

March 29, 2018

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

By e-mail: director@fasb.org

**Re: Proposed Accounting Standards 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***

(File Reference No. 2018-220)

Dear Ms. Cospers:

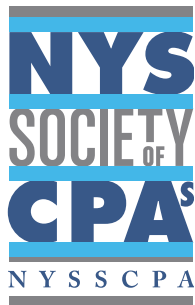
The New York State Society of Certified Public Accountants (NYSSCPA), representing more than 26,000 CPAs in public practice, business, government and education, welcomes the opportunity to comment on the above-captioned exposure draft.

The NYSSCPA's Financial Accounting Standards Committee deliberated the proposed accounting standards update and prepared the attached comments. If you would like additional discussion with us, please contact Margaret A. Wood, Chair of the Financial Accounting Standards Committee, at (201) 401-7844, or Ernest J. Markezin, NYSSCPA staff, at (212) 719-8303.

Sincerely,

Harold L. Deiters III
President

Attachment



**NEW YORK STATE SOCIETY OF
CERTIFIED PUBLIC ACCOUNTANTS**

COMMENTS ON

**PROPOSED ACCOUNTING STANDARDS 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***

(File Reference No. 2018-220)

March 29, 2018

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NYSSCPA Staff

Ernest J. Markezin

New York State Society of Certified Public Accountants

Comments on

Proposed Accounting Standards 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*

(File Reference No. 2018-220)

We welcome the opportunity to respond to the Financial Accounting Standards Board's (FASB or the Board) invitation to comment on the Proposed Accounting Standards 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* (Proposed Update).

We acknowledge FASB's desire to be proactive on this issue, however, we believe FASB's efforts are premature. In our November 21, 2016 comment letter response to a previous FASB proposal on accounting for hedging activities, we stated that: "Each interest rate should already be widely used before being included among accepted benchmark interest rates." We continue to maintain that position.

While the FASB argues in paragraph BC14 of the Proposed Update that repo transaction rates supporting the SOFR rate satisfies the Master Glossary definition of a benchmark interest rate, we do not agree. We maintain that SOFR does not currently meet the definition of a "widely recognized and quoted rate," although it may become one in the future. Consequently, we believe that including SOFR as a benchmark interest rate is not appropriate and that the Proposed Update should not be issued until SOFR meets the definition in the Master Glossary.

We do believe that once SOFR meets the definition in the Master Glossary, prospective adoption would be the appropriate implementation method.