Financial Accounting Standards Board
Attn: Technical Director -- File Reference No. 1810-100
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RE: File Reference No. 1810-100 – Proposed Accounting Standards Update -- *Accounting for Financial Instruments and Revisions to the Accounting for Derivative Instruments and Hedging Activities*

Dear Technical Director, Board Members and Staff:

We appreciate the opportunity to comment on the Board's Exposure Draft for the Proposed Accounting Standards Update -- *Accounting for Financial Instruments and Revisions to the Accounting for Derivative Instruments and Hedging Activities*. The accounting standards on financial instruments have been a major source of controversy in our industry, and to some degree, an issue that has been highly politicized. Hence, we applaud the FASB and IASB for their continued efforts to improve the financial reporting standards on financial instruments.

Like many, we fully support the move towards a single converged financial reporting standard to reinforce a well-functioning global capital market. The issuance of the FASB ED separate from the IASB ED is a backward step from the goal of convergence. Accordingly, we urge the Boards to work together on reconciling their varying objectives, and the differences in views provided by various constituents.

The main objective of this ED, as stated, is to provide financial statement users more timely and representative depiction of an entity's involvement in financial instruments, while simplifying and improving the accounting for such instruments. To meet this objective, the proposed standard would require most financial instruments to be measured fair value and presented at amortized cost and fair value, including those instruments held for collection or payment of contractual cash flows. While we agree with the Board's objective, we believe certain aspects in the proposed standard presented additional complexity for users, preparers and auditors. Accordingly, we present our general views and responses to certain ED questions, as follow:

Fair Value of Financial Liability

We believe the default measurement for financial liabilities should not be fair value, but amortized cost unless the business purpose of the financial liability would be more appropriately matched with fair value accounting. In particular, the financial liabilities an entity intends to hold for collection or payment of contractual cash flows should be measured at amortized cost, as it provides more relevant information to financial statement users, whose fundamental need is generally to assess and predict the future cash flows of these instruments. While we recognize the importance of fair value

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information, we believe they are more appropriately placed on the footnotes on a disaggregated basis.

Further, the operationality and auditability of measuring financial liabilities at fair value presents challenges and added costs, since these types of instruments would generally be measured using unobservable market assumptions. The entity would also have to take its credit standing into consideration during the measurement process. We urge the Board to reconsider the cost-benefit effects of this proposal.

Equity Method

The ED includes an additional criterion in which an investment in a company can qualify under the equity method accounting. This topic appears to be outside the scope of this ED, and would be best suited for discussion on a separate document. We believe the significance test should be the main criteria in determining whether the equity method is appropriate or not. Accordingly, we believe the scope in the proposed standard should exclude equity instruments that qualify for equity method accounting based on the significance test alone.

Credit Impairment Model

We generally agree with the idea that we need to establish a uniform credit impairment model that results in earlier recognition of losses, however there are several issues with the FASB proposal that need further clarification, including the idea of incurred loss vs. expected loss. Further, we believe the expected loss model could heighten operational and reporting inconsistencies in requiring an entity to determine what future cash flows are expected not to be collectible, without considering at least near term future events.

Interest Income Recognition Model

We generally disagree with this model due to implementation issues and the significant cost it would impose on companies. Additionally, we believe interest income is widely understood under the current model by investors and users and that this would add too much complexity.

<u>We provide these specific responses on the Exposure Draft questions below</u>:

<u>Scope</u>

Question 1 -- *Do you agree with the scope of financial instruments included in this proposed Update? If not, which other financial instruments do you believe should be excluded or which financial instruments should be included that are proposed to be excluded? Why?*

The proposed standard provides two criteria for equity method accounting, namely the significance test and the related operations test. It is unclear why the proposed standard includes an additional criterion of related operations test to qualify for equity method accounting. Accordingly, we do not agree with the scope to include investments in equity instruments that do not qualify for the use of equity method accounting because it does not meet the additional criterion. We believe the key criterion for equity method accounting should be the significance test.

