

November 22, 2016

Technical Director
File Reference No. 2016-310
Financial Accounting Standards Board
401 Merritt 7
P.O. Box 5116
Norwalk, CT 06856-5116

RE: Proposed Accounting Standards Update, Derivatives and Hedging (Topic 815): Targeted Improvements to Accounting for Hedging Activities (File Reference No. 2016-310)

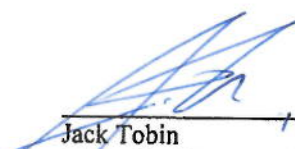
We appreciate the opportunity to comment on File Reference No. 2016-310 (the Proposal), issued by the Financial Accounting Standards Board (FASB or the Board). We support the FASB's objective providing financial statement users with information that more faithfully represents an entity's risk management activities by more clearly portraying the economics of such risk management activities.

We support the FASB's efforts to improve the financial reporting for hedging arrangements, simplify the income statement presentation, and relax the documentation and assessment requirements. Overall, we believe the Proposal would successfully expand the use of hedge accounting in certain situations. However, we recommend that the FASB consider certain modifications or clarifications to the Proposal in order to promote greater consistency among hedging relationships, as discussed in the Appendix to this letter.

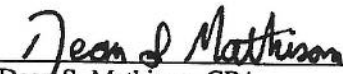
While we support the Proposal, we believe the FASB should expand the requirements for the hedging of risk components in nonfinancial instruments so that the requirements for financial instruments and nonfinancial instruments are aligned. We also support the Board's relaxed requirements for the timing of completion for the initial quantitative effectiveness testing.

We would be happy to share our thoughts on possible next steps with the FASB staff. The Appendix to this letter contains our thoughts relative to certain aspects of the Proposal.

Very truly yours,

 CPA

Jack Tobin
Managing Director & Chief Accounting Officer
CME Group, Inc.



Dean S. Mathison, CPA
Chief Accounting Officer & Corporate
Controller
Intercontinental Exchange, Inc.

Appendix

The Board decided it would allow an entity to designate the hedged risk as the variability in cash flows attributable to changes in a contractually specified component stated in the contract in a cash flow hedge of a forecasted purchase or sale of a nonfinancial asset.

We are supportive of the proposed amendment as it will more closely align an entity's risk management strategies in its financial statements considering that more hedges of nonfinancial items will qualify for hedge accounting. Although we believe that this proposal is a positive step forward in the hedge accounting space, we would recommend that the Board consider expanding the ability to hedge a component of a nonfinancial item beyond those that are contractually specified. We note that under IFRS 9, hedging is allowed of components that are "separately identifiable" and "reliably measurable" and that other responses have recommended that the Board align with those concepts albeit some further implementation guidance may be necessary.

In the exchange industry in which we operate, there are commodities contracts for which the market price is impacted by a variety of factors, all of which may not necessarily be explicitly identified in the commodity contract. As a result, an entity may not qualify for hedge accounting under the currently proposed model. The limitation here is that the entity will either continue to be subject to commodity price risk or recognize income statement volatility as a result of holding the derivative.

Also, with respect to commodities, there are many instances in which certain contractual terms, like individual price components, are not specified at the inception of the contract or are determined at a later date. As a result, the current Proposal may not allow for hedge accounting for components which are readily transparent within the industry or may not allow for hedge accounting at the inception of the contract (in the case where certain price components become fixed prior to delivery). However, if the allowable hedged risk were expanded to include components which are not contractually specified, then the entity would be permitted to better align its accounting in the financial statements to its risk management activities pertaining to its economic risk.

The Board decided that unless the hedging relationship meets one of the exceptions that assumes perfect offset at hedge inception, an entity would be required to perform an initial quantitative test of hedge effectiveness and would be allowed to perform subsequent hedge effectiveness assessments qualitatively unless facts and circumstances change.

We support the Board's proposal to require an entity to quantitatively assess hedge effectiveness at inception of the hedge relationship and to allow an entity to subsequently assess hedge effectiveness qualitatively if certain conditions are met. We believe that this would significantly reduce the cost and complexity of applying hedge accounting and the quality of the documentation would not suffer as a result.

However, we believe some clarity would be useful to acknowledge that, where the initial quantitative testing was robust and included various hypothetical scenarios which may occur over the term of the hedge, that such previously considered outcomes are allowed to be contemplated within the qualitative testing in subsequent periods. This would provide more support for maintaining the effectiveness of the hedge in later periods, thereby eliminating the need to revert back to performing a quantitative assessment due to changing circumstances. Our view is that performing this work upfront would be more cost effective for market participants where they choose to encompass a broader set of criteria in that initial quantitative testing.

The Board decided it would allow an entity to perform the initial quantitative testing portion of hedge documentation at any time between hedge inception and the quarterly effectiveness testing date using data applicable as of the date of hedge inception.

We support the Board's proposal of allowing an entity to perform the quantitative analysis at any time between hedge inception and the quarterly effectiveness testing date. This will allow entities to substantially minimize the market risk inherent in any time delay between the inception of the risk being hedged and the creation of the hedge. We believe that this additional flexibility will expand the use of hedging for those market participants that do not employ sophisticated methodologies to complete the hedge documentation immediately at hedge inception. We also believe that providing participants with the ability to perform the initial quantitative testing by the first quarterly effectiveness date further aligns the hedge documentation process with the financial reporting process.

In closing, we support the amendments under the Proposal and the FASB's efforts to improve and simplify its existing hedge accounting model.