



Michael Monahan
Senior Director, Accounting Policy

February 15, 2012

Ms. Leslie Seidman, Chairman
Financial Accounting Standards Board
401 Merritt 7
P.O. Box 5116
Norwalk, CT 06856-5116

Re:
Proposed ASU, Amendment to Financial Services – Investment Companies (Topic 946)

Dear Ms. Seidman:

Thank you for the opportunity to comment on the “Financial Services – Investment Companies (Topic 946) – Exposure Draft,” issued October 21, 2011. The American Council of Life Insurers (“ACLI”) represents more than 300 legal reserve life insurer and fraternal benefit society member companies operating in the United States. Our member companies represent over 90 percent of the assets and premiums of the U.S life insurance and annuity industry.

GENERAL COMMENTS

Recommendations

While this proposed guidance results in some improvement with regard to the investment companies guidance deferred under FAS 167, we continue to believe that the scope of investment companies should include all entities that, in management’s best judgment of the facts and circumstances at inception, meet the guidelines of the six qualitative, principles-based criteria. We do not agree with an approach that requires all six criteria to be met as bright lines, which would be a rules-based approach. Using the six criteria as a qualitative framework would allow an analysis best suited to determining the most appropriate accounting based on the defined purpose of the entity and the best reporting of relevant results to the investors. We believe that a principles-based analysis would include seeded funds as investment companies, from inception, and should exclude them from consolidation, since their purpose and the direction of their activities are consistent with stand-alone, fair value accounting for their investors, regardless of how the number and type of investors may change over the life of the fund. We also believe this principles-based analysis would exclude insurance company separate accounts from being consolidated or consolidating investments since neither of those would result in the most relevant and clear information to the investors.

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Because of the nature and purpose of investment companies, we do not believe full consolidation of an investment company into a non-investment company parent is appropriate. We believe the equity method assures clearer communication of the investment company within the parent with further transparency best provided in disclosures. Further, we do not believe full consolidation of an investment into an investment company is ever appropriate, unless it is wholly owned by the investment company parent. Again, because of the nature and purpose of investment companies we urge that the AICPA accounting guide be retained and codified allowing an entity that meets the definition of an investment company to report all investments at fair value on an unconsolidated basis, consistent with the business activities, obligations and results to the investors.

These recommendations are based on our belief that:

- Generally, investment companies should not consolidate investees.
- Generally, non-investment companies should not consolidate investment company investees.
- The exception to both of the above is if the investee is wholly owned more than temporarily.
- If a non-investment company is, nevertheless, required to consolidate an investment company that is not wholly owned more than temporarily, specialized industry accounting should be retained.

Concerns

We question the benefit of additional consolidation guidance that results in more dissimilar entities being absorbed into one financial statement, recognizing that our investors do not want more consolidated on our financial statements and do not understand when we do. Adding more and more disparate information masks business results of financial services companies (e.g., management fees eliminated in consolidation) and forces non-GAAP measures to communicate business results to shareholders. We suggest that the board continue to reach out to investor groups.

We have significant operational concerns in light of the difficulties resulting from the current and changing economic and regulatory environment. We believe that significant effort will need to be applied in order to reassess and document conclusions under the proposed new standards, requiring the input and collaboration of many parties company-wide. For example, there are many entities which were deferred from the application of FAS 167 which will now need to be evaluated for the first time under this guidance. For entities that were previously evaluated under FAS 167, the efforts may still be significant, as the previous conclusions will need to be revisited under the final overall consolidation guidance resulting from the three EDs issued, and the qualitative nature of the conclusions will take time and effort to document and defend to auditors. In addition, should consolidation conclusions change as a result of the updated guidance, processes for gathering information and performing consolidations and de-consolidations will need to be adjusted. Consequently, we believe a minimum of 18 - 24 months be allowed for implementation. In addition, with a view to convergence with the IASB's proposed changes, we believe the effective date should be coordinated with the IASB.

