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February 15, 2012

Technical Director
Financial Accounting Standards Board
401 Merrit 7
PO Box 5116
Norwalk, CT 06856-5116

Re: Proposed Accounting Standards Update, “Financial Services – Investment Companies (Topic 946): Amendments to the Scope, Measurement, and Disclosure Requirements” (File Reference No. 2011-200)

Dear Technical Director:

We appreciate the opportunity to respond to the proposed Accounting Standards Update, Financial Services – Investment Companies (Topic 946): *Amendments to the Scope, Measurement, and Disclosure Requirements*. We support the Board’s effort in working with the International Accounting Standards Board to develop a consistent definition of an investment company. We have three significant observations as well as a number of recommendations that we believe would strengthen the proposal.

Judgment in applying certain criteria

As currently applied in practice today, investment company accounting (as described in Topic 946) is applied by a broad range of entities – open-end mutual funds, investment partnerships, insurance separate accounts, common trust funds, venture capital and private equity funds, business development companies, and others – investing in a broad range of asset classes, including equity securities, debt securities, money market instruments, real estate and other investments. The investment company model has served investors well by providing useful financial information about the nature and value of investments held and the changes in the value of the investors’ interests. Because investors may be evaluating existing or potential investments across the broad range of investment entities, we believe that it is important that the scope and application of the investment company model allow appropriate comparisons across the range of investment entities and provide for consistent presentation by those entities. In order to achieve that objective, we believe that the determination of whether an entity is or is not within the scope of investment company accounting must allow for an appropriate degree of judgment, including judgment about the needs of the financial statement users. Application of a strict set of specific criteria in making that determination may not always result in the appropriate presentation. Consistent with the approach established in AICPA Statement of Position 07-01, “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”, we believe that “entities should consider all existing evidence in determining whether the entity is an investment company, and that judgment should be applied in making that determination” (paragraph A-11).



Technical Director
Financial Accounting Standards Board
February 15, 2012
Page 2

While we believe that the individual criteria for determining whether an entity meets the definition of an investment company are generally appropriate, we believe, as noted above, that the criteria should be more flexible and allow an entity to apply judgment when assessing the individual criteria rather than requiring an entity to meet all the criteria as proposed. Although an approach that would apply the criteria in a more judgmental manner might result in situations where the entity could be identified as either an investment company or a non-investment company entity, it seems appropriate to us that the type of information that is most useful to investors would be part of that determination.

We provide further detail with respect to these observations in our response to question 1 included in Appendix A

Interests in Other Entities

Conceptually, we believe that when an investment company has a controlling interest in another investment company, consolidation generally should be required. But we also believe that limited practical exceptions to that requirement may be appropriate.

In assessing whether consolidation is appropriate, it is first necessary to determine whether the subsidiary entity is the investee entity or a subsidiary investment company. We believe that consolidation is appropriate where the activities of the subsidiary entity are merely an extension of the investor fund and the subsidiary entity is formed for legal, tax, or regulatory reasons for the primary purpose of supporting the investment objectives of the parent investment company. For example, it is common for an investment company to form a “blocker” entity in order to avoid certain adverse tax consequences or to ensure they comply with certain tax regulations. In this situation, we believe consolidating or otherwise providing sufficient information about the assets and liabilities of the blocker entity may best reflect how the fund intends to meet its investment objectives and would provide transparency to investors about the assets and obligations of the blocker entity.

We do not believe that consolidation is necessary in every circumstance where an investment company reporting entity has a controlling financial interest in another investment company subsidiary. Particularly, we question whether consolidation is necessary in circumstances where subsidiary investment company’s financial statements are readily available and the parent investment company’s investors can easily access the information (through websites of an investment manager or a regulator) or where subsidiary investment company’s financial statements are provided along with the financial statements of the parent investment company. In this situation, we believe that investors are able to gain full transparency into the underlying investments and obligations of the subsidiary investment company, which we believe is consistent with the Board’s reasoning for why a feeder fund should not be required to consolidate a master fund.

In many fund-of-funds structures, the objective is not to invest to operate the underlying fund but rather to invest for capital appreciation and current income. When investors have full transparency because the financial statements of the underlying investee funds are easily accessible and available to the reporting entity’s investors, we believe consolidation is unnecessary. Accordingly, we believe the Board should consider including in the final standard, an exception to the requirement to consolidate an investment



Technical Director
Financial Accounting Standards Board
February 15, 2012
Page 3

company in a fund-of-funds structure when the underlying financial statements are easily accessible and readily available.

