

MEMO# 25730

December 20, 2011

Draft Comment Letter On FASB Investment Company Proposal; Conference Call Scheduled for January 6 At 2:00 PM Eastern Time

[25730]

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TO: ACCOUNTING POLICY SUBCOMMITTEE No. 4-11 RE: DRAFT COMMENT LETTER ON FASB
INVESTMENT COMPANY PROPOSAL; CONFERENCE CALL SCHEDULED FOR JANUARY 6 AT
2:00 PM EASTERN TIME

As you know, the FASB recently issued proposed amendments intended to clarify the criteria for qualification as an investment company under Topic 946. [\[1\]](#) Among other things, the amendments would require an investment company to consolidate a controlling financial interest in investment companies and investment property entities. Attached is a preliminary draft comment letter on the FASB proposal. We have scheduled a conference call on January 6 from 2:00 – 3:00 p.m. eastern time to review the draft letter and discuss any comments you may have. The dial in for the conference call is 1-866-790-5438 and the pass code is 9743882. Please let the undersigned know whether you plan to participate in the conference call by December 30.

The draft comment letter opposes mandatory consolidation of controlling financial interests in investment companies and investment property entities. The draft letter supports efforts to ensure that investors in a fund-of-funds have transparency into the underlying investments held by investee funds in lieu of consolidation. In particular, where the investee fund constitutes a significant portion of the fund-of-fund's assets, the draft letter recommends that the fund-of-funds provide disclosures about the investee fund. The draft letter recommends a principles-based model for determining when a fund-of-funds should provide disclosure regarding an investee fund. Where the investee fund is non-public, the fund-of-funds could satisfy the disclosure obligation through either consolidation or attaching the investee's financial statements. Where the investee fund is public, the fund-of-funds could satisfy the disclosure obligation by referencing a URL or website where the investee's financial statements may be accessed.

The draft letter strongly supports the Proposal's conclusion that any entity regulated under the Investment Company Act of 1940 is an investment company for purposes of applying

Topic 946. The draft letter indicates that such conclusion is necessary to ensure such companies are not required to present their results and financial position under two separate bases of accounting. The draft letter supports requiring an entity to satisfy each of the six criteria named in the Proposal, and recommends certain modifications to the express business purpose and fair value management criteria.

Gregory M. Smith
Director - Operations/Compliance & Fund Accounting

[Attachment](#)

endnotes

[\[1\]](#) See ICI Memorandum to Accounting/Treasurers Members No. 27-11 (November 2, 2011) [\[25609\]](#).

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