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To: [Director - FASB](#)
Subject: The impact of the consolidations guidance in FASB Statement No. 167, Amendments to FASB Interpretation 46(R), on the investment management industry.
Date: Thursday, November 05, 2009 8:54:45 AM

We understand that the FASB chairman has added a short term project to the agenda to address: *The impact of the consolidations guidance in FASB Statement No. 167, Amendments to FASB Interpretation 46(R), on the investment management industry.* We strongly support the FASB's further consideration of the impact on 167 on the investment management industry and we generally agree with the feedback the FASB has received from others that investors in investment managers are generally not served by having the investment manager consolidate entities they manage.

We also understand that one alternative being considered by the FASB is a deferral of 167 for investment entities that are accounted for under the investment company guide. We support a deferral, but request that certain issues be addressed if this deferral is finalized to assist us in implementation:

1. If the deferral is narrowly applied to investments in entities that account for themselves under the audit guide, we request that the FASB broaden the eligible entities to entities that **meet the definition of investment companies** under the guide rather than requiring the entity to actually account for itself under the guide in order to qualify for deferral. Specifically, we are concerned with entities that currently prepare financial statements under IFRS which does not contemplate specialized investment company accounting but would otherwise account for themselves under the guide if they were under US GAAP. We believe entities such as these should be included in the deferral to avoid inconsistency. Further, we believe such an approach would be consistent with recent guidance issued by the FASB on the 'practical expedient' option for determining fair value of investments in certain entities.
2. If the deferral is applied to entities that would qualify as investment companies under the audit guide, would such a deferral apply to securitization vehicles such as CDOs and CLOs? These entities may never even issue GAAP financial statements but might meet the definition of investment company under the audit guide. It would seem that including these entities in such a deferral would, in effect, result in a much more significant deferral of the consolidation provisions of 167 than the staff may anticipate. Presumably in many cases, the managers (i.e. the entities receiving a fee) of such entities would have the "power to direct". So, if these entities were included in the deferral, it would seem that in most cases, no reporting entity would be end out consolidating these entities because the managers would be under the deferral and other reporting entities would most likely lack the "power to direct". Stated another way, inclusion of securitization entities in the deferral would, in many cases, result in the entity with the "power to direct" determining if it were the primary beneficiary under Fin 46R (and in many cases not meeting the expected loss threshold) and the other variable interest holders analyzing if they were primary beneficiary under 167 (and generally concluding they are not the primary beneficiary because they do not have the

“power to direct”).

It would seem to qualify for the deferral, several conditions should be met: (a) the reporting entity must receive a fee for managing the subject entity; (b) the subject entity must meet the definition of an investment company under the audit guide; (c) the subject entity must not be a securitization vehicle (or specifically clarify that securitization vehicles do not meet the definition of investment company under the guide).

We would be happy to provide more feedback or answer any follow questions of the staff if they arise.

Best regards,

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