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Financial Accounting Standards Board (“FASB”)
Attention: Technical Director
401 Merritt 7
PO Box 5116
Norwalk, CT 06856-5116

**Re: FASB Discussion Paper, *Selected Issues about Hedge Accounting*
File Reference No. 2011-175**

Dear Technical Director:

MetLife, Inc. (MetLife) appreciates the opportunity to provide comments on the FASB Discussion Paper, *Selected Issues about Hedge Accounting* (the “DP”). MetLife is a leading global provider of life insurance, annuities, auto and homeowners insurance, mortgage and deposit products and other financial services to individuals, as well as group insurance and retirement & savings products and services to corporations and other institutions.

MetLife continues to believe users and preparers would benefit substantially if all participants agree to a common, understandable set of accounting standards. We support the Board’s issuance of the DP in its effort to redeliberate improvements to its hedge accounting guidance. We believe it is critical that the FASB and International Accounting Standards Board (“IASB”) continue to work together on the financial instruments project in developing a converged, high quality final standard. This should include joint decisions on next steps and possible joint exposure of a final overall standard on financial instruments.

We supported most of the hedge accounting changes proposed by the FASB in its May 2010 financial instruments exposure draft. However, we believe the hedge accounting model as outlined in the IASB’s Exposure Draft (the “ED”) on hedge accounting is preferable compared to the limited changes proposed by the FASB. We agree with the objectives of hedge accounting in the ED to represent the effect of an entity’s risk management activities that use financial instruments to manage exposures arising from risks that could affect the entity’s profit or loss. We believe the ED’s approach is an appropriate foundation to accounting for derivatives and hedging activities and would encourage the FASB to strongly consider many of its principles in its re-deliberations.

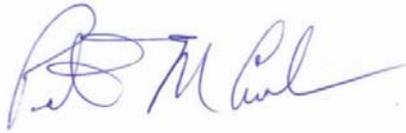
The following pages present our responses to the questions in the DP. Our concerns with the IASB's ED include the ineligibility of a layer component that includes a prepayment option if the option's fair value is affected by changes in the hedged risk (Question No. 10) and the presentation requirements for fair value hedges (Questions Nos. 19-21).

In addition, we disagree with the elimination of an entity's ability to electively de-designate a hedging relationship consistent with the hedge accounting changes proposed by the FASB. We are not aware of practice issues of abuses arising from elective de-designation and do not support changing accounting guidance in this area. Hedge accounting by its nature is elective and, therefore, the ability to discontinue it is consistent with this notion.

If the FASB considers the hedge accounting model proposed by the IASB, we believe additional clarification would be required with respect to disclosure requirements for non-qualifying hedging instruments. While we agree it is likely more derivative instruments will qualify for hedge accounting under the IASB's model compared to current practice under U.S. GAAP, not all hedging instruments will qualify for hedge accounting. In some instances, entities may not elect hedge accounting for operational or other reasons. Paragraph BC183 of the ED states that if an entity does not apply hedge accounting, the proposed hedge accounting disclosures would not apply. We believe further clarification regarding disclosure requirements in these instances (and further consideration of the interplay between disclosure requirements for qualifying and non-qualifying hedging instruments) would be helpful to preparers and users of financial statements.

We once again thank you for the opportunity to respond to your proposal and your consideration of our observations and comments. If you have any questions regarding the contents of this letter, please do not hesitate to contact me.

Sincerely,

A handwritten signature in blue ink, appearing to read "Peter M. Carlson". The signature is fluid and cursive, with a long horizontal stroke at the end.

Peter M. Carlson

Responses to Questions

Risk Management

1. When an entity uses financial instruments to manage risk exposures in economic hedges but those instruments are not designated in hedging relationships for accounting purposes, do you believe that the proposed guidance would provide useful information about all of the effects of an entity's risk management objectives?

We believe that as a result of changing the effectiveness threshold from highly effective to reasonably effective (or achieve "other than accidental offsetting", as proposed by the IASB), more derivative instruments will be designated as qualifying hedges for accounting purposes.

To the extent derivative instruments and other financial instruments are used to manage risk exposures that do not qualify for hedge accounting, we believe disclosures in the notes to financial statements can provide users with information on how an entity manages and mitigates such risks. However, we believe the disclosure requirements in the ED are unclear with regard to non-qualifying hedges. We would suggest consideration of existing U.S. GAAP disclosure requirements along with additional qualitative disclosures which would provide decision-useful information to users of financial statements.

