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September 19, 2005

Mr. Lawrence W. Smith, Director Technical Application and Implementation Activities Financial Accounting Standards Board 401 Merritt 7 P.O. Box 5116 Norwalk, CT 06856-5116

Proposed FASB Staff Position AAG INV-a, "Reporting of Fully Benefit-Responsive Investment Contracts Held by Certain Investment Companies Subject to the AICPA Investment Company Guide"

Dear Mr. Smith:

We appreciate the opportunity to comment on the proposed FASB Staff Position AAG INV-a, "Reporting of Fully Benefit-Responsive Investment Contracts Held by Certain Investment Companies Subject to the AICPA Investment Company Guide." We agree with the Board's conclusion that contract value is an important measurement attribute for fully-benefit responsive investment contracts held by certain investment companies when contract value is expected to be paid and received by the employer-sponsored defined-contribution plans (and ultimately their participants) that invest in these funds. We also agree with the Board's proposed presentation of contract value on the balance sheet and the proposed disclosures for fully-benefit responsive investment contracts held by certain investment companies. Our specific comments to clarify certain provisions of the proposed FSP are provided below.

Definition of Fully-Benefit Responsive

It is unclear whether the first sentence of paragraph 7(c) is referring to 1) conditions, limits or restrictions on participant-initiated transactions or 2) conditions, limits or restrictions on the contract value at which participant-initiated transactions occur. We believe the Board intended the latter since the former is addressed in paragraph 7(e) and we suggest this be clarified by adding "on the use of contract value" to the end of the sentence.

Financial Statement Presentation and Disclosure Requirements

The financial statement presentation requirements do not address the presentation of the change in net assets attributable to the change in the "adjustment to contract value." We believe that investment companies should present this change as a separate amount to adjust the net results of operations at fair value to the net results of operations. This presentation would be consistent with the balance sheet presentation required by



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paragraph 9. Similarly, we believe that investment companies and employer-sponsored benefit plans should present this change as a separate line item in the statement of changes in net assets. We suggest the FSP address presentation of this change on the statements of operations and changes in net assets.

Paragraph 10 requires certain disclosures about investment contracts in the footnotes to the financial statements. We recommend the FSP explicitly allow the disclosures required by paragraph 10 be made in either the schedule of investments or the footnotes to the financial statements. Since a fund investing in investment contracts legally owns such contracts as well as any investments underlying wrapper contracts, we believe it is appropriate to provide the information stipulated in paragraph 10 in the schedule of investments.

Paragraph 10(a) does not require the fair value of each traditional investment contract to be disclosed; however, the example in Appendix A does include such disclosure. We suggest amending paragraph 10(a) to read "the fair value of each traditional investment contract and the fair value of each wrapper contract and the fair value of each of the corresponding underlying investments."

Paragraph 11(d) requires a schedule of the average interest rate credited to participants in the fund by reset date. Many stable value funds hold numerous synthetic investment contracts that have distinct crediting rates and differing reset dates. In such situations, the disclosure required by this paragraph may be potentially confusing. We believe the disclosure requirement should focus on the average aggregate crediting rate on all investment contracts during the periods presented compared to the yield on such investments based on their fair values.

Paragraph 11(f) requires investment companies to disclose a description of the events which limit the ability of the fund to transact at contract value with the issuer. We recommend the Board consider requiring disclosure of restrictions the fund places on participants' ability to redeem their interests at net asset value (which is, in part, based on contract value). Although this concept relates to the fund's capital transactions rather than its investment transactions, we believe liquidity of a fund's investments and liquidity of a participant's interest in the fund are closely related and such disclosure would be beneficial.

The example footnote disclosure in Appendix A presents the adjustment to contract value for the wrapped portfolio as being attributable to the entire wrapped portfolio (underlying investments and wrapper). We suggest the adjustment to contract value be shown on the line with the wrapper as well as the subtotal line where it currently is displayed to more appropriately associate the adjustment to contract value with the wrapper.



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The examples provided in Appendix A of the presentation and disclosures required by paragraphs 8 through 10 are helpful in understanding the requirements of the FSP. We believe it would also be beneficial to provide examples of the disclosures required by paragraph 11(b) through (e).

Funds of Funds

The proposed FSP does not address stable value funds of funds – non-registered investment companies that invest in other non-registered investment companies that hold investment contracts. If all or essentially all of the top-level fund's net assets are held by participants in one or more qualified employer-sponsored defined-contribution plans, we believe the lower-level fund should "look through" to such investors for purposes of determining whether all or essentially all of its net assets are held by such participants.

With respect to the accounting and presentation by the top-level fund, we believe such fund's total net assets should reflect investments in underlying fund(s) – that qualify for the accounting and presentation required by the FSP – at a net asset value as adjusted to contract value. Presentation of the investments in the underlying fund(s) at net asset value should be based on the fair value of investment contracts with a separate adjustment on the balance sheet to arrive at total net assets of the top-level fund at contract value (consistent with the presentation prescribed by paragraph 9 of the FSP). Other information regarding the investments in the underlying fund(s) (such as yield, average crediting rate, and liquidity information) should also be given to the necessity of summary or detailed disclosure of the investments held by the underlying fund(s).

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If you have any questions on our comments or wish to further discuss any of the matters addressed herein, please contact Mark Bielstein at (212) 909-5419 or Enrique Tejerina at (212) 909-5530.

Sincerely,

