June 24, 2021

Ms. Hillary H. Salo
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): Fair Value Hedging—Portfolio Layer Method*

(File Reference No. 2021-002)

Dear Ms. Salo:

The New York State Society of Certified Public Accountants (NYSSCPA), representing more than 22,000 CPAs in public practice, industry, 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 Sean C. Prince, Chair of the Financial Accounting Standards Committee, at (646) 231-7285, or Ernest J. Markezin, NYSSCPA staff, at (212) 719-8303.

Sincerely,

Rumbi Bwerinofa-Petrozzello
President

Attachment

NEW YORK STATE SOCIETY OF

CERTIFIED PUBLIC ACCOUNTANTS

COMMENTS ON

PROPOSED ACCOUNTING STANDARDS UPDATE—*DERIVATIVES AND HEDGING (TOPIC 815): FAIR VALUE HEDGING—PORTFOLIO LAYER METHOD*

(File Reference No. 2021-002)

June 24, 2021

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New York State Society of Certified Public Accountants

Comments on

Proposed Accounting Standards Update—*Derivatives and Hedging (Topic 815): Fair Value Hedging—Portfolio Layer Method*

(File Reference No. 2021-002)

We welcome the opportunity to respond to the Financial Accounting Standards Board's (FASB or the Board) invitation to comment on Proposed Accounting Standards Update—*Derivatives and Hedging (Topic 815): Fair Value Hedging—Portfolio Layer Method* (proposed Update). We appreciate the Board's efforts to address several practice issues that have arisen under the current "last of layer" method and support the Board's efforts to further enhance that model to contemplate multiple hedged items (or layers).

Questions for Respondents

Question 1—Operability: Are the amendments in this proposed Update operable and auditable? If not, which proposed amendment or amendments pose operability or auditability issues and why?

Response: We believe the amendments in this proposed Update are operable and auditable.

Question 2—Risk Management: As proposed, would the multiple-layer model align with entities' risk management objectives? Please explain why or why not.

Response: We believe the proposed amendments will more closely align hedge accounting guidance with entities' risk management objectives. We acknowledge, however, that some entities may not benefit from the proposed amendments as a result of using more dynamic fair value hedging strategies. For example, we are aware of several institutions that hedge interest rate risk using an "open portfolio" approach and, therefore, would be ineligible to apply the portfolio layer method to such hedging strategies.

Question 3—Scope: Do you agree with the Board's decision to limit the scope of the types of instruments eligible for portfolio layer method hedging to prepayable financial assets or one or more beneficial interests secured by a portfolio of prepayable financial instruments? Please explain why or why not.

Response: Yes. We agree with the Board's decision to limit the amendments to prepayable financial assets. We appreciate the Board's efforts to timely address existing practice issues rather than delaying the issuance of the proposals to address scoping matters. We believe any scoping-related matters would be better addressed in a separate project.

Question 4—Dedesignation Sequencing: Do you agree with the Board's proposed amendments on hedge dedesignation sequencing under the multiple-layer model? Please explain why or why not.

Response: We believe the Board's proposed dedesignation sequencing guidance is practical and operational.

Question 5—Basis Adjustments: Do you agree with the Board's proposed amendments on accounting for basis adjustments and disclosure of those basis adjustments in disclosures required by other areas of GAAP outside hedge accounting? Please explain why or why not.

Response: Yes. We believe the proposed amendments address the practice issues and questions that arose under the existing "last of layer" method.

Question 6—"Follow the Asset" Method: In the case of a breach, do the expected costs of identifying which assets in the closed portfolio that caused the breach justify the expected benefits of aligning the derecognition guidance with other Topics in GAAP? Please explain why or why not.

Response: Overall, we do not object to the "follow the asset" method; though, we do believe use of this method will likely result in incremental costs to preparers, especially for those whose closed portfolios consist of a large number of smaller loans, securities, or beneficial interests. The extent of those costs will largely be driven by the nature of an entity's existing systems and processes it has in place.

We encourage the Board to clarify in the final standard whether the proposed guidance in ASC 815-25-40-9A applies solely to the asset or assets that caused the breach or also to any assets that, subsequent to the breach event but before the end of the financial reporting period, further resulted in the amount of the hedged layer exceeding the closed portfolio.

Question 7—Certain Private Companies and Not-for-Profit Entities: Would any of the proposed amendments require special consideration for private companies that are not financial institutions and not-for-profit entities (except for not-for-profit entities that have issued, or are a conduit bond obligor for, securities that are traded, listed, or quoted on an exchange or an over-the-counter market)? If so, which proposed amendment or amendments would require special consideration and why?

Response: No, we do not believe special accommodations are necessary for private companies that are not financial institutions and for not-for-profit entities.

Question 8—Transition: Do you agree with the proposed transition guidance? Please explain why or why not.

Response: Yes. We believe the proposed transition guidance is clear and practical.

Question 9—Implementation: How much time would be needed to implement the proposed amendments? Should the amount of time needed to implement the proposed amendments by entities other than public business entities be different from the amount of time needed by public business entities? Please explain your response.

Response: We do not believe application of the proposed amendments would be burdensome or time consuming. We do, however, encourage the Board to provide private companies with an extra year to benefit from the learning cycle provided by public company implementation. However, private companies should also have the option to early adopt if they so desire.