LETTER OF COMMENT NO. 54

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November14, 2008

Mr. Russell G. Golden
Director of Technical Application and Implementation Activities
Financial Accounting Standards Board
401 Merritt 7
P.O. Box 5116
Norwalk, CT 06856-5116

Proposed Statement of Financial Accounting Standards, Amendments to FASB Interpretation No. 46(R)
(File Reference No. 1620-100)

Dear Mr. Golden:

This letter sets forth the comments of Invesco Ltd. ("Invesco," or the "Company") on the Proposed Statement of Financial Accounting Standards, Amendments to FASB Interpretation No. 46(R), (the "Proposed Amendment").

Invesco is a global independent investment management company delivering investment management capabilities through a comprehensive array of investment products and solutions for retail, institutional and high-net-worth clients. Operating in 20 countries, Invesco had $357.6 billion in assets under management as of October 31, 2008.

We support the Board's proposal to move toward a more principles-based approach to the evaluation of consolidation; however we encourage the Board to undertake a longer-term reassessment of all consolidation and deconsolidation guidance, as there are conflicting elements of the Proposed Amendment that could result in an unintended consequence to investment managers of consolidation of managed investment products. Consolidation of investment products may in turn lead to misrepresentative financial statements of investment managers. We have the following comments for the Board's consideration:

- The underlying books and records of these investment products, which are separate and distinct legal entities, often do not form part of, and are not prepared on a timely basis consistent with, the investment manager's financial reporting processes and internal control systems. As a result, the consolidation of the financial information of investment products can be challenging and may result in a significant increase in the use of estimates of underlying investment valuations and investment product operating activity from period-to-period. We encourage the Board to consider the mechanical and practical impact to the financial statement preparation process for investment managers of consolidation of investment products.

- Paragraph 14 of the Proposed Amendment does not define the term *significant* when requiring that one of the two characteristics for deemed control of a variable interest entity is an evaluation of the right to receive benefits from the entity that could potentially be *significant* or the obligation to absorb losses of the entity that could potentially be *significant*. We encourage the Board to consider the retention of a quantitative analysis of gains and losses in the assessment of the significance of receipt of benefits/(absorption of losses) from variable interest entities.

- Paragraph 14 of the Proposed Amendment does not contain consideration of the impact of kick-out rights in the qualitative assessment of the party who most significantly impacts the activities of a variable interest entity, unless a single enterprise has the unilateral ability to exercise those kick-out rights. This view of kick-out rights is inconsistent with the view of the impact of kick-out rights in Emerging Issues Task Force (EITF) Issue No. 04-5, "Investor's Accounting for an Investment in a Limited Partnership When the Investor Is the Sole General Partner and the Limited Partners Have Certain Rights" (EITF 04-5). EITF 04-5 indicates that the party that makes the day-to-day operating decisions for an entity does not control that entity if a majority of shareholders have the ability to exercise kick-out rights. We encourage the Board to consider resolving the conceptual inconsistency regarding the evaluation of substantive kick-out rights in favor of the EITF 04-5 view of substantive kick-out right impact.

These observations are discussed further below.

Consideration of Mechanical and Practical Impact of Consolidation of Investment Products

Much of the information required to consolidate investment products is not maintained in the Company's financial reporting system, because the operations of these products are not considered to form part of the Company's normal operations. The Company has internal controls in place over the financial reporting and consolidation processes to ensure that these investment products for which it currently is deemed to control are properly consolidated; however as discussed above, we are concerned that under the new qualitative assessment of control required by the Proposed Amendment, more investment products may be deemed to be controlled by the Company. The effort required to compile the data for consolidation is significantly disproportionate to any value provided to the users of our financial statements.

