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

**Proposed Accounting Standards Update, "Leases (Topic 840)"
(File Reference No. 1850-100)**

Dear Technical Director:

This letter sets forth the comments of Invesco Ltd. ("Invesco," or the "Company") on the Proposed Accounting Standards Update, "Accounting for Leases (Topic 840)," (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. At November 30, 2010, Invesco had \$611.1 billion in assets under management. Operating in 20 countries, Invesco is a lessee of office space and certain office equipment. Invesco is also an intermediate lessor of office space in sublease arrangements.

We have the following concerns with the provisions included in the Proposed ASU:

- The determination of which lessor model to use as an intermediate lessor in a sublease arrangement will be difficult to apply in practice for no perceived benefit. The possible application of two different approaches by the Company as an intermediate lessor in sublease arrangements may also confuse the users of the Company's financial statements.
- The determination of the longest possible term that is more likely than not to occur for purposes of measuring the lessee's right-of-use asset and liability to make lease payments, as well as the lessor's lease receivable and lease liability, is subject to a significant amount of judgment, which may call into question the accuracy of the measurement of these assets and liabilities on the statement of financial position and the resulting impact on earnings.
- The transition provision could result in the recognition of a disproportionately high amount of lease expense/income in the periods immediately following the date of initial application, as the currently proposed simplified retrospective application approach has the effect of recognizing all outstanding leases as if they commenced on the date of initial application. Additionally, the transition provision lacks clarification of the earliest period required to be presented.
- The absence of accounting guidance related to the treatment of executory costs, tenant incentives and lease modifications could create differences in practice.

Please find below our detailed comments to the questions raised in the Proposed ASU that are most applicable to the Company.

Question 2(a)

Do you agree that a lessor should apply (i) the performance obligation approach if the lessor retains exposure to significant risks or benefits associated with the underlying asset during or after the expected lease term and (ii) the derecognition approach otherwise? Why or why not? If not, what alternative approach would you propose and why?

While we understand the boards' proposal for two approaches under the lessor model, we believe the proposed criteria for determining which model to use will be difficult to apply in practice for no perceived benefit in situations in which a company is an intermediate lessor in a sublease arrangement. Paragraph 28 of the Proposed ASU states that "a lessor shall assess whether a lease is accounted for in accordance with the performance obligation approach or the derecognition approach on the basis of whether the lessor retains exposure to significant risks or benefits associated with the underlying asset either: (a) during the expected term of the lease; or (b) after the expected term of the lease by having the expectation or ability to generate significant returns by re-leasing or selling the underlying asset." Paragraph 29 states that "if a lessor retains exposure to significant risks or benefits associated with an underlying asset, the lessor shall apply the performance obligation approach to the lease. If a lessor does not retain exposure to significant risks or benefits associated with the underlying asset, the lessor shall apply the derecognition approach to the lease. A lessor shall not change the lessor accounting approach after the date of inception of the lease."

Invesco is an intermediate lessor in various sublease arrangements. The guidance in the Proposed ASU may lead to situations where the Company must use both the performance obligation and the derecognition approach for two different sublease arrangements entered into under the same head lease. As an intermediate lessor, the Company is sometimes able to enter into a sublease arrangement with a subtenant for the remainder of the lease term under the head lease. Other times, the Company is able to enter into a sublease arrangement with a subtenant for only a portion of the lease term under the head lease. As an intermediate lessor, the Company believes it retains exposure to significant risks and benefits associated with the underlying right-of-use asset regardless of the lease term that the Company has entered into with a subtenant, absent a legal assignment of the lease to a subtenant. The Company is obligated to satisfy its obligation to the original lessor under the head lease during the expected term of the lease regardless of whether the subtenant satisfies its obligation to the Company under the sublease arrangement. However, some may view a situation in which the Company has entered into a sublease arrangement with a subtenant for the remainder of the lease term under the head lease and does not provide the subtenant with an option to terminate the sublease as not retaining exposure to significant risks and benefits associated with the underlying right-of-use asset because the Company, as an intermediate lessor, would not be required to re-lease the space at the end of the subtenant's lease term in accordance with paragraph 28 of the Proposed ASU. In this situation, the derecognition approach would need to be applied. We believe the performance obligation approach should be used by an intermediate lessor in sublease arrangements except for situations in which the risks and benefits under the head lease are legally assigned to the subtenant and the intermediate lessor is relieved of its obligation under the head lease, which would require the use of the derecognition approach by the intermediate lessor. The possible application of two different approaches by the Company as an intermediate lessor in sublease arrangements may confuse the users of the Company's financial statements and would require the Company to maintain two drastically different accounting models, which would be burdensome. We do not believe that two approaches should be used by an intermediate lessor in sublease arrangements as the burden that would be borne by the company would outweigh the benefits of the results.

