Invesco

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Mr. Russell G. Golden
Technical Director
Financial Accounting Standards Board
401 Merritt 7
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**Proposed Accounting Standards Update, "Amendments for Common Fair Value Measurement and Disclosure Requirements in U.S. GAAP and IFRSs"
(File Reference No. 1830-100)**

Dear Mr. Golden:

This letter sets forth the comments of Invesco Ltd. ("Invesco," or the "Company") on the Proposed Accounting Standards Update, "Amendments for Common Fair Value Measurement and Disclosure Requirements in U.S. GAAP and IFRSs," (the "Proposed ASU").

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 22 countries, Invesco had $580.3 billion in assets under management as of July 31, 2010. The Company provides investment management services to, and has transactions with, various mutual funds, private equity funds, real estate funds, fund-of-funds, collateralized loan obligations ("CLOs"), and other investment products sponsored by the Company, in addition to separate institutional accounts, for the investment of client assets in the normal course of business. Invesco consolidates certain of its investment products under Accounting Standards Codification ("ASC") Topic 810, "Consolidation." A significant portion of consolidated investment products are CLOs, and consolidated investment products also include private equity funds. The notes issued by consolidated CLOs and certain investments held by consolidated private equity funds are measured at fair value and are classified within Level 3 of the fair value hierarchy.

Paragraph 820-10-50-2f of the Proposed ASU describes the requirement for entities to disclose a measurement uncertainty analysis for fair value measurements categorized within Level 3 of the fair value hierarchy. While we agree that the disclosure of uncertainty analyses is conceptually sound in situations where a company's risk and exposure to gains and losses is linked to the underlying value of the Level 3 asset or liability, **we disagree that such analyses should be required in situations where a company's risk and exposure to gains and losses is not linked to its consolidated balances**. For example, Invesco generally invests in a small portion of the unrated, junior subordinated positions of certain consolidated CLOs, and the Company generally takes less than a 1% ownership in certain consolidated private equity funds. Gains and losses on the financial assets and liabilities of consolidated investment products therefore have not had a significant impact on the Company's results of operations, liquidity, or capital resources, as the majority of the assets and liabilities are attributable to unaffiliated third party investors and are reflected as noncontrolling interests in the Company's income statements. The investors in Invesco's consolidated CLOs have no recourse to the general credit of the Company for the notes issued by the CLOs; therefore, the Company does not consider this debt to be an obligation of the Company. Similarly, the Company's risk with respect to its consolidated private equity funds is limited to its equity ownership and any uncollected management fees. The Company has no rights to the benefits from, nor does it bear the risks associated with, these consolidated investment products, beyond the Company's minimal direct investments in, and management fees generated from, the investment products. If the Company were to liquidate, the investments of consolidated investment products would not be available to the general creditors of the Company, and as a result, the Company does not consider investments held by consolidated investment products to be Company assets. Providing an uncertainty analysis on the debt issued by consolidated CLOs and the investments held by consolidated private equity funds would add additional operational burden to the Company's financial reporting process without providing meaningful additional information to readers of the Company's financial statements. **We urge the Board to consider linking the Level 3 uncertainty analysis disclosure requirement to a company's exposure to risk or impact to a company's results of operations, liquidity or capital resources by including an exemption to the analysis for financial assets and liabilities in which a company does not receive significant benefits from, or bear the obligations related to, those assets and liabilities.**

Additionally, private equity funds can be formed as partnerships which invest directly into private equity portfolio companies (direct private equity funds), or those which invest into other private equity funds (funds-of-funds). We understand that paragraph 109 of the proposed ASU "Accounting for Financial Instruments and Revisions to the Accounting for Derivative Instruments and Hedging Activities" will scope unquoted equity instruments out of the Level 3 uncertainty analysis, which will obviate this requirement for the holdings of our consolidated direct private equity funds, which largely hold investments in unquoted equity instruments. We agree with this scope exemption. It is not clear, however, if the holdings of funds-of-funds will also meet the proposed exclusion from the requirement to perform the Level 3 uncertainty analysis. The fair value of funds-of-funds is primarily determined with reference to the net asset values of the underlying fund holdings in accordance with the practical expedient offered by ASU 2009-12, "Investments in Certain Entities that Calculate Net Asset Value per Share (or Its Equivalent) (ASU 2009-12)." **We urge the Board to expand the exclusion to providing the Level 3 uncertainty analysis disclosure requirement to entities which calculate fair value in accordance with ASU 2009-12.**

