valuation of the designated portion of the FX Transaction with actual NPV values
* Posting of classification of the selected Hedging Relationship with actual NPV component values
* Transfer Position Amounts from Designated to Free Standing Subposition
* Update amounts of Reclassification Update Types
* Fix scheduled Dedesignation Updated Types

Prerequisite

Market data (FX spot rates, interest rates, FX Volatilities, credit spreads, basis spreads) for relevant currencies and reference entities have been maintained in system, please see section Business Conditions. And market date should be valid at the expiry date of FX Option transaction.

Procedure

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| Test Step # | Test Step Name | Instruction | Expected Result | Pass / Fail / Comment |
| 1 | Log on | Log onto the SAP Fiori Launchpad as a Treasury Specialist - Back Office. | The SAP Fiori Launchpad displays. |  |
| 2 | Access the SAP Fiori App | Open Release Hedging Business Transactions (TPM120). | The Release Hedging Business Transactions (TPM120) screen displays. |  |
| 3 | Enter Selection Criteria | On the Release Hedging Business Transactions (TPM120) screen, enter the following data and choose Execute:Company Code: for example, 1010Valuation Area: for example, 002Up to Key Date: for example, <the Expiry Date of FX Option transaction(s)>Transaction Selection: <select this radio button>Transaction Number: the FX Option transaction number(s)Test Run: <deselect this checkbox>Save Values with Warnings: <select this checkbox>Detailed Log (Market Val. Calc): <select this checkbox>Enter Posting Date: <select this checkbox> | A new screen Release Hedging Business Transactions (TPM120) displays. |  |
| 4 | Choose Hedging Relationship and Execute | On the Release Hedging Business Transactions (TPM120) screen, choose Execute. | The Hedging Relationships screen displays, and Hedging Relationship has been processed for designation without errors. |  |
| 5 | Display Log of Hedge Management | On the Hedging Relationships screen, select the checkbox of a HR Number, choose Display Log.In the Information Overview dialog box, choose Hedge Management. | The Information Overview screen displays, you can check the Classification Log on this screen. |  |
| 6 | Display Log of Posting | Choose Back.In the Information Overview dialog box, choose Posting Log. | The Posting Log: Posted Business Transactions screen displays, you can check the postings on this screen. |  |

Use app Post Derived Business Transactions (TPM18) to fix the derived business transactions for FX transaction at contract close date:

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| Test Step # | Test Step Name | Instruction | Expected Result | Pass / Fail / Comment |
| 1. | Log on | Log onto the SAP Fiori Launchpad as a Treasury Accountant. | The SAP Fiori Launchpad displays. |  |
| 2. | Access another SAP Fiori app | Open Post Derived Business Transactions (TPM18). | The Fix and Post Derived Business Transactions screen displays. |  |
| 3. | Enter Selection Criteria for Test Run | On the Fix and Post Derived Business Transactions screen, enter the following data:Sub-area Product Groups:OTC Transactions: <select this checkbox>Sub-area General Selections:Company code: for example, 1010Valuation Area: for example, 002Sub-area Selections for Fixing Derived Business Transactions:TRL Date: the Expiry Date of FX Option transaction(s)For zero/low cost collar FX option (cylinder FX option), enter the transaction numbers of both legs.Sub-area Posting Control:Test Run: <select this checkbox>Choose Execute.If message No scheduled derived business transactions were found for the selection displays, then there is no derived transaction available for your selection, you can skip current step.If message Are you sure that you want to select future business transactions? displays, press Enter | The FX Transaction(s) to be fixed and posted (test run) is displayed in area Positions with Derived Business Transactions to Be Fixed. |  |
| 4. | Fix and Post for Test run | Choose Fix. | If dialog box Information Overview display, choose Posting Log.New screen Posting Log: Posted Business Transactions displays, you can see the simulated postings. |  |
| 5. | Enter Selection Criteria for Production Run | Choose Back until the initial screen of this app.Change the following data and choose Execute:Test Run: <deselect this checkbox>If message Are you sure that you want to select future business transactions? displays, press Enter | The FX Transaction(s) to be fixed and posted (production run) is displayed in area Positions with Derived Business Transactions to Be Fixed. |  |
| 6. | Fix and Post for Production run | Choose Fix. | If dialog box Information Overview display, choose Posting Log.New screen Posting Log: Posted Business Transactions displays, you can see the postings for IFRS (valuation area 002), accounting document has been created in corresponding ledger in Financial Accounting. |  |

### Reclassify Hedging Reserve and Cost of Hedging Reserve at Exposure Subitem End Date

Test Administration

Customer project: Fill in the project-specific parts.

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| Test Case ID | <X.XX> | Tester Name |  | Testing Date | Enter a test date. |
| Business Role(s) |  |
| Responsibility | <State Service Provider, Customer or Joint Service Provider and Customer> | Duration | Enter a duration. |

Purpose

The Reclassification of the Hedging Reserve and Cost of Hedging Reserve position amounts is executed at the end date of the Exposure Subitem within the Derived Business Transaction Framework: the app Post Derived Business Transactions (TPM18) for the fixation and posting of Derived Business Transactions selects the Exposure Subitem position flows to be reclassified.

Postings are created for reclassification of Hedging Reserve and Cost of Hedging Reserve position amounts; P/L ineffective position amounts are fixed only.

This step creates postings only when the relevant Split ID on tab Hedge Accounting I of the Hedging Area uses the following parameters for the field Balance Sheet Recognition:

* 0 or Blank - None: the accumulated Hedging Reserve and Cost of Hedging Reserve between Designation Date and Dedesignation Date are reclassified at the end date of Exposure Subutem.
* 2 - Reclassification at the End Date of the Exposure Subitem: the accumulated Hedging Reserve and Cost of Hedging Reserve between Designation Date and Balance Sheet Recognition Date are reclassified at the end date of Exposure Subutem.

If 1 - Immediate Reclassification at Balance Sheet Recognition Date is given for field Balance Sheet Recognition, reclassification has been done at the Balance Sheet Recognition Date by using app Release Hedging Business Transactions (TPM120).

If 3 - Reclassification at Deviant Reclassification Date is given for field Balance Sheet Recognition, reclassification should be done at the Deviant Reclassification Date by using app Release Hedging Business Transactions.

