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Sent via email to director@fasb.org

April 20, 2011

Technical Director
Financial Accounting Standards Board
401 Merritt 7
PO Box 5116
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RE: File Reference No. 2011-175 – Hedge Accounting Discussion Paper

Genworth Financial appreciates the opportunity to comment on the Financial Accounting Standards Board (FASB or the Board) Discussion Paper - Invitation to Comment—*Selected Issues about Hedge Accounting* (the “DP”).

Genworth Financial, Inc. is a leading financial security company dedicated to providing insurance, wealth management, investment and financial solutions to more than 15 million customers, with a presence in more than 25 countries. We have significant hedging activities and could be significantly impacted by any changes in hedge accounting guidance.

We recognize that the Board is seeking feedback on the aspects of the International Accounting Standards Board (“IASB”) Hedge Accounting Exposure Draft (“IASB ED”) that represent significant changes to U.S. GAAP and how those provisions could be applied and implemented. We offer comments and recommendations below to help reduce certain unnecessary complexities and enhance application of the proposed guidance and highlight our primary concerns raised in our response to the IASB ED.

While we generally support both of the proposals issued by the FASB and IASB (collectively, the “Boards”), we believe many of the aspects in the IASB ED are improvements to the existing guidance and would further reduce the reliance on the rules-based guidance that has been developed over many years and would create a more principles-based standard compared to the FASB’s proposal that is more focused on targeted improvements to existing hedge accounting guidance.

We are encouraged that both the FASB and IASB are working to simplify the existing hedge accounting rules. We urge the Boards to continue to work together on the hedge accounting proposals and support converged hedge accounting guidance that would represent a more principles-based approach.

Risk Management Objective

While we recognize the guidance related to an entity’s risk management objective may not be well defined in the IASB ED, we agree with the linkage of risk management objectives to hedge accounting. Hedge accounting should only be applied when hedging is consistent with an entity’s risk management objective. The requirement to define an entity’s risk management objective in

order to apply hedge accounting does not necessarily create operational complexities with respect to when hedge accounting should be applied. We would expect an entity to have a clearly defined risk management objective when applying hedge accounting and such is generally consistent with existing U.S. GAAP documentation requirements.

However, the lack of definition in the IASB ED related to what is considered a change in risk management objective creates additional complexities in determining when hedge accounting should be discontinued. For example, an entity may no longer have an objective to manage a specific fixed-rate bond (swapped to a floating rate) on a floating rate basis but this bond represents one of several hedges in a fair value hedging program for bonds. Absent clarification, an entity would need to determine what level an entity's risk management objective is defined (individual hedging relationships or at a higher level, such as hedge program) to determine that hedge accounting should be discontinued (when assessed at individual level) or that hedge accounting should continue to be applied to the specific bond (when assessed at a hedge program level). Allowing voluntary termination of hedge accounting would eliminate this issue and retain the objective of the IASB ED to link an entity's risk management objective to the criteria for qualifying for hedge accounting, without creating operational complexities for preparers.

Objective Of Hedge Effectiveness – Minimize Expected Ineffectiveness

With respect to the objective of hedge effectiveness to minimize expected ineffectiveness, we are concerned that the guidance in the IASB ED could be viewed as requiring all potential instruments be evaluated in determining whether the chosen hedging instrument best minimizes ineffectiveness compared alternative hedging instruments. Absent clarification, an entity may be required to continuously assess that the current hedging instrument best minimizes expected ineffectiveness relative to all possible alternatives in order to meet this criteria. Specifying that such an assessment should not be performed would alleviate this concern.

Required Rebalancing

Similar to the comments above regarding the requirement to minimize ineffectiveness, the requirement to rebalance hedging relationships in the IASB ED creates undue operational costs on entities to continuously assert that rebalancing is not necessary. Permitting rebalancing rather than requiring rebalancing can easily eliminate these operational costs and retain the benefits cited for rebalancing.

Transition Guidance

As stated above, we support both Boards' goal to reduce the reliance on rules-based guidance that currently exists. After determining the modifications in a final standard, we urge the Boards to thoroughly consider the level of detailed transition guidance needed to ensure this critical aspect of the guidance will be interpreted and applied consistently.

Existing Hedge Relationships—The benefits from the changes proposed by the Boards may be limited to new hedging relationships if the transition guidance is not clearly outlined in terms of how an entity is allowed to apply the finalized guidance. For example, the proposed changes in the hedge effectiveness criteria to apply hedge accounting may not be utilized for existing hedge relationships without changing the hedge accounting documentation (which could be viewed as triggering as a de-designation and re-designation event, creating additional operational burdens on preparers). The transition guidance should specify that updates to existing hedge documentation are permitted upon adoption to enable entities to benefit from the improvements in the final standard.

More specifically, the Boards should carefully consider the transition guidance for existing hedges of forecasted transaction. For example, forecasted transactions may have previously been narrowly defined in order to demonstrate compliance with the existing highly effective requirements in all circumstances. We believe the transition guidance should explicitly address these situations and should permit an entity to make updates to their documentation upon transition to clarify the description of the forecasted transaction without those changes being considered a change in the forecasted transaction. Updates should be limited to the description of the forecasted transaction and should not impact the type of forecasted transaction originally documented.

Terminated Cash Flow Hedge Relationships—Similarly, we recommend the final guidance address transition guidance for terminated hedging relationships, specifically cash flow hedges. We believe it would be appropriate—based on the proposed guidance issued by the Boards—that the transition guidance for terminated cash flow hedges require an entity to apply the guidance in the new standard for terminated cash flow hedges since there do not appear to be any substantial differences in the existing and proposed guidance. If such guidance was included, an entity would maintain the amounts recorded in OCI for terminated cash flow hedges and would reclassify these amount into income based on when the hedge item affects income. This change would alleviate concerns with having to apply the existing guidance for a number of years beyond the transition date for cash flow hedges that terminated prior to adoption of the new guidance.

Forecasted Transactions

We have concerns with the application and interpretation that could result from the wording in paragraph B65(b) of the IASB ED that indicates a history of having previously, highly-probable forecasted transactions that are no longer expect to occur would “call into question” an entity’s ability to predict similar forecasted transactions. We recommend this paragraph be deleted or, alternatively, amended to state that an entity’s entire history—including both forecasted transactions that did and did not occur—should be considered when determining whether similar forecasted transactions are highly-probable of occurring. By eliminating this wording, there would be a balanced application of the guidance and the final guidance would be more consistent with the financial instrument classification and measurement guidance where the ‘tainting’ concept is not expected to be included in the final standard.

We appreciate the opportunity to comment on the DP. If there are any questions regarding the content of this letter or you wish to discuss our comments and recommendations, please contact me at (804) 662-2685 or Matt Farney, our global accounting policy leader, at (804) 662-2447.

Sincerely,



Amy R. Corbin
Vice President and Controller