2. Do you believe that the proposed guidance and illustrative examples included in the IASB's Exposure Draft are sufficient to understand what is meant by risk management, how to apply that notion to determine accounting at a transaction level, and how to determine the appropriate level of documentation required? Why or why not?

Yes, we support the proposed objective of hedge accounting to represent in the financial statements the effect of an entity's risk management activities, and believe the proposed guidance and illustrative examples are sufficient. In addition, we believe the documentation principles in Paragraph 19(b) of the ED are consistent with current U.S. GAAP requirements.

3. Do you foresee an entity changing how it determines, documents, and oversees its risk management objectives as a result of this proposed guidance? If yes, what changes do you foresee? Do you foresee any significant difficulties that an entity would likely encounter in establishing the controls related to complying with the proposed guidance?

We do not foresee entities changing how they determine their risk management objectives. However, we do believe more thorough documentation linking an entity's risk management objectives to its use of hedge accounting would be necessary (and appropriate) under the ED. We do not believe establishing this documentation or related controls to comply with the proposed guidance will present significant ongoing difficulties or operational challenges to preparers.

4. Do you foresee any significant auditing issues arising from the proposed articulation of risk management and its link to hedge accounting? For example, is the information required to be disclosed regarding an entity's risk management strategies measurable and objective? Could the inclusion of an entity's risk management objectives create an expectation gap that the auditor is implicitly opining on the adequacy of an entity's risk management objectives?

While we do not believe that the inclusion of an entity's risk management objectives would create an "expectation gap", we do believe that the proposed articulation of risk management and its link to hedge accounting is somewhat subjective. Auditing issues will generally arise more frequently when applying principles-based guidance such as the ED, but we do not believe this is an issue specific to hedge accounting and do not believe it should deter the overall direction of the FASB and IASB in its convergence process.

Hedging Instruments

5. Should cash instruments be eligible to be designated as hedging instruments? Why or why not? If yes, is there sufficient rigor to prevent an entity from circumventing the classification and measurement guidance in other relevant accounting guidance (for example, IFRS 9, *Financial Instruments*, and IAS 21, *The Effects of Changes in Foreign Exchange Rates*)? Are there any operational concerns about designating cash instruments (such as items within a portfolio of receivables) as hedging instruments?

We believe that cash instruments, such as debt securities, should be eligible to be designated as hedging instruments in hedging relationships. We believe such eligibility is consistent with the objective of the IASB's proposal to represent in the financial statements the effect of an entity's risk management activities.

Given that qualifying instruments are limited in Paragraph 5 of the ED to financial assets or financial liabilities measured at fair value through net income, we do not foresee significant operational concerns or circumvention of classification and measurement guidance.

Hedged Items – Overall

6. Do you believe that the proposed guidance is sufficient to understand what constraints apply when determining whether an item in its entirety or a component thereof is eligible to be designated as a hedged item (for example, equity instruments measured at fair value through profit or loss, standalone derivatives, hybrid instruments, and components of instruments measured at fair value through profit or loss that are not permitted to be bifurcated)? If not, what additional guidance should be provided?

Yes, we believe the proposed guidance is sufficient to understand whether items or components are eligible to be designated as hedged items.

Hedged Items – Risk Components

7. Do you believe that the proposed criteria are appropriate when designating a component of an item as a hedged item? If not, what criteria do you suggest? Do you believe that the proposed guidance and illustrative examples are sufficient to understand how to determine when the criteria of separately identifiable and reliably measurable have been met? If not, please describe what additional guidance should be provided.

We believe the principles surrounding risk components of an item are appropriate and believe the examples are sufficient to understand when the criteria of separately identifiable and reliably measurable have been met.

However, we do not believe the illustrative examples should list components that do not qualify for hedge accounting (such as inflation and credit risk). We believe all parties would generally be better served if the illustrative examples focused on the principle, providing examples of risk components that qualified and how/why it qualifies.

8. Do you believe that “separately identifiable” should be limited to risk components that are contractually specified? Why or why not?

No, we do not believe risk components should be limited to those that are contractually specified. We believe that permitting hedge accounting for risk components that are separately identifiable and reliably measurable is consistent with the objectives of hedge accounting as described in the ED, will decrease unnecessary volatility in earnings and will enhance a financial statement user’s understanding of how an entity manages its business and related risks.

