Mr. Russell Golden  
Chairman  
Financial Accounting Standards Board  
401 Merritt 7  
P.O. Box 5116  
Norwalk, CT 06856-5116

Re: Proposed Accounting Standards Update on Derivatives and Hedging (Topic 815): Effect of Derivative Contract Novations on Existing Hedge Accounting Relationships

Dear Chairman Golden:

The Financial Instruments Reporting and Convergence Alliance (“FIRCA”) is a coalition of business, financial, insurance, and real estate trade organizations representing all sectors of the economy and areas of the financial services arena. FIRCA recognizes that accurate and transparent financial reporting is a cornerstone of our capital markets in the United States and globally.

The mission of FIRCA is:

- To support the use of high quality, robust international accounting standards developed and adopted jointly by the International Accounting Standards Board (“IASB”) and the Financial Accounting Standards Board (“FASB”). These standards should be decision-useful, reliable, and relevant. Additionally, these standards should present financial information in a manner that reflects the business operations of the reporting entity. Appropriately crafted standards should transparently provide information and not drive economic activity.

- To assist standard setters in providing a wide range of input to ensure the proper consideration of business operations and potential unintended consequences in the development and implementation of accounting standards.
Recognizing the ongoing impacts of the 2008 financial crisis and continued currency pressures in the Euro Zone are global in scope and magnitude, we will continue to work with standard setters and decision makers to ensure that these projects are concluded jointly to provide a comprehensive response to financial reporting policies.

FIRCA appreciates the opportunity to comment on the FASB Exposure Draft of a Proposed Accounting Standards Update on Derivatives and Hedging (Topic 815): Effect of Derivative Contract Novations on Existing Hedge Accounting Relationships (the “Exposure Draft”).

As it relates to derivative contracts, “novation” refers to replacing one of the parties to a derivative contract with a new party. Reasons for novations include (but are not limited to) regulatory changes such as a change to a central clearing arrangement, mergers of financial institutions, an entity exiting a particular derivatives line of business or relationship, and an entity managing against internal counterparty credit limits.

The Exposure Draft would clarify FASB Topic 815 to provide that “a change in the counterparty to a derivative instrument that has been designated as the hedging instrument in an existing hedging relationship would not, in and of itself, be considered a termination of the derivative instrument”\(^1\) or “a change in a critical term of the hedging relationship.”\(^2\) FIRCA supports these proposed clarifications of Topic 815.

Thank you for the opportunity to comment on the Exposure Draft.

Sincerely,

American Council of Life Insurers
Barnert Associates, Inc.
Mortgage Bankers Association
National Association of Realtors
National Association of Real Estate Investment Trusts
U.S. Chamber of Commerce

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\(^1\) See the Exposure Draft, page 5.
\(^2\) See the Exposure Draft, page 7.