Financial statements of the underlying investment products are often prepared only quarterly or semi-annually and are not under the same preparation timeline as the Company's financial statements, which could lead to increased estimation of underlying investment valuation and results of operations of the investment products being consolidated. As indicated above, the assets and liabilities of these investment products, while significant in amount, provide little additional meaningful information to readers of the financial statements of the investment manager since the financial statements contain a significant grossing up of assets and liabilities, with an approximate 95%-99% offset in minority interest. Reporting the true 1%-5% interest of

the Company in the investment products (its maximum risk of loss) is deemed more appropriate than consolidation.

We encourage the Board to consider the mechanical and practical impact to the financial statement preparation process for investment managers of consolidation of investment products.

Assessment of Significance of Benefits/(Losses) from Variable Interest Entities

The Company provides investment management services to a number of collateralized loan and debt (CLO) entities. We have invested in these entities, generally taking a relatively small portion of the unrated, junior subordinated positions. At September 30, 2008 (the date of the Company's third quarter Form 10-Q), we held $21.2 million of investments in these CLOs, which represents our maximum risk of loss.

Example 2, included in the Implementation Guidance in Appendix A of the Proposed Amendment, illustrates a CLO-type investment product in which the investment manager holds 35% of the equity tranche (which was designed to absorb the first dollar risk of loss related to credit risk and interest rate risk and to receive any residual returns from a favorable change in interest rates or credit risk that affects the proceeds received on the sale of investments in the portfolio). All holders of the debt securities in the investment product, and all other equity positions, are held by third-party investors. The investment manager earns a base fixed fee and a performance fee in which it receives a portion of the investment product's profit above a targeted return. The investment manager can be removed, without cause, by a simple majority decision of the AAA-rated debt holders. As the debt of the investment product is widely disbursed, no one party has the ability to unilaterally remove the investment manager. If the investment manager is removed, it will still own 35% of the equity tranche.

This example concludes that the investment manager is deemed to be the primary beneficiary of the CLO-type structure because it is the variable interest holder with the power to direct matters that most significantly impact the structure, including activities that impact the overall economic performance of the investment product (and no single enterprise has the unilateral ability to exercise substantive kick-out rights). The economic performance of the investment product is primarily impacted by the performance of the investment product's portfolio of assets, and the investment manager has the ability to impact this performance because it can actively manage the assets. Additionally, the investment manager, through its equity interest and performance-based fee, has the right to receive benefits that could potentially be significant to the structure.

Under the current guidance provided by FASB Interpretation No. 46(R), "Consolidation of Variable Interest Entities – An Interpretation of ARB No. 51," (FIN 46R), Invesco has determined that we are not the primary beneficiary of our managed CLO investment products, which have terms similar in nature to the terms outlined in Example 2. This determination was made because in the vast majority of potential return outcomes, the sum of our ownership percentage, our base investment management fee and our maximum carry, or performance fee, does not exceed 50% of the expected gains or losses from the CLOs. Under the guidance in the Proposed Amendment, the primary beneficiary's interests are not required to be greater than 50%

of expected gains or losses; instead the primary beneficiary must have the right to receive benefits/(absorb losses) that could potentially be *significant* to the variable interest entity. There is no clarification on what constitutes a significant benefit/(loss) in the Proposed Amendment; however it is noted that the Board expects that a quantitative analysis of primary beneficiary determination will seldom be necessary. Therefore, the primary beneficiary conclusions we reached under the existing guidance provided by FIN 46R may not be consistent with conclusions we may reach under the Proposed Amendment. The consolidation of the Company's managed CLOs would be misleading to the readers of the Company's financial statements. The Company has no risk or recourse associated with the assets and liabilities of the CLOs, other than its $21.2 million investment.

The Proposed Amendment, while indicating that a qualitative assessment of control is required, also indicates that if a primary beneficiary is not identified through the qualitative assessment, a quantitative approach is justifiable. As illustrated in the Proposed Amendment's Example 2, an investment manager of a CLO-type product may qualitatively appear to be the primary beneficiary; however, as discussed above, our facts and circumstances are very similar to those outlined in Example 2, and we have concluded quantitatively that we are not the primary beneficiary. It lacks conceptual merit that under a qualitative assessment, consolidation may be required, while under a quantitative assessment, consolidation would not be required.

