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Via Email: director@fasb.org

February 15, 2011

Susan M. Cospers
Technical Director
Financial Accounting Standards Board
401 Merritt 7
Post Office Box 5116
Norwalk, Connecticut 06856-5116

Re: File Reference Number 2011-200

Dear Ms. Cospers:

Ameriprise Financial, Inc. (“we” or “AMPF”), one of the nation’s leading financial planning, asset management and life insurance and annuity companies, respectfully offer comments for your consideration with respect to the Financial Accounting Standard Board’s (“FASB” or the “Board”) Proposed Accounting Standards Update *Financial Services – Investment Companies (Topic 946): Amendments to the Scope, Measurement, and Disclosure Requirements* (the “Exposure Draft”).

We strongly support continuation of specialized fair value accounting for investment companies. However instead of the rules based approach proposed within the Exposure Draft for qualifying as an investment company, we support a principle based assessment to determine whether or not an entity qualifies for the specialized accounting. Further, we believe there should only be one standard that defines what an investment company is, and that single standard should apply irrespective of the type of investment it holds. Accordingly, we do not believe the FASB should separately issue the Proposed Accounting Standards Update *Real Estate - Investment Property Entities (Topic 973)* (“ED Topic 973”). Please refer to our comment letter on ED Topic 973 for further details on our views¹. As discussed within our response to Question 8 below, we also strongly support continuation of non-consolidation of investment companies by other investment companies.

Although we generally agree with the guidance within the Exposure Draft, there are several proposals in the Exposure Draft that we do not agree with, and we have proposed alternative approaches.

¹ It is important to note that our comments are heavily influenced by the October 19, 2011 tentative decision by the Board (and the International Accounting Standards Board) to exclude investment properties from the scope of the receivable and residual lessor model in their joint lease project. We support that tentative decision

Question 1: *The proposed amendments would require an entity to meet all six of the criteria in paragraph 946-10-15-2 to qualify as an investment company. Should an entity be required to meet all six criteria, and do the criteria appropriately identify those entities that should be within the scope of Topic 946 for investment companies? If not, what changes or additional criteria would you propose and why?*

We do not agree with the requirement that all six criteria in paragraph 946-10-15-2 must be met in order for an entity to qualify as an investment company. We believe the requirement to meet all of the criteria is inconsistent with a principles-based accounting standard. Instead, we recommend the Board modify the assessment to be qualitative. This would allow companies to evaluate the entirety of facts and circumstances relating to various factors outlined in the Exposure Draft and determine, based on the preponderance of the evidence, whether an entity meets the definition of an investment company.

This qualitative assessment would allow for consideration of factors such as the purpose of establishing the entity, (e.g., for strategic business operations such as research and development versus truly for capital appreciation/investment income), the type of entity it is being set up for (e.g., a single investor which contributes all of the investments to a fund structure specifically to avoid consolidation versus a sovereign wealth fund). The FASB should consider explicitly stating that the following criteria carry greater weight than the others:

- Nature of the investment activities;
- Express business purpose;
- Fair value management; and
- Reporting entity.

If the Board believes that it is necessary to have a criterion which is always required to qualify as an investment company, we believe that the nature of the investment activities criterion should be required. However, we recommend modifying the criterion as follows:

- a. Nature of the investment activities. The investment company's only substantive activities are investing **in at least one entity** for returns from capital appreciation, investment income (such as dividends or interest) or both.

The increased emphasis on weighting the criteria on the nature of the investment activities, express business purpose, fair value management, and reporting entity will permit consistent application of the investment company guidance while addressing the Board's concerns of certain entities inappropriately qualifying for investment company accounting (e.g., research and development companies referred to in paragraph BC-15 of the Exposure Draft).

Question 2: *The definition of an investment company in the proposed amendments includes entities that are regulated under the SEC’s Investment Company Act of 1940. Are you aware of any entities that are investment companies under U.S. regulatory requirements that would not meet all of the proposed criteria in paragraph 946-10-15-2? If so, please identify those types of entities and which of the criteria they would not meet.*

We occasionally provide seed money to certain of our proprietary funds which are regulated by the Investment Company Act of 1940 in order to establish a track record prior to marketing them to external investors. During this time we are generally the only investor in the fund; therefore, the fund would not typically meet the “pooling of funds” criterion. Further, during this period the Fund would not meet the special criterion within 946-10-55-13 to qualify as an investment company during a period that it has a single investor since we would likely not meet the criterion of actively identifying suitable investors. If it is the Board’s intent that funds in the track record establishment phase qualify as investment companies, we recommend that the Board change the criterion within 946-10-55-13a. to the following:

- a. The entity’s initial offering period has not expired or the entity is establishing a track record prior to identifying suitable investors, and the entity is actively identifying suitable investors.

