

September 1, 2004

Letter of Comment No: 3
File Reference: FSPFAS140B
Date Received: 9/3/04

Mr. Lawrence W. Smith
Director, TA&I - FSP
Financial Accounting Standards Board
401 Merritt 7
P. O. Box 5116
Norwalk, CT 06856-5116

Re: Proposed FASB Staff Position No. 140-b, "Application of EITF Issue No. 85-24, "Distribution Fees by Distributor of Mutual Funds That Do Not Have a Front-End Sales Charge," When Future Distribution Fees Are Sold to Unrelated Third Parties"

Dear Mr. Smith:

We are pleased to comment on the proposed FASB Staff Position No. 140-b, "Application of EITF Issue No. 85-24, "Distribution Fees by Distributor of Mutual Funds That Do Not Have a Front-End Sales Charge," When Future Distribution Fees Are Sold to Unrelated Third Parties" (FSP 140-b or the proposed FSP).

We support the issuance of the proposed FSP as a final position of the FASB staff. We agree that revenue recognition from a customer transaction should not be accelerated because of a transaction in which the right to receive future fees is sold to a third party. We also agree that the transfer of the rights to such fees (that have not previously met the criteria for recognition) does not represent the sale of a recognized financial asset and as such is not within the scope of FASB Statement No 140, *Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities* (SFAS No. 140). Accordingly, for transactions in which the transferor has continuing involvement with the entity that pays the fees, immediate income statement recognition is not appropriate under existing accounting principles. Thus, in transactions where there is continuing involvement by the transferring entity, we agree that the transaction should be accounted for based on the provisions of EITF Issue No. 88-18, "Sales of Future Revenues," and the proceeds recognized as debt or deferred revenue, as appropriate.

While we support the issuance of the proposed FSP, we believe the conceptual issues encountered in determining the appropriate accounting for a.) transfers of unrecognized rights to receive consideration in the future and b.) revenue transactions in which an entity has provided some (or all) of the requisite service, and in return receives a right to receive consideration that is due in the future and is contingent upon future events, are issues that the Board should consider and address in the current revenue recognition project. Finally, to eliminate questions regarding the applicability of the proposed FSP to related party transactions, we believe that reference to "unrelated third parties" should be removed from the title of the proposed FSP.

We appreciate the opportunity to comment on the proposed FSP. If you have any questions concerning our comments, please contact Jim Johnson at 203-761-3709 or Jim Kroeker at 203-761-3726.

Yours truly,

Deloitte & Touche, LLP