February 7, 2022

SEC Chief Accountant
Office of the Chief Accountant
US Securities and Exchange Commission
Accounting Interpretations via email
OCARequest@sec.gov

RE: Cash Flow Hedge Relief Proposal Related to ASC 848, Reference Rate Reform

cc: Financial Accounting Standards Board

On February 7, 2022, the SEC staff (“the Staff”) communicated that they have reviewed the ARRC Cash Flow Hedge Relief Proposal Related to ASC 848, Reference Rate Reform dated December 15, 2021 (the “letter”) and have prepared remarks specific to the facts and circumstances described in the letter and subsequent conference call held on January 20, 2022, to further discuss the contents of the letter.

The Staff declined to provide a view on the specific requests in the letter due to the following two issues regarding the nature of the Alternative Reference Rate Committee accounting subcommittee members (“ARRC’s”) request: (1) the broad application of hedge accounting at the pool level contemplated by the submission is inconsistent with ASC 815 and ASC 848, and (2) ASC 848 provides an explicit sunset date, and any application of the relief within ASC 848 past that date is inconsistent with the temporary nature of the relief.

The Staff noted that hedge accounting and specific application of the cash flow hedging relief within ASC 848 is highly dependent on entity-specific fact patterns. The Staff acknowledged the broad challenges that entities face related to reference rate reform. The Staff remain open for further consultation regarding specific approaches related to (1) specific application of the hedge documentation interpretations within the submission, which could include multiple amendments in advance of a replacement rate transaction and the use of multiple rates (the Staff would look to understand how entities would meet the sufficient specificity requirements in ASC 815 through the sunset date), (2) for hedge relationships outside the scope of ASC 848 expected to remain highly effective, whether one could consider a change to forecasted hedged cash flows of certain replacement rates that are expected to be highly correlated (i.e. SOFR and its related tenors) to be a change in the same hedged risk, and (3) other potential interpretations that mitigate the financial reporting impact of delayed or missed forecasts related to reference rate reform.

We appreciate the SEC’s review and response in this matter.

Sincerely,

Jeannine Hyman
Citigroup Inc.
Chair of the ARRC Accounting and Tax Subgroup