



LETTER OF COMMENT NO. 3

December 21, 2006

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

RE: File Reference No. FSP FIN 46(R)-d – Application of FASB Interpretation No. 46(R) to Investment Companies

Dear Mr. Smith:

PricewaterhouseCoopers LLP appreciates the opportunity to respond to the proposed FASB Staff Position FIN 46(R)-d, "Application of FASB Interpretation No. 46 (R) to Investment Companies" (the "proposed FSP").

The proposed FSP would amend FIN 46(R) to state that "investments accounted for at fair value in accordance with the specialized guidance in the AICPA Audit and Accounting Guide, *Investment Companies*, are not subject to consolidation according to the requirements of this Interpretation."

We support the proposed FSP for the following reasons:

- The proposed guidance would allow an entity that meets the definition of an investment company and that accounts for investments at fair value in accordance the AICPA Audit and Accounting Guide, *Investment Companies*, to (a) continue the practice of providing meaningful relevant information to stakeholders about the investment company's investment results and (b) exclude the results of operations of non-investment companies in which the investment company invests.
- The proposed guidance allows the continued practice of applying professional judgment, based on the investment objectives of the parent investment company, about whether the consolidation of one investment company into another investment company is appropriate.

However, we believe that the guidance proposed in paragraph 7 could be interpreted to allow investment companies to conclude that consolidation of one investment company into another is not required, even when consolidation may be appropriate. Although the Board's intent regarding this issue is addressed in paragraphs 5 and 6 of the proposed FSP, it is included in the background section and not explicitly addressed in the authoritative guidance.

Therefore, to avoid unintended diversity in the application of the proposed FSP and to avoid an unintended change in current practice, we suggest that the guidance in paragraph 7 be clarified by the following modifications (highlighted in bold):

7. Paragraph 4(e) of Interpretation 46(R) is amended as follows: [Added text is underlined and deleted text is ~~struck-out~~.]

This Interpretation is not required to be applied to investments accounted for at fair value in accordance with the specialized accounting guidance in the AICPA Audit and Accounting Guide, *Investment Companies*, are not subject to consolidation according to the requirements of this Interpretation. Rather, the investment objectives of a parent investment company and the specialized accounting guidance in that Audit and Accounting Guide should be considered in determining whether the investment company should consolidate another investment company that it controls. ~~An enterprise subject to SEC Regulation S-X, Rule 6-03(e)(1) shall not consolidate any entity that is not also subject to that same rule.~~

We appreciate the opportunity to express our views on the proposed FSP. If you have questions regarding our comments, please contact Thomas Barbieri (973) 236-7227, John Lawton (973-236-7449), or Gerard O'Callaghan (973) 236-7817.

Sincerely,

PricewaterhouseCoopers LLP