March 29, 2018

Re: File Reference No. 2018-220 – Exposure Draft, Derivatives and Hedging (Topic 815) – Inclusion of the Overnight Index Swap (OIS) Rate Based on the Secured Overnight Financing rate (SOFR) as a Benchmark Interest Rate for Hedge Accounting Purposes

Dear Ms. Cosper:

Deutsche Bank AG ("the Bank") appreciates the opportunity to comment on the Proposed Accounting Standards Update: Derivatives and Hedging – Inclusion of the Overnight Index Swap ("OIS") Rate Based on the Secured Overnight Financing Rate ("SOFR") as a Benchmark Interest Rate for Hedge Accounting Purposes ("the Proposed ASU").

The Bank supports the FASB’s actions to add SOFR as an eligible U.S. benchmark interest rate for hedge accounting purposes under the Proposed ASU and supports the FASB’s actions to add SOFR as an eligible U.S. benchmark interest rate for hedge accounting purposes.

In the United States, the Bank participates in the Alternative Reference Rate Committee ("ARRC") and ISDA’s North American Accounting Committee ("ISDA NAAC"). The ARRC is a banking industry committee convened by the Federal Reserve Board whose focus has been to identify a suitable alternative to LIBOR and to create and implement a paced transition timeline for the rate to begin trading.

The Bank is an active member of ISDA NAAC, a banking industry accounting committee, and has participated in and is supportive of that committee’s comment letter response to the Proposed ASU. Please see ISDA NAAC’s comment letter for detailed responses to the Questions for Respondents.

We would like to emphasize our shared view with ISDA NAAC that given the OIS rate based on SOFR is a daily rate, we believe the benchmark rate that the Board should consider adding now is a broader SOFR swap rate that would be the equivalent of the LIBOR swap rate and cover various tenors rather than just the overnight rate based on SOFR. Under the ARRC’s transition plan to integrate the underlying SOFR rate in the U.S. financial markets, the Bank believes that the SOFR swap rate covering multiple tenors will be developed over time once the new rate is published starting April 3, 2018 and the market develops. As such, timely addition of a broader
SOFR swap rate as an eligible benchmark rate is an important first step in reducing uncertainty surrounding the market's transition to a new risk free rate. Further, this will prevent the Board from having to revisit the benchmark interest rate guidance at a future date when swaps referencing SOFR term rates develop in the marketplace.

Separately, certain transition relief may be needed to ensure a smooth shift to a SOFR-based market. As discussed in the ISDA NAAC's responses to the Questions for Respondents posed in the Exposure Draft, we believe additional steps will need to be taken in order to further facilitate the market's acceptance, and broader use of SOFR. Please refer to the ISDA letter for further detail.

We would further note that an objective of the Federal Reserve Bank is to foster the establishment of an interest rate that can be used in the market as an alternative to LIBOR, as part of its goal to ensure the smooth and efficient functioning of public markets. Acceptance of this rate for all purposes, in particular as a benchmark in hedge accounting transactions, is a necessary pre-requisite for true market acceptance of the rate. Accordingly, we see the proposed ASU as an opportunity for the FASB to contribute to the achievement of a worthwhile goal that has the potential for positive impact on the global economy.

We hope you find these comments helpful. Should you have any questions or wish to discuss these matters further, please contact Lisa Bomba at +44(20)754-71080 or via email to lisa.bomba@db.com or Michael Fehrman on +1(212)250-2660 or via email to michael.fehrman@db.com.

Yours sincerely,

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