## Please note that the comments expressed herein are solely my personal views

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- File Reference No. EITF-13A
- Derivatives and Hedging (Topic 815)
- Inclusion of the Fed Funds Effective Swap Rate (or Overnight Index Swap Rate) as a Benchmark Interest Rate for Hedge Accounting Purposes

Dear Sir.

Thank you for giving us the opportunity to comment on your Proposed Accounting Standards Update: Derivatives and Hedging (Topic 815); Inclusion of the Fed Funds Effective Swap Rate (or Overnight Index Swap Rate) as a Benchmark Interest Rate for Hedge Accounting Purposes.

## Proposal

Under U.S. GAAP,<sup>1</sup> only the interest rates on direct Treasury obligations of the U.S. government (UST) and, for practical reasons, the London Interbank Offered Rate (LIBOR) swap rate are considered benchmark interest rates for hedge accounting purposes. Given the rising demand for hedging the Fed Funds rate, you are proposing to include the Fed Funds Effective Swap rate (OIS) as a U.S. benchmark interest rate for hedge accounting purposes.

I support this proposed Update, which will provide risk managers with a more complete spectrum of interest rate resets to utilize as the designated benchmark interest rate risk component under the hedge accounting guidance in Topic 815. This will promote more effective hedging, and enable more effective hedging relationships to be reported, and therefore better reflect entities' preferred hedging strategies for risk mitigation purposes.

<sup>&</sup>lt;sup>1</sup> See 815-20-25-6A, which specifically excludes the Fed Funds rate for example.

## Answers to other specific questions raised by the FASB

**Question 1:** Do you agree that the Fed Funds Effective Swap Rate (OIS) should be included as a U.S. benchmark interest rate for hedge accounting purposes under Topic 815, in addition to UST and LIBOR? Why or why not?

Yes. This will promote more effective hedging, and enable more effective hedging relationships to be reported, and therefore better reflect entities' preferred hedging strategies for risk mitigation purposes.

**Question 2:** Do you agree that no additional disclosures should be required? If not, please explain why.

Yes. Current disclosure requirements under Topic 815 etc are sufficient.

**Question 3:** Do you agree that the proposed amendments only should be applied on a prospective basis for qualifying new or redesignated hedging relationships? If not, please explain why.

Yes, I agree that the proposed amendments only should be applied on a prospective basis for qualifying new or redesignated hedging relationships. This is practicable.

Yours faithfully

C.R.B.

**Chris Barnard**