

September 25, 2012

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

Via email: director@fasb.org

Re: Proposed ASU, *Financial Instruments – (Topic 825): Disclosures about Liquidity Risk and Interest Rate Risk*

Dear Ms. Cospers:

This letter represents the comments of certain members (see list on page 6) of the Asset Management Industry Accounting Policy Group (“AMIAPG”), comprising a forum of companies primarily engaged in the asset management business. The companies represented by this particular letter include publicly-traded asset managers who collectively manage more than 4,000 investment funds, both domestically and internationally, including registered investment companies, hedge funds, private equity funds, exchange-traded funds and collective investment trusts (collectively, “funds”), in addition to separate accounts and other sponsored investment products. The four companies represented by this letter collectively have subsidiaries registered as investment advisors, broker/dealers, trust banks and insurance companies, and oversee approximately \$5 trillion of assets under management.

We appreciate the opportunity to provide comments to the Financial Accounting Standards Board (the “FASB” or the “Board”) on the Proposed Accounting Standards Update (“ASU”), *Financial Instruments (Topic 825): Disclosures about Liquidity Risk and Interest Rate Risk* (“the Proposal” or the “Proposed ASU”).

Overall, most of our representative companies do not meet the definition of a financial institution as outlined in the Proposed ASU. Since we generally do not meet the definition of a financial institution, only two of the contemplated disclosure requirements are relevant; 1) the available liquid funds and 2) the expected cash flow tables. Further, our consideration of the Proposal to date is preliminary and other observations relevant to our industry may evolve.

We have the following primary areas of concern:

- The proposed disclosures duplicate current requirements under U.S. generally accepted accounting standards (“US GAAP”) and certain regulatory requirements;
- Certain terms in the proposal (i.e., financial liabilities, off-balance sheet obligations, commitments, purchase obligations, high-quality) are not precisely defined, which may result in divergent interpretation and application; and
- Many of the proposed disclosures are duplicative to those required for investment companies.

Below we discuss each of these observations in greater detail.

Question 2: For an entity that is not a financial institution, the proposed amendments would require a cash flow obligations table that includes the expected maturities of an entity’s obligations. Do you foresee any significant operational concerns or constraints in complying with this requirement? If yes, what operational concerns or constraints do you foresee and what would you suggest to alleviate them?

We do not foresee any significant operational concerns or constraints in complying with the requirement to include a cash flow obligations table that includes the expected maturities of an entity’s obligations. For most public entities within our industry, this information is readily available. However, we do have a few comments to share regarding this disclosure requirement.

First, we are concerned that the brevity of the Proposed ASU will lead to inconsistent interpretation and application of the disclosure requirements. One of the stated objectives behind this added disclosure on liquidity is to achieve consistency and comparability across companies in order to address the request for standardized quantitative disclosures by users of financial statements. However, the Proposed ASU stops short of providing adequate guidance regarding the types of financial liabilities to be included in the cash flow obligations table and how companies should interpret the term “expected” maturity of such liabilities. For example, should disclosure of purchase obligations in the table be limited to those obligations with specific terms regarding fixed or minimum quantities, fixed or minimum price provisions, etc., similar to those purchase obligations required to be included in the Contractual Obligations table required by SEC Regulation S-K, Rule 303, and should contracts with automatic renewal provisions be considered? It is unclear to us whether these disclosures will be consistent with the Contractual Obligation table required by the SEC. We recommend that the Board enhance the Proposed ASU by providing definitions for various terms included therein as well as implementation examples.

Second, we believe the wording “*expected* financial cash flow obligation” is confusing and could lead to unintended disclosures. By way of example, a mutual fund asset manager normally pays a third party broker/dealer or other intermediary an ongoing service fee. This contractual fee is normally calculated based on the assets under management of the mutual funds distributed by the broker/dealer. Therefore, while the fee rates are known and may be fixed under a long-term contract, the actual dollar amount will fluctuate with the assets under management, which is not a figure that can be accurately estimated prospectively. However, as of any given balance sheet date, an entity would only have a cash flow *obligation* for the amount owed related to distribution services previously provided. We do not believe the Board intended the cash flow obligations table to include forecasted future obligations under these “pay-as-you-go,” executory contracts, as an example, but this interpretation of the Proposed ASU can be debated. In order to eliminate undue confusion, we recommend that the Board edit the words in paragraph 825-10-50-23M as follows:

“An entity that is not a financial institution shall provide a cash flow obligations table that includes the entity’s ~~expected-financial~~ cash flow obligations as of the end of the reporting period to the extent they are fixed and determinable...”

Likewise, we recommend that the words “expected financial” be deleted from paragraphs 825-10-50-23N and 23O.

In addition, investment managers may be required to consolidate advised investment vehicles for which the manager is deemed to have control, yet the manager may have little economic ownership, assets of the consolidated investment vehicles are not available to the reporting entity, and the liabilities of the consolidated investment vehicles will not be discharged by the assets of the reporting entity. For such entities, we believe it would be misleading to include the assets and liabilities of these vehicles in the proposed disclosures.

Finally, the SEC encourages, but does not require, disclosure of certain items in the contractual obligations table and footnotes that are highly uncertain in the amount and timing of payments and that may not result in consistent information for users. Examples of these items include variable interest payments on long-term debt, and variable swap payments. We recommend that the Board provide guidance in the Proposed ASU that will allow management to make decisions to exclude certain items if their future payment amounts are uncertain.

Please see our responses below to Question 22 about the repetitive nature of the proposed disclosures and current SEC requirements to disclose liquidity risks.

Question 4: The proposed amendments would require a quantitative disclosure of an entity's available liquid funds, as discussed in paragraphs 825-10-50-23S through 50-23V. Do you foresee any significant operational concerns or constraints in complying with this requirement? If yes, what operational concerns or constraints do you foresee and what would you suggest to alleviate them?