Question 2 -- *The proposed guidance would require loan commitments, other than loan commitments related to a revolving line of credit issued under a credit card arrangement, to be measured at fair value. Do you agree that loan commitments related to a revolving line of credit issued under a credit card arrangement should be excluded from the scope of this proposed Update? If not, why?*

From a practical standpoint, we agree with the scope exclusion of loan commitments related to a revolving line of credit issued under a credit card arrangement. The main rational for the exclusion, as stated in the ED, is the small, revolving, and high volume nature of loan commitment balances associated with credit card receivables. On the same token, this could be problematic for financial instruments that meet similar characteristics (small balance, revolving, and high volume nature), but are not under a credit card arrangement. Accordingly, we urge the Board to consider excluding similar arrangements from fair value requirements.

Question 4 -- *The proposed guidance would require an entity to not only determine if they have significant influence over the investee as described currently in Topic 323 on accounting for equity method investments and joint ventures but also to determine if the operations of the investee are related to the entity's consolidated business to qualify for the equity method of accounting. Do you agree with this proposed change to the criteria for equity method of accounting? If not, why?*

As previously stated, it is unclear why the proposed standard includes new guidance on the criteria for equity method accounting. We believe the key criterion for equity method accounting should be the significance test. If the Board believes further consideration is needed, a separate consideration should be made as part of a separate document.

Initial Measurement

Question 8 -- *Do you agree with the initial measurement principles for financial instruments? If not, why?*

We agree with principle behind the initial measurement of financial instruments classified as FV-NI and FV-OCI. However, separately identifying the element(s) attributable to the significant difference between the transaction price and fair value could present operational challenges and complexities. Further, the recognition of a gain or loss in net income in the case that the element(s) cannot be identified could potentially drive how transactions are structured.

We believe it is more appropriate to initially recognize both FV-NI and FV-OCI instruments at fair value. For FV-OCI, any difference between the transaction price and fair value should be recognized in OCI. This treatment is more consistent with the Board's belief that fair value changes of instruments that an entity intends to hold for collection or payment of cash flows will potentially reverse during the life of the instrument, and therefore, should be recognized in OCI.

Question 9 -- *For financial instruments for which qualifying changes in fair value are recognized in other comprehensive income, do you agree that a significant difference between the transaction price and the fair value on the transaction date should be recognized in net income if the significant difference relates to something other than fees or costs or because the market in which the transaction occurs is different from the market in which the reporting entity would transact? If not, why?*

Please refer to our response to Question 8.

Question 10 -- *Do you believe that there should be a single initial measurement principle regardless of whether changes in fair value of a financial instrument are recognized in net income or other comprehensive income? If yes, should that principle require initial measurement at the transaction price or fair value? Why?*

As the move towards fair value accounting is implemented, we believe a less complex set of accounting standards would assist interested parties in all aspects of its application. Accordingly, we believe that the Board should not make a distinction between FV-NI and FV-OCI in its initial measurement. Rather, the initial measurement at fair value should apply to both types of instruments.

Question 11 -- *Do you agree that transaction fees and costs should be (1) expensed immediately for financial instruments measured at fair value with all changes in fair value recognized in net income and (2) deferred and amortized as an adjustment of the yield for financial instruments measured at fair value with qualifying changes in fair value recognized in other comprehensive income? If not, why?*

We agree to the proposed accounting for transactions fees and costs.

Question 12 -- *For financial instruments initially measured at the transaction price, do you believe that the proposed guidance is operational to determine whether there is a significant difference between the transaction price and fair value? If not, why?*

Please refer to our response to Question 8.

