November 22, 2016

Technical Director
Financial Accounting Standards Board
401 Merritt 7
PO BOX 5116
Norwalk, CT 06856-5116

VIA Electronic Mail (director@fasb.org)

File Reference: 2016-310

Dear Board Members and FASB Staff:

Ally Financial Inc. (“Ally”) is pleased to comment on Financial Accounting Standards Board’s (“FASB” or the “Board”) Proposed Accounting Standard Update, Derivatives and Hedging (Topic 815), Targeted Improvements to Accounting for Hedging Activities (“Proposed Update”). Ally Financial Inc. is a leading digital financial services company offering financial products for consumers, businesses, automotive dealers and corporate clients. Ally operates as a financial holding company and a bank holding company, with more than $157 billion in assets as of September 30, 2016. Our banking subsidiary, Ally Bank, is an award-winning online bank, and an indirect, wholly-owned subsidiary of Ally Financial Inc. with a distinct brand and focus on customers, offering a variety of deposit and other banking products and services.

In general, we are supportive of the proposed amendments in the FASB exposure draft, particularly the overall general objective of the proposal to more closely align hedge accounting with corporate risk management practices. However, we have the following general comments and requests for clarification with respect to the Board’s proposal.

General Comments

Identification of Benchmark Interest Rates
Ally supports the FASB’s addition of the SIFMA Municipal Swap Rate as an allowable benchmark for U.S. markets. However, Ally strongly believes that the Board should not prescribe specific benchmarks that are allowable in the U.S. Rather, we believe the Board should allow the use of any rate that aligns with the concepts in its benchmark interest rate definition. This would better align the application of U.S. GAAP for preparers in both U.S. and non-U.S. based markets. Further, Ally believes that converging concepts and definition of benchmark rates with the principles based approach under IFRS 9 would be the best approach and would have the added benefit of achieving alignment between U.S. GAAP and IFRS in this area.
Risk Component Hedging – Fixed and Variable Rate Financial Instruments
We appreciate the Board’s move towards allowing component hedging utilizing a “contractually specified component” and the related amendments for hedges of interest rate risk for variable-rate financial instruments. However, we believe that further reducing the limitations on how an entity can designate the hedged risk in certain fair value and cash flow hedging relationships would better align the hedge accounting model with our stated risk management objectives. We believe that this could be accomplished by uniformly defining a risk component that qualifies for a fair value or cash flow hedging relationship similar to IFRS 9’s “separately identifiable” and “reliably measurable” criteria. We do understand from the basis of conclusion that the Board believes that the use of a contractually specified interest rate is similar to the concept of designating a “separately identifiable” and “reliably measurable” component under IFRS. However, we believe that specifically aligning the definition with IFRS would better achieve the Board’s objective and would have the added benefit of further converging and allow for consistent application with this area under both U.S. GAAP and IFRS.

Partial-term Hedges – Amortization of Basis Adjustment upon Dedesignation
We greatly support the proposal to allow partial-term fair value hedging as it allows significant flexibility in our ability to utilize hedge accounting for various risk management activities. Upon early termination of a fair value hedge, we believe that current GAAP requires the basis adjustment would to be included in the carrying value of the hedged item and therefore the amortization period of the hedge basis would encompass the full remaining term of the hedged item to its contractual maturity. Since the partial-term fair value hedge will be entered into in contemplation of managing risk only over the period prescribed in the hedging relationship, it is unclear to us whether the Board’s intent was to provide an exception to the effective yield guidance, which generally requires a constant effective yield to be applied over the life of the security. Such an exception would allow the basis adjustment upon early termination of a partial-term fair value hedge to be amortized over the identified hedge period to better align with the time period contemplated through our risk management activities. Or rather, does the Board expect that a basis adjustment associated with a partial-term fair value hedge be factored into the effective yield of the hedged item over the entire life of the hedged item, which would be consistent with how all other components of the hedged item are accounted, thereby ensuring a consistent effective yield over the term of the hedged item. We would ask the Board to provide clarification of its intent regarding amortization of the hedge basis adjustment upon termination of a partial-term fair value hedge.

Initial and Prospective Hedge Effectiveness Assessments
We generally support the proposal to allow flexibility in the timing of the initial effectiveness assessment as well as the ability to qualitatively assess effectiveness throughout the hedge relationship. However, consistent with our risk management activities we anticipate that we will likely continue to perform initial effectiveness testing consistent with current practices in order to ensure the hedge strategy will be effective prior to entering into the transaction. In addition, in order to understand the extent to which our strategies are performing over the
duration of the hedge period, we anticipate that we will continue to perform the ongoing quantitative assessments of effectiveness consistent with our current practices.

