2 Court Square, 15th floor
Long Island City, NY 11101

November 21, 2016

Ms. Susan Cosper
Technical Director
Financial Accounting Standards Board
401 Merritt 7
P.O. Box 5116
Norwalk, CT 06856-5116

File Reference No. 2016-310

Dear Ms. Cosper:

Citigroup appreciates the opportunity to comment on the Exposure Draft of the proposed Accounting Standards Update ("ASU"), *Derivatives and Hedging (Topic 815): Targeted Improvements to Accounting for Hedging Activities*.

We commend the efforts of the Board to reduce complexity in accounting standards while maintaining and improving the usefulness of the information provided to users of financial statements. We agree with and support the Board's goal to more closely align an entity's risk management activities and its financial reporting for hedging relationships through changes to both the designation and measurement guidance for qualifying hedge relationships and the presentation of hedge results.

We believe that many of these proposed changes will simplify accounting and be beneficial to preparers and other stakeholders. Specifically, we support the following changes:

- Expanding the number of benchmark interest rates eligible for fair value hedges and eliminating the benchmark rate concept for cash flow hedges.
- Permitting partial-term hedges in fair value hedges of interest rate risk in certain circumstances.
- Allowing an entity the option to measure the change in fair value of the hedged item in a fair value hedge of interest rate risk on the basis of the benchmark rate component of the contractual cash flows or the total coupon cash flows in certain circumstances.
- Allowing subsequent effectiveness testing to be performed on a qualitative basis, when certain conditions are met.

Citigroup, as a member of the International Swaps and Derivatives Association ("ISDA"), has been involved in the discussions and drafting of that industry comment letter and supports the views included within that letter. We therefore request the Board to consider ISDA's comments and recommended amendments to the targeted improvements.

Further, as a member of the Alternative Reference Rate Committee ("ARRC") created by the Federal Reserve to identify a set of alternative benchmark interest rates, Citigroup believes that the Board should amend the definition of a benchmark interest rate to include rates that are expected to be widely used as described in the ISDA comment letter. We believe that a rate proposed by the ARRC would be a strong alternative to US LIBOR and should be considered a benchmark rate.

We urge the FASB to finalize these targeted improvements in a quick and efficient manner. In addition, regardless of the effective date, we encourage the Board to permit entities to early adopt upon issuance the ASU of the final standard.

We would be pleased to discuss our comments with you at your convenience. Please feel free to call me at (347) 648-7721.

Sincerely,

Robert Traficanti

Robert Traficanti
Global Head of Accounting Policy