The Company's process for determining the fair value of notes issued by consolidated CLOs involves cash flow analysis of each consolidated CLO, using current information, notably market yields and projected cash flows of collateral assets based on forecasted default and recovery rates that a market participant would use in determining the current fair value of the notes, taking into account the overall credit quality of the issuers and the Company's past experience in managing similar securities. Market yields, default rates and recovery rates used in the Company's estimate of fair value vary based on the nature of the investments in the underlying collateral pools. In periods of rising market yields, increasing default rates and lower debt recovery rates, the fair value, and therefore the carrying value, for the notes may be adversely affected. The current liquidity constraints within the market for CLO products require the use of certain unobservable inputs for CLO valuation. Once the undiscounted cash flows of the collateral assets have been determined, the Company applies appropriate discount rates that a market participant would use, to determine the discounted cash flow valuation of the notes.

Paragraph 820-10-50-2f of the Proposed ASU indicates that "if changing one or more of the unobservable inputs used in a fair value measurement to a different amount that could have **reasonably been used** in the circumstances would have resulted in a significantly higher or lower fair value measurement, a reporting entity shall disclose the effect of using those different amounts and how it calculated that effect" (emphasis added). We believe that there is a lack of operational guidance on how to determine which other unobservable inputs could have "reasonably been used" in determining a fair value measurement, which could lead to inconsistencies in application. We believe that, instead, the Board should limit the disclosure guidance encompassed in the Proposed ASU to the disclosure of the maximum and minimum reasonable values in the Level 3 uncertainty analysis. Paragraph 20-10-50-2f offers that companies "shall not take into account unobservable inputs that are associated with remote scenarios." Although helpful, this proposed guidance does not indicate how a company should limit the range of possible inputs it must analyze for purposes of making this disclosure. Specifically, many valuation model assumptions do not interact in a linear fashion, whereby changing two assumptions simultaneously will not have the same effect as changing the same two assumptions independently for the purposes of attribution. When performing valuations with a large number of inputs, the number of valuation iterations used to develop the required disclosure would be significant. It is unclear as to whether the Board simply intended for all unobservable inputs to be input into a valuation model at the most conservative reasonable estimate and again at the most aggressive reasonable estimate to derive the range of possible fair values.

The proposed guidance also does not indicate how correlation between assumptions should be considered. Specifically, correlation between any two assumptions may be dependant upon the other assumptions within the valuation model. For example, the correlation between default and prepayment assumptions will be different dependant upon the assumed future interest rate environment. When identifying those unobservable assumptions that could have reasonably been used in a valuation model and resulted in a significantly higher or lower fair value, it is likely that industry participants will utilize the most conservative reasonable assumption set and the most aggressive reasonable assumption set to derive the range of possible fair values rather than attempting to determine the specific assumption set that is most significant given the inherent complexity in doing so.

Additionally, the proposed guidance does not acknowledge that different market participants may consider different modeling techniques as inputs. Specifically, market participants may infer that in addition to the income approach to valuation, a market or cost approach should also be performed for purposes of arriving at a range of reasonable fair values. Another unintended consequence of the proposed guidance is that companies may infer the need to perform both stochastic and static rate modeling dependent upon the definition of valuation inputs that could have reasonably been used in the circumstances. Companies may also infer that remote scenarios should be removed from an existing valuation technique. For example, the Board excluded remote scenarios for the purpose of preparing the measurement uncertainty analysis; however many valuation techniques utilize remote scenarios and assign a correspondingly low probablity weight to the scenarios for the purpose of instrument valuation.

We urge the Board to limit the disclosure guidance in the Proposed ASU to the disclosure of the maximum and minimum reasonable values in the Level 3 uncertainty analysis when adjusting for unobservable inputs that could have reasonably been used in the circumstances.

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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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Group Controller and Chief Accounting Officer

Aimee B. Partin
Head of Regulatory Reporting