We also have concerns about how the Board's proposal may impact insurance company separate accounts that issue variable annuity contracts and variable life insurance policies. It is common for an insurance separate account to invest its assets in underlying mutual funds that are chosen by the contract/policy holder. In some cases, the separate account may be the only investor in certain proprietary mutual funds and, therefore, would have a controlling financial interest in such funds. We believe that consolidation may not provide the most useful financial reporting to contract/policy holders, as they generally select the underlying mutual fund (investment option) to which their assets are allocated. We believe a user of separate account financial statements may be confused to see many individual equity and debt investments rather than investments in the mutual fund options they select from to direct the investment for their contract.

The Board should provide more precise definitions for the terms "fund-of-funds structure" and "master-feeder structure". These terms are not sufficiently defined and in current practice have varying meanings. Traditionally, the term fund-of-funds structure is used when one investment company meets its investment objective by investing only in other investment companies, and does not invest directly in non-investment companies. However, it is common practice for investment companies to invest directly in non-investment companies and also invest a portion of their assets in one or more investment companies for cash management or liquidity purposes. It is unclear whether the Board intends for the proposed consolidation criteria to extend to situations where the reporting entity's primary objective is to invest directly in non-investment companies, with a secondary objective to invest a portion of its assets in one or more investment companies.

Regarding a master-feeder structure, current SEC literature provides a definition of a "master-feeder fund" and the SEC staff has issued guidance with respect to their expectations on how "master-feeder funds" should be presented. Specifically, Form N-1A¹ under the 1940 Act, defines a master-feeder fund as a two-tiered arrangement in which one or more funds (each a "feeder fund") holds shares of a single fund (the "master fund") in accordance with section 12(d)(1)(E) of the Investment Company Act of 1940. We recommend the Board provide a similar definition under GAAP that defines a master-feeder structure as comprising of one or more funds (each a "feeder fund") that invests substantially all of its assets in one other fund (the master fund).

Furthermore, we believe that users of the feeder fund's financial statements should have visibility into the master fund's financial statements, including the types of investments and obligations held by the master fund. This visibility may be accomplished by including the financial statements of the master fund with the financial statements of the feeder fund; or through extensive disclosure that provides sufficient information consistent with the level of information included in the master funds financial statements.

Single model for investment companies and investment property entities

¹ See Form N-1a, Section A, "Definitions."



Technical Director
Financial Accounting Standards Board
February 15, 2012
Page 4

We believe a single model that covers both investment companies and investment property entities would be preferable, as a single model will provide consistent financial reporting and allow investors to better compare performance among different asset classes of alternative investments. There is a risk that two separate models may not provide consistent and comparable information for investors and financial reporting may be different under each model. For example, many investors seek to gain exposure to real estate and to private equity investments. If there are two separate models, the financial statements of these two types of entities may not be comparable as a private equity fund may qualify as an investment company while a real estate fund may qualify as an investment property entity. This may put investors at a disadvantage as they will not be able to easily compare the two entities, even though the nature of the activities is similar. We believe that the Board should provide a single definition for investment companies, which permits real estate entities that meet appropriate criteria to be within the scope of Topic 946.

We also believe that two different models for investment entities adds unnecessary complexity to the overall financial reporting system. For example, the possibility that an entity holding real estate might be an operating company, an investment company, or an investment property entity would be complex and confusing to users.

If the Board agrees with our recommendation to have a single model based on the investment company definition, we believe the Board should provide additional guidance within Topic 946 to address how entities holding real estate would apply the investment company criteria and how investments in real estate property should be presented in the financial statements of an investment company. Refer to our comment letter on proposed Accounting Standards Update, *Real Estate – Investment Property Entities (Topic 973)* for further recommendations to address accounting and reporting for investment property entities.

Finally, the Board proposed to require an investment company to consolidate its controlling interest in an investment property entity. Consistent with our views expressed above in connection with the Board's proposal to require an investment company to consolidate controlling financial interests in another investment company, we do not believe consolidation should be required when sufficient transparency into the types of investments and obligations of the underlying investee entity exists. For example, presentation of the value of the investment in the investee entity holding the real estate may be acceptable if the schedule of investments presents both the assets and liabilities of the investee entity.

Our responses to the questions asked in the proposal are set out in Appendix A of this letter.

