November 30, 2005

Mr. Lawrence W. Smith, Director
Technical Application and Implementation Activities
Financial Accounting Standards Board
401 Merritt 7
P.O. Box 5116
Norwalk, CT 06856-5116

RE: Proposed FASB Staff Position FIN 46(R)-c, “Determining the Variability to Be Considered In Applying FASB Interpretation No. 46(R)”

Dear Mr. Smith:

We appreciate the opportunity to comment on the proposed FASB Staff Position FIN 46(R)-c, “Determining the Variability to Be Considered In Applying FASB Interpretation No. 46(R)” (the proposed FSP). We agree with the Board that there is a need to clarify which variability within an entity is relevant for purposes of applying the provisions of FASB Interpretation No. 46 (revised December 2003), Consolidation of Variable Interest Entities (FIN 46 or the Interpretation), in a manner that is consistent with the Board’s objectives set forth in the Interpretation. In addition, with one exception, we agree with the conclusions reached by the Board about which interests in the examples in Appendix A of the proposed FSP are variable interests. In particular, consistent with the conclusions in the examples, we believe that interests such as freestanding derivatives whose underlyings are specified interest rates, foreign exchange rates, or commodity prices should be considered creators of variability rather than absorbers of variability. We also believe that fluctuations in fair value that do not arise from fluctuations in the possible cash flows of an entity’s interests exclusive of variable interests (e.g., do not arise from the cash flows of the entity’s assets) should not be considered to be creators of variability for the entity in evaluating the risks that are absorbed by its variable interest holders.1

We believe those conclusions are consistent with the fundamental principle of FIN 46 that consolidation of another entity by the reporting enterprise is necessary when the

1 Some fluctuations in fair value do not arise from fluctuations in possible cash flows of an entity’s interests exclusive of variable interests. For example, when the entity does not trade its fixed-rate financial assets during the term of its senior variable interests, interest rate risk associated with periodic interest payments received by the entity would not create variability in the entity but fluctuations in fair value caused by interest rate fluctuations that create variations in cash proceeds received upon anticipated sales of fixed-rate investments held in a static pool that will be required to be sold prior to their maturity to satisfy obligations of the entity would create variability in the entity. Refer to footnote 5 and Examples 1(a) and 1(b) of the proposed FSP.
Mrs. Lawrence W. Smith  
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reporting enterprise directly or indirectly has a controlling financial interest in that entity. Considering an entity’s freestanding derivatives whose underlyings are either specified interest rates, foreign exchange rates, or commodity prices to be creators, rather than absorbers, of variability recognizes that counterparties to such derivatives generally do not manage the risks of those instruments through the exercise of control or influence over the entity’s activities. Thus a controlling financial interest would not be expected to arise through such instruments. Likewise, fluctuations in fair value that do not arise from fluctuations in the possible cash flows of an entity’s interests exclusive of variable interests (e.g., fluctuations that arise from changes in interest rates) are driven principally by macro-economic market forces and movements rather than entity-specific factors and also would not be expected to give rise to a controlling financial interest in the entity.

Although we generally agree with the conclusions reached in the examples in the proposed FSP, we believe that the following description of the variability to be considered in determining whether an entity is a variable interest entity (VIE) and which interests represent variable interests in the entity may assist in achieving a higher level of consistency in its application.  

**Variability to Consider Under the Provisions of FIN 46**

The variability to be considered when applying Interpretation 46(R) shall be the variability that results from fluctuations in fair value that arise from fluctuations in the possible cash flows of the entity’s interests exclusive of variable interests.* Freestanding derivatives whose underlyings are specified interest rates, foreign exchange rates, or commodity prices shall be considered creators of variability in performing this analysis.

* Consistent with the guidance in footnote 5 of Interpretation 46(R), these fluctuations in fair value are determined based on the entity’s structure, including its operations.

We believe the guidance above is consistent with the objectives of the Board, does not change the conclusions about which parties are variable interest holders or which party would potentially absorb a majority of the variability for any of the examples in the proposed FSP, and may allow the Board to reduce the extent of the detailed guidance in paragraphs 10-13 of the proposed FSP. We also have included an example at the end of the appendix to this letter illustrating how the guidance above would apply when the entity has cash flows that are variable because it holds assets that are floating-rate financial instruments.