Procedure

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| Test Step # | Test Step Name | Instruction | Expected Result | Pass / Fail / Comment |
| 1 | Log On | Log on to the SAP Fiori Launchpad as a Treasury Accountant. | The SAP Fiori Launchpad displays. |  |
| 2 | Access the SAP Fiori App | Open Post Derived Business Transactions (TPM18). | The Fix and Post Derived Business Transactions screen displays. |  |
| 3 | Enter Selection Criteria for Test Run | On the Fix and Post Derived Business Transactions screen, enter the following data:Sub-area Product Groups:OTC Transactions: <deselect this checkbox>Exposure Items: <select this checkbox>Sub-area General Selections:Company Code: for example, 1010Valuation Area: for example, 002Sub-area Selections for Fixing Derived Business Transactions:TRL Date: <the end date of hedged item which you noted down in step Automatic Designation (Planned)>Sub-area Exposure Items:Transaction Number: the FX Option transaction number(s)Note For zero/low cost collar FX option (cylinder FX option), enter the transaction numbers of both legs.Sub-area Posting Control:Test Run: <select this checkbox>Choose Execute.If message Are you sure that you want to select future business transactions? displays, press Enter | The Exposure Subitem(s) to be fixed and posted (test run) is displayed in area Positions with Derived Business Transactions to Be Fixed. |  |
| 4 | Fix and Post for Test Run | Choose Fix. | If dialog box Information Overview display, choose Posting Log.New screen Posting Log: Posted Business Transactions displays, you can see the simulated reclassification postings of Hedging Reserve and Cost of Hedging Reserve for IFRS (valuation area 002). |  |
| 5 | Enter Selection Criteria for Production Run | Choose Back until the initial screen of this app.Change the following data and choose Execute:Test Run: <deselect this checkbox>If message Are you sure that you want to select future business transactions? displays, press Enter | The Exposure Subitem(s) to be fixed and posted (production run) is displayed in area Positions with Derived Business Transactions to Be Fixed. |  |
| 6 | Fix and Post for Production Run | Choose Fix. | If dialog box Information Overview display, choose Posting Log.New screen Posting Log: Posted Business Transactions displays, you can see the postings for IFRS (valuation area 002), accounting document has been created in corresponding ledger in Financial Accounting. |  |

A Released dedesignation request can be withdrawn. To withdraw a dedesignation request, please execute the following steps:

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| Test Step # | Test Step Name | Instruction | Expected Result | Pass / Fail / Comment |
| 1 | Log On | Log on to the SAP Fiori Launchpad as a Treasury Accountant. | The SAP Fiori Launchpad displays. |  |
| 2 | Access the SAP Fiori app | Open Process Hedge Requests. | The Process Hedge Requests (TOEHREQO) screen displays. |  |
| 3 | Enter Selection Criteria and Start Search | On the Process Hedge Requests (TOEHREQO) screen, enter the following data:Hedging Area: for example, HA0002Released (in subarea Status): <make sure this checkbox has been selected>Choose Start. | A list of hedge requests is displayed, your dedesignation request is in this list, its status is Released. |  |
| 4 | Withdraw Dedesignation Request | Choose the Hedge Request ID of the dedesignation request you released, and choose Process > Withdraw. | Dialog box displays and states that Hedge Request withdrawn. |  |

Note If the dedesignation business transaction has been released (means next step Process Dedesignation for Hedging Business Transaction has been executed), the dedesignation request cannot be withdrawn unless you reverse the release of the dedesignation business transaction via app Reverse Release of Hedging Business Transactions (TPM121).

A withdrawn dedesignation request cannot be released again, please recreate and resubmit a new designation to continue testing.

### Reporting

#### Display Treasury Position Flows

Test Administration

Customer project: Fill in the project-specific parts.

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| Test Case ID | <X.XX> | Tester Name |  | Testing Date | Enter a test date. |
| Business Role(s) |  |
| Responsibility | <State Service Provider, Customer or Joint Service Provider and Customer> | Duration | Enter a duration. |

Purpose

In this step, you check the position flows of FX transactions and exposure subitems.

Procedure

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| Test Step # | Test Step Name | Instruction | Expected Result | Pass / Fail / Comment |
| 1 | Log On | Log on to the SAP Fiori Launchpad as a Treasury Accountant. | The SAP Fiori Launchpad displays. |  |
| 2 | Access the SAP Fiori App | Open Display Treasury Position Flows (F1754). | The Display Treasury Position Flows (F1754) screen displays. |  |
| 3 | Enter Selection Criteria | On the Display Treasury Position Flows (F1754) screen, enter the following data and choose Go:Product Group: <select OTC Transactions> and Exposure ItemsCompany Code: for example, 1010Valuation Area: for example, 002For displaying position flows on OTC transaction level, enter:Transaction: The FX Option transaction number(s)For displaying position flows on Exposure Subitem level, enter:Exposure Item ID: The Exposure Item ID you noted down in step Automatic Designation (Planned)Exposure Subitem ID: The Exposure Subitem ID you noted down in step Automatic Designation (Planned)If the selection criteria Transaction, Exposure Item ID, Exposure Subitem ID do not exist on the screen, choose Adapt Filters, and then choose the fields Exposure Item ID, Exposure Subitem ID from the sub-area Exposure Items, and choose Transaction from the sub-area OTC Transactions in the Adapt Filters dialog box. | All relevant position flows of FX transaction and Exposure Subitems are displayed in area Position Flows.If you would like to see transaction ID, exposure item ID, exposure subitem ID in area Position Flows, please choose Settings to change the layout. |  |

#### Display Treasury Posting Journal

Test Administration

Customer project: Fill in the project-specific parts.

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| Test Case ID | <X.XX> | Tester Name |  | Testing Date | Enter a test date. |
| Business Role(s) |  |
| Responsibility | <State Service Provider, Customer or Joint Service Provider and Customer> | Duration | Enter a duration. |

Purpose

In this step, you check the posting journals of FX transactions and exposure subitems.

Procedure

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| Test Step # | Test Step Name | Instruction | Expected Result | Pass / Fail / Comment |
| 1 | Log on | Log onto the SAP Fiori Launchpad as a Treasury Accountant. | The SAP Fiori Launchpad displays. |  |
| 2 | Access the SAP Fiori App | Open Display Treasury Posting Journal (F1755). | The Display Treasury Posting Journal (F1755) screen displays. |  |
| 3 | Enter Selection Criteria | On the Display Treasury Posting Journal (F1755) screen, enter the following data and choose Go:Product Group: <select OTC TransactionsExposure Items>Company Code: for example, 1010Valuation Area: for example, 002For displaying posting journal on OTC transaction level, enter:Transaction: The FX Option transaction number(s)Or for displaying posting journal on Exposure Subitem level, enter:Exposure Item ID: The Exposure Item ID you noted down in step Automatic Designation (Planned)Exposure Subitem ID: The Exposure Subitem ID you noted down in step Automatic Designation (Planned)If the selection criteria Transaction, Exposure Item ID, Exposure Subitem ID do not exist on the screen, choose Adapt Filters, and then choose the fields Exposure Item ID, Exposure Subitem ID from the sub-area Exposure Items, and choose Transaction from the sub-area OTC Transactions in the Adapt Filters dialog box. | All relevant posting journal line items are displayed in area Line Items, you can see the line items on FX transaction level or Exposure subitem level.If you would like to see transaction ID, exposure item ID, exposure subitem ID in area Position Flows, please choose Settings to change the layout. |  |

#### Display Treasury Position Values

Test Administration

Customer project: Fill in the project-specific parts.

