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Via Email: director@fasb.org

October 22, 2010

Technical Director
File Reference No. 1820-100
Financial Accounting Standards Board
401 Merritt 7
Post Office Box 5116
Norwalk, Connecticut 06856-5116

Re: File Reference: No. 1820-100, *Revenue Recognition (Topic 605) – Revenue from Contracts with Customers*

Dear Technical Director:

Ameriprise Financial, Inc., one of the nation's leading financial planning, asset management and insurance companies, appreciates the opportunity to offer comments with respect to the Proposed Accounting Standards Update, *Revenue Recognition (Topic 605) – Revenue from Contracts with Customers* (the "Proposed Statement").

We support the FASB's efforts to develop a single revenue recognition model across industries. We also support the FASB's efforts to achieve greater convergence with the IASB. However, we believe the issuance of the Proposed Statement as written may create inconsistencies and add complexity to revenue recognition for contracts that charge a fixed rate fee on assets under management (AUM).

We believe the timing of revenue recognition for certain nonrefundable fixed rate fee contracts may become disconnected from the cash flows and corresponding economics of our transactions. We enter into various types of contracts to perform services for a fixed rate fee. The revenues for fixed rate fee contracts are based on a fixed percentage of assets under management which varies based on market movements and net subscriptions or redemptions. For example, revenue from mutual fund fixed rate fee contracts is generally accrued daily and collected monthly over the contract period.

It is industry practice to recognize these fixed rate fees for asset management contracts as earned over the service period as the fees are nonrefundable. We believe the industry practice will continue for nonrefundable fixed rate fees earned based on our interpretation of the

Proposed Statement. However, we are concerned an alternative interpretation of the Proposed Statement may significantly change the revenue recognition timing for fixed rate fee contracts because of the uncertainty of the fees to be received over the remaining contract period due to changes in the AUM. In particular, we believe the alternative interpretation may require nonrefundable fixed rate fees earned/collected to be partially recognized for the percentage of the contract year that has been completed with the remaining recognized evenly during the remainder of the contract year. See the example provided in Appendix A for an illustration of the issue.

The alternative interpretation is based on the following guidance in the Proposed Standard:

- Paragraph 33(c) which requires straight-line revenue recognition over the expected duration of the contract if services are transferred evenly over time.
- Paragraph 38 and the requirement to recognize revenue from satisfying a performance obligation only if the transaction price can be reasonably estimated.
- Paragraphs 39 and IG76 (Example 18) that indicate if consideration is susceptible to external factors (for example volatility in the market) it should not be estimated to determine the amount of revenue to recognize from satisfying a performance obligation.

The alternative interpretation is focused on the following facts:

- The management contracts generally are for one year.
- Fixed fees for asset management contracts are variable based on markets and net asset flows.
- Asset management services are continually transferred over the term of the contract.

Under this alternative interpretation, nonrefundable fixed rate fees earned/collected in the early periods of the contract will be partially recognized for the percentage of the year that has been completed, with the remaining recognized evenly during the remainder of the contract year. This interpretation is based on the fixed rate fees variability with the market and the continuous transfer of service.

The alternative interpretation will not accurately reflect the economics and the timing of services provided under the contracts. We understand and agree with recognizing revenue from performance fees only at the end of the performance period when they are no longer subject to change. However, we do not agree with recognizing the fixed rate fees in greater amounts as performance nears the end of the contract term. We view the fixed rate fees as being earned when they are accrued based on the services provided, primarily because they are not refundable if the AUM increases or decreases or if we are terminated or resign as asset manager.

Other arguments in support of the current revenue recognition model for the fixed rate fees include:

- Current industry practice of recognizing the fixed fee revenue daily better aligns the asset managers performance with the revenue recognized, (i.e. if the manager performs well asset levels go up and revenue goes up for the quarter or the opposite).
- Current practice more closely matches revenue and expenses.
- We believe analysts and investors expect to see changes in revenue directly correlated to changes in AUM.

In conclusion, we support the FASB's efforts to develop a single revenue recognition standard for all industries, which simplifies the accounting for revenue recognition and increases comparability between companies where appropriate. We also support the FASB's efforts to achieve greater convergence with the IASB. However, we believe the Proposed Standard should be clarified to eliminate the inconsistency in interpretations and to maintain the current revenue recognition policy for nonrefundable fixed fees. We strongly believe all nonrefundable consideration received for services rendered based on the passage of time should be recognized immediately.

Thank you for your consideration of our comments on these very important matters. If you have any questions, comments or would like further information, please contact me at (612) 678-4769.

Sincerely,

A handwritten signature in black ink that reads "David K. Stewart". The signature is written in a cursive, flowing style.

David K. Stewart
Senior Vice President & Controller

Appendix A
Example - Fixed Fee Revenue Recognition

Assume:

Entity has a contract to provide management services for a one-year period for an annual fee of 2% of the assets under management, computed daily and paid monthly. The end of quarter fees earned and received are as follows:

Quarter	Calculation of Fixed Rate Fee	Fixed Rate Fee Received
Q1	$\$24M * (2\%/4) =$ \$120k	\$120k
Q2	$\$16M * (2\%/4) =$ \$80k	\$80k
Q3	$\$20M * (2\%/4) =$ \$100k	\$100k
Q4	$\$20M * (2\%/4) =$ \$100k	\$100k
Total		<u>\$400k</u>

Revenue Recognition Based on current guidance and the proposed guidance:

Quarter	Current Guidance	Proposed Guidance (a)
Q1	\$120k	$\$120k * 1/4 = \$30k$
Q2	\$80k	$\$120k * 1/4 = \$30k$ $\$80k * 2/4 = \$40k$ Total = \$70k
Q3	\$100k	$\$120k * 1/4 = \$30k$ $\$80k * 1/4 = \$20k$ $\$100k * 3/4 = \$75k$ Total = \$125k
Q4	\$100k	$\$120k * 1/4 = \$30k$ $\$80k * 1/4 = \$20k$ $\$100k * 1/4 = \$25k$ $\$100k * 4/4 = \$100k$ Total = \$175k

(a) - The performance obligation is satisfied throughout the year. The fixed fees earned each quarter are recognized for the percentage of the year that has been completed with the remaining recognized evenly during the rest of the year.