



VIA ELECTRONIC MAIL (director@fasb.org)

April 19, 2013

Ms. Susan M. Cospers
Director of Technical Application and Implementation Activities
Financial Accounting Standards Board
401 Merritt 7
P.O. Box 5116
Norwalk, CT 06856-5116

Re: File Reference No. EITF-13A

Dear Ms. Cospers:

Host Hotels & Resorts, Inc. ("Host") appreciates the opportunity to provide comments on the Financial Accounting Standards Board's ("FASB") Exposure Draft, *Derivatives & 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 (the "Exposure Draft").

Host Hotels & Resorts, Inc. is an S&P 500 and Fortune 500 company and is the largest lodging real estate investment trust in the U.S. and one of the largest owners of luxury and upper-upscale hotels. The Company currently owns 103 properties in the United States and 15 properties internationally totaling over 62,300 rooms. The Company also holds non-controlling interests in a joint venture in Europe that owns 19 hotels with over 6,100 rooms and a joint venture in Asia that owns one hotel with approximately 300 rooms in Australia and a minority interest in seven hotels with approximately 1,750 rooms in India, two in Bangalore and five that are in various stages of development in two cities.

General Comments

Host Hotels uses derivatives to manage our exposure to changes in interest rates. From time to time we have swapped fixed-rate debt to floating and we also may forward hedge a future fixed-rate financing. Recent changes in valuation techniques (OIS is now the primary discount curve used in valuing our derivative portfolio) have increased ineffectiveness in some of our hedging relationships that are sound economic hedges and that are highly effective. We greatly appreciate the EITF's recognition of the importance of the Fed Funds rate as a critical benchmark in managing exposure to interest rates in today's marketplace. The current hedge accounting model inhibits our ability to effectively manage our interest rate risk, given the restrictions that limit benchmark rates for accounting purposes to only LIBOR and Treasury rates. The increased flexibility provided in the Exposure Draft will allow our company to more effectively hedge our economic exposures, particularly with respect to future fixed-rate financings and situations in which we desire to swap fixed-rate debt to floating (which would allow us to align the discount curve on the debt [OIS] with the variable leg of the swap [Fed Funds effective] and discount curve on the swap [OIS]).

However, it appears that the guidance in paragraphs 815-20-25-80 through 25-81 could restrict our ability to effectively manage our economic risk. These paragraphs state:

“Ordinarily, an entity shall designate the same benchmark interest rate as the risk being hedged for similar hedges...The use of different benchmark interest rates for similar hedges shall be rare and shall be justified.” We are concerned that retaining the “shall be rare” restriction may result in negative unintended consequences. Given the proposed amendments to include a third benchmark interest rate, we encourage the reconsideration of that provision.

When hedging, we have many business and economic reasons for considering various indexes. For example, having the ability to designate different benchmarks when hedging forecasted fixed-rate debt issuances would enable us to better align the hedge accounting with the optimal economic hedge. Depending on the circumstances, we may alternatively prefer Treasury locks, forward-starting LIBOR-based swaps, or forward-starting swaps indexed to Fed Funds. For very short-dated forward hedges, we may prefer Treasury locks to eliminate any possibility of variability in swap spreads when our debt will price off Treasuries. For longer-dated forward hedges, however, forward-starting swaps (either LIBOR or OIS) generally are preferable, given the increased liquidity of those products and the ability to fully customize the terms to match the key terms of the forecasted debt (issuance date, maturity date, cash flow dates, etc.), which reduces our basis risk and associated hedge ineffectiveness. The decision to use a forward-starting swap indexed to LIBOR or OIS, in turn, likely will be based on existing market liquidity (which currently favors LIBOR) and/or a desire to minimize swap spread variability (which favors OIS).

If the FASB/EITF could address this issue as part of the amendment, perhaps by removing the “shall be rare” language noted above, we believe it would significantly increase the usefulness of the amendment, improve the hedge accounting model, and alleviate potential implementation challenges and concerns.

Answers to Specific Questions to 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?*

Yes. We strongly agree. Adding OIS as a benchmark interest rate will better align the hedge accounting with the economics of various common interest rate hedging relationships and will make hedge accounting more practical to apply. Given the changes in today’s marketplace, as noted above, we believe the proposed amendment is both timely and appropriate.

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

We agree. We believe the existing disclosure requirements are sufficient to provide investors the information needed to evaluate our risk management activities, the associated risks being hedged, and our application of 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 only be applied on a prospective basis. To allow retroactive application would seem inconsistent with the requirements that the hedged risk be identified and documented at the inception of the 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, we believe the effective date of the amendments should coincide with the issuance date of a final Update. We see no reason for a delayed effective date, given the substantial need in the current marketplace for including Fed Funds as a benchmark, the elective nature of the proposed amendments (that is, entities are not required to designate the Fed Funds rate as a benchmark rate), and the expectation that the proposed amendments would apply only on a prospective basis for qualifying new or redesignated hedging relationships.

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 of the amendments does not coincide with the issuance date of a final Update.

We appreciate the opportunity to provide comments on the Exposure Draft. Please do not hesitate to contact me at brian.macnamara@hosthotels.com should you have any questions about the matters discussed in this letter.

Sincerely,

/s/ **Brian G. Macnamara**

Brian G. Macnamara
Senior Vice President, Corporate Controller
Host Hotels & Resorts