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| Test Case ID | <X.XX> | Tester Name |  | Testing Date | Enter a test date. |
| Business Role(s) |  |
| Responsibility | <State Service Provider, Customer or Joint Service Provider and Customer> | Duration | Enter a duration. |

Purpose

In this step, you check the position values of FX transactions and exposure subitems.

Procedure

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| Test Step # | Test Step Name | Instruction | Expected Result | Pass / Fail / Comment |
| 1 | Log on | Log onto the SAP Fiori Launchpad as a Treasury Accountant. | The SAP Fiori Launchpad displays. |  |
| 2 | Access the SAP Fiori App | Open Display Treasury Position Values (F1867). | The Display Treasury Position Values (F1867) screen displays. |  |
| 3 | Enter Selection Criteria | On the Display Treasury Position Values (F1867) screen, enter the following data and choose Go:Key Date: for example, <last date of current month>Product Group: <select OTC Transactions and Exposure Items>Company Code: for example, 1010Valuation Area: for example, 002HInst. Number: The Hedging Instrument Number(s) you noted down in step Automatic Designation (Planned)or choose:Hedged Item Number: The Hedged Item Number(s) you noted down in step Automatic Designation (Planned)If the selection criterion HInst. Number or Hedged Item Number doesn't exist on the screen, choose Adapt Filters, and then choose them from the sub-area Hedge Accounting in dialog box Adapt Filters. | Position values of FX transaction and Exposure Subitems are displayed in area Position Values.If you would like to see Hedging Instrument number, Hedged Item number and other amount relevant fields in area Position Values, please choose Settings to change the layout. |  |

# Appendix

## Process Integration

The process to be tested in this test script is part of a chain of integrated processes.

### Preceding Process

You may first have completed the following processes and conditions before you start with the test steps:

|  |  |
| --- | --- |
| Process | Business Condition |
| Foreign Currency Risk Management (1X1) | * As a prerequisite for running current test script, an appropriate business partner (counterparty) must exist, please follow preliminary step Create Business Partner in test script Foreign Currency Risk Management (1X1) to create a business partner.
* Optional: as a prerequisite for running current test script when using Designation Type which requires counterconfirmation, correspondence process should be proceeded, therefore correspondence setting should be maintained for business partner in advance, please see preliminary step Maintain Profile and BP Group Assignments to External Recipient in test script Foreign Currency Risk Management (1X1) for correspondence setting. This is optional.
* Optional: please follow preliminary step Maintaining Credit Limit in test script Foreign Currency Risk Management (1X1) to maintain credit limits. This is optional.
 |
| Market Rates Management - Manually via Upload (1XN) | As perquisites for running current test script, execute the following steps in test script Market Rates Management - Manually via Upload (1XN) to maintain the necessary market data manually for hedge accounting:* Enter FX Spot Rates (OB08)
* Enter Exchange Rate Volatilities (JBVFX)
* Enter Interest Rates (JBIRMC)
* Create Reference Entities for Business Partners
* Assign Attributes to Evaluation Type (JBREVAL\_CLOUD)
* Maintain Reference Entities
* Enter Credit Spreads (RMCSM)
* Enter Basis Spreads (RMBSM)
 |

## Overhedge Processing - Dedesignation

Purpose

With the reduction of a planned cash flow of an exposure period an overhedge situation occurs (e.g. partial volume of the hedged item that is a forecast transaction is no longer highly probable). A Hedge Request type Dedesignation allows to dedesignate the Hedging Relationship to solve the overhedge situation.

Depending on the selected type of Reclassification Handling, the reclassification of the Hedging Reserve and Cost of Hedging Reserve amounts is posted immediately with the release of the Hedging Business Transaction or at the Exposure Item End Date.

Prerequisite

The following steps under section [FX Options as Hedging Instruments](#unique_31) [page ] 11 have been executed:

* Define or Adjust Hedging Area
* Create Raw Exposure
* Take Snapshot (TOESNAP)
* Create Foreign Exchange Contract with Hedging Classification - Create Plain Vanilla FX Option Transaction, or Create Zero/Low Cost Collar FX Option (Cylinder Option)

Note down the FX Option Transaction Number(s), and the Expiry Date of FX Option Transaction

* Automatic Designation (Planned)

Note down the Hedging Relationship Number (HR Number).

* Set Contract Settlement Status with Incoming Confirmation
* Release Hedging Relationship

After the steps above are done, there is already a released hedging relationship.

The follow-on steps introduce how to simulate a overhedge situation for this released hedging relationship and how to dedesignate the overhedged portion in system.

### Create Raw Exposure

Test Administration

Customer project: Fill in the project-specific parts.

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| Test Case ID | <X.XX> | Tester Name |  | Testing Date | Enter a test date. |
| Business Role(s) |  |
| Responsibility | <State Service Provider, Customer or Joint Service Provider and Customer> | Duration | Enter a duration. |

Purpose

A new Raw Exposure is created as an exposure position to simulate an overhedge situation in the system.

Procedure

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| Test Step # | Test Step Name | Instruction | Expected Result | Pass / Fail / Comment |
| 1. | Log on | Log on to the SAP Fiori Launchpad as a Treasury Specialist - Middle Office | The SAP Fiori Launchpad displays. |  |
| 2. | Access the SAP Fiori app | Open Process Raw Exposure (FTREX1). | The Raw Exposure: Initial Screen displays. |  |
| 3. | Enter Selection Criteria | On the Raw Exposure: Initial Screen, enter the following data and choose Create.Exposure Activity Type: for example, YFXI | The Raw Exposure Maintenance: Create screen displays. |  |
| 4. | Enter Header Data | On the Raw Exposure Maintenance: Create screen and tab Header Data, enter the following data:Default Exposure Category: for example, 01(Forecasted Transaction)Company Code: for example, 1010Cirt4ExpPosType: FX (FX Exposure)Direction: for example, IN(Incoming Cash Flow) | Necessary header data is entered. |  |
| 5. | Enter Line Item Data | Choose tab Line Item Data.In sub-area Raw Exposure Line Item, choose Create New Line Item, and enter the following data:Due Date: for example, <Current date + 2 Months>Exposure Amount: for example, -300000Exposure Amount Currency: for example, USDTarget Currency: for example, EUR | Necessary line item data is entered. |  |
| 6. | Save Raw Exposure | Choose Save. | A dialog box displays, and states that:* Raw exposure has been saved;
* Raw exposure has been released;
* Position IDs have been updated.
* You can check Exposure Position and Exposure Position Flows via app Process Exposure Positions and Display Exposure Position Flows.
* In the example, after the raw exposure is created, the incoming exposure in a specific period will be 300000 less than the initial estimated exposure data.
 |  |

### Take Snapshot

Purpose

Take a new snapshot to reflect reduction of exposure for overhedge situation.