If you have any questions about our comments or wish to discuss any of the matters addressed herein, please contact Mark Bielstein or Chad Gazzillo with KPMG LLP in New York at (212) 909-5419 or (212) 909-5951, respectively.

Sincerely,

KPMG LLP



Appendix A – Responses to FASB’s Questions

Question 1

The proposed amendments would require an entity to meet all six of the criteria in paragraph 946-10-15-2 to qualify as an investment company. Should an entity be required to meet all six criteria, and do the criteria appropriately identify those entities that should be within the scope of Topic 946 for investment companies? If not, what changes or additional criteria would you propose and why?

As noted in our cover letter, we believe that the individual criteria in paragraph 946-10-15-2 are generally appropriate considerations, but that allowing more judgment in the framework would provide a better approach to determine whether an entity is an investment company.

We believe that investment companies generally should meet the following criteria:

- The entity’s only substantive activities are investing for capital appreciation, income, or both (portion of paragraph 946-10-15-2 (a))
- The entity’s express business purpose (how it holds itself out to investors/potential investors) is to provide returns from capital appreciation, investment income (such as dividends or interest), or both (portion in paragraph 946-10-15-2 (b))
- Fair value management generally would be an appropriate consideration, however, there may be situations where that should not be a determinative factor (paragraph 946-55-10-1(e)); refer to question 11 for additional comments
- The entity is a reporting entity and provides financial information about its activities to investors (paragraph 946-10-15-2 (f))

However, the following indicators should also be required considerations to further support the primary criteria noted above in evaluating whether an entity is an investment company, although an entity would not necessarily have to meet all of these indicators:

- Multiple investments (portion of paragraph 946-10-15-2 (a)). While we believe that holding a single investment may be a factor to consider in determining whether an entity is investing for purposes other than capital appreciation, income, or both, we do not believe that it automatically should prevent an entity from being considered an investment company, particularly when all other criteria are met. For example, we believe that blocker entities described in our cover letter may be subsidiary investment companies.
- Unit ownership (paragraph 946-10-15-2 (c)); refer to question 8 for additional comments
- Pooling of funds (paragraph 946-55-10-1(d)); refer to question 7, 8 and 9 for additional comments. Although we agree that pooling of funds is an important consideration, we believe there are limited exceptions to such a requirement.
- Exit strategies (portion of paragraph 946-10-55-10-(b))

The Board concluded in the proposed ASU that an investment company need not be a legal entity. Although that conclusion may not be a determining factor in most cases due to other requirements, we



believe that statement may cause confusion, particularly in light of the Board's previous conclusions on that issue as expressed in EITF Abstract Topic No. D-74. In Topic D-74, the Board indicated that, other than separate accounts, investment companies must be separate legal entities. Particularly if the Board follows our recommendation to provide for more judgment in evaluating whether an entity is an investment company, we believe it would be more appropriate to indicate that investment companies generally are separate legal entities and identify the limited circumstances in which that may not be the case.

Question 2

The definition of an investment company in the proposed amendments includes entities that are regulated under the SEC's Investment Company Act of 1940. Are you aware of any entities that are investment companies under U.S. regulatory requirements that would not meet all of the proposed criteria in paragraph 946-10-15-2? If so, please identify those types of entities and which of the criteria they would not meet.

We agree with the Board's decision that entities regulated under the SEC's Investment Company Act of 1940 should automatically be considered investment companies. If such entities are not automatically in scope, we believe there may be investment companies under U.S. regulatory requirements that may not meet all of the proposed criteria in paragraph 946-10-15-2. Certain business development companies (BDCs) may not meet the nature of investment activities in that substantially all of the entity's activities may not be investing for capital appreciation or income. For example, BDCs may have substantive loan origination activities, which may be deemed to be inconsistent with the investment activities criterion. Also, index funds, which are commonly used by registered investment companies may invest for capital appreciation and may not meet the express business purpose criterion as their exit strategy is generally related to the removal of a security from the index. Insurance company separate accounts registered under the Investment Company Act of 1940 may not meet the unit ownership criteria or the pooling of interest criteria, given the insurance policy may not be viewed as representing an equity ownership and the assets in the separate account are owned by the insurance company thus the separate account may only be deemed to have a single investor.

In addition, while not all Small Business Investment Companies (SBICs) may be regulated under the Investment Company Act of 1940, they are regulated under the Small Business Investment Act of 1958 and generally follow Investment Company accounting. We believe such entities should be scoped into the definition of an investment company similar to the exception provided to those entities regulated under the 1940 Act.