<u>Subsequent Measurement</u>

Question 13 -- *The Board believes that both fair value information and amortized cost information should be provided for financial instruments an entity intends to hold for collection or payment(s) of contractual cash flows. Most Board members believe that this* *information should be provided in the totals on the face of the financial statements with changes in fair value recognized in reported stockholders' equity as a net increase (decrease) in net assets. Some Board members believe fair value should be presented parenthetically in the statement of financial position. The basis for conclusions and the alternative views describe the reasons for those views. Do you believe the default measurement attribute for financial instruments should be fair value? If not, why? Do you believe that certain financial instruments should be measured using a different measurement attribute? If so, why?*

We agree with the Board's view that both fair value and amortized cost provide useful information about instruments that an entity intends to hold for collection or payment of contractual cash flows. However, we believe that the appropriate measurement attribute of these instruments held for collections is amortized cost, with the fair value disclosure presented in the footnotes or parenthetically in the statement of financial position. Because an entity's business strategy is to hold these instruments for cash flow, the amortized costs information is more relevant to users of financial statements where the fundamental purpose is to assess and predict the entity's future cash flows.

Question 15 -- *Do you believe that the subsequent measurement principles should be the same for financial assets and financial liabilities? If not, why?*

No. We believe the subsequent measurement of financial liabilities in their fair values generally requires more use of significant estimates based on unobservable inputs, compared to financial assets. This becomes problematic due to the varying use of judgments and estimates, leading to less comparative financial statements.

Question 16 -- *The proposed guidance would require an entity to decide whether to measure a financial instrument at fair value with all changes in fair value recognized in net income, at fair value with qualifying changes in fair value recognized in other comprehensive income, or at amortized cost (for certain financial liabilities) at initial recognition. The proposed guidance would prohibit an entity from subsequently changing that decision. Do you agree that reclassifications should be prohibited? If not, in which circumstances do you believe that reclassifications should be permitted or required? Why?*

We agree that reclassification from period to period should not be permitted. However, we recognized that an entity's business strategy could change overtime and the need for reclassification may be necessary to properly reflect the change in business strategy. Accordingly, we urge the Board to consider how a change in business strategy should be treated.

Question 18 -- *Do you agree that a financial liability should be permitted to be measured at amortized cost if it meets the criteria for recognizing qualifying changes in fair value in other comprehensive income and if measuring the liability at fair value would create or exacerbate a measurement attribute mismatch? If not, why?*

We believe the amortized cost should be the default measurement of financial liability. The varying criteria on when to recognize financial liability at amortize cost, fair value with changes in FV-NI, or fair value with changes in FV-OCI, presents added complexities and consistency problems to financial statements.

Question 19 -- *Do you believe that the correct financial instruments are captured by the criteria in the proposed guidance to qualify for measurement at the redemption amount for certain investments that can be redeemed only for a specified amount (such as an investment in the stock of the Federal Home Loan Bank or an investment in the Federal Reserve Bank)? If not, are there any financial instruments that should qualify but do not meet the criteria? Why?*

We agree that the fair value model is not appropriate for certain types of investments not held for capital appreciation and can be redeemed only for a specified amount. Accordingly, we believe redemption value is an appropriate measurement. We are not aware of other financial instruments that should qualify but do not meet the criteria.

Question 20 -- *Do you agree that an entity should evaluate the need for a valuation allowance on a deferred tax asset related to a debt instrument measured at fair value with qualifying changes in fair value recognized in other comprehensive income in combination with other deferred tax assets of the entity (rather than segregated and analyzed separately)? If not, why?*

We agree.

Question 21 -- *The Proposed Implementation Guidance section of this proposed Update provides an example to illustrate the application of the subsequent measurement guidance to convertible debt (Example 10). The Board currently has a project on its technical agenda on financial instruments with characteristics of equity. That project will determine the classification for convertible debt from the issuer's perspective and whether convertible debt should continue to be classified as a liability in its entirety or whether the Board should require bifurcation into a liability component and an equity component. However, based on existing U.S. GAAP, the Board believes that convertible debt would not meet the criterion for a debt instrument under paragraph 21(a)(1) to qualify for changes in fair value to be recognized in other comprehensive income because the principal will not be returned to the creditor (investor) at maturity or other settlement. Do you agree with the Board's application of the proposed subsequent measurement guidance to convertible debt? If not, why?*

We recommend the Board address this issue as part of its project on financial instruments with characteristics of equity.

