

MEMO# 28724

February 9, 2015

Draft ICI Comment Letter on FASB Indirect Investments Disclosure Proposal; Comments Requested by February 13

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TO: ACCOUNTING/TREASURERS COMMITTEE No. 3-15 RE: DRAFT ICI COMMENT LETTER ON FASB INDIRECT INVESTMENTS DISCLOSURE PROPOSAL; COMMENTS REQUESTED BY FEBRUARY 13

The Financial Accounting Standards Board recently released an exposure draft of a proposed accounting standards update that would amend ASC Topic 946 – Investment Companies. [\[1\]](#) The proposal would require investment companies regulated under the Investment Company Act of 1940 to disclose information about investments held by investee funds whose fair values exceed five percent of the reporting investment company's net assets. In particular, if the reporting investment company's proportional share of any investment owned by any individual investee fund exceeds five percent of the reporting investment company's net assets at the report date, then each such investment must be named and categorized, consistent with the schedule of investments disclosure requirements.

ICI has prepared the attached draft comment letter, which is summarized below. If you have comments on the draft letter, please provide them to Greg Smith at 202/326-5851 or smith@ici.org by Friday, February 13.

Investments in Investment Companies

The draft letter argues that there would be little benefit associated with the proposal where the investee fund is a regulated investment company because the investee fund's holdings must be publicly disclosed four times per year and they are readily accessible on the SEC's and the fund sponsor's websites. The draft letter recommends that the proposal apply only to investments in investment companies that are not regulated investment companies.

The draft letter describes how regulated investment companies are required to describe in their registration statement their policies and procedures relating to disclosure of the fund's portfolio securities. The draft letter express concern that an investor fund's disclosure of an

investee fund's portfolio holdings information could cause a violation of the investee fund's portfolio disclosure policies. The draft letter recommends that the "practicability exception" included in the proposal be expanded to cover such situations.

The draft letter seeks clarification of the term "investment" as used in 946-210-50-9. In particular, would the proposal require aggregation of all securities held by an investee fund that are issued by the same issuer for purposes of determining whether the investment exceeds five percent of the investor investment company's net assets?

Finally, the draft letter seeks confirmation that an investment company investing in two or more investee funds should not aggregate holdings in a particular issuer held by those different investee funds for purposes of identifying indirect holdings that exceed five percent. The draft letter expresses the view that the use of the term "individual investee" in the proposal suggests that the Board did not intend aggregation of investments in a particular issuer across two or more investee funds.

Gregory M. Smith
Senior Director of Fund Accounting and Compliance

[Attachment](#)

endnotes

[1] The exposure draft, Disclosures about Investments in Other Investment Companies is available on the FASB website. For a summary of the proposal, see ICI [Memorandum](#) No. 28558 (December 8, 2014).

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