We do not see any significant operational concerns or constraints in complying with the requirement to provide a quantitative disclosure of an entity's liquid funds in periodic financial statements. However, the liquidity disclosures contemplated in the table generally are currently required in other existing financial statement disclosures, including the amounts generally available under lines of credit, letters of credit, and other debt instruments. Additionally, most financial assets that are readily convertible to cash are generally disclosed at fair value in the footnotes. We question the overall need for this disclosure since we do not believe it provides significant incremental value to financial statement users, especially since most of the information is available in footnotes to the financial statements, and for public companies, Management's Discussion and Analysis.

Second, the suggested table in Proposed ASU 825-10-55-5E provides an example showing an entity's available liquid funds disclosed by parent, subsidiary, and broker/dealer. While this example is only an interpretation of an entity's requirement to disclose the limits on transferability of funds among entities, it could result in companies disclosing information at a more disaggregated level than intended. Accordingly, we request further guidance on the appropriate level at which to disclose limitations of transferability of funds.

And lastly, the Proposed ASU provides limited discussion regarding the term "high-quality" liquid assets. Implementation examples would be helpful to further understand the Board's interpretation of this term. For example, to the extent a company's investments represent securities that are actively traded, whether equity or fixed income in nature, we believe these amounts could readily be deemed to be "high-quality" liquid assets. Without further guidance, these assets might be excluded from disclosures under the Proposed ASU.

Question 20: The amendments in this proposed Update would apply to all entities. Are there any entities, such as nonpublic entities, that should not be within the scope of this proposed Update? If yes, please identify the entities and explain why.

We have no specific comments regarding nonpublic entities, but have concerns for application of the Proposal to investment companies. We share many of the concerns expressed by the Investment Company Institute ("ICI") in its comment letter on the Proposed ASU ("ICI Letter"). As explained in the ICI Letter, investment companies already disclose much of the information required by the Proposed ASU. Further, as noted in the ICI Letter, the Proposed ASU includes other requirements, such as the cash flow obligations table, that are not meaningful disclosures for most investment companies.

We agree with the ICI's suggestion that the Proposed ASU should allow an entity to not provide the proposed available liquid funds table if it already provides substantially similar information elsewhere, such as the information included in the schedule of investments disclosed by

investment companies. We also agree with the ICI suggestion that the Proposed ASU should include a framework for assessing whether an entity should be exempt from presenting the cash flow obligations table.

Question 22: Do you believe that any of the amendments in this proposed Update provide information that overlaps with the SEC’s current disclosure requirements for public companies without providing incremental information? If yes, please identify which proposed amendments you believe overlap and discuss whether you believe that the costs in implementing the potentially overlapping amendments outweigh their benefits? Please explain why.

The required disclosures of the Proposed ASU would result in certain duplicative disclosures with no meaningful incremental value to the users of the financial statements for all companies, but in particular, for SEC registrants. Examples of overlap with current SEC disclosure requirements for Management’s Discussion and Analysis are as follows:

- SEC Regulation S-K 303(a)(1) and (2) require that registrants disclose the following items related to liquidity: material cash requirements, sources and uses of cash, and material trends and uncertainties related to a company's flexibility in determining when and how to use the available cash flows to satisfy obligations and make other capital expenditures. The Regulations also require the liquidity and capital resources discussion to address debt instruments, guarantees and related covenants. While a tabular format presentation of this information is not required by SEC Regulations, most of the information already required by the SEC is the same as the information required by the available liquid funds disclosure in the Proposed ASU.
- SEC Regulation S-K 303 (a)(5) requires tabular disclosure of contractual obligations. While we acknowledge the difference in the timing intervals and the requirement to present “expected” versus contractual maturities, we do not believe these are meaningful distinctions that would result in disclosures with incremental value to the users of our financial statements. We note that Regulation S-K 303 (a)(5) permits flexibility so that the presentation of the table can reflect company-specific information in a way that is suitable to the registrant’s business. Further, Regulation S-K 303(a)(5) suggests registrants use footnotes to accompany the table and provide disclosure regarding provisions that create, increase or accelerate obligations, or other pertinent data to the extent necessary for an understanding of the timing and amount of the registrant’s specified contractual obligations. The spirit of this SEC disclosure corresponds with the information required to be disclosed in the Proposed ASU’s cash flow obligations table.

In addition, the proposed requirement for available liquid funds is duplicative of current requirements under US GAAP to disclose available borrowing capacity, any restrictions on cash, and credit quality of loans and other investments.

As discussed above, we believe that there is significant overlap between the Proposed ASU disclosures for non-financial institutions and current SEC requirements. We question the need to re-disclose this information. Further we have not historically received inquiries from financial statement users seeking the proposed information (presumably because the information is included pursuant to current accounting and regulatory requirements), and we are concerned that adding disclosures duplicative to what is already included in financial statements and footnotes and in Management's Discussion and Analysis is unnecessary and may be confusing.

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We appreciate the opportunity to provide comments on the Proposed ASU. Should you have any questions, please feel free to contact any of the representatives below.

/s/ David K. Stewart, Senior Vice President & Controller	Ameriprise Financial, Inc.	(612) 678-4769
/s/ Steven E. Buller, Managing Director	BlackRock, Inc.	(212) 810-3501
/s/ Stacey H. Friday, Director, Accounting Policy	Federated Investors, Inc.	(412) 288-1244
/s/ Timothy J. Lorber, Director, Head of Accounting Policy and Corporate Controls	Legg Mason, Inc.	(410) 454-2839
/s/ Richard F. Sennett, Global Fiduciary Platform – Managing Director	Legg Mason, Inc.	(410) 454-2220