SIFMA
Securities Industry and
Financial Markets Association

December 16, 2009

Mr. Robert Herz, Chairman
Mr. Russ Golden, Technical Director
Financial Accounting Standards Board
401 Merritt 7
P.O. Box 5116
Norwalk, CT 06856-5116

Re: File Reference No. 1750-100 - Consolidation (Topic 810), *Amendments to Statement 167 for Certain Investment Funds*

Dear Messrs. Herz and Golden:

On behalf of SIFMA's Asset Management Group ("AMG"), I would like to applaud the efforts of the FASB staff in providing a potential clarification with regard to the scope of the recently issued FASB Statement of Financial Accounting Standards No. 167, *Amendments to FASB Interpretation No. 46(R)* ("FAS 167") as it relates to the asset management business.

Soon after the issuance of FAS 167, the AMG formed its FAS 167 Working Group (the "Working Group") to address the implementation issues. The Working Group is comprised of firms which include many of the industry's major independent asset management firms along with banks and insurance companies with significant asset management businesses. The individuals who serve on the Working Group are senior accounting policy professionals at their respective firms.

We support the issuance of this amendment to FAS 167, and believe that a deferral is necessary for "Certain Investment Funds" while the FASB and the IASB continue to work together on convergence. Without a deferral, certain Asset Managers could have been faced with the inappropriate consolidation of trillions of dollars of assets, liabilities and non-controlling interests, rendering their financial statements meaningless to users.

The SIFMA AMG Working Group notes that:

- The impacted entities are not set up in order to obtain funding for the Asset Manager;
- The impacted entities are set up on an agency basis for clients' benefit, including to provide a lower cost method of diversifying investment risk for investors;
- The risk of investment loss in client assets is not borne by the Asset Manager;
- Asset Management fees, even if structured with performance features, still represent fees for service and are not representative of equity interests.

Accordingly, FAS 167 would result in financial statements that are not representationally faithful to the activities of asset managers.

We believe that the proposed changes to condition (c) in paragraph B22 of FAS 167 are operational and achieve the FASB Board's original objective in FAS 167 that a quantitative test should not be the sole determinant of whether a fee arrangement is a variable interest.

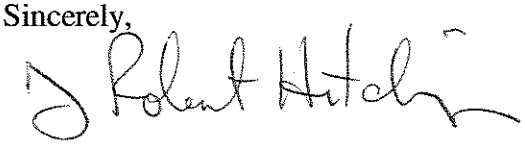
We have been following the International Accounting Standards Board's project on consolidations and in particular the topic which addresses Agency Relationships. In its staff paper dated October, 2009, the IASB staff presented a view that we believe should be explored further by the FASB. The IASB staff's view is summarized as follows:

> A party should not always be assumed to have power so as to benefit (i.e., power to generate returns for itself) simply because it receives more than insignificant remuneration that varies along with the returns by the investors. Fund managers and service providers should not be required to consolidate assets that they manage but to which they have limited exposure and cannot use for their own benefit.
>
> An agency relationship exists when there are substantive removal or other participating rights.
>
> To be substantive, the exercise of a removal right can require the agreement of more than one party.
>
> In the absence of substantive removal or other participating rights, a party with decision-making authority delegated to it uses that authority to generate returns for itself when (View 3):
>
> - It has any disproportionate exposure to risk below the most senior debtholders'
> - It receives or is exposed to a majority of the variable returns, or
> - It receives or is exposed to variable returns that are significantly more than the variable returns received by the other party.

The SIFMA AMG Working Group would be pleased to work with the staff at FASB and the IASB on further developing these principles.

If you have any questions, please contact me at (212) 635-7083.

Sincerely,



J. Robert Hitchings
Chair
SIFMA Asset Management Group FAS 167 Working Group

cc Sir David Tweedie – Chairman IASB
Consolidations Project Managers – FASB
Consolidations Project Managers - IASB