Procedure

Execute step [Take Snapshot](#unique_11) [page ] 26 under section [FX Options as Hedging Instruments](#unique_31) [page ] 11.

### Create and Submit Dedesignation Request

Test Administration

Customer project: Fill in the project-specific parts.

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| Test Case ID | <X.XX> | Tester Name |  | Testing Date | Enter a test date. |
| Business Role(s) |  |
| Responsibility | <State Service Provider, Customer or Joint Service Provider and Customer> | Duration | Enter a duration. |

Purpose

Create a dedesignation request in Hedge Management Cockpit (TOENE) and submit it.

Procedure

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| Test Step # | Test Step Name | Instruction | Expected Result | Pass / Fail / Comment |
| 1. | Log on | Log on to the SAP Fiori Launchpad as a Treasury Specialist - Middle Office. | The SAP Fiori Launchpad displays. |  |
| 2. | Access the SAP Fiori app | Open Hedge Management Cockpit (TOENE). | The Hedge Management Cockpit for Hedging Area screen displays. |  |
| 3. | Enter Selection Criteria | On the Hedge Management Cockpit for Hedging Area screen, enter the following data and choose Start:Hedging Area: for example: HA0002Layout ID: for example, 1R\_ALL\_CH | The Hedge Management Cockpit for Hedging Area HA0002 displays.You can see the amount of exposure have been reduced in the cell for relevant period (for example, current month + two months) and risk currency (for example, USD in accordance to the new raw exposure you just created. |  |
| 4. | Create Dedesignation Request | Choose a cell for relevant period and risk currency in accordance to the new raw exposure you just created.Choose Hedge Request > Dedesignation Request. | The Hedge Request screen displays. |  |
| 5. | Enter and Check Date for Dedesignation Request | On the Hedge Request screen, enter the following data:Header:Description (the field beside field Hedge Request ID): any textTab General:Hedge Req. Reason: S001Dedes.Date: <the date in the period you reduce the exposure, which must be earlier than the expiry date of the FX Option Transaction you created in the Prerequisites section of Overhedge Processing - Dedesignation>, for example,<Current date + 1 Months>Hedge Request Volume: <the reduced exposure amount>, for example, 300000Tab Hedging Relationships:Valuation Area: 002Reclass. Handling: for example, Immediate ReclassificationSelect the checkbox Requested for the row with the Transaction Number and HR Number you noted down when executing the steps mentioned in the Prerequisites section of Overhedge Processing - Dedesignation. For Cylinder FX Option, only the transaction number of this long leg can be selected.Request Volume (of the row you selected): <the reduced exposure amount>, for example,300000Sequence: for example, 1Choose Check.Two options of Reclass. Handling:* Immediate Reclassification: the OCI I, OCI II of dedesignated portion is reclassified immediately with release of the Hedging Business Transaction.
* Planned Reclassification: the OCI I, OCI II of dedesignated portion will be reclassified at the end date of exposure subitem.
 | Message Hedge Request is consistent displays, means the data you entered is OK, otherwise please check your data until this message displays. |  |
| 6. | Submit Designation Request | Choose Submit. | Message Hedge Request number was saved displays.Note down the Hedge Request ID. |  |

### Release Dedesignation Request

Test Administration

Customer project: Fill in the project-specific parts.

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| Test Case ID | <X.XX> | Tester Name |  | Testing Date | Enter a test date. |
| Business Role(s) |  |
| Responsibility | <State Service Provider, Customer or Joint Service Provider and Customer> | Duration | Enter a duration. |

Purpose

In this step, you release the dedesignation request.

With the release of the dedesignation request, position flows with update types THX003 or THX004 are automatically created for relevant Hedging Relationships in status 'Scheduled'.

Additional position flows are created to transfer position values of Hedging Reserve, Cost of Hedging Reserve and P/L portions from the designated subposition to the free standing subposition of the Exposure Subitems.

If you choose Immediate Reclassification in the dedesignation request, the position flows for reclassifying Hedging Reserve, Cost of Hedging Reserve of the dedesignated portion are created.

Procedure

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| Test Step # | Test Step Name | Instruction | Expected Result | Pass / Fail / Comment |
| 1 | Log on | Log on to the SAP Fiori Launchpad as a Treasury Accountant. | The SAP Fiori Launchpad displays. |  |
| 2 | Access the SAP Fiori app | Open Process Hedge Requests (TOEHREQO). | The Process Hedge Requests screen displays. |  |
| 3 | Enter Selection Criteria and Start Search | On the Process Hedge Requests screen, enter the following data:Hedging Area: for example, HA0002Submitted (in subarea Status): <make sure this checkbox has been selected>Choose Start. | A list of hedge requests displays, your dedesignation request is in this list, its status is Submitted. |  |
| 4 | Release Designation Request | Choose the Hedge Request ID of the dedesignation request you created, and choose Process > Release.If dialog box appears and stats that Data was Changed. Do you want to Save?, choose Yes. | The designation request's status becomes Released. |  |

A Released dedesignation request can be withdrawn. To withdraw a dedesignation request, please execute the following steps:

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| Test Step # | Test Step Name | Instruction | Expected Result | Pass / Fail / Comment |
| 1 | Log On | Log on to the SAP Fiori Launchpad as a Treasury Accountant. | The SAP Fiori Launchpad displays. |  |
| 2 | Access the SAP Fiori app | Open Process Hedge Requests (TOEHREQO). | The Process Hedge Requests (TOEHREQO) screen displays. |  |
| 3 | Enter Selection Criteria and Start Search | On the Process Hedge Requests (TOEHREQO) screen, enter the following data:Hedging Area: for example, HA0002Released (in subarea Status): <make sure this checkbox has been selected>Choose Start. | A list of hedge requests displays, your dedesignation request is in this list, its status is Released. |  |
| 4 | Withdraw Dedesignation Request | Choose the Hedge Request ID of the dedesignation request you released, and choose Process > Withdraw. | Dialog box displays and states that Hedge Request withdrawn. |  |

Note A withdrawn dedesignation request cannot be released again, please recreate and resubmit a new designation to continue testing.

If the dedesignation business transaction has been released (means next step Process Dedesignation for Hedging Business Transaction has been executed), the dedesignation request cannot be withdrawn unless you reverse the release of the dedesignation business transaction via app Reverse Release of Hedging Business Transactions (TPM121).

### Process Dedesignation for Hedging Business Transaction

Test Administration

Customer project: Fill in the project-specific parts.

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| Test Case ID | <X.XX> | Tester Name |  | Testing Date | Enter a test date. |
| Business Role(s) |  |
| Responsibility | <State Service Provider, Customer or Joint Service Provider and Customer> | Duration | Enter a duration. |

Purpose

In this step, you release the hedging business transaction at dedesignation date.