Hedged Items – Layer Component

10. Do you believe that the proposed guidance is sufficient to understand what constraints apply to determining a layer component from a defined, but open, population? (For example, do you believe that the sale of the last 10,000 widgets sold during a specified period could be designated a layer component in a cash flow hedge?) If not, what additional guidance should be provided?

We believe the proposed guidance in Paragraphs B19-B22 of the ED is sufficient to understand what constraints apply in determining a layer component from a defined population. We believe a “last of” or bottom layer of a closed population could be designated in a cash flow hedge consistent with examples in Paragraph B21 of the ED. However, we do not believe the last 10,000 widgets sold during a specified period could be designated as a layer component since it could not be separately identified until the end of the period.

However, we do not agree with the IASB ED provision in Paragraph B23, which states that a layer component of a contract that includes a prepayment option is not eligible to be designated as a hedged item in a fair value hedge if the option’s fair value is affected by changes in the hedged risk. We believe that such components should be eligible hedged items with the ineffective portion of the hedging relationship (inclusive of any ineffectiveness related to the prepayment feature) recognized in profit or loss. Alternatively, an entity’s hedging instrument could contain a mirroring prepayment feature preserving an effective hedging relationship.

Hedged Items – Aggregated Exposures and Groups of Items

11. Do you foresee any operational concerns applying other guidance in IFRS (for example, guidance on impairment, income recognition, or derecognition) to those aggregated positions being hedged? For example, do you foresee any operational concerns arising when an impairment of individual items within a group being hedged occurs? If yes, what concerns do you foresee and how would you alleviate them?

We do not foresee any significant operational concerns applying other current or proposed guidance to aggregated positions being hedged given that current U.S. GAAP also permits hedging of groups of items, albeit on a more limited basis.

12. Do you believe that the proposed guidance on aggregated exposures will provide more transparent and consistent information about an entity's use of derivatives? Why or why not?

Yes, we believe the proposed guidance on aggregated exposures, including a combination of an exposure and a derivative instrument, will provide transparent and consistent information, assuming such aggregated exposures are managed together for risk management purposes and thus qualify for hedge accounting.

13. Do you believe that an entity should be permitted to apply hedge accounting to a group of cash instruments or portions thereof that offset and qualify as a group under the proposed guidance and satisfy the proposed hedge effectiveness criteria? Why or why not?

Yes, provided that is consistent with an entity's risk management objectives. We believe this is consistent with the principles-based approach of the ED.

Hedge Effectiveness

14. Do you foresee any significant operational concerns, including auditing issues, in determining how to assess whether a hedge achieves other-than-accidental offset? If yes, what concerns do you foresee and how would you alleviate them?

We do not foresee any significant operational concerns in determining how to assess whether a hedge achieves other-than-accidental offset.

15. Do you believe that the proposed guidance and illustrative examples are sufficient to understand how to analyze hedge effectiveness (for example, how to measure the change in the value of the hedged item attributable to the related hedged risk for nonfinancial items)? If not, what additional guidance is needed?

We believe the proposed guidance and illustrative examples are sufficient to provide an understanding of how entities should analyze hedge effectiveness.

Changes to a Hedging Relationship

16. Do you foresee any significant operational concerns or constraints in determining whether (a) a change to a hedging relationship represents a rebalancing versus a discontinuation of the hedging relationship or (b) an entity's risk management objective has changed? If yes, what concerns or constraints do you foresee and how would you alleviate them?

We support the notion of rebalancing a hedging relationship when it no longer meets the objectiveness of the hedge effectiveness assessment, assuming the risk management objectives remain the same.

However, we believe that the requirement to rebalance to maintain an exact hedge ratio could result in frequent rebalancing for entities in certain industries, resulting in increased operational burdens and transaction costs. An alternative could include providing entities with the option to rebalance (as opposed to a requirement) consistent with the voluntary nature of hedge accounting, which would result in additional hedge ineffectiveness for unbalanced hedging relationships while reducing complexity for preparers.

Regardless, we believe additional clarification and examples of rebalancing of hedging relationships would be helpful to users and preparers of financial statements. Most of the examples in the ED related to basis risk (Paragraph B49) or highly probable forecasted purchases or sales of commodities (Paragraphs B55-B58). In our view, rebalancing would not be a major consideration for insurance companies given basis risk is generally not a significant issue when, for example, hedging benchmark interest rates.

