The Goldman Sachs Group, Inc. | 200 West Street | New York, NY 10282
Tel: 212-902-7050 | Fax: 212- 291-5573 | email: Tim.Bridges@gs.com

Timothy Bridges
Managing Director
Global Head of Accounting Policy

Goldman Sachs

March 29, 2018

Mr. Russell G. Golden
FASB Chairman
401 Merritt 7
PO Box 5116
Norwalk, CT 06856-5116

Re: File Reference Number 2018-220, Exposure Draft of Proposed Accounting Standard Update Derivatives and Hedging (Topic 815) – 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

Dear Mr. Golden:

Goldman Sachs appreciates the opportunity to provide comments on the Financial Accounting Standards Board's (the "Board") exposure draft on the proposed Accounting Standards Update (ASU), *"Derivatives and Hedging (Topic 815) – 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"* (the "proposal").

We strongly support the addition of a benchmark interest rate for hedge accounting purposes under Topic 815 given the establishment by the Alternative Reference Rate Committee (ARRC) of an adoption plan that will institute the OIS rate based on SOFR as the alternative reference rate to U.S. Dollar London Interbank Offered Rate (LIBOR).

As noted in our comment letter for the then-proposed ASU, "*Derivatives and Hedging (Topic 815) – Targeted Improvements to Accounting for Hedging Activities,*" we support an interpretation of the Master Glossary definition of "benchmark interest rate" that deems *expectations* of market recognition and liquidity relevant factors when practical, which is consistent with the interpretation made by the Board when it added the OIS rate based on the Effective Fed Funds Rate (EFFR). Further, we agree with the view articulated in paragraph

BC15 of the proposal that in this case the concept of being a "widely recognized and quoted rate in an active financial market that is broadly indicative of the overall level of interest rates" should be evaluated based on the volume of market-based transactions underlying the rate (in this case, overnight Treasury repo transactions) not the volume of instruments that reference the rate. We note that this was one of the key factors considered by the ARRC in identifying an alternative to U.S. Dollar LIBOR.

Therefore, we support including the OIS rate based on SOFR as a U.S. benchmark interest rate for Topic 815. However, our preference is for the Board to add a broad-based SOFR swap rate given the expectation that the ARRC's transition efforts will culminate with the development of term reference rates based on derivatives referencing the underlying SOFR rates that reflect common borrowing intervals for cash instruments.

As a member of the International Swaps and Derivatives Association (ISDA), we were involved in the drafting of ISDA's comment letter and are supportive of the views therein, which expand on this point in addition to the other questions posed by the Board.

Thank you for the opportunity to provide our views. If you have any questions regarding this letter, please contact me at 212-902-7052.

Sincerely,

Timothy J. Bridges

/s/ Timothy Bridges