TOYOTA MOTOR CREDIT CORPORATION

April 22, 2013

Technical Director Financial Accounting Standards Board

Re: File Reference No. EITF-13A, Exposure Draft – 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

Dear Sir or Madam:

Toyota Motor Credit Corporation (TMCC, we, our) appreciates the opportunity to comment on the Proposed Accounting Standards Update, Derivatives and Hedging (*Topic815*): *Inclusion of the Fed Funds Effective Swap Rate* (or Overnight Index Swap Rate) as Benchmark Interest Rate for Hedge Accounting Purposes (the Exposure Draft), recently issued by the Financial Accounting Standards Board.

We support the proposed guidance to include the Fed Funds Effective Swap Rate as an acceptable benchmark rate for purposes of hedge accounting since this provides risk managers with more latitude in responding to changes in the financial markets. We believe there is a fundamental disconnect if collateralized derivatives are marked-to-market using a LIBOR curve since this misstates the market value of the swap and in turn the required collateral. If the collateral earns OIS, then both the collateral and the mark-to-market of the swap should be based on the same valuation, i.e. the OIS curve.

Questions for Respondents

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?

We agree with the proposed guidance that OIS should be included as a U.S. benchmark interest rate for hedge accounting purposes under Topic 815. As a result of the financial crisis in 2008, the use of collateralized derivative instruments has increased. The appropriate valuation of these collateralized derivatives, which typically earn an overnight interest rate, is a curve that reflects this lower cost of capital due to lower risk, i.e. the OIS curve. Using collateralized derivatives discounted using the OIS curve to hedge the risk of changes in fair value attributable to the benchmark interest rate could result in an inability to qualify for hedge accounting if that benchmark rate is not also OIS. The use of a different discount rate to value the derivative versus the hedged item will likely cause additional ineffectiveness leading to the fair value hedge relationship either not qualifying for hedge accounting at inception or not continuing to qualify for hedge accounting. Therefore, it is essential that OIS be included as a U.S. benchmark interest rate so that both the hedged item and the hedged instrument are valued using similar curves.

Page 2

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

Yes, we do agree that no additional disclosures should be required since existing disclosure requirements are adequate in explaining an entity's risk management strategy and its objectives for applying hedge accounting.

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, we agree that the proposed amendments should be applied on a prospective basis as this is consistent with Topic 815 requirements that an entity define its risk management objectives at the inception of the new or redesignated hedging relationship.

Question 4: Should the effective date of the amendments in the proposed Update coincide with the issuance date of a final Update? If not, when should the amendments be effective? Please explain why.

Yes, the effective date should coincide with the issuance date of the final Update to allow entities the flexibility to meet their risk management objectives as soon as practicable.

Question 5: If the effective date of the amendments in the proposed Update does not coincide with the issuance date of a final Update, should early adoption be permitted? If not, please explain why.

Yes, early adoption should be permitted if the effective date does not coincide with the issuance date of a final Update. As noted in our response to Question 1, for fair value hedges, the valuation of the collateralized derivative using OIS versus the valuation of the hedged item using LIBOR or UST may result in additional ineffectiveness recorded in earnings.

We appreciate the opportunity to express our opinion on this matter and would be pleased to discuss our comments in greater detail.

Sincerely,

Jeffrey Lankey

Financial Controller

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