See our response to Question 8 below regarding separate accounts which would not meet the proposed criteria in the Exposure Draft to be an investment company.

Question 3: *The proposed amendments would remove the scope exception in Topic 946 for real estate investment trusts. Instead, a real estate investment trust that meets the criteria to be an investment property entity under the proposed Update on investment property entities would be excluded from the scope of Topic 946. Do you agree that the scope exception in Topic 946 for real estate investment trusts should be removed? In addition, do the amendments in the proposed Updates on investment companies and investment property entities appropriately identify the population of real estate entities that should be investment companies and investment property entities?*

As discussed above we support a principle based assessment to determine whether or not an entity qualifies for the specialized accounting. Therefore, we agree with the removal of the proposed scope exception in Topic 946 for real estate investment trusts. Further, we believe GAAP should have a single standard that defines what an investment company is regardless of the type of assets held. Accordingly, we do not believe the FASB should separately issue the Proposed Accounting Standards Update on Topic 973. Instead, any real estate investment trusts, or any other real estate investment entities, that meets the modified proposed criteria within our response to Question 1 should be deemed an investment company. Having two standards to govern similar entities (investment property entities and investment companies) creates unnecessary complexity.

Question 4: *The proposed amendments would require an entity to reassess whether it is as an investment company if there is a change in the purpose and design of the entity. Is this proposed requirement appropriate and operational? If not, why?*

We agree that the status of an entity as an investment company should be reassessed when there are significant changes in the purpose and design of the entity. However, to ensure that this requirement is applied consistently, additional examples of changes which would qualify as a reconsideration event should be provided. Examples should focus on active decisions made by the asset manager or parties related to the entity that change the substance and purpose of the entity. The examples should provide clear guidance that normal operational decisions made by the investors, such as additional investment and redemptions do not qualify as a change in the purpose and design of the entity.

Question 7: *To be an investment company, the proposed amendments would require an entity to have investors that are not related to the entity's parent (if there is a parent) and those investors, in aggregate, must hold a significant ownership interest in the entity. Is this criterion appropriate? If not, why?*

We believe that this criterion has been suggested solely to prevent misuse or abuse of investment company accounting. However, as discussed to our response in question 1 above, we believe this risk could be best addressed through a qualitative assessment of all of the criteria.

Question 8: *The proposed unit-ownership criterion would require an entity to have ownership interests in the form of equity or partnership interests to be an investment company. The entity would consider only those interests in determining whether it meets the proposed pooling-of-funds criterion. Therefore, a securitization vehicle, such as a collateralized debt obligation, may not qualify as an investment company under the proposed amendments because it may not meet the unit-ownership or the pooling-of-funds criterion. The entity would not consider interests held by its debt holders when evaluating these criteria to be an investment company. For entities that do not have substantive equity interests (for example, those considered variable interest entities under Subtopic 810-10), should the unit-ownership and pooling-of-funds criteria to be an investment company consider interests held by debt holders? Please explain.*

We do not agree with the requirement that the ownership interests held by investors in an investment company should be exclusively in the form of equity. We believe that the relevant factor to consider is whether the units issued by the entity represent a specifically identifiable portion of the net assets of the entity. Consider separate accounts that are maintained by a life insurance entity for purposes of funding obligations to individual contract holders under variable annuity and insurance contracts, pension plans, and similar contracts. The contract holder generally assumes the investment risk, and the insurance entity receives a fee for investment management, certain administrative expense, and mortality and expense risks assumed. Since separate account products are established through an annuity or insurance contract agreement, the separate account does not have ownership interests in the form of equity; therefore, separate accounts would not meet the criterion for unit ownership as described in paragraph 946-10-55-11 of the

Exposure Draft. However based on the language within the Exposure Draft, we believe that the Board intended for separate accounts to be investment companies. For example, in paragraph 946-10-05-03 of the Exposure Draft states that separate accounts are investment companies (emphasis added by AMPF):

946-10-05-3 Several kinds of investment companies exist: management investment companies, unit investment trusts, common (collective) trust funds, investment partnerships, **certain separate accounts of life insurance companies**, and offshore funds...