With regard to convergence, the few but significant differences between the Boards' consolidation guidance for all entities continue to require separate analysis and different treatment for some entities. While we recognize and appreciate the Boards' joint effort on this project, we note that the Boards' individual proposals reflect some differences. Notably, FASB's proposal would require that investment companies consolidate other investment companies and investment property entities in which they have a controlling financial interest while IASB's proposal would require that all investees be measured at fair value on an unconsolidated basis (we agree with the IASB); FASB's proposal would retain investment company accounting in consolidation by a non-investment company parent while IASB's proposal would not allow the parent to retain the specialized investment company accounting (we agree with the FASB); moreover, FASB's proposal specifies that all entities subject to the Investment Company Act of 1940 are investment companies even if they do not meet all of the other criteria while IASB's proposal does not

contain a similar provision (e.g., citing regulatory requirements to qualify for investment entity status without meeting all of the stated criteria). ACLI supports an accounting method that retains investment company accounting for the investment company in the books of the non-investment company parent. If both Boards agree on a principles-based approach, management would get to the same answer. ACLI urges further convergence in this project resulting in a single common standard.

We also want to highlight concerns we have with the Unit Ownership and Pooling of Funds criteria. While we agree with the Unit Ownership and Pooling of Funds in principle, we are concerned that the application of the two may preclude an insurer's separate account from qualifying as an investment company. For example:

Unit ownership: The guidance requires that investors acquire ownership units in the form of equity or partnership interests. As a separate account represents a contractual relationship between the insurer and the policyholder, and despite the fact that a separate account operates as an investment company, it may not meet the unit-ownership criterion as currently designed. Therefore, the definition should be modified to ensure that a separate account can qualify as an investment company.

Pooling-of-funds: The proposed guidance requires the investment company to sell ownership interests to investors. The funds of the owners are pooled to avail them of professional investment management. Some investments in a separate account are directed by the policyholder and some separate accounts have professional investment management services. It is unclear if a separate account where the policyholder directs their investments would meet the requirement, despite the fact that a separate account operates as an investment company. Therefore, a principles-based approach would ensure that a separate account would qualify as an investment company.

In addition, we believe that there is a conflict between the investment company proposed guidance and ASU 2010-15. BC6 in ASU 2010-15 states the following:

"The Task Force noted that although the insurer may legally hold a controlling interest in an investment through its management of the separate accounts, it did not believe that consolidation of those investments appropriately portrayed the economics of the relationship or that consolidating the investment would provide useful information for financial statement users. The Task Force also believes that consolidation would unnecessarily increase the complexity of an insurer's financial statements."

We believe that this conclusion, previously reached, continues to make the most sense and we recommend that the proposed guidance not change this aspect. Accordingly, we recommend taking consolidation out of the proposed investment company accounting guidance such that investment companies not be consolidated nor consolidate investments.

We believe this would align U.S. GAAP for investment company entities with IFRS and would retain the clarity and relevance currently beneficial in investment company accounting. The Investment Property Entities (IPE) and Investment Companies (ICE) exposure drafts, together, add unnecessary complexity to the accounting guidance. Consolidation of investments into an IPE or ICE is confusing to investors and offers no additional beneficial information. The AICPA Investment Company Guide, 7.17, states, "The purpose and nature of investment companies makes fair value for their investments the most relevant measure to report to their investors, the principal users of their financial statements who typically evaluate the performance of the investment company based on changes in net asset value."

In addition, there is a lack of clarity among companies with regard to certain definitions. We need the following structures more clearly defined in order to properly evaluate our investments under this proposed guidance: Separate Accounts, which are not always separate legal entities and, given the

difference in treatment, Fund of Funds structure versus a master feeder structure. The ED as currently written leaves open some questions regarding whether certain investment entities are consolidated or excluded in the scope exception.

To reiterate, we strongly question the benefit of consolidating an ICE into another company, even if controlled by that parent and whether or not the parent is an investment company. Investment company entities are created for a special and defined purpose. Consolidation of the investment company into another entity masks that purpose and adds unhelpful complexity to the financial statements of the parent. In addition, consolidation of investments within the ICE also confuses the investor, conflicts with previous Board decisions (specifically, ASU 2010-15) and creates a need for more information and analysis in order to report the relevant financial performance of the investment entity. We believe this creates a greater need for non-GAAP measures, evidence in and of itself that the accounting is not meeting the information needs of the constituents.

