



American
Bankers
Association

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EITF-13A
Comment Letter No. 4
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April 15, 2013

Leslie Seidman
Chairman
Financial Accounting Standards Board
401 Merritt 7
P.O. Box 5116
Norwalk, CT 06856-5116

Via email: director@fasb.org

RE: File Reference No. EITF-13A: *Inclusion of the Fed Funds Effective Swap Rate (or Overnight Index Swap Rate) as a Benchmark Interest Rate for Hedge Accounting Purposes*

Dear Chairman Seidman:

The American Bankers Association (ABA) appreciates the opportunity to comment on the Exposure Draft *Inclusion of the Fed Funds Effective Swap Rate (or Overnight Index Swap Rate) as a Benchmark Interest Rate for Hedge Accounting Purposes (ED)*. ABA represents banks of all sizes and charters and is the voice for our nation's \$14 trillion banking industry and its two million employees.

The objective of the ED is to permit the Fed Funds Effective Swap Rate (OIS) to be included as a U.S. benchmark interest rate for hedge accounting purposes. As noted in our August 2010 comment letter related to financial instruments (addressing hedge accounting), ABA supports expanding permissible benchmark rates that qualify for hedge accounting. The Fed Funds Effective Swap Rate (or OIS) is widely used and recognized as broadly being indicative of overall market interest rates and thus should be considered an appropriate benchmark rate for the United States. Use of OIS has increased during the financial crisis, and we are glad that the Board is acknowledging its importance for accounting purposes.

ABA's primary concern with the ED is that the wording in paragraph 815-20-25-6 that "hedges of similar risks should be done in a similar manner" and that the "use of different benchmark interest rates for similar hedges shall be rare and shall be justified" may have unintended consequences. As articulated in paragraph BC13, the objective of the ED is to provide a more comprehensive spectrum of interest rate resets to utilize as the designated benchmark interest rate risk. Interpretations of paragraph 815-20-25-6 could inappropriately restrict how entities manage interest rate risk, thereby diminishing the ED's objective. Furthermore, this restrictive language is impractical. Different parts of an entity's business (for example, a bank versus a broker-dealer) may have very legitimate reasons to hedge movements in different indices and such a requirement could also force entities to make significant unnecessary changes to operations upon a business combination. With this in mind, we recommend that this specific language be omitted in the final standard and that the Basis for Conclusions acknowledge that many institutions are

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exposed to risks across multiple indices, and that the designation will reflect the risk being hedged.

With the exception of the aforementioned recommendation, we support the proposal and, considering it will likely be implemented only for prospective transactions, recommend that it be made effective upon issuance.

Thank you for your attention to these matters. Please feel free to contact me (mgullette@aba.com; 202-663-4986) if you would like to discuss our views.

Sincerely,

A handwritten signature in black ink, appearing to read "Michael L. Gullette". The signature is written in a cursive style with a large initial "M".

Michael L. Gullette