Transition for Fair Value Hedges of Interest Rate Risk
We believe further transition relief should be provided for electing to modify the measurement methodology for the hedged item in an existing fair value hedge of interest rate risk. Under the proposed update, transition guidance requires redesignation and immediate redesignation of the fair value hedging relationship and a modified retrospective approach for recognizing the cumulative basis adjustment on transition. We believe transition relief can be provided by electing to apply the measurement methodology prospectively for new hedge designations and allowing existing effective designations to continue without a redesignation and immediate redesignation. In our view, remeasuring existing fair value hedge designations results in operational transition issues for designations already considered effective.

Consistency of Hedge Effectiveness Methods
Ally believes the proposed guidance that expands upon current requirements which indicate that assessments of hedge effectiveness for similar hedges be assessed in a similar manner does not align with the Board’s overall objective of simplifying the application of hedge accounting. We believe these requirements could restrict an entity’s selection of hedging relationships that could broadly be considered similar. We recommend that at a minimum the Board should clarify what constitutes “similar hedges” and should further consider that effectiveness expectations may differ due to varying attributes for individual hedge relationships among which may broadly be considered similar hedging relationships. With this in mind, the Board should allow flexibility for an entity to vary its hedge effectiveness approach on a strategy by strategy basis. To be clear, we believe that for a given strategy, once an effectiveness method is determined, it should be followed consistently for that particular strategy.

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Ally appreciates the opportunity to share our comments with the Board. We urge the FASB Staff to consider our comments, as well as, applicable responses to questions for respondents in Appendix A when finalizing the Proposed Update. If you have any questions on the comments contained in this letter, please contact me at (267) 387-7049.

Sincerely,

Mark Sittle
Senior Director, Corporate Accounting Policy
Ally Financial Inc.

cc: Mr. David DeBrunner, Chief Accounting Officer and Corporate Controller

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Detroit, MI 48265-2000
Appendix A

Questions for Respondents

Question 2: The Board decided that it would retain the concept of benchmark interest rates for hedges of fixed-rate financial instruments and forecasted issuances or purchases of fixed-rate financial instruments, maintain the existing list of permissible benchmark rates, and add the SIFMA Municipal Swap Rate to the list.
   a. Should the Board retain the current concept of benchmark interest rates for fair value hedges of fixed-rate financial instruments and for cash flow hedges of forecasted issuances or purchases of fixed-rate financial instruments? Please explain why or why not.
   b. If the Board continues to maintain the current concept of benchmark interest rates, should the Board consider within the concept expectations that a rate will become widely used?
   c. If the Board continues to maintain a list of rates, are there any other rates that should be added to the list? Please explain why a particular rate meets the definition of a benchmark rate.
   d. Are there other alternatives to the current concept of benchmark interest rates the Board should consider (for example, a principles-based approach)? Please describe those alternatives.

Ally Response: As noted in our general comments, we appreciate the Board adding the SIFMA Municipal Swap Rate to the list of acceptable benchmark interest rates; however we support a principles-based approach for determining the interest rate component that qualifies in a hedge designation.

Question 3: The Board decided that it would allow an entity to use either the full contractual coupon cash flows or the cash flows associated with the benchmark rate determined at hedge inception in calculating the change in the fair value of the hedged item attributable to interest rate risk, except when the current market yield of the financial instrument is below the benchmark rate at hedge inception. In that instance, the total contractual coupon cash flows would have to be used. Do you agree with this decision? Please explain why or why not.

Ally Response: Yes. We agree with the Board’s proposal to provide greater flexibility for risk management strategies when the current market yield of the financial instrument is below the benchmark rate at hedge inception.

Question 6: Do you agree with the following Board decisions on presentation? Please explain why or why not. If not, what other alternatives should the Board consider?
   a. For qualifying fair value, cash flow, and net investment hedges, the proposed amendments would modify current GAAP by requiring the entire change in the fair value of the hedging instrument included in the assessment of hedge
effectiveness to be presented in the same income statement line item in which the earnings effect of the hedged item is presented.

b. For qualifying fair value, cash flow, and net investment hedges, the proposed amendments would retain current GAAP by requiring changes in the fair value of the hedging instrument excluded from the assessment of effectiveness to be recorded currently in earnings. For qualifying fair value and cash flow hedges, the proposed amendments would modify current GAAP by requiring changes in the fair value of the hedging instrument excluded from the assessment of effectiveness to be presented in the same income statement line item in which the earnings effect of the hedged item is (or will be) presented. For qualifying net investment hedges, there will be no prescribed presentation requirements for changes in the fair value of the hedging instrument excluded from the assessment of effectiveness.

c. For cash flow hedges in which the hedged forecasted transaction is probable of not occurring, the proposed amendments would retain current GAAP by requiring amounts recorded in accumulated other comprehensive income to be reclassified to earnings immediately. However, the proposed amendments would require presentation of reclassified amounts in the same income statement line item in which the earnings effect of the hedged item would have been presented had the hedged forecasted transaction occurred.

