



**INVESTMENT MANAGEMENT**

MFS Investment Management  
500 Boylston Street, Boston, MA 02116-3741

September 1, 2010

Mr. Russell G. Golden  
Technical Director  
FASB  
401 Merritt 7  
PO Box 5116  
Norwalk, CT 06856-5116  
File Reference No. 1830-100

MFS Investment Management appreciates the opportunity to comment on the FASB Proposed Accounting Standards Update issued on June 29, 2010 titled Amendments for Common Fair Value Measurements and Disclosure Requirements in U.S. GAAP and IFRSs (File Reference No. 1830-100) (the "Proposal"). Our comments relate to the Proposal's application to Securities & Exchange Commission (SEC)-registered investment companies as issuers of financial statements and as entities required to value securities on a daily basis in connection with computing current net asset value (NAV) and effecting shareholder transactions.

MFS is a global asset management firm providing investment management services to clients including more than 70 publicly offered mutual funds. MFS and its predecessor organizations have been registered as an investment adviser under the Investment Advisers Act of 1940 (the "Advisers Act") since 1969. MFS is a majority owned subsidiary of Sun Life of Canada (U.S.) Financial Services Holdings, Inc., which in turn is an indirect majority owned subsidiary of Sun Life Financial, Inc. (a diversified financial services organization). MFS has been a subsidiary of Sun Life since 1982. As of July 31, 2010, MFS was managing approximately \$194 billion in assets.

The Proposal would require issuers, including registered investment companies, to provide a measurement uncertainty analysis to disclose the effects of changing one or more unobservable inputs that could have reasonably been used for fair value measurement of securities categorized within Level 3 of the fair value hierarchy. A separate FASB proposal indicates that an issuer need not provide a measurement uncertainty analysis for unquoted equity instruments.<sup>1</sup>

With respect to the required measurement uncertainty analysis and disclosure, MFS supports the Investment Company Institute's comment letter dated. While we agree that investors in operating companies may find this disclosure useful, MFS believes that, with respect to registered investment companies, the measurement uncertainty disclosure requirements provide no real benefit to shareholders, may be confusing to shareholders and other users of mutual fund financial statements, may create less confidence in an investment company's stated net asset value (NAV) and would be costly to implement.

A registered investment company ("Fund") computes current NAV of its shares for many purposes, including for distributions, expense allocations, and shareholder transactions. A Fund

---

<sup>1</sup> Paragraph 109 of proposed accounting standards update *Accounting for Financial Instruments (Topic 825) and Revisions to the Accounting for Derivative Instruments and Hedging Activities (Topic 815)* (May 26, 2010)

is required to arrive at the best estimation of fair value for each security it holds on a daily basis to calculate the NAV in accordance with requirements set forth in Rule 2a-4 under the Investment Company Act of 1940 (the "1940 Act").<sup>2</sup>

The fair values of Level 3 securities in the context of an investment company are typically determined by the board of directors or its designees using pre-determined valuation methodologies. These values are incorporated into the daily NAV computation process and form the basis upon which shares of the investment company are purchased and sold. The disclosure requirements in the Proposal would require an investment company to determine other inputs that could have reasonably been used and determine whether or not those alternative inputs would have resulted in a significantly different valuation. Inclusion of this information in the financial statements will provide little benefit to shareholders, as the range will not affect the NAV at which the share transactions are processed (as these take place at the fair value reflected in the NAV) and may cause shareholder confusion. There is no real benefit to providing the uncertainty analysis to fund shareholders as it has no impact on its actual experience a shareholder would have in the fund.

Despite having no real benefit, the level of effort in preparing the uncertainty analysis would be considerable, as there may be an infinite number of potential inputs that may have "reasonably been used". Staffing necessary to support this analysis would be costly to shareholders (as it is a fund expense). In addition, determining how many alternative inputs may have "reasonably been used", what those alternatives are, and what result would be deemed significant could vary substantially among investment company financial statement preparers, leading to further confusion for users of the financial statements.

Based on the above, we recommend that the proposed measurement uncertainty disclosure requirement be eliminated for investment companies that are required to redeem their shares daily at their current NAV. We further recommend that the exclusion of unquoted equity securities from proposed measurement uncertainty analysis be made part of Topic 820 rather than be contingent upon adoption of the proposed amendments to topic 825 and 815. If some form of uncertainty disclosure is required, we recommend that a materiality standard similar to the concepts laid out in Rule 4-08(m) of SEC Regulation S-X be applied. Additionally, if some form of uncertainty disclosure is deemed necessary for registered investment companies, we recommend that any alternative inputs considered be limited to those that result in a range of values that can be considered to have a likely chance of occurring. Excluding less than likely inputs will mitigate some of the confusion for the users of the financial statements.

If the Proposal is approved substantially in its current form and continues to apply to registered investment companies, MFS believes that a significant amount of time would be required to establish and implement processes to support the measurement uncertainty disclosure and MFS respectfully requests that this be considered when determining the effective date.

MFS appreciates the opportunity to offer comments on the Proposal. If you have any questions about our comments, please feel free to call me at 617-954-5637.

Sincerely,



John Corcoran  
Senior Vice President  
MFS Investment Management

---

<sup>2</sup> Rule 2a-4 of the 1940 Act states in part: "Portfolio Securities with respect to which market quotations are readily available shall be valued at current market value, and other securities and assets shall be valued at fair value as determined in good faith by the board of directors of the registered investment company."