Question 3

The proposed amendments would remove the scope exception in Topic 946 for real estate investment trusts. Instead, a real estate investment trust that meets the criteria to be an investment property entity under the proposed Update on investment property entities would be excluded from the scope of Topic 946. Do you agree that the scope exception in Topic 946 for real estate investment trusts should be removed? In addition, do the amendments in the proposed Updates on investment companies and investment property entities appropriately identify the population of real estate entities that should be investment companies and investment property entities?

We believe there should be a single investment company model that would apply regardless of the specific types of assets held. Accordingly, we agree that real estate investment trusts should not be automatically excluded from the scope of investment company accounting. We also believe that there should not be a separate investment property entity model.



Question 4

The proposed amendments would require an entity to reassess whether it is as an investment company if there is a change in the purpose and design of the entity. Is this proposed requirement appropriate and operational? If not, why?

We believe an entity should continually reassess their determination that the entity is an investment company or is not an investment company on an ongoing basis.

Nature of the Investment Activities

Question 5

An entity may be an investment company when it performs activities that support its investing activities. As a result, a real estate fund or real estate investment trust (that is not an investment property entity) could be an investment company if the entity (directly or indirectly through an agent) manages only its own properties. However, the entity would be precluded from being an investment company if the other activities were considered more than supporting the entity's investment activities (for example, construction). Is this requirement operational, and could it be consistently applied?

We believe that it is unclear how the guidance with respect to investment companies performing activities that support its investing activities is intended to be applied, particularly for real estate funds and private equity funds. We currently do not believe the guidance is clear as to what activities are considered operating versus investing. We recommend the FASB provide additional examples to clarify the types of activities that would be permissible versus those that would not be permissible, as well as to demonstrate the extent of the activities an investment company may provide to an investee. SOP 07-1 provided guidance that would be useful to retain, particularly for real estate entities. Although we agree that providing certain services to investees should not necessarily preclude an entity from being an investment company, we also believe that an entity that only provides services to its investees is not necessarily an investment company. We believe the nature of services provided to investees should be just one of the factors to be considered in the overall evaluation of all of the facts and circumstances about the entity's activities and business purpose, including the needs of the financial statement users.

Question 6

The proposed implementation guidance includes examples of relationships or activities that would indicate that an entity obtains or has the objective of obtaining returns from its investments that are not capital appreciation or investment income. Do you agree with these examples? If not, how would you modify the examples while still addressing the Board's concerns identified in paragraphs BC15 and BC16?

The examples provided in the proposed implementation guidance are appropriate examples of situations where an entity may obtain or has the objective of obtaining returns from its investments that are not from capital appreciation or current income. As these are examples rather than an all-inclusive list, there may be other indicators as well.



Unit Ownership and Pooling of Funds

Question 7

To be an investment company, the proposed amendments would require an entity to have investors that are not related to the entity's parent (if there is a parent) and those investors, in aggregate, must hold a significant ownership interest in the entity. Is this criterion appropriate? If not, why?

We believe entities having investors that are unrelated to the entity's parent (if there is a parent) is an indicator that the entity is an investment company. However, there are situations where an entity is formed where the investors consist solely of related parties. For instance, it is common for investment managers to create co-investment vehicles that permit their employees to invest alongside the manager. These vehicles are managed parallel to vehicles that would qualify as investment companies under the proposed guidance and are formed to provide employees with the ability to participate in the investment strategy without paying fees. As proposed, these co-investment vehicles may not meet the criterion because the employees would be considered related parties, therefore that entity would not have a significant ownership interest held by unrelated parties. Current practice is to account for a co-investment vehicle as investment companies and we believe that this practice is appropriate. We have concerns that virtually the same vehicle with the same investment strategy would be accounted for differently in this situation, with the consequence that the employee-investors would receive less meaningful financial information than investors in the parallel funds.

Furthermore, employee benefit plans of a non-investment company parent may invest its assets in a fund sponsored by the non-investment company parent or a subsidiary of the non-investment company parent. The employee benefit plan would be considered a related party and may hold a significant ownership interest in the fund, thereby precluding the Fund from meeting the scope of Topic 946. We believe the Board should consider excluding employee benefit plans from the definition of related party for purposes of the pooling criterion.