Also, in the basis for conclusions of the Exposure Draft, when summarizing the Board's comments related to the reporting entity criterion, the following is stated (emphasis added by AMPF):

BC31. In addition, the FASB believes that a portion of an entity should be permitted to meet the reporting-entity criterion if the economic activities of that portion can be distinguished objectively from the rest of the entity and the financial results of that portion of the entity are useful in making decisions about whether to provide resources to that portion. **For example, separate accounts of life insurance companies may not be separate legal entities. However, investors in the separate accounts base their investment decisions on the financial results of their separate accounts.** Conversely, a branch or division of an entity whose performance is only evaluated by management internally on a standalone basis would not meet this criterion.

Based on paragraphs 946-10-05-3 and BC 31 of the Exposure Draft, we believe it is the Board's intent that separate account structures continue to follow investment company accounting, and recommend that the Board modify the unit ownership criterion as follows;

946-10-55-11 The definition of an investment company requires that investors acquire an interest in the investment company or specified assets of an entity. ~~ownership units in the form of equity or partnership interests in the investment company.~~ Each interest unit of ownership represents a specifically identifiable portion of the net assets of the investment company, although each interest unit does not have to represent a proportionate interest in all of the underlying investments of the investment company.

Question 12 – Part 1: *The proposed amendments would retain the requirement that an investment company should not consolidate or apply the equity method for an interest in an operating company unless the operating entity provides services to the investment company. However, the proposed amendments would require an investment company to consolidate controlling financial interests in another investment company in a fund-of-funds structure. An investment company would not consolidate controlling financial interests in a master-feeder structure. Do you agree with this proposed requirement for fund-of-fund structures? If not, what method of accounting should be applied and why?*

We do not support the guidance in the Exposure Draft which requires an investment company to consolidate another investment company if it holds a controlling financial interest. As discussed within the Exposure Draft, an investment company only holds interests in investee entities (regardless of whether or not they are investment or operating companies) for purposes of current income, capital appreciation, or both. Looking through an investee fund to the underlying investments and reporting them on a schedule of investments implies that the fund has discretion in the selection of the investee fund's investments when it has only discretion over its investment in the investee fund.

The usefulness of consolidating an investee fund is further diminished when the consolidated investee of an investing entity represents a small portion of the investing fund's net assets (e.g., an investing fund owns 70% of an investee fund, which represents 5% of the investing fund's net assets) however under the proposed ASU this investment will receive greater prominence in the investing entity's financial statements than an investee that represents 30% or more of the investing fund's net assets, but which is not consolidated.

As we have discussed in our response to question 8 above, we believe that separate accounts of insurance companies are investment companies and should continue to apply investment company accounting. However, if the Board retains the requirement for investment companies to consolidate controlled investment companies it is not clear whether the guidance would need to be changed within ASC 844-80-25-3 (a) that states the following:

- a. The portion of separate account assets representing contract holder funds shall be reported in the insurance entity's financial statements as a summary total, with an equivalent summary total reported for related liabilities.

Based on this guidance it appears as though the Board believes, and we agree, only the portion of the assets representing the contract holder's interest should be recorded as a separate account asset within the financial statements of the insurance company. If the Board proposes to change this guidance so that the insurance company would record the entire "grossed up" asset balance of the separate account's stand-alone financial statements we recommend the Board undertake outreach to ensure the impacts of this change are fully vetted prior to the standard being finalized.

Question 12 – Part 2 *Should a feeder fund also consolidate a controlling financial interest in a master fund? Please explain.*

Industry practice has developed for master/feeder structures under which the financial statements of the master fund are attached to the feeder fund's financial statements, which allows the feeder fund's investors transparency into the investments that are providing their returns. In addition, the feeder fund presents its proportionate amount of income and expenses allocated from the master fund and the feeder fund's financial

highlights include the expenses of both the feeder fund and the master fund. Therefore, the investor is receiving information related to investment holdings, as well as appropriate return and expense information. As such, a feeder fund should not consolidate a controlling financial interest in a master fund.

Question 18: *The proposed amendments would retain the current requirement in U.S. GAAP that a noninvestment company parent should retain the specialized accounting of an investment company subsidiary in consolidation. Do you agree that this requirement should be retained? If not, why?*

Yes, we strongly support the view that a parent of an investment company should retain the specialized accounting of an investment company subsidiary in consolidation.

Thank you for your consideration on this very important matter. 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, appearing to read "David K. Stewart". The signature is fluid and cursive, with the first name "David" and last name "Stewart" clearly distinguishable.

David K. Stewart
Senior Vice President and Controller