

MEMO# 11887

May 16, 2000

DRAFT INSTITUTE COMMENT LETTER ON FASB FAIR VALUE PROPOSAL

1 See Accounting/Treasurers Committee No. 2-00, SEC Rules Committee No. 4-00 (January, 11, 2000). [11887] May 16, 2000 TO: ACCOUNTING/TREASURERS COMMITTEE No. 19-00 SEC RULES COMMITTEE No. 75-00 RE: DRAFT INSTITUTE COMMENT LETTER ON FASB FAIR VALUE PROPOSAL

_____ As we previously informed you, the Financial Accounting Standards Board has published a proposal on valuation of financial instruments.¹ The proposal is the first step in developing financial accounting guidance that would require all issuers to value their financial instruments at fair value, with changes in value reflected in earnings. The valuation guidance proposed by the FASB differs from SEC security valuation guidance applicable to investment companies in certain respects. For example, the FASB proposal indicates that exchange traded securities should be valued at the last sale price less brokerage commissions to be incurred on disposition of the security. Further, securities traded over-the-counter should be valued at the bid price (and not the mean of the bid-ask spread). The attached draft comment letter argues that investment companies should be exempted from the proposal in deference to long-standing security valuation guidance promulgated by the Securities and Exchange Commission. If you have any comments on the Institute's draft comment letter please contact the undersigned by May 26 at 202/326-5851 or smith@ici.org. Gregory M. Smith Director - Operations/ Compliance & Fund Accounting Attachment

Copyright © by the Investment Company Institute. All rights reserved. Information may be abridged and therefore incomplete. Communications from the Institute do not constitute, and should not be considered a substitute for, legal advice.