Question 8

The proposed unit-ownership criterion would require an entity to have ownership interests in the form of equity or partnership interests to be an investment company. The entity would consider only those interests in determining whether it meets the proposed pooling-of-funds criterion. Therefore, a securitization vehicle, such as a collateralized debt obligation, may not qualify as an investment company under the proposed amendments because it may not meet the unit-ownership or the pooling-of-funds criterion. The entity would not consider interests held by its debt holders when evaluating these criteria to be an investment company. For entities that do not have substantive equity interests (for example, those considered variable interest entities under Subtopic 810-10), should the unit-ownership and pooling-of-funds criteria to be an investment company consider interests held by debt holders? Please explain.

We generally support the Board's proposal to require an entity to have unit-ownership. However, we believe it may be more appropriate to include all interests that significantly participate in the risk and rewards of the entity regardless of the legal or accounting form of those interests. For example, as proposed, certain entities such as CDO and CLO structures, which may use investment company accounting today, may no longer meet the definition of an investment company because unit-ownership is in the form of debt rather than equity. We do not believe that the legal or accounting form should be the driver of the analysis; rather the substance of the interests and the risks and rewards associated with the interest should be considered in analyzing the unit-ownership criteria.

Question 9

Certain entities may meet all of the other criteria to be an investment company but have only a single investor (for example, a pension plan). The amendments in FASB's proposed Update on investment property entities provides that if the parent of an entity is required to measure its investments at fair value under U.S. GAAP or the parent entity is a not-for-profit entity under Topic 958 that measures its investments at fair value, the entity would not need to meet the unit-ownership and pooling-of-funds criteria to be an investment property entity. Considering the Board's concerns identified in paragraph BC24, should the criteria in this proposed Update be amended to address situations in which the entity has a single investor?

Although we agree that pooling of funds is an important consideration, we believe there are limited circumstances where it may be appropriate for an entity that has a single investor to present its financial statements as an investment company. We believe the criteria should allow an exception to the pooling of funds requirement when the investor is an entity that measures its investments at fair value through earnings. For example, if a pension fund is the sole investor in an entity, the most appropriate accounting model for the entity would be the investment company model because the pension fund is required to measure its investment in the entity at fair value through earnings. This approach is consistent with our recommendation to allow the application of judgment to the investment company criteria. However, if the Board decides to adopt the standard as proposed, we believe there should be an exception to the pooling-of-funds criterion when the single investor is an entity that measures its investment at fair value through earnings. That exception would be consistent with our view discussed in our cover letter that the needs of the financial statement user should be an important consideration in determining whether an entity is an investment company.

Question 10

The unit-ownership and pooling-of-funds criteria in the proposed amendments do not consider the nature of the entity's investors for evaluating if an entity is an investment company. That is, the criteria do not differentiate between passive investors and other types of investors. Do you agree that the nature of the investors should not be considered in evaluating the unit-ownership and pooling-of-funds criteria?

We believe the nature of the investor may provide support that the entity's activities are for investment purposes, and therefore we believe it would be appropriate for an entity to consider the nature of its investors to assist them in evaluating the unit-ownership and pooling-of-funds criteria. However, as we believe there should be flexibility permitted in applying the criteria, we do not believe consideration of the nature of the investor should be the determining factor by itself. The consideration of the nature of the investors may provide insight as to the needs of the financial statement users.

Fair Value Management

Question 11

The proposed amendments would require that substantially all of an investment company's investments are managed, and their performance evaluated, on a fair value basis. Do you agree with this proposal? If not, why? Is this proposed amendment operational and could it be consistently applied? If not, why?



With respect to investment company reporting entities, fair value generally would be an important attribute that is considered in managing and evaluating the performance of the entity. However, we do not believe it is necessary that fair value management be a requirement in all cases as there may be situations where other attributes, such as yield rather than fair value, may be the primary attribute in managing the entity (e.g., money market funds and short-term bond funds).

The discussion in BC26 on fair value management focuses, in part, on the needs of the investor or financial statement user. As noted above, we believe that the needs of the financial statement user or the nature of the investors may provide useful evidence about the nature of the entity's activities and whether investment company accounting would be appropriate. It may be useful for the Board to consider further explanation of the fair value management concept in terms of the needs of investors and financial statement users as well as management.

We also suggest that additional guidance be provided to clarify how to evaluate whether investments are being managed on a fair value basis, particularly if an investment company invests in real estate property.