We encourage the Board to consider the retention of a quantitative analysis of expected gains and losses in the assessment of the receipt of benefits/(absorption of losses) that could potentially be *significant* to the variable interest entity.

Evaluation of Impact of Substantive Kick-Out Rights

The Company provides investment management services to a number of private equity, real estate and fund-of-funds products structured as partnerships. We have invested in these funds, generally taking around a 1% investment as the general partner. These investment products, which were all established with similar intent and structure, are accounted for under three separate accounting pronouncements: a) Accounting Principles Board No. 18, "The Equity Method of Accounting for Investments in Common Stock;" b) the current FIN 46R; and c) EITF 04-5.

Certain investment products are accounted for using the equity method. They are partnerships in which we own a less than 1% interest, and for which we have determined that our investment is not substantive, but that the limited partners can manage their own economic interests. Therefore, these partnerships are variable interest entities; however we are not the primary beneficiary of these entities.

Certain products are accounted for under the current FIN 46R. They are also partnerships in which we own a less than 1% interest; however, the limited partners cannot manage their own economic interests. Therefore, these partnerships are consolidated, as they are variable interest entities for which we are the primary beneficiary.

Certain products are accounted for under EITF 04-5. They are partnerships in which we own slightly greater than a 1% interest, but they are essentially the same in purpose and intent as the partnerships accounted for using the equity method or the current FIN 46R. We determined that our partnership interest is substantive (which we elect to define as a partnership interest above 1%). Therefore, these voting interest entities are consolidated into our financial statements unless the limited partners have substantive kick-out or participation rights, in which case they are accounted for using the equity method.

We believe that using three separate methods to account for what are in essence the same types of investments in our private equity, real estate and fund-of-funds partnerships does not have conceptual merit. Additionally, we are concerned that lack of consideration of the impact of substantive kick-out rights may result in a conclusion that the investment manager controls the partnership under the qualitative assessment outlined in paragraph 14 of the Proposed Amendment. Specifically, we are concerned that the existence of substantive kick-out rights (unless held unilaterally by one party) will not affect the determination of whether an entity has the power to direct matters that most significantly impact the activities of the entity. EITF 04-5 indicates that the party that makes the day-to-day operating decisions for an entity does not control that entity if a majority of shareholders have the ability to exercise kick-out rights. We believe that this inconsistency in the application of the impact of substantive kick-out rights that would result from the Proposed Amendment is not justifiable on a conceptual level and inappropriately introduces the opportunity for accounting arbitrage between consolidation based upon EITF 04-5 and consolidation based upon the variable interest entity model.

Additionally, the Proposed Amendment will require ongoing assessments to determine whether an entity is a variable interest entity and whether an enterprise is the primary beneficiary of a variable interest entity. This requirement for ongoing assessments could result in investment managers of private equity, real estate and fund-of-funds partnerships shifting between consolidation models or the equity method of accounting from reporting period to reporting period simply as a result of small changes in economics rather than as a result of a fundamental contractual or design changes in the investment product structure.

We encourage the Board to consider resolving the conceptual inconsistency regarding the evaluation of substantive kick-out rights in favor of the EITF 04-5 view of kick-out right impact.

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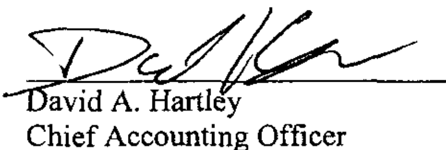
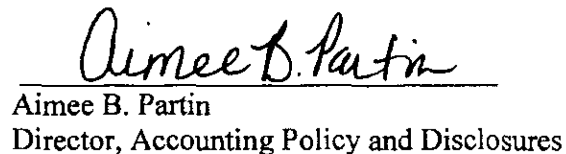
We would be pleased to discuss our comments with the Board or its staff.

Very truly yours,





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