



The Capital Group Companies, Inc.
6455 Irvine Center Drive
Irvine, California 92618

Phone (949) 975-5000
Fax (949) 975-4325

VIA ELECTRONIC DELIVERY

August 23, 2013

Technical Director
File Reference No. PCC-13-03
Financial Accounting Standards Board
401 Merritt 7
P.O. Box 5116
Norwalk, CT 06856-5116

Dear Technical Director:

The Capital Group Companies, Inc. (referred to herein as “Capital” or “we”) is a privately held investment management company. We appreciate the opportunity to provide comments on the Proposed Accounting Standards Update, *Accounting for Certain Receive-Variable, Pay-Fixed Interest Rate Swaps (Topic 350)*, a proposal of the Private Company Council (“the proposed ASU”). These comments are informed by our experiences as preparers of audited financial statements of Capital and its affiliated companies. These comments reflect the signer’s own views and not necessarily those of Capital or other Capital associates.

As preparers of private company financials, we also question the relevance and cost/benefit proposition associated with determining and presenting the fair value of a “plain vanilla” swap that is entered into for the purpose of economically converting the variable-rate borrowing to fixed-rate borrowing, particularly when the swap counterparty is the same as the lender.

Capital concurs with the combined instrument approach and agrees with the required criteria for qualifications as an effective hedge. We do not believe the second option using the simplified hedge accounting approach is necessary since the combined instrument approach meets the objective of simplifying the accounting for “plain vanilla” swaps and reflects the underlying

The Capital Group Companies

American Funds Capital Research and Management Capital International Capital Guardian Capital Bank and Trust

economics of the transaction. Additionally, under the simplified hedge accounting approach, adjustments to the settlement value would be recognized through stockholder's equity as a component of other comprehensive income. Certain private companies use stockholder's equity as a key performance indicator and would need to reverse the impact to other comprehensive income resulting from changes in settlement value for internal management reporting purposes.

From an implementation perspective, we agree the combined instrument approach should be applied to all existing and future swaps if all qualifying criteria are met. We believe the simplified hedge accounting approach should also be applied consistently rather than on an instrument-by-instrument basis. It seems unlikely that a preparer would revert back to the current guidance under Topic 815 if the simplified hedge accounting approach were available.

We do not support the replacement of the term "publicly traded company" with "public business entity" as defined in Question 21 of the proposed ASU. Specifically, we do not believe an entity that files or furnishes financial statements to the Securities and Exchange Commission for reasons other than in preparation for the offering, or continuing sale, of equity or debt securities, rises to the standard of a publicly traded company. Often financial information is shared on a confidential basis and is not made publicly available. Applying one set of U.S. GAAP to a subsidiary and potentially a different set of U.S. GAAP for the parent entity would add complexity and lead to confusion to the users. As a result, we do not support the proposed definition of "public business entity" without modification of the reference to filings with the Securities and Exchange Commission and inclusion in that sentence that such filings are in preparation for the public offering of equity or debt securities, or similar limitations.

Thank you for considering these comments. Please feel free to contact me should you have any questions or wish to discuss my thoughts on the current proposal.

Sincerely,

Bruce Meikle
Senior Vice President and Principal Financial Officer
The Capital Group Companies, Inc.