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LETTER OF COMMENT NO. 13

Russell G. Golden
Director of Technical Application and Implementation Activities
Financial Accounting Standards Board
401 Merritt 7
Norwalk, Connecticut 06856-5116

**Proposed FASB Staff Position No. FSP SOP 07-1-a, "Effective Date of AICPA Statement of Position 07-1"**

Dear Mr. Golden:

We appreciate the opportunity to comment on proposed FASB Staff Position No. FSP SOP 07-1-a, "Effective Date of AICPA Statement of Position 07-1." Allowing more time to adopt the provisions AICPA Statement of Position 07-1, "Clarification of the Scope of the Audit and Accounting Guide *Investment Companies* and Accounting by Parent Companies and Equity Method Investors for Investments in Investment Companies," may help some entities appropriately apply the provisions of the SOP. Additional time to consider the provisions of the SOP and implement appropriate accounting policies and procedures may be particularly helpful for parent companies and other investors that may need to revise their policies and procedures regarding investment company subsidiaries and equity method investees in order to maintain investment company accounting for those subsidiaries and investees in the consolidated financial statements. Accordingly, we believe that providing a one-year delay in the required effective date of the SOP is appropriate. However, we are not aware of any fundamental issues addressed in the SOP that need to be reconsidered and, therefore, we do not agree with the indefinite deferral of the effective date of the SOP as proposed in the FSP or the prohibition on early adoption of the SOP prior to its revised effective date by entities that have not already adopted it.

The current scope provisions of the Investment Company Guide are not clear and some entities have found it difficult to determine whether the provisions of the Guide should be applied to their activities. For example, there is diversity in practice in determining whether the Guide should be applied by certain real estate funds. The SOP provides much needed guidance to clarify the intended scope of the Guide. We are not aware of any reason to indefinitely defer the provisions of the SOP that apply to the determination of whether an entity is within the scope of the Guide or prohibit entities from applying those provisions.

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Due to the lack of clarity of the current scope provisions of the Guide, some newly established entities have considered the provisions of the SOP (and the Exposure Draft of the SOP prior to the final issuance of the SOP) to better understand the intended scope of the Guide and make a determination as to whether their activities are within the scope of the Guide. With the prohibition on the application of the provisions of the SOP as proposed in the FSP, it is not clear how determinations about the application of the Guide to newly established entities should be made. If a newly established entity meets the conditions of an investment company as described in the SOP, is that entity prohibited from applying the Guide?

Most questions about the application of the SOP relate to the implementation of the SOP by parent companies of investment company subsidiaries and equity method investors in investment company investees. We believe that the SOP provides appropriate guidance to help distinguish investment company activity from other activities of a consolidated group and help determine when the specialized accounting practices of investment companies should be retained in consolidated financial statements or the financial statements of an equity method investor. That guidance is necessary because the specialized accounting practices of investment companies result in the application of fair value accounting for certain items, such as controlling interests in certain other non-investment-company entities and real estate, that would otherwise be prohibited in a parent company's or equity method investor's financial statements. However, if the Board determines to indefinitely defer the effective date of the SOP, we believe that indefinite deferral should apply only to the provisions of the SOP that apply to the accounting by parent companies and equity method investors for investments in investment companies.

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

Sincerely,

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