March 13, 2012

Technical Director
File Reference No. 2011-230
Financial Accounting Standards Board
401 Merritt 7
P.O. Box 5116
Norwalk, CT 06856-5116

Dear sir or madam:

MassMutual Financial Group\(^1\) ("MassMutual", "the Company", "we" or "our") appreciates the opportunity to provide comments on the Financial Accounting Standards Board ("FASB" or "the Board") Exposure Draft: Revenue from Contracts with Customers (ED) and supports the development of a converged, comprehensive, high quality standard for revenue recognition.

MassMutual is a global, diversified financial services organization providing life insurance, disability income insurance, long-term care insurance, annuities, retirement and income products, investment management, mutual funds, trust services, collateralized lending, financing and leasing services to individual and institutional customers. MassMutual is commenting on this ED on behalf of its investment management subsidiaries.

The concepts contained within the ED are primarily applicable to MassMutual’s investment management subsidiaries. We appreciate the FASB incorporating proposed guidance on accounting for a specific situation addressing asset management and related performance fees in example 13. However, we believe there are other important topics related to the investment management business that might benefit from clear and comprehensive accounting guidance. Specifically, below is our interpretation of the ED as applied to deferred sales commissions, front end sales loads and claw back provisions associated with performance fees. If our analysis of how the ED is applied differs from the objectives of the Board, we would recommend that the Board provide additional guidance and examples relevant to the investment management business.

\(^1\) MassMutual Financial Group is a marketing name for Massachusetts Mutual Life Insurance Company (MassMutual) and its affiliated companies and sales representatives. MassMutual is headquartered in Springfield, Massachusetts and its major affiliates include: Babson Capital Management LLC; Baring Asset Management Limited; Cornerstone Real Estate Advisers LLC; The First Mercantile Trust Company; MassMutual International LLC; MML Investors Services, LLC, Member FINRA and SIPC; OppenheimerFunds, Inc.; and The MassMutual Trust Company, FSB.
Deferred sales commissions

We believe that commissions paid to a third party broker/dealer for the sale of certain classes of mutual fund shares (e.g., B and C shares) are a cost to fulfill the contract that should be deferred and amortized. Sales commissions paid to the broker/dealer for the distribution of these mutual fund shares are recovered contractually from the fund through the collection of 12b-1 fees and/or early withdrawal fees. According to paragraph 91 in the ED, “If the costs incurred in fulfilling a contract with a customer are in the scope of another Topic (for example, Topic 330 on inventory, Topic 360 on property, plant, and equipment, or Topic 985 on software), an entity shall account for those costs in accordance with those other Topics.” We urge the Board to retain the cost guidance for the deferral of sales commissions under ASC 946-605-25-8 as the Board has done for other industries under paragraph 91. Therefore, sales commissions would continue to be deferred and amortized over the estimated period in which they will be recovered through the collection of 12b-1 fees. Fees received from investors for the early withdrawal from a fund will reduce unamortized deferred sales commissions.

Front end sales loads

It is our position that the guidance supports the recognition of income on the trade date for front end sales loads. Investors are explicitly charged a front end sales load by the fund when investing in certain mutual fund shares (e.g., A shares) which is payable to the fund’s distributor. The fund’s distributor in turn pays a concession to the third party selling broker/dealer. The fund’s distributor acts as an agent in this transaction and records a percentage of the front end sales load as revenue on a net basis on the trade date. The sales loads are non-refundable. According to paragraph IG31 “If the non-refundable upfront fee relates to a performance obligation, the entity should evaluate whether to account for that performance obligation separately in accordance with paragraphs 23-30.” We believe the distribution of the mutual fund shares should be accounted for as a separate performance obligation. Once the mutual fund has been distributed, the fund’s distributor and third party broker/dealer have no further performance obligations. Therefore, after the mutual fund shares have been distributed and the performance obligation has been satisfied, revenue should be recognized by both the fund distributor and the third party broker/dealer. Please confirm that our evaluation of the guidance is correct.

Claw backs

We agree with the Board that performance fees should not be recognized until they are reasonably assured. We believe there are certain circumstances where the recognition of a performance fee is reasonably assured even if the performance fee is subject to a claw back provision. As outlined in paragraph 81, an entity’s experience with “similar types of performance obligations” can be “predictive of the amount of consideration to which the entity will be entitled in exchange for satisfying those performance obligations.” The existence of a claw back provision is a consideration in the recognition of revenue but does not eliminate revenue recognition that can be supported by the entity’s experience. It has been our experience that for certain contracts where the funds have earned a rate of return significantly in excess of the benchmark over a sustained period, the likelihood of a claw back provision being triggered.
is remote. Therefore, in those situations we believe the recognition of the performance fee is reasonably assured. We request that the Board confirm our analysis and provide an example on this topic.

Disclosures

There are significant costs associated with fulfilling the disclosure requirements outlined in the ED with minimal benefits to financial statement users. We believe the Board should use a principles based approach towards disclosures, where management has discretion to determine what will be meaningful to users. Additionally, the disclosure requirements contained within the ED will produce voluminous information that does not adhere to the objectives contained in the Board’s Disclosure Framework project.

In conclusion, we would like to thank the Board for the opportunity to comment. We request that the Board confirm the accounting for deferred sales commissions, front-end sales loads and claw back provisions associated with performance fees. In addition, we would like the Board to reconsider the disclosure requirements reflected in the ED. If there are any questions regarding the content of this letter, please do not hesitate to contact me.

Sincerely,

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