



BNY MELLON

February 15, 2012

Ms. Susan M. Cospers
Technical Director
Financial Accounting Standards Board
401 Merrit 7
P.O. Box 5116
Norwalk, CT 06856-5116

Re: File Reference No. 2011-210; Real Estate-Investment Property Entities (Topic 973)

Dear Ms. Cospers:

The Bank of New York Mellon Corporation (BNY Mellon) appreciates the opportunity to comment on the FASB's Proposed Accounting Standard Update, Real Estate-Investment Property Entities (Topic 973) (Proposed Update). BNY Mellon is a global financial institution operating in 36 countries with \$325 billion of assets and \$1.2 trillion in assets under management as of December 31, 2011. BNY Mellon is supportive of a single set of high quality global accounting standards, and welcomes each opportunity to participate in the standards setting process with the FASB and IASB.

We do not believe there are benefits in issuing the Proposed Update and creating a separate set of accounting standards for entities that hold investment properties. The establishment of additional industry specific accounting standards complicates the accounting for both preparers and users of the entities' financial statements. We suggest that the Financial Accounting Standards Board (FASB) adopt the accounting guidance in International Accounting Standard 40, Investment Property (IAS 40). IAS 40 does not require an entity based assessment and permits all entities to elect to apply fair value accounting to its investment properties, which are defined in IAS 40. Adoption of the IAS 40 investment property model avoids creating additional industry specific accounting guidance and further converges U.S. GAAP and IFRS.

If the FASB does not agree with the recommendation to adopt the accounting guidance in IAS 40, we strongly suggest that the Proposed Update not be adopted and entities established to hold investment property should be considered investment companies under the Proposed Accounting Standards Update Financial Services-Investment Companies (Topic 946): Amendments to the Scope, Measurement, and Disclosure Requirements.

If the FASB decides to issue a separate Investment Properties ASU, we have included our comments and concerns to specific questions in the Proposed Update in the **Appendix** to this letter.

If you have any questions or are in need of further information please contact Robert Hitchings at (212) 635-7083 or me at (212) 635-7080.

Sincerely,

A handwritten signature in black ink, appearing to read "John Park", is written over a horizontal line.

John Park
Corporate Controller

cc: Leslie F. Seidman, Chairman, Financial Accounting Standards Board

Hans Hoogervorst, Chairman, International Accounting Standards Board

Dr. Alan Teixeira, Director of Technical Activities, International Accounting Standards Board

Appendix

Question 1: *The proposed amendments would require an entity that meets the criteria to be an investment property entity to measure its investment property or properties at fair value rather than require all entities to measure their investment properties at fair value. Should all entities measure their investment properties at fair value or should only an investment property entity measure its investment properties at fair value? Why? Is fair value measurement of investment properties operational? Please describe any operational concerns.*

Response: The determination to measure an investment property at fair value should not be based on the nature of the entity investing in the property. The option to measure a property at fair value must be based on how it is managed and evaluated, regardless of the entity that invested in the property. An assessment of how a property is managed and evaluated should be performed by management based on the facts and circumstances related to the purpose of holding the property. This assessment should be the basis supporting the decision to measure a property at fair value or cost.

Question 2: *The proposed amendments would require an investment property entity to measure its investment property or properties at fair value rather than provide an option to measure its investment property or properties at fair value or cost. Should fair value measurement of investment properties be required or permitted? Please explain.*

Response: We strongly encourage the FASB to adopt guidance similar to that in IAS 40, which permits properties acquired for investment purposes to be measured at fair value or cost. The measurement and reporting of a property must be based on how the property is managed. We believe entities applying the guidance in IAS 40 will reach similar conclusions for measuring their investment properties based on the facts and circumstances as to how the property will be managed.

Question 7: *The implementation guidance in this proposed Update specifies that when evaluating whether substantially all of the parent entity's business activities are investing in a real estate property or properties, the parent entity would not consider real estate properties held indirectly through investments in which the parent entity does not have a controlling financial interest. Should the evaluation of an entity's business activities consider properties held through non-controlling financial interests (for example, investments in which the entity can exercise significant influence)? Why or why not?*

Response: We believe any evaluation of an entity's business activities should consider all investments held by the entity, including investments held through non-controlling financial interests. We see no discernable differences between controlled and non-controlled financial interests in investment properties as the underlying exposures are substantially the same. Furthermore, it is illogical that an assessment of two separate entities that are structured exactly the same, that invest for the exact same purposes and that invest in the same real estate properties would be concluded upon differently based solely on whether or not the entities hold controlling or non-controlling interests in the real estate properties.

Question 10: *To be an investment property entity, the proposed amendments would require an entity to have investors that are not related to the entity's parent (if there is a parent) and those investors, in aggregate, must hold a significant ownership interest in the entity. Is this criterion appropriate? If not, why?*

Response: We do not believe this criterion to be appropriate. A firm's senior management, employees or family members of senior management and employees, at times, may invest in an investment property fund. In certain instances, these are the only investors in the investment property fund. These individuals invest at their own discretion with their own assets. The exposure to the risks and benefits of the investment property fund is limited to these investors. In these situations, the employer does not have any exposure in or to the investment property fund. Treating these investors as a single investor, when evaluating the pooling of funds criteria, is not appropriate.

Question 17: *The proposed amendments would require an investment property entity to measure its financial liabilities (such as its own debt) in accordance with other U.S. GAAP, which currently requires amortized cost measurement unless the fair value option in Topic 825 is elected. Should an investment property entity be required to measure its financial liabilities at fair value with all changes in fair value (including changes in an entity's own credit) recognized in net income instead of applying other U.S. GAAP? Why or why not?*

Response: We believe that investment property entities should report and measure their debt in the same manner as an investment company. We see no basis to require entities established for similar investing purposes to report and measure any debt differently.

Question 19: *The proposed amendments would permit, as a practical expedient, an entity to estimate the fair value of its investment in an investment property entity using the net asset value per share (or its equivalent) of the investment if the entity would transact at the net asset value per share. Are there investments that currently qualify for the practical expedient that would no longer qualify for the practical expedient because of the proposed amendments? If so, please identify those types of investments.*

Response: We agree that investment property entities should be permitted to use a net asset value per share (or its equivalent) as a practical expedient to estimate the fair value of an investment.

Question 22: *How much time would be necessary to implement the proposed amendments?*

Response: The adoption of the Proposed Update will place a significant burden on the real estate fund industry due to potential changes in systems and processes. Therefore, we believe that it would take a minimum of 12 months to implement a final ASU. We propose that the effective date of the final ASU be no earlier than January 1, 2014. We also believe early adoption should be permitted for entities that wish to do so.