As a result, we recommend that changes to Topic 946 be limited to clarifying the definition of an investment company. The remaining accounting guidance after an entity is determined to be an investment company should be retained and it should be made clear that the investment company would not be required to consolidate nor be consolidated into other entities. Consolidation may be appropriate only in the case of an entity that is wholly-owned more than temporarily.

In addition, we have submitted a separate comment letter with regard to the Investment Property Entity ED, which outlines our responses and proposal with respect to entities that invest in real estate. As discussed in that comment letter, we do not believe separate guidance for companies that invest in real estate is warranted, but prefer they be included under the investment company guidance.

The following Appendix provides answers to the specific ED questions in light of our expressed views.

Sincerely,

A handwritten signature in black ink, appearing to read "M Monahan". The signature is fluid and cursive, with a long horizontal stroke at the end.

Michael Monahan
Senior Director, Accounting Policy

APPENDIX QUESTIONS FOR RESPONDENTS

Scope

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 are not opposed to the six criteria. However, because of the widely varying types and uses of investment company entities, we believe that evaluation under the six criteria should be qualitative and the six should be indicators, not definitive criteria. The criteria would be used as guidelines for management's judgment rather than making all of the criteria required boundary lines. We believe each of the six criteria should be contemplated and the entity evaluated based on its nature, purpose and design. As indicated in our comment letter on the FASB's proposed guidance for Investment Property Entities (IPE), we support the evaluation of these criteria as the starting point for all entities, regardless of the types of assets held. Therefore, we do not see a need for a separate IPE category.

We further believe that codifying the AICPA's Investment Company Guide would provide the appropriate level of definition and guidance.

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.

No, we are not aware of any companies that meet the '40 Act requirements that would not meet all of the criteria. We believe money market funds would meet the criteria of being managed for fair value.

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?

We do not believe that a separate definition and set of accounting guidance is needed for investment property entities. Consequently, we recommend removing the scope exception in Topic 946 for REITs.

We reiterate our view that investment companies should not consolidate their holdings of any type, investment company or non-investment company, into their financials. See again our general comments above.

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 entity should be evaluated based on its purpose and design. We find that there is some confusion regarding what constitutes the “purpose and design of the entity.” We believe that the purpose is determined by the stated business/investment objectives of the investment company in its offering or corporate documents at establishment of the entity. We are unclear regarding what is included in the concept of the design of the entity, e.g., legal structure, makeup of investors/owners, allocation or type of investment holdings, etc. Once an investment company meets the criteria, we are not aware of a likely circumstance in which the entity would continue operating, but fail to be an investment company.

Nature of the Investment Activities

Question 5: An entity may be an investment company when it performs activities that support its investing activities. As a result, a real estate fund or real estate investment trust (that is not an investment property entity) could be an investment company if the entity (directly or indirectly through an agent) manages only its own properties. However, the entity would be precluded from being an investment company if the other activities were considered more than supporting the entity’s investment activities (for example, construction). Is this requirement operational, and could it be consistently applied?

We believe that the most appropriate conclusion should be based on the purpose of the entity as evaluated by management using all facts and circumstances about the entity with the six criteria as a qualitative guide consistent with a principles-based approach. We do not believe that changes in the type of investments or activities (within the purpose of the entity as established) or investors should be determinative or would likely change the conclusion arrived at the outset. Because an investment company is an entity set up exclusively for a special purpose, and not an operating entity, its activities by definition will be circumscribed by its purpose. Within the context of our comments and recommendations herein, we believe that an analysis of the entity’s activities is operational, but unlikely to significantly affect the conclusion. Consideration of all facts and circumstances is appropriate.

Question 6: The proposed implementation guidance includes examples of relationships or activities that would indicate that an entity obtains or has the objective of obtaining returns from its investments that are not capital appreciation or investment income. Do you agree with these examples? If not, how would you modify the examples while still addressing the Board’s concerns identified in paragraphs BC15 and BC16?