Question 28 -- *Do you believe that the proposed criteria for recognizing qualifying changes in fair value in other comprehensive income are operational? If not, why?*

Generally we believe this would be operational. If the board proceeds with this aspect of the proposal we agree that some changes should be recognized in net income and others in OCI. However, we think additional guidance may be required on the business strategy criteria for OCI treatment of gains and losses as this criterion is the most judgmental. In particular it would be helpful to include specific examples of when it would no longer be acceptable to utilize this criterion. This would assist in ensuring that application of this concept is consistent.

Question 29 -- *Do you believe that measuring financial liabilities at fair value is operational? If not, why?*

Determining the fair value of liabilities would be operational as certain liabilities are already utilizing fair value accounting. One item for consideration is that many of these liabilities will be marked to fair value utilizing models requiring significant unobservable inputs. This issue raises concerns about the precision and reliability of these values and would call into question the cost/benefit of this aspect of the proposal. As noted previously, we believe that the default measurement for financial liabilities should be amortized cost and only certain types of financial liabilities should utilize fair value accounting.

Question 30 -- *Do you believe that the proposed criteria are operational to qualify for measuring a financial liability at amortized cost? If not, why?*

Generally we believe that the amortized cost measurement should be the default measurement for financial liabilities; however we believe that this could be operational with further guidance to ensure that liabilities with similar characteristics are not measured differently.

Question 31 -- *The proposed guidance would require an entity to measure its core deposit liabilities at the present value of the average core deposit amount discounted at the difference between the alternative funds rate and the all-in-cost-to-service rate over the implied maturity of the deposits. Do you believe that this remeasurement approach is operational? Do you believe that the remeasurement approach is clearly defined? If not, what, if any, additional guidance is needed?*

Conceptually we agree with the idea that if a financial asset is measured at fair value the corresponding liability utilized to fund the asset should be measured in a similar manner to avoid a mismatch. In general we do not support the proposed remeasurement outlined in this exposure draft. We believe that this model would create operational difficulties, require significant judgment introducing more subjectivity into the financial statements and add an additional layer of complexity which would be of questionable value to investors as it does not represent either amortized cost or fair value.

Presentation

Question 33 -- *Appendix B describes two possible methods for determining the change in fair value of a financial liability attributable to a change in the entity's credit standing (excluding the changes in the price of credit). What are the strengths and weaknesses of each method? Would it be appropriate to use either method as long as it was done consistently, or would it be better to use Method 2 for all entities given that some entities are not rated? Alternatively, are there better methods for determining the change in fair value attributable to a change in the entity's credit standing, excluding the price of credit? If so, please explain why those methods would better measure that change.*

Both of the prescribed methods present their own unique challenges. Should this proposal be accepted, we would recommend that entities be given flexibility in determining the method they utilize as long as the method is consistent and adequate disclosure is provided. Additionally, we would recommend that the Board reconsider the cost/benefit of this information as it will prove operationally challenging to calculate and both methods require significant assumptions which would result in imprecise measurements that might not be of significant value to users.

Question 34 -- *The methods described in Appendix B for determining the change in fair value of a financial liability attributable to a change in an entity's credit standing (excluding the changes in the price of credit) assume that the entity would look to the cost of debt of other entities in its industry to estimate the change in credit standing, excluding the change in the price of credit. Is it appropriate to look to other entities within an entity's industry, or should some other index, such as all entities in the market of a similar size or all entities in the industry of a similar size, be used? If so, please explain why another index would better measure the change in the price of credit.*

We would recommend giving entities flexibility in determining which methodology to utilize for selection of comparison data. The type of data which is available and most relevant may vary depending on the size, type and location of that entity. Overall, we believe there might be some difficulty for certain types of entities in finding comparable data to use.

