FICPA

Florida Institute of Certified Public Accountants

July 26, 2013

Technical Director
File Reference No. PCC-13-03
Financial Accounting Standards Board
401 Merritt 7
P.O. Box 5116
Norwalk, CT 06856-5116

Electronically submitted to director@fasb.org

Re: Derivatives and Hedging (Topic 815), *Accounting for Certain Receive-Variable, Pay-Fixed Interest Rate Swaps*

Dear Sirs:

The Accounting Principles and Auditing Standards Committee (the Committee) of the Florida Institute of Certified Public Accountants (FICPA) has reviewed and discussed the subject Exposure Draft, including the questions posed in the "Questions for Respondents," and has the following comments related to the questions enumerated below:

1. The FICPA has approximately 18,500 members, with its membership comprised primarily of CPAs in Public Practice and Industry. The Committee is comprised of 20 members, of whom 50% are from local or regional firms, 20% are from large multi-office firms, 10% are sole practitioners, 10% are in academia or private industry, and 10% are in international firms. Therefore we are addressing this exposure draft both from the viewpoint of preparers of financial statements as well as those performing attest services on them.

2. The Committee agrees that the scopes of both the combined instruments approach and the simplified hedge accounting approach should exclude financial institutions described in paragraph 942-320-50-1. The Committee also believes that the definition of a financial institution should be expanded to include any other entities where entering into derivatives and/or hedging instruments is the entity's primary business as to not exclude any entities that may not directly fit the examples included in the definition.

3. The Committee does acknowledge that this is a proposal of the Private Company Council (PCC) and does not know if the PCC has the authority to establish guidance for other entities, but believes that the scope of both approaches should be expanded to both publicly traded companies and not-for-profit entities. The criteria for qualifying for both methods are already very narrow. The Committee believes that this is an accounting issue faced by a wide range of entities and not just private companies; therefore if publically traded companies or not-for-profit entities also have "plain vanilla swaps"

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there is no reason why they should not also be able to use the simplified accounting methods.

4. The Committee agrees with the required criteria for applying both the combined instruments approach and the simplified hedge accounting approach. There was discussion regarding the use of a "few days" and "at or near zero" as potentially being too vague, but in the end the Committee concluded that a principles based intent of the guidance is preferable to a rules based system where these terms would be more specifically defined.

5. The Committee agrees with the differences in criteria for applying the combined instruments approach versus the simplified hedge accounting approach.

6. The Committee discussed the benefit to adding additional criteria about management's intent, but in the end concluded that such criteria would add little value as it is already implied and would be an easy hurdle to overcome as management can always say that there original intent was to hold the instrument to maturity but change their intent at a later date.

7. The Committee concluded that there should be no requirement regarding the adverse developments regarding the risk of the counterparty default. First, the Committee believes that this would only occur in very limited circumstances and the cost/risk of complicating the simplified approach outweighs any benefit. The Committee feels it would be appropriate to recognize any gain/loss upon the counterparty's actual default as this would be the triggering event as opposed to the "adverse developments." Finally, the Committee recognized that "plain vanilla swaps" are usually entered into with the same counterparty that holds the entity's debt and therefore makes this assessment even less valuable.

8. The Committee agrees that the primary difference between settlement value and the fair value is that generally the nonperformance risk of the swap counterparties is not considered in the settlement value.

9. The Committee believes that the disclosure of the swap's settlement value would adequately provide users of financial statements with an indication of potential future cash flows if the swaps were to be terminated at the reporting date, as the settlement value is the amount that would be paid/received from the counterparty versus selling the swap to a third party at the fair value.

10. The Committee does not believe there is a signficant difference in the cost of auditing the settlement value versus the fair value. There is still generally a need to test the inputs and assumptions of the values as well as confirm existence of the swaps with a third party.

11. The Committee believes that the listed disclosures are appropriate and adequate and no additional disclosures should be required.

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12. The Committee agrees that the current U.S. GAAP disclosures, including those under Topics 815 and 820 should apply for a swap accounted for under the simplified hedge accounting approach and that the settlement value may be substituted for fair value.

13. The Committee agrees with providing an entity-wide accounting policy election for applying the combined instruments approach and if the policy election is availed, this approach should be applicable for all qualifying swaps whether entered into on or after the date of adoption or existing at that date.

14. The Committee agrees that, in theory, that the entity-wide accounting policy election to apply the combined instruments approach should be made upon adoption of the amendments in the proposed Update, or for entities that do not have existing eligible swaps, within a few weeks after the entity enters into its first transaction that is eligible for the accounting policy election, but in practice, the Committee acknowledges that many entities only evaluate accounting policies on an annual basis.

15. The Committee agrees that the simplified hedge accounting approach could be elected for any qualifying swaps, whether existing at the date of adoption or entered into on or after the adoption date.

16. The Committee agrees that the election to apply the simplified hedge accounting approach to an existing qualifying swap must be made upon adoption of the amendments in the proposed Update.

17. The Committee agrees that, in theory, the formal documentation required by paragraph 815-20-25-3 to qualify for hedge accounting must be completed within a few weeks of hedge designation under the simplified hedge accounting approach, but in practice, the Committee acknowledges that many entities may require longer than a few weeks to determine that the documentation is necessary and complete the documentation.

18. The Committee only supports the use of a full retrospective approach assuming the entity presents comparative financial statements. The Committee believes the value added by having fully comparative financial statements outweighs the minimal costs of performing the full retrospective as most entities that will qualify for the accounting treatment will only have a few swaps and the information should be readily available.

19. The Committee agrees that an entity within the scope of this proposed Update should be permitted to early adopt the proposed amendments.

20. The Committee believes that the time needed to implement the proposed amendment is not significant.

21. No response.

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The Committee appreciates this opportunity to respond to this Exposure Draft. Members of the Committee are available to discuss any questions or concerns raised by this response.

Respectfully submitted,

Steven Morrison, CPA, Chair
FICPA Accounting Principles and Auditing Standards Committee

Committee members coordinating this response:

Helen Painter, CPA
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