



September 5, 2025

U.S. Department of the Treasury  
1500 Pennsylvania Ave NW  
Washington, D.C. 20220

**Re: 2024 Section 987 Regulations**

Ladies and Gentlemen:

The Securities Industry and Financial Markets Association (SIFMA)<sup>1</sup> submits these additional comments on the 2024 Final Regulations<sup>2</sup> and 2024 Proposed Regulations<sup>3</sup> issued under section 987 as a supplement to the comments we provided in our March 11, 2025 submission.

Given the significant impact of these regulations on the business models of SIFMA members, they are of particular importance to our industry. With this context in mind, SIFMA submits these comments and looks forward to continuing its dialogue with the Treasury Department and the IRS to help refine the implementation of the section 987 regulations in a way that best reflects the realities of our industry.

***I. Executive Summary***

The United States Department of the Treasury (“Treasury”) and the Internal Revenue Service (“IRS”) published proposed regulations under section 987 (“2023 Proposed Regulations”) on November 14, 2023. On February 12, 2024, SIFMA submitted comments to Treasury and the IRS suggesting various modifications to the 2023 Proposed Regulations. SIFMA recommended the addition of an elective regime to allow taxpayers hedging their foreign currency exposure associated with section 987 QBUs to eliminate the sourcing and separate limitation category asymmetries that can otherwise arise in relation to such hedging activity.

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<sup>1</sup> SIFMA is the leading trade association for broker-dealers, investment banks and asset managers operating in the U.S. and global capital markets. On behalf of our industry’s nearly 1 million employees, we advocate for legislation, regulation and business policy, affecting retail and institutional investors, equity and fixed income markets and related products and services. We serve as an industry coordinating body to promote fair and orderly markets, informed regulatory compliance, and efficient market operations and resiliency. We also provide a forum for industry policy and professional development. SIFMA, with offices in New York and Washington, D.C., is the U.S. regional member of the Global Financial Markets Association (GFMA).

<sup>2</sup> TD 10016, December 11, 2024.

<sup>3</sup> Reg. 117213-24 (Dec. 11, 2024)

On December 11, 2024, Treasury and the IRS published the 2024 Final Regulations and the 2024 Proposed Regulations. Treasury and the IRS introduced a new Section 987 hedging transaction election (“Section 987 Hedging Transaction Election”) in the 2024 Final Regulations in response to SIFMA’s comments. On March 11, 2025, SIFMA submitted a comment letter in relation to the 2024 Final Regulation and the 2024 Proposed Regulations. SIFMA recommended modifications to the Section 987 Hedging Transaction Election regime including:

1. Expand the scope of foreign currency exposures covered by the Section 987 Hedging Transaction Election;
2. Allow taxpayers to take hedging activities conducted during pretransition periods into account when computing pretransition section 987 gain or loss;
3. Clarify intercompany transactions can qualify as section 987 hedging transactions; and
4. Provide transition relief for hedging transactions that straddle the effective date of the Section 987 Hedging Transaction Election rules.

These recommendations continue to be important to SIFMA’s members and we are hopeful Treasury and the IRS will implement those recommendations.

Additionally, SIFMA requested Treasury and the IRS expand the scope of the frequently recurring transfer election in the 2024 Proposed Regulations to include disregarded lending transactions by banks and other financial entities. This recommendation also continues to be important to SIFMA members and we are supplementing our March 11, 2025 comments in relation to that recommendation with this letter. SIFMA recommends the following changes:

1. Add an option under section 1.987-4 whereby a taxpayer can choose to calculate the net accumulated unrecognized section 987 gain or loss of a section 987 QBU described in section 1.987-4(c) by utilizing relevant financial accounting information in lieu of the method described in section 1.987-4(d).
2. To the extent Treasury and the IRS determine some limitation should be placed on the availability of the inclusion of disregarded lending transactions within the scope of the frequently recurring transfer election in the 2024 Proposed Regulations, SIFMA recommends considering limiting its availability to taxpayers that meet certain requirements such as being a “bank” within the meaning of section 956(c)(2)(A)(i) or a “regulated financial company” within the meaning of section 1.385-3(g)(iv)(A).