Credit Impairment

Question 37 -- *Do you believe that the objective of the credit impairment model in this proposed Update is clear? If not, what objective would you propose and why?*

We support the idea of establishing a credit impairment model that would result in more timely recognition of losses. We believe that the objective of the model is generally clear; however we would recommend clarifying for conceptual understanding the idea of incurred loss vs. expected loss. Additionally, we would recommend addressing the removal of the probability threshold in a more prominent location. If we properly interpreted this as movement to an expected loss model we would also recommend considering the inconsistencies in requiring an entity to determine what future cash flows are expected not to be collectible without considering at least near term future events.

Question 38 -- *The proposed guidance would require an entity to recognize a credit impairment immediately in net income when the entity does not expect to collect all contractual amounts due for originated financial asset(s) and all amounts originally expected to be collected for purchased financial asset(s).*

The IASB Exposure Draft, Financial Instruments: Amortized Cost and Impairment (Exposure Draft on impairment), would require an entity to forecast credit losses upon acquisition and allocate a portion of the initially expected credit losses to each reporting period as a reduction in interest income by using the effective interest rate method. Thus, initially expected credit losses would be recorded over the life of the financial asset as a reduction in interest income. If an entity revises its estimate of cash flows, the entity would adjust the carrying amount (amortized cost) of the financial asset and immediately recognize the amount of the adjustment in net income as an impairment gain or loss.

Do you believe that an entity should immediately recognize a credit impairment in net income when an entity does not expect to collect all contractual amounts due for originated financial asset(s) and all amounts originally expected to be collected for purchased financial asset(s) as proposed in this Update, or do you believe that an entity should recognize initially expected credit losses over the life of the financial instrument as a reduction in interest income, as proposed in the IASB Exposure Draft on impairment?

We believe that both of the models above have certain flaws; however we believe the FASB model is much more intuitive to the users of the financial statements, and much closer to current practice which would result in fewer operational hurdles. In concept, it would be preferable to recognize expected losses over the expected life of the asset and known losses immediately thus, utilizing some aspects of each model. However, we have noted that this as well could be operationally difficult. We would recommend further work to converge the models prior to adoption as this would result in fewer subsequent updates to the guidance. See additional comments to Question 37.

Question 39 -- *Do you agree that a credit impairment should not result from a decline in cash flows expected to be collected due to changes in foreign exchange rates, changes in expected prepayments, or changes in a variable interest rate? If not, why?*

We agree with this aspect of the proposal.

Question 40 -- *For a financial asset evaluated in a pool, the proposed guidance does not specify a particular methodology to be applied by individual entities for determining historical loss rates. Should a specific method be prescribed for determining historical loss rates? If yes, what specific method would you recommend and why?*

We believe that flexibility should be allowed in determining historical loss rates as long as methods are consistent and adequately disclosed. We believe that further guidance may be required to illustrate how historic loss rates will be utilized to estimate future cash flows not collectible

Question 41 -- *Do you agree that if an entity subsequently expects to collect more cash flows than originally expected to be collected for a purchased financial asset, the entity should recognize no immediate gain in net income but should adjust the effective interest rate so that the additional cash flows are recognized as an increase in interest income over the remaining life of the financial asset? If not, why?*

We agree with this treatment, as this does not represent the reversal of a previously recorded impairment.

Question 42 -- *If a financial asset that is evaluated for impairment on an individual basis has no indicators of being individually impaired, the proposed guidance would require an entity to determine whether assessing the financial asset together with other financial assets that have similar characteristics indicates that a credit impairment exists. The amount of the credit impairment, if any, would be measured by applying the historical loss rate (adjusted for existing economic factors and conditions) applicable to the group of similar financial assets to the individual financial asset. Do you agree with this requirement? If not, why?*

We agree with this requirement; however we believe that further guidance should be issued regarding evaluation of impairment on unique assets. If the entity has no loss history on similar assets the proposal recommends looking to third party data. We believe that this might create some operational difficulties due to availability of comparable data.