**Ally Response:** Yes. We support the proposed amendments as they relate to presenting the entire change in fair value of the hedging instrument in the same income statement line item in which the earnings effect of the hedged item is presented. Overall, we believe the objective of these proposed amendments will simplify the related accounting requirements.

**Question 7:** Do you agree with the proposed disclosure amendments in (a), (b), and (c) below? Please explain why or why not.

a. Cumulative basis adjustments related to fair value hedges
b. Quantitative hedge accounting goals, if any, that an entity sets when developing its hedge accounting objectives and strategies and whether it met those goals
c. Revised tabular disclosure for fair value and cash flow hedges that would focus on the effect of hedge accounting on income statement line items.

**Ally Response:** We agree with the proposed disclosure requirements (a) and (c) summarized above. These disclosure requirements primarily align with our current financial reporting practices which present cumulative basis adjustments for fair value hedges, as well as, itemizes the income statement line items impacted by qualifying hedge relationships and provide additional clarity into our hedging activities. However, the requirements in (b) are not clearly stated and we believe do not adequately consider the complexity of a large financial institution. There are various considerations made when contemplating our risk management objectives and many times these objectives cannot be quantitatively isolated, which would provide significant challenge to providing the disclosures.
Question 8: Unless the hedging relationship meets one of the exceptions that assumes perfect offset at hedge inception, an entity would be required to perform an initial quantitative test of hedge effectiveness and would be allowed to perform subsequent hedge effectiveness assessments qualitatively unless facts and circumstances change. Do you agree with this proposed change? Please explain why or why not.

Ally Response: Yes. As noted in our general comments, we agree with the proposed amendments to allow an entity to perform an initial quantitative effectiveness test and subsequent qualitative effectiveness test when a perfect offset exists at hedge inception.

Question 9: The Board decided that an entity may elect at hedge inception to perform subsequent assessments of effectiveness qualitatively. However, certain changes in the facts and circumstances associated with the hedging relationship in subsequent periods may require a quantitative assessment of effectiveness to be performed. Once an entity determines that a quantitative assessment of effectiveness is required, the entity would be prohibited to return to qualitative testing in periods after this determination is made. Can situations arise in which an entity no longer may assert qualitatively that the hedging relationship continues to be highly effective but when tested quantitatively would be highly effective? If so, please describe those circumstances. Should an entity be allowed to return to qualitative testing after such a significant change in facts and circumstances precluded it in a prior period? If so, please discuss the factors that an entity should consider to justify a reasonable expectation that the hedge will once again be highly effective on a qualitative basis.

Ally Response: As noted in our general comments, we do not anticipate utilizing this election. However, we believe it would be beneficial for the Board to further clarify what types of changes in facts and circumstances, including magnitude of the change, would require an entity that chooses the qualitative option to perform a quantitative assessment.

Question 10: Do you agree with the proposed amendment that would allow an entity to perform the initial quantitative testing portion of hedge documentation at any time between hedge inception and the quarterly effectiveness testing date using data applicable as of the date of hedge inception? Please explain why or why not.

Ally Response: Yes. As noted in our general comments, we agree with the Board’s proposed amendment to provide greater flexibility in performing initial effectiveness testing.

Question 11: The proposed amendments related to the timing of the preparation of hedge documentation and subsequent qualitative testing apply to both public entities and private companies. Are there valid reasons why the content of or the timing of the preparation of hedge documentation should be different for public entities and private companies? If so, please describe the specific types of transactions for which different treatment should be considered.
Ally Response: No. We do not believe there should be differences in the accounting guidance for private and public companies.

Question 12: Should the effective date be the same for both public business entities and entities other than public business entities?

Ally Response: Yes, we believe the effective date should be the same for public and other than public entities.

Question 13: How much time is needed to implement the proposed amendments? Should entities other than public business entities be provided more time? If so, how much more time?

Ally Response: We support an implementation period of at least one year from the issuance of the final ASU and welcome the ability to early adopt the proposed amendments at the beginning of any reporting period before the effective date.

Question 14: Do you agree with the proposed transition method and disclosures in paragraph 815-20-65-3? Do you agree with the Board’s decision not to allow a retrospective transition approach? Please explain why or why not.

Ally Response: Other than our comments in the general section, we do not object to the overall transition methods of the proposal.