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2 We recommend that the Board consider including this guidance in what is currently paragraph 7 of the proposed FSP.
Paragraph 14 of the proposed FSP indicates that qualitative analyses will often be conclusive in determining the variability to consider, determining which interests are variable interests, and determining which variable interest holder, if any, is the primary beneficiary. The examples in the appendix provide descriptions of the risks or variability to consider and which interests are variable interests. We believe the examples could be enhanced if the Board also provided, consistent with the assertion in paragraph 14, a discussion of the qualitative analysis of which variable interest holder, if any, is the primary beneficiary.

We do not agree with the evaluation of Example 5 of the proposed FSP. The features of the lease arrangement that cause the lessee and third-party guarantor to be considered variable interest holders of the lessor in the proposed analysis are, in fact, elements of the lessor’s direct financing lease asset (i.e., they are creators of risk to the lessor based on the lessor’s accounting for the lease as a direct financing lease that is required by GAAP). Accordingly, those elements should not be separated from the direct financing lease and identified as a separate interest that absorbs risk of that asset (i.e., as a variable interest). If the Board believes the conclusion in Example 5 of the proposed FSP is appropriate, we believe that the Board should reconsider the requirements of FASB Statement No. 13, Accounting for Leases, rather than addressing that issue only through an interpretation on the application of FIN 46.

We believe the approach for evaluating variability in an entity as articulated above is consistent with the principles of FIN 46 as well as the Board’s principle contained in the proposed FSP while still providing guidance that is sufficiently objective to ensure a high degree of consistency in its application. We have included in the appendix to this letter, other matters that we believe should be considered by the Board related to the proposed FSP. We believe that the description we provided above of the variability that should be considered would address many of the observations in that appendix.

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If you have any questions about our comments or wish to discuss any of the matters addressed herein, please contact either Mark Bielstein at (212) 909-5419 or Kimber Bascom at (212) 909-5664.

Sincerely,

KPMG LLP
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Other Considerations Related to the Proposed FSP

Although we agree, with one exception, with the conclusions reached by the Board about which interests are variable interests in the examples in Appendix A of the proposed FSP, we believe that the Board should consider clarifying the following aspects of the proposed FSP:

a. The extent that the perspective and intent of the parties involved with the entity may impact the assessment of the economic risks and rewards of the entity.

b. The rationale for the exclusion of certain economic risks from the analysis of whether an entity is a VIE and whether an interest in the entity is a variable interest.

c. The impact of the legal form and accounting characterization of a contract or arrangement in evaluating the design of an entity.

d. The interaction of the proposed FSP with the guidance in FSP FIN 46(R)-5, “Implicit Variable Interests under FASB Interpretation No. 46 (revised December 2003), Consolidation of Variable Interest Entities” (FSP FIN 46(R)-5).

e. The relationship between the features inherent in an entity’s variable interests and the nature of its assets in assessing the variability of the entity.

f. The impact of new variable interest holders on the analysis.

These concerns are discussed in greater detail in the paragraphs that follow for the Board’s consideration. However, we believe the suggested description of the variability to be considered that is provided in our letter, if adopted by the Board, generally would address these concerns.

Perspective of (and Role of Intent in) the Evaluation

Under the provisions of FIN 46, the determination of whether an entity is a VIE as well as the determination of whether an interest is a variable interest and whether a variable interest holder is the primary beneficiary of a VIE is made from the perspective of the entity (refer to FIN 46 paragraphs 2, 4, 5, 8, 9, 12, 14, 15, A1–A5, and B2–B6). The proposed FSP provides guidance on how the perspective of the parties that are involved with the entity may impact the determination of which interests represent variable interests. Likewise, the proposed FSP includes consideration of the intent of the parties in determining what economic risks and rewards the entity is exposed to and has passed along to its variable interest holders. We believe the Board should clarify the extent to which the intent of the parties that are involved with an entity may impact the evaluation. Although the intent of the parties should be considered in certain aspects of the analysis (for example, in evaluating the design of the entity’s capital structure), it should not be determinative in assessing the economic risks and rewards that the entity is exposed to and passes along to its variable interest holders.
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Footnote 5 of the proposed FSP indicates that a reporting enterprise may exclude periodic interest receipts/payments to an entity’s interest holders in evaluating the entity’s variability if it determines that the entity was not designed to create and pass along interest rate risk associated with such periodic interest receipts/payments. Economic risks and rewards that an entity is exposed to should not be assessed differently depending on the views of the parties involved. Fundamentally, the accounting analysis of the economic risks and rewards that any entity is exposed to should be neutral. Accordingly, further clarification on the application of the guidance in footnote 5 may be useful.

