

October 2, 2015

Russell G. Golden
Chairman
Financial Accounting Standards Board
401 Merritt 7
P.O. Box 5116
Norwalk, CT 06856-5116

Via email: director@fasb.org

File Reference: EITF-15D – *Effect of Derivative Contract Novations on Existing Hedge Accounting Relationships*

Dear Chairman Golden:

The American Bankers Association¹ (ABA) and The Clearing House Association L.L.C.² (and together, “the Associations”) appreciate the opportunity to comment on the exposure draft *Effect of Derivative Contract Novations on Existing Hedge Accounting Relationships* (ED). The ED intends to clarify that changes in the counterparty to a derivative that has been designated as a hedging instrument does not, in and of itself, require dedesignation of that hedge accounting relationship, provided that all other hedge accounting criteria continue to be met.

The Associations support the proposed clarification, as it allows for holistic analysis as to how the entity manages its hedgeable risks. This will assist banks in evaluating its hedging relationships in various situations in which novation is required, be it for the sake of mergers, changing customer relationships, and changing regulatory requirements. By alleviating any rigid rules related to the identity (or substitution) of the counterparty, the hedging relationship evaluation can focus on its substance, namely the key terms of the agreement and the credit risk of the counterparty.

¹ The American Bankers Association is the voice of the nation’s \$15 trillion banking industry, which is composed of small, regional and large banks that together employ more than 2 million people, safeguard \$11 trillion in deposits and extend more than \$8 trillion in loans. Learn more at aba.com.

² Established in 1853, The Clearing House is the oldest banking association and payments company in the United States. It is owned by the world’s largest commercial banks, which collectively hold more than half of all U.S. deposits and which employ over one million people in the United States and more than two million people worldwide. The Clearing House Association L.L.C. is a nonpartisan advocacy organization that represents the interests of its owner banks by developing and promoting policies to support a safe, sound and competitive banking system that serves customers and communities. Its affiliate, The Clearing House Payments Company L.L.C., which is regulated as a systemically important financial market utility, owns and operates payments technology infrastructure that provides safe and efficient payment, clearing and settlement services to financial institutions, and leads innovation and thought leadership activities for the next generation of payments. It clears almost \$2 trillion each day, representing nearly half of all automated clearing house, funds transfer and check-image payments made in the United States. See The Clearing House’s web page at www.theclearinghouse.org.

Further, although not addressed in the ED, we support explicit application of this principle for other purposes, such as for cash flow statement classification, when an entity is required to assess whether a derivative contains an other-than-insignificant financing element according to ASC 815-10-45-11 through 45-15. That is, a derivative novation, in and of itself, should not be considered a termination followed by the execution of a new trade (that, then, must be assessed). Assuming the change in the fair value of what was originally an at-market derivative had reached the point that it was in an other-than-insignificant loss position immediately before the novation, it would not be within the scope of the aforementioned guidance. Therefore, simply changing the counterparty at such time should not be automatically construed as a termination and new derivative that is now within the scope of the aforementioned guidance.

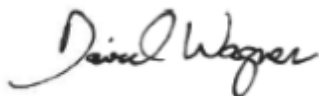
We are uncertain of the extent of relationships that have been dedesignated, but would have not been had the current guidance been in effect. However, we support allowing entities to implement a new standard on either a prospective or retrospective basis, with sufficient disclosure as to the method. Consistent with this, we support any provision to allow early adoption.

Thank you for your attention to these matters and for considering our views. Please feel free to contact Mike Gullette (mgullette@aba.com; 202-663-4986) or David Wagner (david.wagner@theclearinghouse.org; 212-613-9883) if you would like to discuss our views.

Sincerely,



Michael L. Gullette
Vice President, Accounting and Financial Management
American Bankers Association



David Wagner
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The Clearing House Association L.L.C.