The guidance in 946-10-55-7 that addresses the Board’s concern in BC15 is helpful, but too restrictive. In attempting to define all types of relationships and activities that prevent an entity’s business activities from qualifying, we believe the Board has over-defined and complicated the evaluation, resulting in entities that should be investment companies not qualifying. Again, we believe that paragraph 946-10-55-7 would serve its purpose if worded as a guideline, but stressing that all the facts and circumstances should be evaluated using the six criteria as a framework. We believe this would more closely align U.S. GAAP with principles-based IFRS.

Unit Ownership and Pooling of Funds

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?

The requirement for an entity to have significant investors that are not related to its parent company in order to be an investment company is not appropriate. Many insurers establish investment subsidiaries to facilitate the investment activities of their insurance subsidiaries. These investment subsidiaries are established for many reasons, including: reducing investment cost and recordkeeping requirements, improving liquidity, allowing for investment diversification, and centralizing risk management. These entities would meet all of the criteria in section 946-10-15-2 of the ASU with the exception of item c, and would not qualify for the use of investment-company accounting. Investment-company accounting is appropriate for these entities for the following reasons:

- 1) It allows for the purchase and redemption of ownership interests in the entity at their economic value.
- 2) It allows for comparability of financial/investment results with other investment company entities that have significant interests not related to a parent company.
- 3) It facilitates performance reporting.
- 4) It allows for continuity in accounting for entities that may have 3rd party investors with ownership levels that fluctuate intermittently.

The basis for conclusions in the ED states that the Board was concerned that without this requirement an investment company could be inserted into a larger corporate structure to achieve a particular accounting outcome. We believe that establishing accounting requirements that do not reflect the nature of the business is not the best approach for addressing this issue.

Further, if the Board is concerned that a single investor could use an investment company to shield their underlying investments from more transparent accounting and disclosure of underlying investments, then we would propose that, if an investment company has a single investor, it should be subject to expanded disclosures regarding its underlying investments.

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.

Under the paradigm we propose, we do not believe the type of unit-ownership holdings should be distinguished, whether debt, equity, or partnership interests. We believe CLOs and CDOs are and should be included as investment companies and, consistent with our other comments, should account for their holdings at fair value and should not be consolidated into another entity unless wholly-owned more than temporarily. Minority interests would not be included in the parent company's financial statements unless the parent company had an obligation for those interests. As indicated in question 1, the assessment of an entity as an investment company should be determined by management through qualitative evaluation based on the six criteria/characteristics.

Question 9: Certain entities may meet all of the other criteria to be an investment company but have only a single investor (for example, a pension plan). The amendments in FASB's proposed Update on investment property entities provides that if the parent of an entity is required to measure its

investments at fair value under U.S. GAAP or the parent entity is a not-for-profit entity under Topic 958 that measures its investments at fair value, the entity would not need to meet the unit-ownership and pooling-of-funds criteria to be an investment property entity. Considering the Board's concerns identified in paragraph BC24, should the criteria in this proposed Update be amended to address situations in which the entity has a single investor?

We do not believe that the number or type of investors should preclude an entity from being defined as an investment company. We believe that the Board's concerns of abuse (accounting manipulation) are addressed by basing the assessment on a documented combination of the six criteria based in the purpose of the entity.

We believe a principles-based approach would not require the Board to list specific scope exceptions. One example is a sovereign wealth fund, which would not be covered by the scope exceptions, but would have requirements to have assets carried on a fair value basis. The economics of the entity should drive the conclusion, not a bright-line requirement of the number of investors.

Question 10: The unit-ownership and pooling-of-funds criteria in the proposed amendments do not consider the nature of the entity's investors for evaluating if an entity is an investment company. That is, the criteria do not differentiate between passive investors and other types of investors. Do you agree that the nature of the investors should not be considered in evaluating the unit-ownership and pooling-of-funds criteria?

Yes, we agree.

Fair Value Management

Question 11: The proposed amendments would require that substantially all of an investment company's investments are managed, and their performance evaluated, on a fair value basis. Do you agree with this proposal? If not, why? Is this proposed amendment operational and could it be consistently applied? If not, why?

