JPMORGAN CHASE & CO.

Bret Dooley
Managing Director
Corporate Accounting Policies

November 4, 2016

Ms. Susan M. Cosper
Technical Director
File Reference No. 2016-310
Financial Accounting Standards
Board 401 Merritt 7
PO Box 5116
Norwalk, CT 06856-5116

Re: Proposed Accounting Standard Update, *Derivatives and Hedging (Topic 815): Targeted Improvements to Accounting for Hedging Activities* (the "proposed ASU")

Dear Ms. Cosper:

JPMorgan Chase & Co ("the Firm") welcomes the opportunity to comment on the Proposed Accounting Standards Update, *Derivatives and Hedging (Topic 815): Targeted Improvements to Accounting for Hedging Activities* issued by the Financial Accounting Standards Board ("FASB" or the "Board"). The Firm appreciates the FASB's efforts to reduce the complexity related to hedge accounting, and believes that the proposals will meet the Board's stated objective to improve the financial reporting of hedging relationships through the more accurate financial statement portrayal of the economic results of an entity's risk management activities.

The proposed ASU would greatly simplify the operational processes currently required for qualifying hedge accounting relationships. In addition, the proposed ASU would improve the financial reporting for common economic hedge relationships by removing prohibitions from qualification under Topic 815: *Derivatives and Hedging*. Specifically, we commend the FASB for proposing the following targeted improvements, as they will greatly improve the financial reporting of risk management activities:

- Amending the requirements such that Topic 815 expands the population of interest rates eligible for cash flow and fair value hedges
- Allowing an entity to hedge terms shorter than the contractual maturity in fair value hedges of interest rate risk
- Permitting an entity to measure the change in fair value of the hedged item on the basis of the benchmark rate component of the contractual coupon cash flows
- Providing an entity additional time to perform the initial prospective quantitative assessment
- Allowing an entity to perform subsequent assessments of hedge effectiveness qualitatively for certain hedges
- Allowing an entity to assume that the hedging derivative matures at the same time as the forecasted transactions in certain circumstances
- Permitting an entity to apply a long-haul method for assessing hedge effectiveness if it determines that shortcut is no longer permissible

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The Firm, as a member of the International Swaps and Derivatives Association ("ISDA"), has been involved in the drafting of ISDA's comment letter and supports the views included therein. We ask the Board to consider ISDA's recommended amendments to the targeted improvements.

In addition, as a member of the Alternative Reference Rate Committee ("ARRC") convened by the Federal Reserve to identify a set of alternative benchmark interest rates, the Firm concurs with the views expressed in ISDA's comment letter regarding the definition of a benchmark interest rate. The Firm concurs that either of the two alternative rates considered by the AARC to be the strongest potential alternatives to US Dollar LIBOR will deserve consideration to be added as a permitted benchmark interest rate once the final selection is made. Therefore, the Firm supports that the benchmark interest rate concept incorporate expectations that a rate will become widely used. The addition of such a concept would avoid the need for further rule-making upon the selection of a rate to be used as an alternative rate to U.S. Dollar LIBOR, and allow timely designation by preparers of the alternative rate in hedge accounting relationships.

While there remain additional improvements that the FASB could consider to further reduce the operational burdens and other barriers to reflecting valid risk management strategies as qualifying hedge accounting relationships, we urge the FASB to finalize the current population of targeted improvements as quickly as possible. The targeted improvements in the proposed ASU constitute a significant improvement to the current hedge accounting model, and could be implemented relatively quickly.

We appreciate the opportunity to submit our views, and would be pleased to discuss our comments with you at your convenience. In addition, we would be pleased to participate in the FASB's upcoming public roundtable meetings addressing the proposed ASU on December 2, 2016.

Sincerely yours,

Bret Dooley

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