Question 46 -- *The proposed guidance would require that in determining whether a credit impairment exists, an entity consider all available information relating to past events and existing conditions and their implications for the collectability of the cash flows attributable to the financial asset(s) at the date of the financial statements. An entity would assume that the economic conditions existing at the end of the reporting period would remain unchanged for the remaining life of the financial asset(s) and would not forecast future events or economic conditions that did not exist at the reporting date. In contrast, the IASB Exposure Draft on Impairment proposes an expected loss approach and would require an entity to estimate credit losses on basis of probability-weighted possible outcomes.*

Do you agree that an entity should assume that economic conditions existing at the reporting date would remain unchanged in determining whether a credit impairment exists, or do you believe that an expected loss approach that would include forecasting future events or economic conditions that did not exist at the end of the reporting period would be more appropriate? Are both methods operational? If not, why?

We believe that allowing entities to place significant reliance upon forecasts of future events in estimating credit losses could create estimates that would be much more difficult to support for preparers, as well as, to test for auditors. We believe that the utilization of historic loss factors adjusted for current economic conditions inherently considers future events due to the cyclical nature of the economy. However, to the extent that this model is utilizing an expected loss approach we believe that excluding some consideration of future events would create an inherent inconsistency. We would recommend that supportable, near term future events be considered acceptable components of this estimation process.

Question 47 -- *The proposed guidance would require that an appropriate historical loss rate (adjusted for existing economic factors and conditions) be determined for each individual pool of similar financial assets. Historical loss rates would reflect cash flows that the entity does not expect to collect over the life of the financial assets in the pool. Would such an approach result in a significant change in practice (that is, do historical loss rates typically reflect cash flows that the entity does not expect to collect over the life of the financial assets in the pool or some shorter period)?*

We believe that for most loans and receivables this type of data is being maintained and utilized to estimate losses. We do not believe that the historic loss rates currently represent an estimate of cash flows not expected to be collected but rather annualized charge offs by type of asset. These rates are being utilized to estimate probable losses which have occurred at the balance sheet date, but have not yet been identified by management. We believe that further guidance is needed in illustrating how the historical loss concept will be practically utilized in estimating future losses. This could possibly be done by accounting for the average life of the pools of assets as part of this calculation.

Interest Income

Question 48 -- *The proposed guidance would require interest income to be calculated for financial assets measured at fair value with qualifying changes in fair value recognized in other comprehensive income by applying the effective interest rate to the amortized cost balance net of any allowance for credit losses. Do you believe that the recognition of interest income should be affected by the recognition or reversal of credit impairments? If not, why?*

Conceptually we can understand this aspect of the proposal; however we do not believe that the recognition of interest income should be affected by the recognition or reversal of credit impairments primarily due to the significant implementation issues which would arise. The current systems in place would require substantial changes and in our opinion provide marginal cost/benefit. Additionally, the provision for credit losses line item and the current interest income recognition model are widely understood by users of the financial statements and the above proposal would create an additional layer of complexity.

If this proposal is adopted, we would recommend showing separately the contractual interest either through a disclosure or as a separate line item on the financial statements. We would also recommend issuing additional illustrative guidance on how this concept could be applied to impairment recognized on pools of assets rather than individual assets.

Question 49 -- *Do you agree that the difference in the amount of interest contractually due that exceeds interest accrued on the basis of an entity's current estimate of cash flows expected to be collected for financial assets should be* recognized as an increase to the allowance for credit losses? If not, why?

We do not agree with this proposal primarily due to the reasons noted in Question 48.

Question 50 -- *The proposed guidance would permit, but would not require, separate presentation of interest income on the statement of comprehensive income for financial assets measured at fair value with all changes in fair value recognized in net income. If an entity chooses to present separately interest income for those financial assets, the proposed guidance does not specify a particular method for determining the amount of interest income to be recognized on the face of the statement of comprehensive income. Do you believe that the interest income recognition guidance should be the same for all financial assets?*

We believe that the interest income recognition guidance should be the same for all financial assets to reduce confusion for users of the financial statements.

Question 51 -- *Do you believe that the implementation guidance and illustrative examples included in this proposed Update are sufficient to understand the proposed credit impairment and interest income models? If not, what additional guidance or examples are needed?*

We believe that the current implementation guidance and examples are very helpful; however we would recommend adding the following items.

