## *ABSTRACT*

*International trading insists companies to have foreign exchange in order to transact with other interstate companies. The companies will likely to suffer foreign exchange risk. Hedging with derivative instruments can be used by companies to cut the risk. This study aims to analyze the effect of return on asset (ROA), managerial ownership (MO), interest coverage ratio (ICR), growth opportunity (GO) and leverage (LEV) as a control variable on the implementation of derivative hedging policy (HEDGING) by nonfinancial companies listed on Indonesian Stock Exchange during 2015−2018.*

*This study uses secondary data obtained from Indonesian Stock Exchange official website and companies' official website. The data are financial statements of nonfinancial companies from 2015−2018. From 513 nonfinancial companies, 122 companies are sampled in this study. The data of this study then analyzed by using logistic regression analysis because the data are metric and nonmetric. The results of Hosmer and Lemeshow Test show that research model using independent and control variables are fit with the data.*

*Based on the results of determination coefficient test with Nagelkerke R Square; ROA, MO, ICR and GO simultaneously affect HEDGING. Moreover, hypothesis test proves that ROA has a significant positive effect on HEDGING, whereas ICR has a significant negative effect on HEDGING. Both MO and GO have negative effects, but are not significant on HEDGING. While LEV has a significant positive effect on HEDGING.*

***Keywords*: hedging, derivatives, return on asset, managerial ownership, interest coverage ratio, growth opportunity, leverage.**