The following activities are done with the release of hedging business transaction at the dedesignation date:

* Calculation and saving of NPV of FX Option transaction
* Calculation and saving of NPV component values (intrinsic value, time value) for FX Option transaction and hypothetical derivative
* Execution and posting of the key date valuation of the FX Option transaction to be dedesignated with actual NPV values
* Execution and posting of the classification of the selected Hedging Relationship with actual NPV component values
* Update amounts of flows of dedesignation update types
* Fix update types of planned dedesignation flows
* Fix and post update types of reclassification flows (if chose 'Immediate Reclassification' in hedge request)

Procedure

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| Test Step # | Test Step Name | Instruction | Expected Result | Pass / Fail / Comment |
| 1 | Log on | Log onto the SAP Fiori Launchpad as a Treasury Specialist - Back Office. | The SAP Fiori Launchpad displays. |  |
| 2 | Access another SAP Fiori app | Open Release Hedging Business Transactions (TPM120). | The Release Hedging Business Transactions (TPM120) screen displays. |  |
| 3 | Release Hedging Business Transaction | On the Release Hedging Business Transactions (TPM120) screen, enter the following data:Company code: for example, 1010Valuation Area: for example, 002Up to Key Date: for example, <the dedesignation date you specified in the Dedesignation Request>Transaction Selection: <select this radio button>Transaction Number:<the FX Option transaction number>Note For Cylinder Option, you can enter transaction number of either long leg or short leg.Test Run: <deselect this checkbox>Save Values with Warnings: <select this checkbox>Detailed Log (Market Val. Calc): <select this checkbox>Enter Posting Date: <select this checkbox>Choose Execute. | A new screen Release Hedging Business Transactions (TPM120) displays. |  |
| 4 | Choose Hedging Relationship and Execute | On the Release Hedging Business Transactions (TPM120) screen, choose Execute. | The Hedging Relationships screen displays, and Hedging Relationship has been processed without errors. |  |
| 5 | Check Market Data Calculation Details | Choose Display Market Data Calculation Details . | The NPVs including CVA/DVA from the Market Risk Analyzer screen displays. You can see the details of the calculation of the full NPV as well as the Hedge Accounting Key Figures.Go back to the Hedging Relationships screen. |  |
| 6 | Check Log and Message | On the Hedging Relationships screen, select the checkbox of a HR Number, and select Display Log. | Dialog box Information Overview displays, you can check:* Hedge management log
* Posting log
* Messages
 |  |

Note If you check the relevant hedging relationship in app Manage Hedging Relationships (TPM100) and change the display date to the dedesigantion date, you will find the designated amount of Hedged Item and Hedging Instrument has been reduced.

## Effectiveness Test

Purpose

When effectiveness test is enabled in hedge accounting process, some process steps will be different from Test Procedure because Test Procedure describes the hedge accounting process without effectiveness test .

This section describes what are the differences if effectiveness test is enabled.

### Create Market Data Set

Test Administration

Customer project: Fill in the project-specific parts.

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| Test Case ID | <X.XX> | Tester Name |  | Testing Date | Enter a test date. |
| Business Role(s) |  |
| Responsibility | <State Service Provider, Customer or Joint Service Provider and Customer> | Duration | Enter a duration. |

Purpose

The market data set is an entity referring to a set of different market data, each market data contributing to one data point for the linear regression used in effectiveness test.

Two market data set categories are available:

* From Market Data Scenarios: the market data set refers to list of market data scenarios which can be individually defined and thus may contain any artificial market data constellation.
* From Market Data Tables: the market data set refers to a list of historical market data selection dates.

Procedure

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| Test Step # | Test Step Name | Instruction | Expected Result | Pass / Fail / Comment |
| 1 | Log on | Log on to the SAP Fiori Launchpad as a Treasury Specialist - Middle Office. | The SAP Fiori Launchpad displays. |  |
| 2 | Access the SAP Fiori app | Open Manage Market Data Sets (TAN\_MDS). | The Market Data Set Administration: Initial Screen displays. |  |
| 3 | Enter Basic Date for Market Date Set | On the Market Data Set Administration: Initial Screen, enter the following data:Market Data Set ID: for example, ET01Choose Create.In the Create New MDS with First Version dialog box, enter the following data:MDS Category: for example, from Market Data TablesTotal Number of Data: for example, 3Valid From: for example, January 1st of last yearchoose Continue: | The Create Market Data Set <MDS ID> Version <Valid From Date> screen displays. |  |
| 4 | Create and Save Market Date Set | On the Create Market Data Set XXXX Version <Valid From Date> screen, enter the following data:Short Name: for example, MDS for ETLong Name: for example, MDS for Effectiveness TestTerm: for example, 1Time Unit: for example, MonthsChoose Save. | Message MDS <MDS ID> successfully saved displays. |  |

### Adjust Hedging Area

Test Administration

Customer project: Fill in the project-specific parts.

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| Test Case ID | <X.XX> | Tester Name |  | Testing Date | Enter a test date. |
| Business Role(s) |  |
| Responsibility | <State Service Provider, Customer or Joint Service Provider and Customer> | Duration | Enter a duration. |

Purpose

This section describes that the data in Hedge Accounting II tab of the hedging area should be adjusted for effectiveness test.

Prerequisites

The hedging area already exists.

A market date set has been created.

Procedure

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| Test Step # | Test Step Name | Instruction | Expected Result | Pass / Fail / Comment |
| 1 | Log on | Log onto the SAP Fiori Launchpad as a Treasury Specialist - Middle Office. | The SAP Fiori Launchpad displays. |  |
| 2 | Access another SAP Fiori app | Open Define Hedging Area (TOE\_HEDGING\_AREA). | The Display Hedging Area screen displays. |  |
| 3 | Enter Hedging Area ID | On the Display Hedging Area screen, enter the following data:Hedging Area: for example, HA0002Choose Display. | Hedging Area HA0002 is displayed. |  |
| 4 | Create New Version | Choose New Version.In the Create New Version of Hedging Area HA0002 dialog box, enter the following data:Valid From: for example, <current date>. If current date cannot be entered, please enter the earliest date system allows,Choose Create. | The Change Hedging Area screen displays. |  |
| 5 | Update Data on Tab Hedge Accounting II | Choose the Hedge Accounting II tab.In sub-area Designation Control, choose a row and change its Hedging Profile and enter a MDS ID. For example, change the row with Hedging Classification YFC20 and YFC30 according to the following data:

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| CoCode | VA | Hdg Class. | Des. Type | HdgProfile | MDS ID |
| 1010 | 002 | YFC20 | YFX1W | S20 | ET01 |
| 1010 | 002 | YFC30 | YFX2W | S20 | ET01 |