Why Certain Economic Risks and Rewards Are Excluded from the Analysis of Variability

As illustrated in the examples to the proposed FSP, unless the swap counterparty has another interest in the entity, either directly or through a related party, interest rate and foreign currency swaps are treated as creators of variability. We agree that those types of interests should be excluded from consideration as potential variable interests in order to facilitate the practical application of FIN 46. However, we do not believe the determination of whether an interest rate swap is a variable interest in an entity should depend on whether the swap counterparty holds other variable interests (such as debt or equity) in the entity. In addition, we believe the analysis of these types of instruments should be explicitly addressed in the body of the FSP as reflected in our suggested description of the variability to be considered, rather than only through the examples provided.

As identified above, footnote 5 of the proposed FSP indicates that a reporting enterprise may exclude periodic interest receipts/payments to an entity’s interest holders in evaluating the entity’s variability if it determines that the entity was not designed to create and pass along interest rate risk associated with such periodic interest receipts/payments. To the extent that interest-rate sensitive interests are excluded from consideration as potential variable interests (or should not be considered significant variable interests), we recommend that that be accomplished via specific objective guidance provided in the body of the FSP as discussed above rather than requiring (or permitting) separate analyses of variability arising from the principal versus interest components of financial instruments.

Role of Legal Form and Accounting Characterization in Design of an Entity

The last sentence of paragraph 9 states that “In all cases, the role of a contract or arrangement in the design of the entity, rather than the legal form or accounting classification of that contract or arrangement, should dictate whether that interest should be treated as creating risk for the entity or absorbing risk from the entity…” As described in our letter, we disagree with the Board’s conclusion in Example 5 because, if one
evaluates the interest from the perspective of the entity, the lessee and third party guarantor have an obligation to the entity that is captured as part of the entity’s asset (i.e., its direct financing lease receivable). We believe that it is inappropriate, under the guidance in paragraphs B7, B16, and B17 of FIN 46, to consider the lessee and third party guarantor to be variable interest holders of the entity if one considers the accounting characterization of the lease from the perspective of the entity. Recharacterization of that asset from a direct financing lease receivable to a fixed asset in performing the analysis appears to be inconsistent with other aspects of FIN 46, such as the requirement that in order to consider an interest to be equity-at-risk it must be considered equity under GAAP. The Board may wish to clarify the guidance in paragraph 9 and Example 5 of the proposed FSP to indicate that the analysis of an entity’s variability should be based on the accounting characterization of the entity’s contracts or arrangements. In addition, the FSP should clarify that the role in the design of the entity of contracts or arrangements that may be given accounting classification as assets in some periods and liabilities in others (e.g., interest rate swaps and foreign currency swaps) may not be reflected by their current accounting classification for purposes of determining whether those interests should be treated as creating risk for the entity or absorbing risk from the entity.

Interaction with the Guidance in FSP FIN 46(R)-5

Paragraph A4 of the proposed FSP, which is part of the evaluation of Example 1(a), contains the following statement in factor (b): “Because that variability is not directly caused by changes in the value of the entity’s net assets exclusive of variable interests, it should not be considered when analyzing this entity.” Paragraphs A7 (factor (d)), A10 (factor (d)), A20 (factor (g)), and A27 (factor (g)) contain identical statements. The interaction between that language and the guidance in FSP FIN 46(R)-5, which specifically requires reporting enterprises to consider implicit variable interests that absorb and/or receive variability indirectly from another entity, should be clarified. We also believe that language should be clarified because most variable interests are not directly correlated with, and do not share in all aspects of, an entity’s variability. For example, preferred stock and debt are variable interests that may not share in the same variability (or to the same extent) as the variability absorbed by an entity’s common stock.