17. Do you foresee any significant operational concerns or constraints relating to the potential need to rebalance the hedging relationship to continue to qualify for hedge accounting? If yes, what concerns or constraints do you foresee and how would you alleviate them?

See our response above to Question No. 16.

Accounting for the Time Value of Options

18. Do you believe that capitalizing the time value of an option as a basis adjustment of nonfinancial items (in other words, marking the asset or liability away from market) will improve the information that is provided in an entity's statement of financial position? Why or why not?

While insurance companies generally do not hedge nonfinancial items, we agree with the ability of entities to capitalize the time value of an option as a basis adjustment of a nonfinancial item, provided adequate disclosures are made with respect to the adjustment.

Hedge Accounting and Presentation

19. Do you believe that the proposed presentation of the gains and losses in other comprehensive income will provide users of financial statements with more useful information? Why or why not?

While we understand the intentions of the IASB to reduce the complexity of hedge accounting by replacing the fair value hedge accounting mechanics with the cash flow hedge accounting mechanics (i.e., having one model), we agree with the concerns raised in the IASB's outreach activities as discussed in Paragraphs BC120 and BC122 of the ED. As such, we disagree with the proposal in the ED for presentation for fair value hedges.

The current obstacles to qualify for hedge accounting, which have been addressed by the Boards in their proposals (mainly the removal of "bright line" effectiveness assessments), are the more relevant issues for users and preparers. We believe that the current fair value hedge presentation requirements are appropriate and our understanding is that these current presentation requirements have not been raised as a concern by users.

The underlying economics of fair value hedges and cash flow hedges differ significantly enough to warrant separate accounting models. In addition, we believe that these differences are sufficiently understood by users of financial statements. Reflecting all of the activity for both types of hedges in other comprehensive income will be less understandable to users of financial statements and increase complexity. Given the number and complexity of other proposed changes to hedge accounting proposed in the ED, we believe retaining existing presentation requirements for fair value hedges is appropriate.

20. Do you believe that the proposed presentation of a separate line item in the statement of financial position would increase the transparency and the usefulness of the information about an entity's hedging activities? Why or why not?

We believe the separate line item presentation would create additional complexity surrounding hedge accounting and an entity's balance sheet. We believe the separate line item in the statement of financial position would only provide limited information as it only represents one side of the hedging arrangement.

We believe that disclosure of the fair value adjustments in the notes to the financial statements is preferable to the separate line item approach outlined in the ED.

21. Do you believe that there is sufficient guidance to specifically link the hedging adjustments to the hedged assets and liabilities that compose a hedged net position with respect to presenting a separate line item in the statement of financial position?

As discussed in our response to Question No. 20 above, we do not agree with the separate line item presentation in the statement of financial position to single or net positions.

Disclosures

22. Do you foresee any significant auditing issues arising from the inclusion of risk management disclosures in the notes to the financial statements? If yes, what issues do you foresee and how would you alleviate them? Do you believe that it is appropriate to include risk management disclosures in the notes to the financial statements rather than in other information in documents containing financial statements? Why or why not?

Given the definition of hedge accounting in the ED, we generally agree with the inclusion of risk management disclosures in the notes to the financial statements or in management's discussion and analysis of results. However, as discussed in the introduction of our letter and in our response to Question No. 1, we believe additional clarification is required surrounding the disclosure requirements for non-qualifying hedging instruments and such disclosures would be interpreted in conjunction with the risk management disclosures for qualifying hedges.

Other

23. Do you believe that the changes proposed by the IASB provide a superior starting point for any changes to U.S. GAAP as it relates to derivatives and hedging activities? Why or why not? Should the FASB be making targeted changes to U.S. GAAP or moving towards converging its overall standards on derivatives and hedging activities with the IASB's standards?

We believe the changes proposed by the IASB in the ED provide a superior starting point for changes to U.S. GAAP for derivatives and hedging activities. We believe the ED's principles-based approach is an appropriate foundation and agree with the overall objectives of the ED which closer align an entity's risk management activities to financial statement presentation. We believe the FASB should move towards converging its derivative and hedge accounting standards to be in line with the IASB's ED.