Note S20 is a SAP pre-delivered Hedging Profile in which effectiveness test is enabled. If you need more Hedging Profiles for FX options with effectiveness test, use the IMG Define Hedging Area in SAP Logon, via SPRO > Financial Supply Chain Management > Treasury and Risk Management > Transaction Manager > General Settings > Hedge Accounting for Positions > Define Hedging Profiles . | Data on tab Hedge Accounting II has been updated. |  |
| 6 | Save the Hedging Area | Choose Save (Ctrl+S). | Message Hedging area HA0002 version XXX saved displayed.The Hedging Area for Hedge Accounting has been extended for effectiveness test. |  |

### Create Foreigh Exchange Contract with Hedging Classification

Procedure

Please follow the step [Create Foreign Exchange Contract with Hedging Classification](#unique_15) [page ] 29 in Test Procedure to create a Foreign Exchange Contract (hedging instrument) and pay attention to fields:

* Contract Date: must enter a date which is equal to or later than the Valid From date of the new version of Hedging Area.
* Hdg Classific.(Hedging Classification): must enter a hedging classification which is assigned with an effectiveness test-enabled Hedging Profile and a MDS ID in Hedge Accounting II tab of hedging area, for example, YFC20 for FX plain vanilla option, or YFC30 for zero/low cost collar FX option.

### Automatic Designation (Planned)

After saving the Foreign Exchange Contract, a Hedging Relationship will be automatically created with status ‘Planned Designation’ just like description in step [Automatic Designation (Planned)](#unique_16) [page ] 42 of Test Procedure.

The only difference is Effectiveness Test tab on which you can see information about effectiveness test for this hedging relationship. The Test Plan sub-tab contains the market data set derived from the hedging area settings, the first record is the basis for the prospective effectiveness test (PET) performed at designation.

### Release Hedging Relationship with Prospective Effectiveness Test

Test Administration

Customer project: Fill in the project-specific parts.

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| Test Case ID | <X.XX> | Tester Name |  | Testing Date | Enter a test date. |
| Business Role(s) |  |
| Responsibility | <State Service Provider, Customer or Joint Service Provider and Customer> | Duration | Enter a duration. |

Purpose

In this step, you release the automated designation which is in status Planned Designation. The prospective effectiveness test is also executed during release.

Prerequisites

Market data (FX spot rates, interest rates, credit spreads, basis spreads) for relevant currencies and reference entities have been maintained in system and should be valid at the designation date and the dates derived from market data set.

Procedure

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| Test Step # | Test Step Name | Instruction | Expected Result | Pass / Fail / Comment |
| 1 | Log on | Log onto the SAP Fiori Launchpad as a Treasury Specialist - Back Office. | The SAP Fiori Launchpad displays. |  |
| 2 | Access another SAP Fiori app | Open Release Hedging Business Transactions (TPM120). | The Release Hedging Business Transactions screen displays. |  |
| 3 | Enter Selection Criteria | On the Release Hedging Business Transactions screen, enter the following data and choose Execute:Company code: for example, 1010Valuation Area: for example, 002Up to Key Date: for example, <contract date of FX transaction>Transaction Selection: <select this radio button>Transaction Number: the FX transaction number(s)Save Values with Warnings: <select this checkbox>Detailed Log (Market Val. Calc): <select this checkbox>Enter Post Date: <select this checkbox>Test Run: <deselect this checkbox> | A new screen Release Hedging Business Transactions displays. |  |
| 4 | Choose Hedging Relationship and Execute | On the Release Hedging Business Transactions screen, choose Execute. | The Hedging Relationships screen displays.A list shows the processed hedging relationship(s) along with processing status indicated by a green or red status icon.The prospective effectiveness test may lead to some errors which stop releasing of hedging relationship:* The effectiveness test has been executed, but it turned out that the hedging relationship is ineffective. In that case you can choose Display Log to check the message, and choose Display Effectiveness Test to check details.

Effectiveness could not be completely executed, e.g. due to missing historical market data for some of the market data selection dates derived from the market data set. In that case please choose Market Value Calculation Details to check the Error Log. |  |

## Designation of Underlying Spot Transaction into Hedging relationship

Purpose

The underlying FX spot transaction from the exercising of vanilla option can be designated into the hedging relationship by following the steps described in this section.

Prerequisite

use the IMG Define Hedging Profiles in SAP Logon, via SPRO > Financial Supply Chain Management > Treasury and Risk Management > Transaction Manager > General Settings > Hedge Accounting for Positions > Define Hedging Profiles ., and then open a hedging profile of vanilla option, and assign a hedging profile for FX forward transaction in the field Hedging Profile Underlying.

For example, you open the hedging profile F21 (Intrinsic,Time + CCBS,w/o 1stDayResult), in the Hedging Profile Underlying field you enter the value F01 (Spot, Forward + CCBS, w/o 1stDayResult), and then save.

With this change, the underlying FX spot transaction from the exercising of vanilla option with hedging profile F21, can be designated into the hedging relationship.

### Exercise Plain Vanilla FX Option

Procedure

You follow the steps in Test Procedures to create a plain vanilla option as a hedging instrument until the step Contract Maturity.

When you follow the Foreign Currency Risk Management 1X1 to save the settlement of the plain vanilla option exercise, and on the screen of the underlying spot transaction creation (product type 60A, transaction type 107), choose the Adminstr. tab, and enter the following data before save this underlying spot transaction:

* Gen. Valn Class: 45 Derivatives: Cash Flow Hedge
* Hdg Classific.:<for example, F21 which should be the same hedging classification you used in plain vanilla option transaction>

In case the Hedging Classification is not filled, the FX Spot/Underlying is not designated into the Hedging Relationship.

After the plain vanilla FX Option was exercised, open the Manage Hedging Relationships (TPM100) app, you will find that the underlying FX spot is designated into this hedging relationship as the second Hedging Instrument.

### Release Hedging Business Transactions at Exercise Date

Purpose

The release of the hedging business transactions resulting from the FX option exercise:

* Calculates the Hedge Accounting Key Figures at the Exercise Date and
* Assigns a new Market Data Containers to the Hedging Relationship

for the FX option as well as for the underlying FX Spot transaction.