Relationship between Variable Interests and an Entity’s Assets in Evaluating Variability

Paragraph A7 of the proposed FSP notes that the interest rate swap in Example 1(b) is considered a creator of the entity’s variability because “the notional amount and

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3 The guidance in paragraphs B7, B16 and B17 of FIN 46 was the basis for the Board’s conclusion that sponsors of trusts that issue trust-preferred securities should deconsolidate those trusts because the sponsor’s obligation to the trust creates more risk in the trust than is absorbed by its equity interest in the trust.
contractual term of the swap are designed, from the perspective of the debt and equity holders, to modify the assets so as to reduce or eliminate the floating versus fixed interest rate mismatch between the assets and the liabilities.” Thus the determination of whether the swap is a variable interest appears to be dependent on the relationship between the assets and the liabilities. The Board should clarify how that approach interacts with the definition of a variable interest in paragraph 2(c) of FIN 46. Under that definition, reporting enterprises are required to eliminate the effects of variable interests (e.g., not consider the relationship between the assets and the debt) when determining whether an interest is a variable interest.

Emphasis on Variable Interest Holders Involved with the Entity at its Inception

The approach in the proposed FSP focuses on the objectives of the parties that are initially involved with the design of the entity (as illustrated in Appendix A). Given the broad range of circumstances that may cause an entity to be a VIE and the wide variety of entities that are ultimately determined to be VIEs (ranging from businesses with a broad range of activities to single-purpose entities with narrowly limited activities), we believe it is important for the Board to consider how the parties that become involved with another entity well after its initial design should apply the “by design” approach to determine the variability that the entity was designed to create and pass along to its interest holders. Because of the importance of the examples in describing the principle in the FSP, an example of such a situation in the final FSP would also be useful.

Other Comments and Editorial Suggestions (Including Comments on Examples)

1. Paragraphs 3–5 of the proposed FSP compare and contrast the “cash flow method” and the “fair value method.” We question whether this discussion has continuing relevance given the guidance in the proposed FSP. Accordingly, we suggest that the Board consider eliminating that discussion.

If the Board chooses to retain the discussion in paragraphs 3–5, we suggest that the Board make the following changes to footnote 2 of paragraph 4 (additions are underscored):

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2 \text{ Appendix A of Interpretation 46(R) provides an example of an expected losses and expected residual returns calculation.}
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2. Paragraph 9 of the proposed FSP states “In most circumstances, assets and operations of the entity create the entity’s variability and liabilities and equity interests absorb that variability. Other contracts or arrangements may appear to both create and absorb variability because at times they may represent assets of the entity and at other times liabilities (either recorded or unrecorded).” The proposed FSP appropriately
focuses on whether these interests that may represent either assets or liabilities, as well as certain other interests such as guarantees and forward contracts, should be considered creators or absorbers of variability. However, we believe it would be helpful for the proposed FSP to clarify that certain liabilities of an entity, specifically operating liabilities such as accrued liabilities and trade payables, are almost always creators of variability (as they arise from the entity's operations). We believe that generally is how FIN 46 has been applied and we believe that approach has produced consolidation results that are consistent with the Board's objectives in the Interpretation.

3. Paragraph 11 states that, in obtaining an understanding of the design of the entity, reporting enterprises should consider the nature of the entity's interests issued, including whether an interest transfers substantially all of the risks or returns (or both) of certain assets or operations of the entity. Footnote 6 points to the guidance in paragraph B15 of FIN 46 as support for the determination of whether derivatives such as total return swaps represent variable interests. Because the guidance in paragraph B15 addresses whether certain derivatives may cause the counterparties to those arrangements to be the entity's primary beneficiary, we recommend that the Board clarify that the definition of variable interests includes interests that may not cause their holder to be the primary beneficiary of a VIE.

4. The guidance in paragraph 13 of the proposed FSP refers to the idea of substantive subordination. That paragraph suggests that the uncertainty absorbed by a substantive subordinated interest is strongly indicated as variability that is created by the design of the entity. The Board should clarify the language in paragraph 13 and footnote 7 of the proposed FSP to indicate whether the notion of subordination refers to the priority of the various interest holders' respective claims on the cash flows of the entity. Application of the substantive subordination notion also could be illustrated more prominently in the examples in Appendix A.

The notion of substantive subordination as expressed in the proposed FSP implies a preference on the part of the Board for a "bottom-up" approach to allocating variability of a VIE for purposes of determining the VIE's primary beneficiary. In paragraph D34 of FIN 46 the Board stated that it "decided not to specify a single technique for analysis of [the primary beneficiary of] variable interest entities or otherwise limit an enterprise's ability to choose the technique it believes applies in its own specific circumstances, but it may choose to do so in the future." We believe the Board should specifically indicate whether or not the proposed FSP is intended to identify a preferable allocation methodology.

