

**MEMO# 14108**

November 5, 2001

## **ICI COMMENT LETTER ON IASB INTERPRETATION ON FUND SHARES**

[14108] November 5, 2001 TO: ACCOUNTING/TREASURERS COMMITTEE No. 32-01 RE: ICI COMMENT LETTER ON IASB INTERPRETATION ON FUND SHARES The Institute recently filed the attached comment letter with the International Accounting Standards Board in response to its request for comment on Interpretation SIC - D34 Financial Instruments - Instruments or Rights Redeemable by the Holder. The interpretation addresses the financial statement presentation of shares issued by unit trusts, open-end mutual funds and other investment enterprises. The interpretation indicates that where shares enable the holder to redeem or "put" the shares to the issuer for cash, the issuer should treat the shares as a liability. The interpretation would cause these entities to report no equity or net assets for financial accounting purposes.<sup>1</sup> The Institute's comment letter opposes the interpretation. The comment letter suggests that the interpretation mischaracterizes fund shares as deposits, ignores ownership rights associated with fund shares, and fails from a cost/benefit perspective. The comment letter supports the approach taken by the FASB's exposure draft Accounting for Financial Instruments with Characteristics of Liabilities, Equity, or Both, which concludes that fund shares are equity. Gregory M. Smith Director - Operations/ Compliance & Fund Accounting Attachment Attachment (in .pdf format) 1 The interpretation would have no effect on U.S. registered investment companies, which are subject to U.S. generally accepted accounting principles.

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