Procedure

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| Test Step # | Test Step Name | Instruction | Expected Result | Pass / Fail / Comment |
| 1 | Log On | Log on to the SAP Fiori Launchpad as a Treasury Specialist - Back Office. | The SAP Fiori Launchpad displays. |  |
| 2 | Access the SAP Fiori App | Open Release Hedging Business Transactions (TPM120). | The Release Hedging Business Transactions(TPM120) screen displays. |  |
| 3 | Enter Selection Criteria | On the Release Hedging Business Transactions (TPM120) screen, enter the following data and choose Execute:Company Code: for example, 1010Valuation Area: for example, 002Up to Key Date: for example, <exercise date of option>Transaction Selection: <select this radio button>Transaction Number: <the FX Option transaction which has been exercised>Test Run: <deselect this checkbox>Save Values with Warnings: <select this checkbox>Detailed Log (Market Val. Calc): <select this checkbox>Enter Posting Date: <select this checkbox> | A new screen Release Hedging Business Transactions displays. |  |
| 4 | Choose Hedging Relationship and Execute | On the Release Hedging Business Transactions (TPM120) screen, choose Execute. | The Hedging Relationships screen displays, and Hedging Relationship has been processed at exercise date. |  |
| 5 | Check Market Data Calculation Details | Choose Display Market Data Calculation Details. | The market values and hedge accounting key figures at exercise date have been calculated for FX option and underlying FX spot, a new market date container is assigned to hedging relationship. |  |

## Termination of Hedging Instrument

Purpose

The termination of hedging instrument (plain vanilla FX option, zero/low cost collar FX option) leads to the discontinuation of hedge accounting.

This section describes how to terminate hedging instrument and discontinue hedge accounting.

### Create, Submit and Release Termination Request for Hedging Instrument

Test Administration

Customer project: Fill in the project-specific parts.

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| Test Case ID | <X.XX> | Tester Name |  | Testing Date | Enter a test date. |
| Business Role(s) |  |
| Responsibility | <State the Service Provider, Customer or Joint Service Provider and Customer> | Duration | Enter a duration. |

Purpose

In some cases, for example, you may need to terminate a hedging instrument for some reason, for example, if a long-run plain vanilla FX option or zero/low cost collar FX option is over-hedged.

After aligning with your counterpart, you decide to terminate the hedging instrument. You start the termination process via termination request in hedge management cockpit. In this step, you select the hedging instrument in the hedge management cockpit to create and submit a termination request. The request needs to be released after it is submitted.

Prerequisites

1. You have created an FX option as hedging instrument, and its status is set to Contract Settlement.
2. You have created a hedging relationship and released the designation.

Procedure

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| Test Step # | Test Step Name | Instruction | Expected Result | Pass / Fail / Comment |
| 1 | Log On | Log on to the SAP Fiori launchpad as a Treasury Specialist - Middle Office. | The SAP Fiori launchpad is displayed. |  |
| 2 | Access the SAP Fiori App | Open Hedge Management Cockpit (TOENE) |  |  |
| 3 | Enter Selection Criteria | Make the following entries, and choose Start:Hedging Area: For example, HA0002Layout ID: 2R\_TQ\_CH | The Hedge Management Cockpit for Hedging Area HA0002 is displayed with Net Hedges |  |
| 4 | Create Termination Request | Double click on key figure Net Hedges in the period of the value date of the forward transaction you just created as prerequisite.Select the transaction you just created, click Hedge Request and choose Termination Request in the dropdown list | The Create Hedge Request screen is displayed. |  |
| 5 | Submit Termination Request | Enter description for edge request: terminate forwardEnter the following data on the General tab, and choose Submit:Hedge Request Reason: Choose S003 Overhedge Processing - TerminationNote Overruling not allowed | Terminate Request is submitted with termination request ID.Remember Note down the ID. |  |
| 6 | Access the SAP Fiori app | Open Process Hedge Requests (TOEHREQO) | The Process Hedge Requests screen is displayed. |  |
| 7 | Enter Selection Criteria | Enter the following data, and choose Start:Hedging Area: for example, HA0002 | Hedge requests that match the filter criteria are displayed. |  |
| 8 | Release Termination Request | Select the row of the Termination Request you just submitted and choose Process and then select Release from the dropdown list. | Log is displayed that the termination request was released. |  |

### Terminate Hedging Instrument

Test Administration

Customer project: Fill in the project-specific parts.

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| Test Case ID | <X.XX> | Tester Name |  | Testing Date | Enter a test date. |
| Business Role(s) |  |
| Responsibility | <State Service Provider, Customer or Joint Service Provider and Customer> | Duration | Enter a duration. |

Purpose

After the termination request released, you terminate a plain vanilla option, or one leg of the zero/low cost collar FX option. In case that both legs of a zero/low cost collar FX option should be terminated, terminate them one by one.

Once the hedging instrument is terminated, the termination request is set to Completed.

Procedure

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| Test Step # | Test Step Name | Instruction | Expected Result | Pass / Fail / Comment |
| 1 | Log On | Log on to the SAP Fiori Launchpad as a Treasury Specialist - Front Office. | The SAP Fiori Launchpad is displayed. |  |
| 2 | Access the SAP Fiori app | Open Process OTC Options - Collective Processing (TI91) | The OTC Options: Collective Processing screen is displayed. |  |
| 3 | Enter Selection Criteria | On the OTC Options: Collective Processing screen, enter the following data and choose Execute:Company Code: for example, 1010Transaction: <the FX option transaction number you need to terminate> | The list of FX Option transaction (s) is displayed on the OTC Options: Collective Processing screen. |  |
| 4 | Terminate the Transaction | On the OTC Options: Collective Processing screen, select the checkbox of the transaction to be terminated, and then choose Give Notice. | The Terminate OTC Option: Structure screen is displayed. |  |
| 5 | Save the Termination | On the Terminate OTC Option: Structure screen, the value of field Activity in header is 3 - Termination.Enter the following data in the Termination sub-area, and choose Save:Term.Date: <the termination date, it should be a date between the contract date and the Expiry date>Payment Date: for example, <termination data + 2 days>Amount: for example, -100If the Document lines: Display messages dialogue is displayed, choose Continue. | The transaction is saved with status Termination. |  |
| 6 | Access the SAP Fiori App | Open Process Hedge Requests (TOEHREQO) | The Process Hedge Requests screen is displayed. |  |
| 7 | Enter Selection Criteria | Enter the following data, and choose Start.:Hedging Area: for example, HA0002 | hedge requests that match the filter criteria are displayed. |  |
| 8 | Check Termination Request Status | Status of the termination request is Completed. |  |  |

### Set Termination Settlement Status for Hedging Instrument

Test Administration

Customer project: Fill in the project-specific parts.

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| Test Case ID | <X.XX> | Tester Name |  | Testing Date | Enter a test date. |
| Business Role(s) |  |
| Responsibility | <State Service Provider, Customer or Joint Service Provider and Customer> | Duration | Enter a duration. |

Purpose

After you terminate the FX option transaction in the system, you need to set its status to Termination Settlement before you can create postings for termination flow. Usually it should be done after you receive the incoming confirmation about termination from your counterparty.

In this step, you settle the termination of a plain vanilla option, or of one leg of the zero/low cost collar FX option. In case that both legs of zero/low cost collar FX option should be terminated, settle their termination one by one.

