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Russell G. Golden
Chairman
Financial Accounting Standards Board
401 Merritt 7
P.O. Box 5116
Norwalk, CT 06856-5116

Via email: director@fasb.org

RE: 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 Chairman Golden:

Capital One Financial Corporation ("Capital One") is a diversified financial services company with over $300 billion in assets that offers a broad array of financial products and services to consumers, small businesses and commercial clients through branches, the internet and other distribution channels. We appreciate the opportunity to provide comments on the Exposure Draft, *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*. We use numerous derivative instruments to manage our interest rate sensitivities, and are supportive of the Board's efforts to proactively address the market transition away from the London Interbank Offered Rate (LIBOR).

Capital One supports the inclusion of the OIS rate based on SOFR as a permissible designated benchmark rate for hedge accounting purposes under Topic 815, recognizing that support for SOFR within the accounting framework encourages the rate's adoption in the market place. However, we request that the Board strongly consider also including SOFR more broadly, similar to the inclusion of LIBOR, to allow for the market-driven emergence of the rate that serves as the broad indication of the overall level of interest rates without the need to amend the standard at a future date.

Given that the transition from LIBOR to SOFR will be a significant change for the industry, transition relief will be critical to allow companies to continue to manage their balance sheet risks and prevent reporting unintended financial statement volatility. To that end, the proposed amendments should be applied both to qualifying new hedging relationships as well as existing LIBOR hedges. Furthermore, as the timing and extent of impacts from the transition to SOFR are not yet known, we ask the Board provide flexibility in the timing and nature of the standard's transition relief provisions.

Companies should be able to change the designated risk and designated hedge from LIBOR to SOFR on a contract by contract basis without requiring dedesignation, and the timing of that designation should coincide with both changes to the underlying contracts and the company's reaction to changes in the market. For cash flow hedges of LIBOR assets, expected future cash flows should continue to be considered probable (per ASC 815-20-25-15b) even once the forecasted source of future cash flows transitions from LIBOR to another market rate. We also ask the Board provide relief from running retrospective regressions on SOFR designated hedges until an appropriate amount of relevant data points are available.

As there is still a high level of uncertainty with the impacts of the transition from LIBOR on both the market and accounting, we encourage the Board to conduct additional research on the potential impacts from the transition from LIBOR, and consider further transitional relief provisions as a future project.

Provided that there is flexibility in the transition relief provisions as listed above, Capital One believes the effective date for the proposed amendments should follow the effective date provisions of Update 2017-12.

Sincerely,

/s/ Timothy Golden

Timothy Golden
Controller
Capital One Financial Corporation