



December 21, 2012

Susan M. Cospers
Technical Director
File Reference No. 2011-100
Financial Accounting Standards Board
401 Merritt 7
PO Box 5116
Norwalk, CT 06856-5116

Re: Proposed Accounting Standards Update: *Balance Sheet (Topic 210) Clarifying the Scope of Disclosures about Offsetting Assets and Liabilities* (File Ref No. 2012-250)

Dear Ms Cospers:

The Global Financial Institutions Accounting Committee of the Securities Industry and Financial Markets Association¹ appreciates the opportunity to provide comments on the Financial Accounting Standards Board's (the "Board") exposure draft to clarify the scope of disclosures about offsetting assets and liabilities (the "Exposure Draft"). We support your decision to tighten the scope of ASU 2011-11, *Balance Sheet (Topic 210) Disclosures about Offsetting Assets and Liabilities*. We have a few suggestions which we hope help clarify the Board's intent.

The Exposure Draft amends paragraph 210-20-50-1, in part, by defining a derivative instrument by reference to the Master Glossary definition of the term (which in turn refers to paragraphs 815-10-15-83 through 815-10-15-139 to define the meaning of "derivative instrument"). By defining a derivative instrument this way, the scope exceptions to derivative accounting in paragraphs 815-10-15-13 through 15-82 are excluded. As a result, certain recognized contracts that meet the definition of a derivative, but are accounted for in another manner based on the scope exceptions (e.g., financial guarantees, insurance, etc.), may fall within the scope of the disclosures called for by paragraph 210-20-50.

¹ The Securities Industry and Financial Markets Association (SIFMA) brings together the shared interests of hundreds of securities firms, banks and asset managers. SIFMA's mission is to support a strong financial industry, investor opportunity, capital formation, job creation and economic growth, while building trust and confidence in the financial markets. SIFMA, with offices in New York and Washington, D.C., is the U.S. regional member of the Global Financial Markets Association (GFMA). For more information, visit www.sifma.org.

Additionally, it is unclear whether embedded derivatives fall within the scope of the disclosures. A hybrid instrument would not meet the definition of a derivative when applying paragraphs 815-10-15-83 through 15-139. However, the Board's intent for embedded derivatives that are separately measured from their host contract is unclear. We urge the Board to clarify that preparers need not include embedded derivatives in these disclosures. Although separately measured at fair value, embedded derivatives are classified with the related host contract (e.g., debt). Even when a hybrid instrument is executed subject to a master netting agreement (e.g., executed under a master ISDA, like with a prepaid OTC forward contract), our experience is that such contracts are not presented net. That is, we believe that net presentation under paragraph 815-10-45 is applicable only to instruments that are classified as derivative instruments.

We suggest the following changes to paragraph 210-20-50-1(c) to clarify the above noted points:

“Recognized derivative instruments (glossary link) ¹ that are freestanding contracts (glossary link)...”

¹ Excluding contracts that meet one or more of the exceptions to derivative accounting in paragraphs 815-10-15-13 through 815-10-15-82.

We hope you find our comments helpful. Should you have any questions or require further information concerning any of the matters discussed in this letter, please do not hesitate to contact the undersigned (212-357-8437; matthew.schroeder@gs.com) or Sam Lynn (212-357-5531; samuel.lynn@gs.com).

Very truly yours,



Matthew L. Schroeder

Chair

SIFMA Global Financial Institutions Accounting Committee