Procedure

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| Test Step # | Test Step Name | Instruction | Expected Result | Pass / Fail / Comment |
| 1 | Log On | Log on to the SAP Fiori launchpad as a Treasury Specialist - Back Office. |  |  |
| 2 | Access the SAP Fiori app | Open Process OTC Options - Collective Processing (TI91). | The OTC Options: Collective Processing screen displays. |  |
| 3 | Enter Selection Criteria | On the OTC Options: Collective Processing screen, enter the following data and choose Execute:Company Code: for example, 1010Transaction: <the FX option transaction number in status Termination> | The list of FX Option transaction(s) is displayed on the OTC Options: Collective Processing screen. |  |
| 4 | Settle the Termination | On the OTC Options: Collective Processing screen, select the checkbox of the transaction to be settled, and then choose Settle. | The OTC Option: Settle Termination: Structure screen is displayed. |  |
| 5 | Save the Termination Settlement | On the OTC Option: Settle Termination: Structure screen, the value of field Activity in header is 4 - Termination Settlement.Choose Save.If the Document lines: Display messages dialogue box is displayed, choose Continue (Enter). | The transaction is saved with status Termination Settlement. |  |

### Process Dedesignation for Hedging Business Transaction at Termination Date

Test Administration

Customer project: Fill in the project-specific parts.

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| Test Case ID | <X.XX> | Tester Name |  | Testing Date | Enter a test date. |
| Business Role(s) |  |
| Responsibility | <State Service Provider, Customer or Joint Service Provider and Customer> | Duration | Enter a duration. |

Purpose

In this step, you release the hedging business transaction on the termination date. During this process, the hedging relationship is dedesignated, and the following activities are done with the processing of hedging business transaction at the termination date:

* Calculation and saving of NPV of FX option transaction(s)
* Calculation and saving of NPV component values (Intrinsic Value, Time Value, CCBS) for FX option transaction(s) and hypothetical derivative
* Execution and posting of the key date valuation of the FX option transaction(s) to be terminated with up-to-date NPV values
* Execution and posting of the classification of the Hedging Relationship with up-to-date NPV component values
* Fix and update other relevant position flows.

Procedure

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| Test Step # | Test Step Name | Instruction | Expected Result | Pass / Fail / Comment |
| 1 | Log On | Log on to the SAP Fiori launchpad as a Treasury Specialist - Back Office. | The SAP Fiori launchpad is displayed. |  |
| 2 | Access another SAP Fiori app | Open Release Hedging Business Transactions (TPM120). | The Release Hedging Business Transactions screen is displayed. |  |
| 3 | Release Hedging Business Transaction | On the Release Hedging Business Transactions screen, enter the following data, and choose Execute:Company Code: for example, 1010Valuation Area: for example, 002Up to Key Date: for example, <the termination date>Transaction Selection: <select this radio button>Transaction Number: <the FX option transaction number(s) terminated>Test Run: <deselect this checkbox>Save Values with Warnings: <select this checkbox>Detailed Log (Market Val. Calc): <select this checkbox>Enter Posting Date: <select this checkbox> | A new screen of Release Hedging Business Transactions is displayed. |  |
| 4 | Choose Hedging Relationship and Execute | On the Release Hedging Business Transactions screen, choose Execute. | The Hedging Relationships screen is displayed, and the Hedging Relationship has been processed for termination of hedging instrument without errors. |  |

Note If you check the relevant hedging relationship in the Manage Hedging Relationships (TPM100) app, and change the display date to the termination date, you will find the status of this hedging relationship becomes Dedesignated.

### Post Flows for Termination

Test Administration

Customer project: Fill in the project-specific parts.

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| Test Case ID | <X.XX> | Tester Name |  | Testing Date | Enter a test date. |
| Business Role(s) |  |
| Responsibility | <State Service Provider, Customer or Joint Service Provider and Customer> | Duration | Enter a duration. |

Purpose

In this step, you post operative flows and derived flows on the payment date of termination.

Procedure

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| Test Step # | Test Step Name | Instruction | Expected Result | Pass / Fail / Comment |
| 1 | Log On | Log on to the SAP Fiori launchpad as a Treasury Accountant. | The SAP Fiori launchpad displays. |  |
| 2 | Access the SAP Fiori app | Open Post Flows (TBB1) | The Treasury: Post Flows screen is displayed. |  |
| 3 | Enter Selection Criteria | On the Treasury: Post Flows screen, enter the following data, and choose Execute:Company Code: for example, 1010Transaction: <the FX option transaction number(s) terminated>Up to and Including Due Date: <the payment date of termination>Test Run: for example, <deselect this checkbox>Post All Valuation Areas: for example, <select this radio button> | The Information Overview dialog box is displayed. |  |
| 4 | Check Posting Log | In the Information Overview dialog box, choose Posting Log. | Posting journals are displayed. |  |

1. If termination results in outgoing payment with a payment request, please refer to the Foreign Currency Risk Management （1X1） test script for automatic payment of payment requests.
2. Reclassification of Hedging Reserve and Cost of Hedging Reserve should be executed on the Exposure Subitem End Date, which is the same as the normal hedge accounting process without termination of hedging instrument.

Typographic Conventions

|  |  |
| --- | --- |
| Type Style | Description |
| Example | Words or characters quoted from the screen. These include field names, screen titles, pushbuttons labels, menu names, menu paths, and menu options.Textual cross-references to other documents. |
| Example | Emphasized words or expressions. |
| EXAMPLE | Technical names of system objects. These include report names, program names, transaction codes, table names, and key concepts of a programming language when they are surrounded by body text, for example, SELECT and INCLUDE. |
| Example | Output on the screen. This includes file and directory names and their paths, messages, names of variables and parameters, source text, and names of installation, upgrade and database tools. |
| Example | Exact user entry. These are words or characters that you enter in the system exactly as they appear in the documentation. |
| <Example> | Variable user entry. Angle brackets indicate that you replace these words and characters with appropriate entries to make entries in the system. |
| EXAMPLE | Keys on the keyboard, for example, F2 or ENTER. |

|  |
| --- |
|  |
| www.sap.com/contactsap |
| © 2020 SAP SE or an SAP affiliate company. All rights reserved.No part of this publication may be reproduced or transmitted in any form or for any purpose without the express permission of SAP SE or an SAP affiliate company. The information contained herein may be changed without prior notice. Some software products marketed by SAP SE and its distributors contain proprietary software components of other software vendors. National product specifications may vary.These materials are provided by SAP SE or an SAP affiliate company for informational purposes only, without representation or warranty of any kind, and SAP or its affiliated companies shall not be liable for errors or omissions with respect to the materials. The only warranties for SAP or SAP affiliate company products and services are those that are set forth in the express warranty statements accompanying such products and services, if any. Nothing herein should be construed as constituting an additional warranty. SAP and other SAP products and services mentioned herein as well as their respective logos are trademarks or registered trademarks of SAP SE (or an SAP affiliate company) in Germany and other countries. All other product and service names mentioned are the trademarks of their respective companies. See [www.sap.com/copyright](http://www.sap.com/copyright) for additional trademark information and notices. |