5. We recommend that the Board clarify paragraph 15 to indicate that retrospective application of the provisions of the proposed FSP is permitted only if the reporting
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enterprise applies the provisions of the proposed FSP to all entities that it has involvement with in periods subsequent to the enterprise’s adoption of FIN 46.

6. Example 1(a): It would be helpful to understand whether the analysis of variability in Example 1(a) would change if, rather than selling the investments at the end of three years, the 3-year fixed-rate debt was replaced with new debt (i.e., the debt was reissued). We believe the Board should specifically indicate whether or not the analysis would be different, and, if it would, to include an example illustrating that difference.

7. Example 1(b): It is unclear why the fact pattern in Example 1(b) includes an interest rate swap with a seven-year term instead of a three-year term given that the VIE is financed with three-year fixed rate debt. Under the assumed facts, the swap would need to be early terminated in three years. Is the term of the swap intended to be linked to the average maturity of the investment securities of seven years? Would the variability analysis change if the swap had a three-year term? As indicated previously, we do not believe the determination of whether an interest rate swap is a variable interest in an entity should depend on whether the swap counterparty holds other variable interests (such as debt or equity) in the entity. Accordingly, we believe the Board should clarify the basis for its conclusion in footnote 8. It also would be helpful to know whether the analysis of variability in Example 1(b) would change if, rather than selling the investments at the end of three years, the 3-year fixed-rate debt was replaced with new debt (i.e., the debt was reissued).

8. Example 1(c): The fifth sentence in paragraph A8 should indicate that, at the end of five years, all the investments “will mature” rather than “will be sold” given that Example 1(c) explicitly states that the investments have contractual maturities of five years.

Item (c) of paragraph A9 refers to interest rate risk on the fixed leg of the cross currency swap. We recommend that the Board clarify which leg of the swap it considers to be the fixed leg. Also, it appears that the foreign currency exchange risk associated with the receipt of the principal in JPY upon maturity of the investments should be identified as a risk that the entity is exposed to.

Under the description we provided in our letter of the variability that should be considered, the cross-currency swap in Example 1(c) would be considered a creator of the entity’s variability. If the Board does not adopt that description, the last sentence of paragraph A10 should be clarified to indicate why the cross-currency swap is considered a creator of the entity’s variability. We believe that the JPY-denominated investments, when evaluated in isolation, have no inherent foreign currency risk. Accordingly, we believe that the cross-currency swap is a creator of
the entity’s variability because it creates risks that are not inherent in the entity’s assets exclusive of variable interests (i.e., the USD-denominated debt investments).

The Board did not explicitly discuss in its variability analysis why it determined that the entity in Example 1(c) was not designed to create and pass along interest rate risk associated with changes in the fair value of the fixed-rate periodic interest payments received on the fixed-rate investment portfolio and on the fixed leg of the cross-currency swap (risk (c) in the example). It would be helpful if the Board explicitly discussed its rationale for including or excluding each identified risk in its variability analysis for each example.

9. Example 2: Paragraph A13 suggests that whether an entity enters into an explicit interest rate swap coupled with an equity issuance or issues equity interests that include an embedded interest rate swap, the variability assessment of the entity should be the same. While we understand and agree with that idea, we do not believe the determination of whether an interest rate swap is a variable interest in an entity should depend on whether the swap counterparty holds other variable interests (such as debt or equity) in the entity. It is not clear whether the Board’s analysis would have been different had the interest rate swap been provided by an unrelated third party whose only involvement with the entity was the interest rate swap. If the analysis would be different, we believe it is important for the Board to point that out and explain why.

In addition to the above comments, the reference in the fourth sentence of paragraph A11 to fixed-rate debt holders should be to floating-rate debt holders and the reference to the sale of the investments at the end of three years should be changed to the maturity of the investments to be consistent with the first part of the example. Finally, the references to floating-rate assets and fixed-rate liabilities in factor (c) of paragraph A13 should be changed to fixed-rate assets and floating-rate liabilities, respectively.

