



PricewaterhouseCoopers LLP
400 Campus Drive
Florham Park, NJ 94111
Telephone (973) 236 4000
Facsimile (973) 236 5000

January 6, 2010

Mr. Russell Golden
Technical Director
Financial Accounting Standards Board
401 Merritt 7
P.O. Box 5116
Norwalk, CT 06856-5116

File Reference No. 1750-100: Proposed Accounting Standards Update, *Amendments to Statement 167 for Certain Investment Funds*

PricewaterhouseCoopers LLP appreciates the opportunity to comment on the proposed Accounting Standards Update (ASU), *Amendments to Statement 167 for Certain Investment Funds* (the "Proposed ASU").

We agree with the Board that there is the potential for the upcoming IASB guidance to result in differing consolidation results for certain entities, such as those that are within the scope of the Proposed ASU. We also agree with the Board that the application of FASB Statement 167, *Amendments to FASB Interpretation No. 46(R)* (FAS 167), to these entities could lead to consolidation of entities that in the future might be de-consolidated upon completion of the boards' joint consolidation project.

Our review of the deliberations of the IASB related to Exposure Draft 10, *Consolidated Financial Statements*, leads us to believe there is a significant likelihood that the IASB will arrive at a different conclusion in two key areas affecting investment funds.

The first area is the issue of kick-out rights. While FAS 167 makes clear that kick-out rights are only treated as substantive if held by a single party, the IASB appears to be considering a standard where kick-out rights could be held by more than one party and still be considered substantive. As a change from recognition of simple majority kick-out rights would have far-reaching consequences, we believe that a deferral until the joint project is concluded will allow financial statement preparers to avoid the potential result of consolidation and subsequent de-consolidation.

The second area is the evaluation of principal and agent relationships. As noted in the Proposed ASU, the preliminary indications are that the IASB may arrive at a conclusion that would lead to a different consolidation conclusion for many investment funds. In their discussions with the Board, many financial statement preparers have taken exception with FAS 167's conclusions in this area. As noted above, we believe the potentially negative consequences of consolidation followed by de-consolidation is addressed by the deferral.

We support the proposal to defer the effective date of FAS 167 for certain investment funds in anticipation of consistent guidance being developed by the FASB and IASB as part of their joint consolidation project. In addition, we support the proposed deferral of FAS 167 for entities that are required to comply or operate in accordance with requirements similar to those in Rule 2a-7 of the Investment Company Act of 1940 for registered money market funds.

We agree with the Board's proposed changes to clarify that related-party arrangements should be considered for all the conditions of paragraph B22 of the statement.

While we support the proposal, there are certain aspects that we believe should be clarified or revised.

Our specific concerns are as follows:

Consider Clarifying the Scope of the Proposed ASU

It is common for asset manager sponsors to form entities (i.e., "funds") that raise a significant amount of their capital through debt financing and invest in a portfolio of debt securities and/or loans. While some of these entities are often generically identified as a collateralized loan obligation ("CLO") or a collateralized debt obligation ("CDO"), many are not designed to achieve sale treatment for assets originated by the asset manager sponsoring the product, and in form and function operate similar to other leveraged investment funds. Further, they are not formed for the primary purpose of providing capital financing for the sponsor or for those who originated the underlying loans or debt securities.

There is currently diversity in practice related to the financial statement presentation and classification of such entities for purposes of their stand-alone financial statements, as well as the financial statements of those who consolidate these entities. In many cases, the entities have been treated as having the attributes specified in paragraph 946-10-15-2 (a) through (d) and have issued financial statements in the form required for such an entity.

As the attributes of these types of entities are not defined in the accounting literature, a listing of factors to consider in determining if such a leveraged fund is a CLO, CDO, or "asset-backed financing" entity could be helpful to preparers when determining the application of the Proposed ASU. Accordingly, we recommend the Board clarify the attributes of entities identified in paragraph 810-10-65-2aa(1)(iii)(01) and (02) that distinguish them from entities in paragraph 810-10-65-2aa(1)(i).

Amendments to Paragraph 810-10-55-37

We understand that the Board does not intend for the analysis in paragraph 810-10-55-37(c) to be the same as that performed in assessing the losses/benefits criterion of the primary beneficiary (paragraph 810-10-25-38A). It would be helpful for the Board to clearly state that for purposes of the analysis performed under paragraph 810-10-55-37 subsection (c), (e), and (f), the probability of outcomes should be taken into consideration.

* * * * *

We appreciate the opportunity to express our views on the Proposed ASU. If you have any questions regarding our comments, please contact Thomas Barbieri at (973) 236-7227 or John Hildebrand at (973) 236-4993.

Sincerely,



PricewaterhouseCoopers LLP