Yes. We agree with this criterion as it is an integral part of the definition of an investment company and the reason for retention of specialized accounting. We believe that entities whose investments are not managed for fair value, rather for investment returns (e.g., REIT debt funds, UITs,) should also be included if their ownership units are redeemable at, or could be exchanged based on, fair value. We suggest that, in order to assure appropriate inclusion, the guidance clarifies that funds that invest for income, but have very little, if any sale activity, would nevertheless meet this criterion.

Interests in Other Entities

Question 12: 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-funds structures? If not, what method of accounting should be applied and why? Should a feeder fund also consolidate a controlling financial interest in a master fund? Please explain.

We do not agree with the principle that an investment company should consolidate another investment company, unless the controlled investment company is wholly-owned more than temporarily.

We note that the proposed amendments change from current practice, and lead to a significant difference between Topic 946 and IFRS 10's proposed amendments. We believe that the IFRS approach is superior, in this respect. We question the benefit of consolidating an ICE into another company, even if controlled by that parent and whether or not the parent is an investment company. Investment company entities are created for a special and defined purpose. Consolidation of the investment company into another entity masks that purpose and adds unhelpful complexity to the financial statements of the parent. In addition, consolidation of investments within the ICE also confuses the investor, conflicts with previous Board decisions (specifically, ASU 2010-15) and creates a need for more information and analysis in order to report the relevant financial performance of the investment entity. We believe this creates a greater need for non-GAAP measures, evidence in and of itself that the accounting is not meeting the information needs of the constituents.

As a result, we recommend that changes to Topic 946 be limited to clarifying the definition of an investment company. The remaining accounting guidance after an entity is determined to be an investment company should be retained and it should be made clear that the investment company would not be required to consolidate other entities nor be consolidated by another entity, unless the entity is wholly owned more than temporarily.

We support efforts to ensure that investors in an investment company have transparency into the underlying investments held by investee funds, where the investee funds constitute a significant portion of the controlling fund's assets. We recommend that in order to ensure that an investment company's financial statements provide relevant information about portfolio investments held by investee funds, the Board provide additional guidance on disclosures of those portfolio investments.

If the Board intends to move toward consolidation accounting by investment companies, then as indicated in our General Comments, we ask for the Board to elaborate on its intentions with respect to the use of consolidation accounting by and of investment companies. Does the Board intend that any investment company would consolidate any and all other investment companies when control is present, or is consolidation restricted to formal fund-of-funds relationships? We believe that clearer definition of a fund of funds structure, as distinguished from a master-feeder structure, is needed. Beyond that, we do not believe it is appropriate for an investment company, which manages its investments on a fair value basis for the benefit of its investors to consolidate any other entity nor be consolidated by another entity, unless the entity is wholly-owned more than temporarily.

Question 13: The proposed amendments would require an investment company to consolidate a controlling financial interest in an investment property entity. Should an investment company be subject to the consolidation requirements for controlling financial interests in an investment property entity? If not, what method of accounting should be applied and why?

No. See our response to questions 3 and 12.

Question 14: The proposed amendments would prohibit an investment company from applying the equity method of accounting in Topic 323 to interests in other investment companies and investment property entities. Rather, such interests would be measured at fair value. Do you agree with this proposal? If not, why?

We believe it is appropriate for an investment company, which manages its investments on a fair value basis for the benefit of its investors, to value and report all assets at fair value. We do not believe distinguishing investment company or investment property holdings from other assets is beneficial. The overriding distinctive factor in an investment company is that it does not provide products or services, but rather manages investment interests under a specific mandate and objective for all investors.

Consequently, consistent with its definition and purpose, all holdings should be accounted for and reported on that basis, regardless of their nature.

Presentation and Disclosure

Question 15: An investment company with a controlling financial interest in a less-than-wholly-owned investment company subsidiary or an investment property entity subsidiary would exclude in its financial highlights amounts attributable to the noncontrolling interest. Do you agree that the amounts attributable to the noncontrolling interest should be excluded from the calculation of the financial highlights? If not, why?