10. Example 3: Paragraph A15 indicates that the coupon on the Treasury bonds plus the premium received on the credit default swap will fund the coupon payment on the credit-linked notes. Given that the credit-linked notes pay a return equal to LIBOR + 90 basis points and that there is no basis swap in the structure to ensure that the LIBOR rate due to the investors will be generated by the Treasury bonds, we believe the assertion that the entity’s cash receipts will fund the coupon payments may not be appropriate in all cases. The proposed FSP should address that risk.

There is no explanation in Example 3 of why interest rate risk associated with changes in the cash flows from the interest payments received on the floating-rate investments was deemed to be a risk that the entity was designed not to create. It
would be useful to include the Board’s rationale for excluding that risk in paragraph A17.

11. *Example 4*: Paragraph A19(e) and the last sentence of paragraph A20 suggest that a variable interest holder’s credit risk (e.g., the risk that a guarantor will fail to perform its guarantee obligations) should be considered in allocating variability to other variable interest holders of the entity. We do not believe that such an analysis should be required when all of the entity’s variable interest holders are substantive enterprises. A more operational approach that we believe the Board should consider is to assume that a variable interest holder will absorb the risks it is contractually obligated to undertake unless the risk of nonperformance is so significant that it calls into question the variable interest holder’s ability to perform on its contractual obligations, in which case the variability otherwise allocable to that interest would be allocated to the other variable interest holders for purposes of their primary beneficiary analysis. However, the variable interest holder that potentially may be unable to perform should not be permitted to reduce the allocation of the entity’s variability that it would otherwise be contractually obligated to absorb. Otherwise, that variable interest holder may be able to avoid consolidation of a VIE through an analysis indicating that it will not perform under its contractual obligations.

12. *Example 6*: We recommend that the Board clarify the interaction between the guidance in paragraph B13 of FIN 46 and its conclusion in Example 6 that the forward sale contract is not a variable interest in the entity. As part of that clarification, we recommend that the Board comment on whether the analysis of the forward sale contract would remain the same if the entity owned a power plant with which to deliver the power that is due under the forward sale contract rather than owning a forward purchase contract on the power.

13. As noted previously, we believe that the description of the variability to be considered in evaluating whether an entity is a VIE and which interests in the entity are variable interests that we have proposed in our letter does not change the conclusions about which parties are variable interest holders or which party would potentially absorb a majority of the variability for any of the examples in the proposed FSP and thus is consistent with the Board’s intent. In order to provide further information about how the guidance that we have proposed would apply when the entity has cash flows that are variable because its assets are floating-rate financial instruments we have included the example below. We believe the evaluation of this example under the description of variability that we have proposed results in a conclusion that is consistent with the Board’s objectives and with the conclusions regarding Examples 1(a) and 2 of the proposed FSP.
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Example 7

An entity is created and financed with $90 of 3-year floating-rate debt and $10 of equity from investors. The entity uses the proceeds to purchase $100 of AA-rated floating-rate securities which mature in 3 years. The periodic interest payments received on the investments are used to pay the floating-rate interest to the debt holders with the remainder used to provide a return to the equity investor. At the end of three years, the proceeds from maturity of the investments will be used, first, to pay the floating-rate debt holders and, second, to pay the equity holder to the extent proceeds remain. The entity is not actively managed. The transaction was marketed to potential debt investors as an investment in a portfolio of high-quality floating-rate investments with the equity tranche providing support in the event of a credit default on the investments. The equity tranche is designed to absorb the first dollar risk of loss.

Step 1: Analyze the nature of the risks in the entity. The entity is exposed to the following risks:

a. Credit risk associated with a possible default by the issuers of the investments in the portfolio with respect to principal or interest payments

b. Interest rate risk associated with changes in the cash flows from the periodic interest payments received on the floating-rate investment portfolio.

Step 2: Determine the variability the entity is designed to create and pass along to its interest holders.

The following factors should be considered in this determination:

a. This entity was marketed to debt investors as an entity that will be exposed to changes in the periodic interest payments received on the investments due to changes in interest rates and credit risk associated with the investment portfolio, with the equity tranche absorbing the first dollar risk of loss.

b. The fluctuations in possible cash flows from the investment portfolio due to changes in interest rates do not result in fluctuations in the fair value of those investments.

Based on the above analysis, it can be determined that the entity was designed to create and pass along risk (a) in Step 1 to the debt and equity investors, who are the entity’s variable interest holders.