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Technical Director
Financial Accounting Standards Board
401 Merritt 7
Norwalk, CT 06856

File Reference: Proposed FSP FAS 157-g

The members of the Accounting and Reporting Standards and Not-For-Profit Committees of the Connecticut Society of Certified Public Accountants are pleased to submit their comments on the Proposed FSP amending FASB Statement No. 157, *Fair Value Measurements*.

The views expressed in this letter are those expressed by members of the Accounting and Reporting Standards Committee. These views are not necessarily the view of the membership of the Connecticut Society of Certified Public Accountants.

We appreciate the opportunity to present our comments. Should there be any questions, please feel free to contact Michael Novosel, chair of the Accounting and Reporting Standards Committee at 860-635-1521.

Very truly yours,

Michael T. Novosel, CPA Connecticut Society of Certified Public Accountants Chair, Accounting and Reporting Standards Committee

## Proposed FASB Staff Position amending FASB Statement 157, Fair Value Measurements FSP FAS 157-g

1. This proposed FSP would apply to an investment in an entity that meets the definition of an investment company in the investment companies Guide for which its net asset value per share (or its equivalent, for example, partners' capital per share for an investment in a partnership) has been calculated in accordance with that Guide. However, this proposed FSP would not apply if the fair value of the investment is readily determinable as defined in paragraph 3 of FASB Statement No. 115, *Accounting for Certain Investments in Debt and Equity Securities* (with one exception described in paragraph 13 of this proposed FSP).

Do you believe there are other investments that should be within the scope of this proposed FSP?

We believe that application of this FSP is properly and narrowly defined and that investments, with unit ownership, the three other attributes of the Guide and no readily determinable fair value should be within the scope of the proposed FSP.

Do you agree that the Board should not permit the application of the proposed FSP to investments in entities that have readily determinable fair values as defined in paragraph 3 of Statement 115?

Yes, we agree with the Board. Allowing an investment with a readily determinable fair value to choose to recognize another value would decrease comparability.

Are there other investments that the Board should exclude from the scope of this proposed FSP?

The Board provided sufficient latitude for professional judgment by recognizing the effects of ARS 113 and ARS 118 for SEC registrants. For non-SEC regulated investment companies, we believe the required disclosures provide sufficient information, coupled with this FSP's measurement technique.

- 2. Are there circumstances in which an investment might initially have a readily determinable fair value and in a subsequent period not have a readily determinable fair value (and thus arguably become eligible for the practical expedient)? Yes, there are circumstances where an investment could lose its readily determinable fair value; a security could become subject to a trading halt, or there may simply be no trades in the security. Yes, the investment should be eligible for the practical expedient. The required disclosures should provide users with sufficient information to analyze the investment. Other valuation methods would reduce comparability.
- 3. The Board also considered alternative approaches to the scope of this proposed FSP. One approach would have indicated that a condition to using the practical expedient is that the primary means to enter and exit the investment is transactions (for example, redemptions or distributions) between the investor and the investee (that is, the fund) at net asset value per share. Another approach would have indicated that a condition to using the practical expedient is that the principal or most advantageous market for the investment is transactions (for example, redemptions or distributions) between the

investor and the fund at net asset value per share. Do you believe the Board should pursue one of the alternative approaches instead of the approach taken in this proposed FSP?

No, we believe the Board chose the correct course in this FSP without layering on NAV per share at exit and entrance or NAV at the most advantageous market conditions.

4. The Board recognizes that permitting rather than requiring the application of this proposed FSP for entities within its scope potentially reduces comparability. The Board decided to permit rather than require that reporting entities apply this proposed FSP to investments within its scope, in part, to avoid potential conflicts with the "good faith" requirements of the Investment Company Act of 1940 and Accounting Series Releases No. 113, Statement Regarding "Restricted Securities," and No. 118, Accounting for Investment Securities by Registered Investment Companies.

Do you agree with the Board's decision to permit rather than require the application of this proposed FSP?

The "good faith" requirement of the Investment Company Act of 1940 is left undefined and therefore, doesn't appear to create a conflict. We acknowledge that SEC regulated investment companies must follow ASR 113 and ASR 118, with their more detailed guidance. We also acknowledge that because it is so detailed, the guidance in ASR 113 and 118 may be used as the basis for or defense against lawsuits. However, we are concerned about manipulation in the current market. The measurement guidance and the depth of the specific disclosures in this FSP along with other financial reporting guidance, when applied within the principle of "faithful representation", should be broadly applicable to these narrowly defined investments.

5. Are the disclosure requirements of this proposed FSP operational? We believe that the disclosure requirements are operational and agree with disclosure by major category based upon the nature and risks of the investment. We considered aggregation and concurred that aggregation would reduce the usefulness to the user community. We reviewed the disclosure elements carefully and believe they serve to clarify the contract agreed to and the mental processes used to create the investment strategy. We did not address the need for any additional financial statement preparation or audit procedures to produce or audit prior period disclosures.