November 29, 2016

Ms. Susan M. Cosper
Technical Director
Financial Accounting Standards Board
401 Merritt 7, P.O. Box 5116
Norwalk, CT 06856-5116

By email: director@fasb.org

File Reference Number 2016-310

Re: Proposed Accounting Standards Update, Targeted Improvements to Accounting for Hedging Activities

Dear Ms. Cosper:

Prologis, Inc. ("PLD", "our", "we" or the "Company") appreciates the opportunity to comment on the FASB’s proposed Accounting Standards Update (the "Update"), Derivatives and Hedging — Topic 815: Targeted Improvements to Accounting for Hedging Activities. In our experience as preparers of financial statements and users of derivative instruments, we are challenged with the complexities of accounting and reporting for hedging activities. Therefore, we support the FASB’s continued efforts to improve the financial reporting of hedging relationships and to make improvements to simplify the application of the hedge accounting guidance in U.S. GAAP.

We are a global industrial REIT that owned or had investments in, on a wholly owned basis and through co-investment ventures, properties and development projects that totaled approximately 665 million square feet in 20 countries at September 30, 2016. We had 78 active foreign currency derivative contracts with a notional value of $475 million, five net investment hedge derivative contracts with a notional value of $471 million and three interest rate swap hedges with a notional value of $509 million outstanding at September 30, 2016.

The Update contemplates changes in several areas related to derivatives and hedging activities. We believe these changes will simplify the current accounting guidance. However, we are writing in response to the certain topics included in the Recognition and Presentation of the Effects of Hedging Instruments and Disclosures sections, specifically questions 6a, 6c and 7b for respondents, as explained below.

6a. 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.
We believe the FASB’s decision is acceptable; however, we think it’s preferable and a better financial representation to provide flexibility for financial statement preparers to make a policy election and report the classification on a consistent basis. For example, if a large credit valuation adjustment creates ineffectiveness, the resulting impact to interest expense may not accurately reflect the relationship between our debt balances and our interest expense. Furthermore, if ineffectiveness on interest rate swaps is included within interest expense, a practical risk will be reporting volatility within a company’s interest expense line item period over period.

6c. 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.

We believe there should be flexibility in where to recognize the amounts reclassified from other comprehensive income ("OCI"). In the course of our business, we may dispose of non-strategic assets to third parties or contribute assets to our unconsolidated co-investment ventures in which we have a continuing investment. If these assets are financed with debt that is hedged with a derivative contract, the hedged forecasted transaction has a high probability of not occurring. We may repay the outstanding debt prior to the sale of the asset or include the hedged debt in the sale of the asset. If the hedged debt is included in the contribution of assets to our unconsolidated co-investment ventures, we are still impacted by the hedged debt through our equity pickup of the ventures’ OCI and net earnings.

In the example above, we believe it is more appropriate to recognize the amounts reclassified from OCI into earnings in the same financial statement line item as the gain or loss associated with the sale of the asset and not the income statement line item originally associated with the hedged transaction, specifically interest expense. We believe this allows users of our financial statements to better understand the overall impact of the transaction and our costs of financing, and that appropriate disclosures should be made to provide clarity to the users of our financial statements.

We also believe that recognizing interest expense from the de-designation or ineffectiveness of a hedged item in instances where a hedged forecasted debt issuance does not occur may have unintended consequences and be misleading. If the hedged derivative was in a loss position, the impact could result in interest expense with no corresponding debt outstanding. If the hedged derivative was in a gain position, the impact could result in negative interest expense. We believe
it is more appropriate to record these amounts outside interest expense as these transactions are still required to be disclosed in our financial statements.

7b  Quantitative hedge accounting goals, if any, that an entity sets when developing its hedge accounting objectives and strategies and whether it met those goals.

We believe this disclosure would be an intensive undertaking and would create an increase in our reporting without providing the users of our financial statements any additional relevant information to what is already provided by the required disclosures. Due to our scale and global nature, we may quickly change components of our hedging strategy depending on market conditions. We also believe that the additional disclosure of this information could result in the disclosure of confidential information as we are frequently hedging forecasted or expected transactions. Inclusion of hedging strategies that change, or may not be met, may increase our risk of litigation if we include this information in our financial statements.

We appreciate the opportunity to comment on this Proposal. If you have any questions, please contact me at 303-567-5294 or at lpalazzolo@prologis.com.

Sincerely,

Lori A. Palazzolo
Managing Director and Chief Accounting Officer
Prologis, Inc.