## ***II. Detailed Discussion and Recommended Changes***

- A. Provide an option to compute net accumulated unrecognized section 987 gain or loss based on relevant financial statement information

### *Discussion*

Generally, the owner of a section 987 QBU must compute the net accumulated unrecognized section 987 gain or loss of a section 987 QBU owned by such owner as of the transition date (e.g., December 31, 2024 for calendar year taxpayers).<sup>4</sup> Pursuant to the 2024 Final Regulations, a taxpayer may utilize an eligible pretransition method or, if the taxpayer did not utilize an eligible pretransition method, a simplified version of the foreign exchange exposure pool methodology (“Modified FEEP Method”) established by the 2024 Final Regulations for computing section 987 gains and losses for tax years beginning after the transition date. The Modified FEEP Method must be applied to determine unrecognized section 987 gain or loss for each taxable period since the latter of the date of the section 987 QBU’s inception or taxable years beginning on or after September 7, 2006.

While the 2024 Final Regulations made some simplifying changes to the Modified FEEP Method (e.g., the requirement to have only to go back to 2006 was added in the 2024 Final Regulations) proposed in the 2023 Proposed Regulations, the Modified FEEP Method can still be burdensome for taxpayers. Accordingly, an option whereby a taxpayer could utilize relevant financial statement information to compute its net accumulated unrecognized section 987 gain or loss would be a welcome addition to the transition rules. Generally, pursuant to ASC 830, a taxpayer is required to remeasure asset and liabilities denominated in a currency different than the taxpayer’s reporting currency. This remeasurement produces gains or losses generally recognized immediately for financial statement purposes. However, such gains or losses may or may not be reported as taxable income in the same year. To the extent the inclusion of a gain or loss is deferred for tax purposes, a timing difference or basis difference is established and a deferred tax amount may be required to be provided in relation to such difference.

SIFMA thinks these timing differences in relation foreign currency pertaining to a section 987 QBU as of the transition date can serve as valid proxies for the net accumulated unrecognized section 987 gain or loss of such QBU and the related financial statement documentation associated with such timing differences can provide sufficient supporting documentation to satisfy the IRS.

### *Recommendation*

Add an option whereby a taxpayer can utilize financial statement information to compute and substantiate the net accumulated unrecognized section 987 gain or loss for a section 987 QBU owned by such taxpayer.

### B. Expand the scope of the frequently recurring transfer election in the 2024 Proposed Regulations to include disregarded lending transactions

### *Discussion*

In our March 11, 2025 comment letter, we recommended expanding the frequently recurring transfer election in the 2024 Proposed Regulations to include disregarded lending transactions. As we stated in that letter, banks utilize branches in their structures and route funds through these branches as part of their ordinary business operations. If banks cannot include disregarded

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<sup>4</sup> Section 1.987-4(c).

lending transactions in their recurring transfer groups, they will be required to disaggregate and track every loan and every interest payment at the daily spot rates. While the spot rate convention provided in section 1.987-1(c)(1)(ii) may provide some relief, given the volume of disregarded lending transactions that large banks engage in, the administrative burden of tracking these transactions in this manner would be high. We do want to note, as a reminder, that while the recurring item election will relieve that administrative burden, it will not solve the sourcing/basket issues noted in our previous letter, and the expansion of the hedging election remains necessary to resolve that issue.

To the extent Treasury and the IRS determine a limitation should be placed on the availability of such a provision allowing the inclusion of disregarded lending transactions to which the frequently recurring transfer election applies, SIFMA has considered two possible options for implementing such a limitation. The first option would be to limit the ability to include disregarded lending transactions in a recurring transfer group to banks as defined in section 956(c)(2)(A)(i). The second option would be to limit the ability to include disregarded lending transactions in a recurring transfer group to regulated financial companies as defined in section 1.385-3(g)(iv)(A). The latter casts a wider net than just banks to include other entities they could have large internal funding flows in connection with their business operations.

### *Recommendation*

To the extent Treasury and the IRS determine the inclusion of disregarded lending transactions in the class of transactions to which the frequently recurring transfer election applies should be limited in scope then we recommend either limiting it to banks as defined in section 956(c)(2)(A)(i) or regulated financial companies as defined in section 1.385-3(g)(iv)(A).

### ***III. Conclusion***

SIFMA appreciates the opportunity to provide comments to the IRS and Treasury on 2024 Final Regulations and 2024 Proposed Regulations, and we look forward to working with the government to modify these regulations in a manner that is most relevant and accommodating to the business models, day-to-day operations and regulation of global banks, broker dealers, and asset managers. Please contact Josh Wilsusen ([jwilsusen@sifma.org](mailto:jwilsusen@sifma.org)) if you have any questions regarding this submission.

Respectfully Submitted,

A handwritten signature in blue ink, appearing to read 'J. Wilsusen', with a stylized flourish at the end.

Josh Wilsusen  
Executive Vice President, Advocacy