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March 31, 2009

Sent via email to: Director@fasb.org

Mr. Russell Golden Technical Director Financial Accounting Standards Board PO Box 5116 Norwalk, CT 06856-5116



LETTER OF COMMENT NO. 217

RE: File Reference Proposed FSP on Statement 157 (FSP FAS 157-e)

Dear Mr. Golden:

Invesco National Trust Company appreciates the opportunity to comment on the proposed FASB FSP FAS 157-e.

Invesco National Trust Company is a national bank that manages over \$40 billion in collective investment funds. The funds are established under 12 CFR 9.18(a)(2) and consist only of assets of retirement, pension, profit sharing and other trusts that are exempt from federal income tax. My comments are limited to the above mentioned funds and the impact Proposed FSP FAS 157e will have on them.

The Board requested constituents provide comments on the following questions:

1. Is the proposed effective date of interim and annual periods ending after March 15, 2009, operational?

Yes, the proposed effective date is operational. However, I would suggest the Board strongly consider permitting the effective date to be voluntarily retroactive to December 31, 2008. The application of FAS 157 as the rules now stand will create confusion with the reader of the financial statements and the implementation date should be left up to the judgment of the entity.

2. Will this proposed FSP meet the project's objective to improve financial reporting by addressing fair value measurement application issues identified by constituents related to determining whether a market is not active and a transaction is not distressed? Do you believe the amendments to Statement 157 in this proposed FSP are necessary, or do you believe the current requirements in Statement 157 should be retained?



The proposed changes to fair value measurement will help improve financial reporting and are necessary. The current Statement 157 requirements, if left unchanged create a disconnect between OCC Regulation 9.18(b) (4) and GAAP.

3. Do you believe the proposed two-step model for determining whether a market is not active and a transaction is not distressed is understandable and operational? If not, please suggest alternative ways of identifying inactive markets and distressed transactions.

The two step model is operational but requires further clarification for bank Short Term Investment Funds (STIF).

## Background

'STIF's are similar to money market mutual funds (MMMF) because they offer liquidity, an optimum return and a stable value.' 'STIF's must comply with the valuation and recordkeeping requirements of Office of the Comptroller of the Currency (OCC) regulation 9.18 rather than Rule 2a-7 of the '40 Act, which imposes the standards for MMMF. STIF's and MMMF's are both required to limit their dollar-weighted average portfolio maturities to 90 days or less. STIFs however are not bound to the maximum maturity limit of 397 days for most single securities held in an MMMF'.

A STIF fund reports its NAV at fair value as determined under GAAP. NAV is determined by the STIF fund by determining the fair value of the underlying investment held by the STIF fund and adding to this value other assets and liabilities to arrive at a total. The total is divided by the number of units of the STIF fund. The funds have been permitted to use the amortized cost method of valuation to arrive at a constant \$1.00 valuation.

Audit firms focusing on the implementation of FAS 157 have required STIF funds to arrive at a fair value using an exit price and "distressed mark to market value" concept to arrive at a GAAP NAV that is less than \$1.00

The OCC has long standing guidance on the valuation of STIF funds. The FASB should take into consideration OCC guidance and incorporate in the proposed FSP.

OCC Regulation 9.18(b) (4) (4) Valuation

(ii) Method of valuation

(A) In general. Except as provided in paragraph (b)(4)(ii)(B) of this section, a bank shall value each fund asset at market value as of the date set for valuation, unless the bank cannot readily ascertain market value, in which case the bank shall use a fair value determined in good faith.

Comptroller's Handbook, Collective Investment Funds, Page 44

<sup>&</sup>lt;sup>2</sup> Comptroller's Handbook, Collective Investment Funds, Page 45



(B) Short-term investment funds. A bank may value a fund's assets on a cost basis, rather than market value, basis for purposes of admissions and withdrawals, if the Plan requires the bank to:

- (1) Maintain a dollar-weighted average portfolio maturity of 90 days or less;
- (2) Accrue on a straight-line basis the difference between the cost and anticipated principal receipt on maturity; and
- (3) Hold the fund's assets until maturity under usual circumstances.

The proposed FSP FAS 157-e should clearly state if a STIF entity concludes that a quoted price is associated with a distressed transaction (using the criteria in paragraph 11 of FAS 157-e or professional judgment), the entity would not use the quoted price and instead would use another valuation technique to determine the instruments fair vale. The entity may use fair value determined in good faith and professional judgment (including amortized cost) if:

- a. maintains a dollar-weighted average of 90 days or less,
- b. accrues on a straight line basis the difference between cost and the anticipated principal receipt on maturity,
- the underlying security does not have a credit impairment, no impaired cash flows, and expects to redeem at par.
- the STIF entity has the intent and ability to hold the asset until maturity under usual circumstances.

If a fund continues to and has reasonable expectations to continue to transact at \$1.00, there is no value added to the reader of the financial statements if a distressed mark to market value is used to fair value the fund at some other value than a dollar. If in fact, there is no other value that a participant may transact at other than \$1.00, what is the value of reporting a GAAP NAV that is more or less than \$1.00?

The existing OCC valuation guidelines I believe are within the spirit of FSP 157-e and other GAAP pronouncements. I would suggest the proposed FSP clearly incorporate language that allows for bank STIF funds to use amortized cost.

4. Are the factors listed in paragraph 11 of the FSP that indicate that a market is not active appropriate? Please provide any other factors that indicate that a market is not active.

The factors listed in paragraph 11 of the FSP are appropriate. The last sentence in paragraph 11 should be revised to read "Factors include but are not limited to:"

5. What costs do you expect to incur if the Board were to issue this proposed FSP in its current form as a final FSP? How could the Board further reduce the costs of applying the requirements of the FSP without reducing the benefits?

We do not believe we will incur significant additional costs to implement FSP 157-e.



In summary, we agree with the intent of the proposed revisions to allow entities to use their own good faith, professional judgment; however to avoid unintended consequences the proposal must incorporate the views and needs of investment funds and other varied reporting entities that use GAAP, not just operating companies.

Sincerely,

Robert Thomann

Robert D. Thurann

President