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March 29, 2018

Technical Director
Financial Accounting Standards Board
401 Merritt 7
PO Box 5116
Norwalk, CT 06856-5116

RE: Proposed Accounting Standards Update, *Inclusion of the Overnight Index Swap (OIS) Rate Based on the Secured Overnight Financing Rate (SOFR) as a Benchmark Interest Rate for Hedge Accounting Purposes* (File Reference No. 2018-220)

Dear Technical Director:

We appreciate the opportunity to comment on the proposed ASU, *Inclusion of the Overnight Index Swap (OIS) Rate Based on the Secured Overnight Financing Rate (SOFR) as a Benchmark Interest Rate for Hedge Accounting Purposes*. We appreciate the Board's proactive efforts in adding the OIS rate based on SOFR to the set of eligible benchmark rates.

Our responses to the Board's questions for respondents are included in the Appendix to this letter.

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If you have questions about our comments or wish to discuss the matters addressed herein, please contact Kimber Bascom at (212) 909-5664 or kbascom@kpmg.com, or Mark Northan at (212) 954-6927 or mnorthan@kpmg.com.

Sincerely,

A handwritten signature in black ink that reads 'KPMG LLP'. The letters are bold and slightly slanted, with a casual, professional feel.

KPMG LLP

Appendix – Responses to Questions for Respondents

Question 1:

The Board decided to propose that the OIS rate based on SOFR should be added as a U.S. benchmark interest rate. Should the OIS rate based on the SOFR be included as a U.S. benchmark rate for hedge accounting purposes under Topic 815? Why or why not?

Yes. We agree with the Board that the OIS rate based on SOFR should be added as a U.S. benchmark interest rate. We believe that adding this benchmark rate during the early stage of the marketplace's transition from LIBOR to OIS based on SOFR will provide sufficient lead time for entities to prepare for changes to their interest rate risk hedging strategies for risk management and hedge accounting purposes.

Question 2:

The Board's proposal to add the OIS rate based on SOFR, rather than a broader SOFR swap rate that would be the equivalent of the LIBOR swap rate, is based on the ARRC's paced transition plan, which indicates that OIS swaps referencing SOFR are expected to begin trading in 2018. Over a longer term horizon, swaps referencing a SOFR term rate (that is, tenors greater than overnight) may be developed in the marketplace. Should a broader SOFR swap rate be included as a U.S. benchmark interest rate instead of the OIS rate based on SOFR?

We believe that preparers, based on their planned future risk management activities, are best able to comment on whether the Board should include in the set of US benchmark interest rates a broader SOFR swap rate instead of the OIS rate based on SOFR.

Question 3:

For hedging relationships of benchmark interest rate risk for which the designated hedged risk will be changes in fair values or cash flows attributable to changes in the OIS rate based on SOFR, should the Board consider providing any transition relief upon designation of SOFR as a benchmark rate? If so, please describe the specific types of relief needed and whether relief is necessary for existing hedging relationships based on LIBOR that will transition to SOFR or newly designated hedging relationships based on SOFR.

We are not aware of circumstances that suggest that the Board should provide transition relief for existing hedging relationships. However, it is unclear whether market developments in the future will affect benchmark interest rates, including the sustainability of LIBOR as a benchmark rate. If a future event takes place that makes it likely that entities need to make large-scale changes to hedge relationships within a relatively short period of time (as opposed to gradually over time), we believe the Board should consider at that time whether it is necessary to provide transition relief for existing hedging relationships.

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Question 4:

Should additional disclosures be required? If yes, please explain what specific additional disclosures should be required and why.

We do not believe that the Board should require additional disclosures in the final ASU. We agree with the FASB's rationale in paragraph BC18 of the proposals that additional transition disclosures are not necessary when this new benchmark rate is added to the set of eligible benchmark rates.

Question 5:

Should the proposed amendments be applied on a prospective basis only for qualifying new or redesignated hedging relationships? If not, please explain why.

We concur with the Board's observation in paragraphs BC6 and BC7 of the proposals that it does not appear that entities are currently hedging risk related to the OIS rate based on SOFR, or entering into derivatives indexed to that rate. Therefore, we agree with the Board that an entity should apply the amendments prospectively for qualifying new or redesignated hedging relationships only.

Question 6:

Should the effective date of the proposed amendments coincide with the effective date of Update 2017-12? If not, when should the proposed amendments be effective? Please explain why.

We do not believe that entities should have to adopt these proposed amendments at the same time that they adopt ASU 2017-12. An entity should be permitted to apply the proposed amendments once instruments begin trading based on the OIS rate based on SOFR. Because it is not clear when the OIS rate based on SOFR market will develop, we believe the final ASU should be effective on issuance. Because hedge accounting and the specific benchmark interest rate that an entity selects are optional, the timing of transition to the new benchmark interest rate should allow an entity to choose the OIS rate based on SOFR as its benchmark rate if the entity would like to hedge the risk for risk management purposes.