May 29, 2020

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

cc: Financial Accounting Standards Board

On May 29,2020, the SEC staff ("the Staff") communicated that they have considered the ARRC Proposal for Relief on Embedded Derivatives dated April 20, 2020 (the "letter") and have concluded that the Staff does not object to the Alternative Reference Rate Committee's Accounting and Tax Subgroup's conclusions that the SOFR interest rate reset features evaluated in the letter, noted below, are terms of the host contract and do not represent embedded derivatives that require further assessment for bifurcation under ASC 815 based on the specific facts and circumstances described in the letter and clarified in a phone call on May 1, 2020. The SOFR interest reset features evaluated in the letter include:

- Term SOFR rates;
- Compounded SOFR in arrears rate;
- Compounded SOFR in advance rate; and
- For ARMs, Average SOFR in advance rate that resets every 6 months and resets 45 days before the beginning of the interest period based upon the trailing 30 or 90 days SOFR average.

We understand that the Staff does not object to this view based, in part, on the current expectation SOFR markets will develop to include features that are required or desired for certain products. It is reasonable to expect multiple SOFR based features to exist for multiple products similar to the existing LIBOR market. As these markets develop, changes in facts and circumstances could lead to different conclusions which may need to be reassessed.

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

Sincerely

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