We urge the boards to clarify and provide examples of when an intermediate lessor in a sublease arrangement has retained exposure to significant risks or benefits associated with the underlying asset and should, therefore, apply the performance obligation approach versus when an intermediate lessor in a sublease arrangement has not retained exposure to significant risks or benefits associated with the

underlying asset and should, therefore, apply the derecognition approach. We also urge the boards to conclude that an intermediate lessor in a sublease arrangement does not retain exposure to significant risks and benefits, and should therefore apply the derecognition approach, only in situations in which the intermediate lessor has legally assigned the head lease to the subtenant.

Question 8

Do you agree that a lessee or a lessor should determine the lease term as the longest possible term that is more likely than not to occur taking into account the effect of any options to extend or terminate the lease? Why or why not? If not, how do you propose that a lessee or a lessor should determine the lease term and why?

We disagree with the proposed lease term definition from both a conceptual and practical application perspective. We believe that the lease term should only include optional lease periods that are reasonably certain of being exercised, which is consistent with the threshold used under current accounting when determining the lease term as of the inception of the lease.

We believe the requirement to include renewal options in the lessee's liability to make lease payments based on the probability of occurrence for each possible term could lead to the recognition of a liability for something that does not meet the fundamental definition of a liability. The Company is not obligated to make payments under a renewal option until an event occurs that makes it reasonably certain that payment during the renewal period is probable and the amount is reasonably estimable. We are also concerned that determining the longest possible term that is more likely than not to occur for purposes of measuring the lessee's right-of-use asset and liability to make lease payments is subject to a significant amount of judgment, which may call into question the accuracy of the measurement of the right-of-use asset and liability to make lease payments on the statement of financial position and the resulting impact on earnings.

Likewise, we believe the requirement to include renewal options in the lessor's lease receivable (and lease liability under the performance obligation approach) based on the probability of occurrence for each possible term does not meet the definition of an asset. We are also concerned that determining the longest possible lease term that is more likely than not to occur for purposes of measuring the lease receivable (and lease liability under the performance obligation approach) in situations in which the Company is an intermediate lessor in a sublease arrangement is subject to a significant amount of judgment which may call into question the accuracy of the measurement of the lease receivable (and lease liability under the performance obligation approach) on the statement of financial position and the resulting impacts on earnings.

We urge the boards to revise the lease term definition and retain the accounting treatment of renewal options that is currently used under U.S. GAAP and IFRS, which is to include a renewal option in the lease term only when it is reasonably certain that the lessee will exercise the option.

Question 16

- (a) This exposure draft proposes that lessees and lessors should recognize and measure all outstanding leases as of the date of initial application using a simplified retrospective approach (paragraphs 88-96 and BC186-BC199). Are these proposals appropriate? Why or why not? If not, what transitional requirements do you propose and why?*
- (b) Do you think full retrospective application of lease accounting requirements should be permitted? Why or why not?*
- (c) Are there any additional transitional issues the boards need to consider? If yes, which ones and why?*

We agree with the boards' proposal to recognize and measure all outstanding leases as of the date of initial application using a simplified retrospective approach as this approach results in comparable financial information about leases without the burden of recognizing and measuring all outstanding leases using a full retrospective approach. However, we are concerned with the boards' requirement included in paragraphs 90 and 94,

respectively, to recognize a liability to make lease payments under the lessee model and a right to receive lease payments under the lessor model, for each outstanding lease, measured at the present value of the remaining lease payments, on the date of application. This approach could result in the recognition of a disproportionately high amount of lease expense/income in the periods immediately following the date of initial application, as it has the effect of recognizing all outstanding leases as if they commenced on the date of initial application. **We urge the boards to consider an alternative form of simplified retrospective application whereby entities would recognize leases as if the leases were measured as of the lease commencement date using assumptions as of the date of adoption.**

