Grant Thornton

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Via Email to director@fasb.org

Re: File Reference No. 2018-220

Dear Ms. Cosper:

Grant Thornton LLP appreciates 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*.

Our responses to the questions for respondents are as follows.

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 SOFR be included as a U.S. benchmark interest rate for hedge accounting purposes under Topic 815? Why or why not?

We agree that the OIS rate based on SOFR should be included as an eligible benchmark interest rate in U.S. GAAP. We agree that the addition of the OIS rate based on SOFR as an eligible benchmark interest rate will help eliminate uncertainty in the marketplace that could prevent acceptance of the newly developed SOFR rate.

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 a broader SOFR swap rate should not be included as a U.S. benchmark interest rate at this time, considering that development of such a rate has not begun. We believe that the FASB should monitor activity in the marketplace and consider in the future whether adding a broader SOFR swap rate as an eligible benchmark interest rate in U.S. GAAP is appropriate.

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 believe that for existing hedging relationships based on LIBOR that may transition to the OIS rate based on SOFR, the Board should consider providing reporting entities a one-time option to modify their hedge documentation to anticipate such a transition, allowing the transition to occur in the future without necessarily dedesignating an existing hedging relationship. We believe this transition option could function similarly to the option provided to preparers with respect to documenting a "backup" effectiveness-assessment methodology in shortcut method hedge documentation upon transition to the guidance in ASU 2017-12, *Targeted Improvements to Accounting for Hedging Activities*.

In addition, the Board may consider allowing entities to elect to measure the hedged instrument at fair value when an existing hedging relationship transitions to referencing the OIS rate based on SOFR.

We do not believe any transition relief will be required for newly designated hedging relationships based on SOFR.

Question 4: Should additional disclosures be required? If yes, please explain what specific additional disclosures should be required and why.

We do not believe any additional disclosures should be required. We believe that the existing disclosure requirements in ASC 815, *Derivatives and Hedging*, provide sufficient disclosures for an entity to describe its risk management activities and use of hedge accounting.

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 agree that the guidance should be applied on a prospective basis only for qualifying new or redesignated hedging relationships.

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 agree that the effective date of the proposed amendments should coincide with the effective date of Update 2017-12. We also believe that early adoption should be permitted.

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We would be pleased to discuss our comments with you. If you have any questions, please contact Rahul Gupta, Partner, 312 602 8084, rahul.gupta@us.gt.com, or Ryan Brady, Partner, 312 602 8741, ryan.brady@us.gt.com.

/s/ Grant Thornton LLP