Interests in Other Entities

Question 12

The proposed amendments would retain the requirement that an investment company should not consolidate or apply the equity method for an interest in an operating company unless the operating entity provides services to the investment company. However, the proposed amendments would require an investment company to consolidate controlling financial interests in another investment company in a fund-of-funds structure. An investment company would not consolidate controlling financial interests in a master-feeder structure. Do you agree with this proposed requirement for fund-of-funds structures? If not, what method of accounting should be applied and why? Should a feeder fund also consolidate a controlling financial interest in a master fund? Please explain.

Conceptually, we believe that investment companies should consolidate other investment companies that they control. However, for practical reasons as discussed in our cover letter, we believe that it would be appropriate to provide exceptions to the consolidation requirement in certain situations, such as master-feeder structures.

Question 13

The proposed amendments would require an investment company to consolidate a controlling financial interest in an investment property entity. Should an investment company be subject to the consolidation requirements for controlling financial interests in an investment property entity? If not, what method of accounting should be applied and why?

We believe that there should not be a separate investment property entity model.

Question 14

The proposed amendments would prohibit an investment company from applying the equity method of accounting in Topic 323 to interests in other investment companies and investment property entities. Rather, such interests would be measured at fair value. Do you agree with this proposal? If not, why?

We agree with the Board's proposal.



Presentation and Disclosure

Question 15

An investment company with a controlling financial interest in a less-than-wholly-owned investment company subsidiary or an investment property entity subsidiary would exclude in its financial highlights amounts attributable to the noncontrolling interest. Do you agree that the amounts attributable to the noncontrolling interest should be excluded from the calculation of the financial highlights? If not, why?

We agree with the Board's proposal.

Question 16

If an investment company consolidates an investment property entity, the proposed amendments require the investment company to disclose an additional expense ratio that excludes the effects of consolidating its investment property entity subsidiaries from the calculation. Do you agree? If not, why?

If there is a separate topic for investment property entities, we agree that an additional expense ratio excluding the effects of consolidating its investment property entity would be appropriate.

Question 17

Do you agree with the additional proposed disclosures for an investment company? If not, which disclosures do you disagree with, and why? Would you require any additional disclosures and why?

Given the broad definition of "investee", we have concerns with the proposed requirement to disclose restrictions on the ability of investees to transfer funds to an investment company. We believe that this disclosure requirement may be difficult to apply for some entities as it may be interpreted to require investment companies to disclose restrictions resulting from regulatory capital requirements, particularly those placed on financial institutions. Additionally, with respect to the proposed requirement to disclose financial support, the guidance should clarify that additional investments made at the discretion of the investment company would not be considered financial support. For example, venture capital funds may choose to invest in subsequent rounds of financing at their sole discretion. The Board should clarify whether it was their intent to require disclosure for "normal" regulatory restrictions, as well as to clarify what the Board considers to be "financial support."

Retention of Specialized Accounting

Question 18

The proposed amendments would retain the current requirement in U.S. GAAP that a noninvestment company parent should retain the specialized accounting of an investment company subsidiary in consolidation. Do you agree that this requirement should be retained? If not, why?

We generally agree with the Board's proposal, however, we believe that when the investment company subsidiary has similar business objectives as its non-investment company parent and the investment company subsidiary merely represents an extension of the non-investment company parent's operations, retention of the specialized accounting treatment for investment companies may not be appropriate. We



believe the Board should address that potential situation in the final standard. For example, as previously noted, we believe it may be appropriate for CDO or CLO structures to be treated as investment companies, but it may not be appropriate to retain investment company accounting for those structures in consolidation.

Effective Date and Transition

Question 19

An entity that no longer meets the criteria to be an investment company would apply the proposed amendments as a cumulative-effect adjustment to retained earnings as of the beginning of the period of adoption by calculating the carrying amounts of its investees as though it had always accounted for its investments in conformity with other applicable U.S. GAAP, unless it is not practicable. If not practicable, the entity would apply the proposed amendments as of the beginning of the period of adoption. Do you agree with this proposal? If not, why?

We agree with the proposed transition guidance provided in the exposure draft.

Question 20

How much time would be necessary to implement the proposed amendments?

We suggest an effective date of no less than one full calendar year after the issuance date.

Question 21

The proposed amendments would prohibit early adoption. Should early adoption be permitted? If yes, why?

We do not believe that early adoption should be permitted.

Nonpublic Entities

Question 22

The proposed amendments would apply to both public and nonpublic entities. Should the proposed amendments apply to nonpublic entities? If not, how should the proposed amendments differ for nonpublic entities and why?

We believe the proposed amendments should apply to both public and nonpublic entities.