We do not believe the Proposed ASU is clear regarding the meaning of the earliest period presented. Paragraph 88 of the Proposed ASU states that "for the purpose of the transition provisions in paragraphs 88-96, the date of initial application is the beginning of the first comparative period presented in the first financial statements in which the entity applies this guidance." Paragraph 89 of the Proposed ASU indicates that "an entity shall adjust the opening balance of each affected component of equity for the earliest prior period presented and the other comparative amounts disclosed for each prior period presented as if the new accounting policy had been applied from the beginning of the earliest period presented." In the case of U.S. Securities and Exchange Commission (SEC) registrants, we assume that the boards intended for the earliest prior period presented to be the earliest of the three fiscal years presented within the financial statements of SEC filings. We note, however, that annual filings with the SEC contain a Selected Financial Data table which includes five years of data. **We urge the boards to clarify their intention with respect to the earliest period presented.**

Question 18

Do you have any other comments on the proposals?

Real estate executory/common operating costs

The Proposed ASU requires companies to separate from the contract the service components that are distinct from the service components that are not distinct. The service components that are distinct shall not be considered to be part of the lease and, therefore, shall not be included in the measurement of the right-of-use asset and liability to make lease payments. The service components that are not distinct shall be considered to be part of the lease and, therefore, shall be included in the measurement of the right-of-use asset and liability to make lease payments.

The Company's lease arrangements generally include executory costs, such as maintenance, insurance and taxes. Under current accounting rules, these executory costs are expensed as incurred regardless of whether the lease is accounted for as an operating lease or a capital/financing lease. Under the Proposed ASU, some may view maintenance costs as a distinct service component and taxes and insurance as non-distinct service components. This view would result in accounting for maintenance costs as an expense when incurred while accounting for taxes and insurance costs as part of the measurement of the right-of-use asset and liability to make lease payments. We disagree with the fact that taxes and insurance costs may be required to be included in the measurement of the right-of-use asset and liability to make lease payments. Including such costs in the statement of financial position would be inconsistent with the accounting for taxes and insurance related to owned property, which are expensed as incurred.

We urge the boards to clarify that executory costs, such as maintenance, taxes and insurance, should be considered "distinct services" and excluded from the lease payments, similar to current accounting rules, and therefore be expensed as incurred. The boards should also provide adequate guidance related to accounting for executory costs to ensure that the lease accounting treatment for gross and net leases will be the same.

Tenant incentives

In its capacity as a lessee, the Company often receives lease incentives from the lessor, such as up-front cash payments or reimbursement of costs for leasehold improvements. Under current accounting rules, these tenant incentives are generally considered reductions of rental expense by the lessee over the term of the lease. In its capacity as an intermediate lessor, the Company may offer similar lease incentives to the subtenant. The Proposed ASU does not discuss how the tenant incentives will be accounted for under the new model.

We urge the boards to clarify the appropriate accounting treatment for tenant incentives.

Lease Modifications

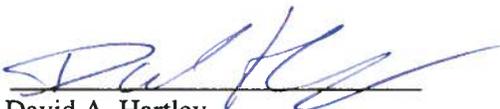
From time to time, the Company may change the terms of an existing lease agreement, such as the lease term or lease payments, or exercise a renewal option under the head lease on substantially different terms than originally agreed to with the lessor. Current lease accounting standards address assessing whether modifications or changes to a lease contract are accounted for as part of the original lease or constitute a new lease for accounting purposes. The Proposed ASU does not include equivalent guidance, which could lead to differences in practice.

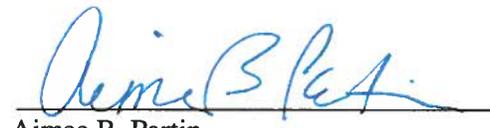
We urge the boards to clarify when a modification to a lease agreement constitutes a new lease for accounting purposes.

* * * * *

We would be pleased to discuss our comments with the boards or their staff.

Very truly yours,


David A. Hartley
Group Controller and Chief Accounting Officer


Aimee B. Partin
Head of Regulatory Reporting

The Commission is reviewing the proposed rule changes and will issue a final decision on the matter. The Commission is also reviewing the proposed rule changes and will issue a final decision on the matter.

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Daniel E. Felt
Special Agent in Charge


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