1. Examples of how the proposed models vary from existing guidance; particularly in regards to the credit impairment model.
2. Examples of how historic loss rates could be adjusted to reflect cash flows expected not to be collected over the life of the asset.
3. Examples of how the removal of a probability threshold affects the calculation.
4. Examples of how the impairment of pooled loans would affect interest income.

Hedge Accounting

Question 56 -- *Do you believe that modifying the effectiveness threshold from highly effective to reasonably effective is appropriate? Why or why not?*

We support the proposed changes to lower the effectiveness threshold from *highly effective* to *reasonably effective*. However, we are concerned that there is no clearly defined principle that individuals can uniformly apply to determine whether the hedge is *reasonably effective.*

Question 57 -- *Should no effectiveness evaluation be required under any circumstances after inception of a hedging relationship if it was determined at inception that the hedging relationship was expected to be reasonably effective* over the expected hedge term? Why or why not?

We agree with the Board's proposed decision to reassess the hedge effectiveness based on circumstances that indicate the hedge is no longer reasonably effective. This should not require significant time given the fact that the hedging effectiveness is being revised from *highly effective* to *reasonably effective.*

Question 58 -- *Do you believe that requiring an effectiveness evaluation after inception only if circumstances suggest that the hedging relationship may no longer be reasonably effective would result in a reduction in the number of times hedging relationships would be discontinued? Why or why not?*

We believe this would result in a reduction in the number of times hedging relationships would be discontinued. This is due to the fact that the hedging effectiveness is being revised from *highly effective* to *reasonably effective.*

Question 61 -- *Do you foresee any significant operational concerns or constraints in calculating ineffectiveness for cash flow hedging relationships? If yes, what constraints do you foresee and how would you alleviate them?*

No, we do not see any significant operational concerns or constraints in calculating ineffectiveness for cash flow hedging relationships.

Question 62 -- *Do you foresee any significant operational concerns or constraints in creating processes that will determine when changes in circumstances suggest that a hedging relationship may no longer be reasonably effective without requiring reassessment of the hedge effectiveness at each reporting period? If yes, what constraints do you foresee and how would you alleviate them?*

Yes, we believe there should be a more defined guiding principle to determine whether the hedging is reasonably effective.

Question 63 -- *Do you foresee any significant operational concerns or constraints arising from the inability to discontinue fair value hedge accounting or cash flow hedge accounting by simply de-designating the hedging relationship? If yes, what constraints do you foresee and how would you alleviate them?*

We believe that an entity should continue to have the ability to de-designate hedging relationships.

Question 64 -- *Do you foresee any significant operational concerns or constraints arising from the required concurrent documentation of the effective termination of a hedging derivative attributable to the entity's entering into an offsetting derivative instrument? If yes, what constraints do you foresee and how would you alleviate them?*

No.

Question 65 -- *Do you agree with the proposed disclosure requirements? If not, which disclosure requirement do you believe should not be required and why?*

Overall, we agree with the proposed disclosure requirements.

Question 68 -- *Do you agree with the transition provision in this proposed Update? If not, why?*

Yes, we support the transition provisions.

Question 69 -- *Do you agree with the proposed delayed effective date for certain aspects of the proposed guidance for nonpublic entities with less than $1 billion in total consolidated assets? If not, why?*

Yes, we support the proposed delayed effective date for certain aspects of the proposed guidance for nonpublic entities with less than $1 billion in total consolidated assets.

Question 70 -- *How much time do you believe is needed to implement the proposed guidance?*

We encourage the Board to get additional feedback from preparers. However, we believe that implementation could be a few years based upon the complexities and size of the entity's financial instruments.

Question 71 -- *Do you believe the proposed transition provision is operational? If not, why?*

Yes, we believe the proposed transition provision is operational.

We appreciate the opportunity to comment on this proposed standard, and welcome any additional opportunity to further discuss or otherwise support the efforts of the FASB in this area.

Respectfully,

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