

Proposed Accounting Standards Update— Codification Improvements—Financial Instruments
12/18/2018 2018-300

Comment Letter No. 20

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14. Do the proposed amendments clarify the guidance in Topic 815? If not, please explain which proposed amendment(s) you disagree with and why.

Other than the items noted below, we believe the proposed amendments are appropriate clarifications.

The amendments to 815-20-25-12, 815-25-35-13B, and 815-25-35-9A indicate that a partial term designation is only available to hedges of interest rate risk only or both interest rate risk and foreign currency risk. We believe that partial term hedging should also be available to hedges of foreign currency risk only. The same factors that drive a partial term hedge of interest rate risk only drive a partial term hedge of foreign currency risk only.

The heading to 815-25-55-99 seems to indicate that this guidance applies only to partial term hedges of interest rate risk. We recommend editing the heading to include foreign currency risk as well.

15. Are there other changes that should be made that are directly or indirectly related to the proposed amendments? Please note that the proposed Codification improvements related to (a) the change in hedged risk guidance for cash flow hedges discussed at the March 28, 2018 Board meeting and (b) use of the word prepayable in the shortcut method guidance discussed at the February 14, 2018 Board meeting will be included in a future proposed Update.

None other than those noted above.

16. The proposed amendments would apply to public and nonpublic entities. Would any of the proposed amendments require special consideration for nonpublic entities? If so, which proposed amendment(s) would require special consideration and why?

No.

17. Should partial-term fair value hedging be expanded to all risks eligible for hedge accounting?

Yes. A restriction to interest rate risk only or interest rate risk and foreign currency risk is unnecessarily restrictive. At a minimum, hedges of foreign currency risk only should be allowed, but we do not see a reason to restrict partial term hedging for any currently qualifying risk.

18. Do you agree with the specific considerations for transition and the effective date for the proposed amendments to Topic 815? Please explain why or why not.

Yes.

19. Should the proposed amendments to Topic 815 be effective as of the earlier of the beginning of the first quarterly period (if applicable) or the first annual period after the issuance date of a final Update? Would this provide entities with sufficient time to implement these amendments?

Yes.