Following from our response in question 14, we do not agree that it is appropriate for an investment company to consolidate another entity. The need for additional information that excludes consolidated investment subsidiaries is prima facie evidence of the need for investors and analysts to see only the ownership that contributes to the investors' value.

Question 16: If an investment company consolidates an investment property entity, the proposed amendments require the investment company to disclose an additional expense ratio that excludes the effects of consolidating its investment property entity subsidiaries from the calculation. Do you agree? If not, why?

Following from our responses in questions 14 and 15, we do not agree that it is appropriate for an investment company to consolidate another entity. The need for additional information that excludes consolidated investment subsidiaries is prima facie evidence of the need for investors and analysts to see only the ownership that contributes to the investors' value.

Question 17: Do you agree with the additional proposed disclosures for an investment company? If not, which disclosures do you disagree with, and why? Would you require any additional disclosures and why?

As indicated in our response to question 12, we believe that enhancement of transparency into an investment company's holdings should be addressed within the disclosures of the reporting investment company. We believe the proposed disclosures are appropriate except for the requirements to disclose for real estate investment:

- Restrictions on the ability to increase rent, collect rent, or collect proceeds on sale
- Any contractual obligations related to an investment property

These disclosures are unnecessary because such restrictions would factor into the reported fair value and would be voluminous, low value information. For example, commercial properties are subject to many lease contracts that fix rents and, hence, limit rent increases.

See our general comments and question 12 regarding the reasons for not consolidating and retaining the entity level view of an investment company. As such, the example in 946-810-55-1 regarding presentation of noncontrolling interests in the financial statements is not applicable and should be removed from the guidance.

Retention of Specialized Accounting

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 agree with the FASB and appreciate the Board's continued stance in this area. We believe a non-investment company parent should retain the specialized accounting of the investment company subsidiary, which is currently contrary to the position of the IASB as proposed in its Investment Entities exposure draft. However, if the investment company were wholly owned more than temporarily then we do not believe it would be appropriate to retain the specialized accounting of the investment company.

Effective Date and Transition

Question 19: An entity that no longer meets the criteria to be an investment company would apply the proposed amendments as a cumulative-effect adjustment to retained earnings as of the beginning of the period of adoption by calculating the carrying amounts of its investees as though it had always accounted for its investments in conformity with other applicable U.S. GAAP, unless it is not practicable. If not practicable, the entity would apply the proposed amendments as of the beginning of the period of adoption. Do you agree with this proposal? If not, why?

We agree with a cumulative effect at adoption recognized at the beginning of the period of adoption.

We are not aware of a likely circumstance under which an investment company, once identified as such, would continue to operate, but no longer meet the criteria. See our response to question 4.

Question 20: How much time would be necessary to implement the proposed amendments?

We believe that significant effort will need to be applied in order to reassess and document consolidation assessment conclusions under the proposed new standards, requiring the input and collaboration of many parties company-wide. For example, consolidation assessments for many entities were deferred from the application of FAS 167 and will be evaluated for the first time under ASC 810, as amended. For entities previously evaluated under FAS 167, the efforts may still be significant as the previous conclusions will need revisited and the qualitative nature of the principal versus agent assessment will take time and effort to document and defend to auditors. In addition, should consolidation conclusions change as a result of the updated guidance, processes for gathering information and performing consolidations and de-consolidations will need to be adjusted. Consequently, we believe a minimum of 18-24 months be allowed for implementation. In addition, with a view to convergence with the IASB's proposed changes, we believe the effective date should be coordinated with the IASB,

Question 21: The proposed amendments would prohibit early adoption. Should early adoption be permitted? If yes, why?

No. We do not believe early adoption of any changes to the guidance would be appropriate. We further urge that the implementation effective date be coordinated with the IASB.

Nonpublic Entities

Question 22: The proposed amendments would apply to both public and nonpublic entities. Should the proposed amendments apply to nonpublic entities? If not, how should the proposed amendments differ for nonpublic entities and why?

We believe the guidance as amended by our comments and recommendations is appropriate and operational for both public and private entities.