

MEMO# 21041

April 5, 2007

Draft ICI Comment Letter on FASB Invitation to Comment on Development of Valuation Guidance for Financial Reporting

[21041]

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TO: ACCOUNTING/TREASURERS COMMITTEE No. 7-07 RE: DRAFT ICI COMMENT LETTER
ON FASB INVITATION TO COMMENT ON DEVELOPMENT OF VALUATION GUIDANCE FOR
FINANCIAL REPORTING

As we recently informed you, the Financial Accounting Standards Board solicited comment from constituents on whether they need additional guidance on measuring fair value for purposes of financial reporting, whether the FASB should be solely responsible for providing valuation guidance, and the process that should be used to issue valuation guidance for financial reporting. [\[1\]](#) Attached is a draft response to the Invitation to Comment, which is briefly summarized below.

As you know, the FASB recently issued Statement No. 157, Fair Value Measurements, which provides financial reporting guidance for measuring assets and liabilities at fair value. Statement No. 157 defines fair value, establishes a framework for measuring fair value, and provides for expanded disclosures about fair value measurements. FAS No. 157 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The Institute's draft comment letter notes that the Investment Company Act defines value

for purposes of calculating net asset value and preparing financial statements. Also, that the Securities and Exchange Commission and Commission staff have issued various items of interpretive guidance elaborating on the concept of value. The Institute's letter indicates that it is imperative that valuation concepts incorporated into generally accepted accounting principles are not inconsistent with valuation requirements imposed on funds by the Investment Company Act. The letter notes that funds cannot concurrently comply with differing valuation regimes.

The letter recommends that if the Board decides to issue valuation guidance for financial reporting, it closely coordinate with staff of the Securities and Exchange Commission responsible for regulation and oversight of investment companies.

Comments on the Invitation to Comment are due to the FASB by April 15, 2007. Please provide any comments on the Institute's draft response to the undersigned by April 12.

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

[Attachment](#)

endnotes

[1] See Institute [Memorandum](#) to Accounting/Treasurers Members No. 8-07 [20964], dated March 16, 2007. The FASB Invitation to Comment is available from the FASB website at <http://www.fasb.org/draft/index.shtml>

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