



Ernst & Young LLP
5 Times Square
New York, NY 10036
Tel: 212 773 3000
www.ey.com

Ms. Susan M. Cospers
Technical Director
Financial Accounting Standards Board
401 Merritt 7
P.O. Box 5166
Norwalk, CT 06856-5116

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Re: Proposed Accounting Standards Update, *Financial Services – Investment Companies (Topic 946): Amendments to the Scope, Measurement, and Disclosure Requirements (File Reference No. 2011-200)*

Dear Ms. Cospers,

We appreciate the opportunity to comment on the Financial Accounting Standards Board's (FASB or Board) Proposed Accounting Standards Update, *Financial Services – Investment Companies (Topic 946): Amendments to the Scope, Measurement, and Disclosure Requirements* (the proposed Update).

We support the Board's efforts to develop a converged investment company accounting standard for both US GAAP and IFRS. Acknowledging diversity in practice, we also support the objective of amending the investment company definition to clarify whether an entity is within the scope of Topic 946. However, we believe more outreach with preparers and users is critical to determine whether the proposed changes are appropriate or desired. We welcome the Board's upcoming roundtables, which we believe will be an important step in the outreach process.

The existing accounting and reporting framework for investment companies is well established and embraced by financial statement users. However, the proposed definition includes requirements that we believe would inappropriately exclude some entities that currently apply the specialized accounting and reporting. For example, the proposed pooling of funds criteria would appear to exclude entities with a single investor. It is unclear to us why an entity with a single investor would not qualify as an investment company if the entity's activities and express business purpose are otherwise investing for returns from capital appreciation, investment income or both and the other criteria have been met. Prohibiting such entities from qualifying as investment companies may have unintended consequences for users of their financial statements that primarily rely on the fair value of investments.

Similarly, it is not clear why other "bright lines" have been included throughout the proposed definition (e.g., exit strategy, multiple investments). As a result of these requirements, some entities that have the same purpose and design as investment companies would lose their specialized accounting. To address these and other concerns described in our letter, we recommend a more principles-based approach that promotes reasonable judgment when evaluating the criteria for determining whether an entity is an investment company within the scope of Topic 946.

In lieu of "bright line" criteria, we believe the Board should allow for the application of reasonable judgment, as we discuss elsewhere in this letter. We acknowledge that the use of judgment may not always lead to consistent application (and we believe such an outcome, particularly for entities "near the edge," should be explicitly acknowledged by the Board). However, appropriately defined criteria that consider purpose and design and the Board's proposed guidance on the nature of investment activities should mitigate inconsistent application. We also believe reaching the most appropriate conclusion includes considering the most useful financial information for users which, in our view, may or may not be fair value.

In addition, requiring an investment company to consolidate another investment company (or investment property entity) would result in a significant change in current practice. It is unclear whether financial statement users need or want consolidated financial statements, which could obscure financial information that is important to investors.

We believe these and other issues described in the Appendix, including whether there are other alternatives (e.g., disclosures) that could address the Board's concerns with a parent investment company's economic exposure to its subsidiary's underlying investments, should be fully vetted before the Board reaches final decisions.

As for the Board's related proposal to create specialized accounting for investment property entities (Proposed Accounting Standards Update, *Real Estate – Investment Property Entities (Topic 973)*), we do not believe that the Board should issue a final standard to create specialized accounting for investment property entities. We understand that the Board added the investment property entity project to its agenda to address certain real estate lessor issues, to align the accounting for investment properties with IFRS and to address diversity in accounting by real estate investors. Given the Board's tentative decision in its joint project on leases to establish a separate accounting model for lessors of investment properties, we question whether the proposed Topic 973 update is necessary to address lessor issues. In addition, we note that the proposed Topic 973 update would not align with IFRS because an investment property entity concept does not exist under IFRS. Lastly, we believe that existing diversity in practice among real estate entities would be better addressed through the Board's efforts to refine the definition of and accounting by an investment company.

Much of the diversity that exists today in reporting by entities that primarily invest in real estate relates to a lack of clarity about whether certain entities are within the scope of Topic 946, and how to apply the accounting requirement of Topic 946 to entities that invest primarily in real estate. Many different types of entities primarily invest in real estate (e.g., REITs, real estate investment funds), and they often are designed as a way for investors to indirectly invest in real estate. The business purpose, structure and composition of these investment vehicles vary. Before the Board makes further decisions to address today's diverse accounting, we believe more outreach is needed with real estate companies and their investors to determine a financial reporting model that responds to user needs.

The proposed investment companies Update, with certain changes, may be sufficient to address user needs for real estate entities. We encourage the Board to develop a definition of an investment company that would be broad enough to encompass investment entities that primarily invest in real estate property as well as entities that invest in a mixture of investments, including real estate property. Through additional outreach with financial statement users, the Board should determine

the appropriate criteria to qualify for fair value reporting. We believe that a single set of criteria for investment entities that measure their investments at fair value with all changes in fair value recognized in net income would be preferable. Please refer to our separate response to the investment property entities proposal for additional comments on that project.

* * * * *

We would be pleased to discuss our comments with the Board or the FASB staff at your convenience.

Very truly yours,

Ernst & Young LLP

Responses to the Questions for Respondents included in the Proposed Accounting Standards Update, Financial Services – Investment Companies (Topic 946): Amendments to the Scope, Measurement, and Disclosure Requirements

Question 1:

The proposed amendments would require an entity to meet all six of the criteria in paragraph 946-10-15-2 to qualify as an investment company. Should an entity be required to meet all six criteria, and do the criteria appropriately identify those entities that should be within the scope of Topic 946 for investment companies? If not, what changes or additional criteria would you propose and why?

Response:

We do not believe the criteria would identify entities that should be within the scope of Topic 946. The proposed criteria contain “bright line” requirements that inhibit an appropriate use of judgment. As a result, some entities that have the same purpose and design as investment companies would lose their specialized accounting.

We believe the definition should focus on the nature of an entity’s investment activities and express business purpose to invest for capital appreciation, investment income or both, and that other factors (e.g., multiple investments or multiple passive investors) should be considered but not required. We have the following specific comments and observations about the proposed criteria.

Nature of the investment activities

The proposed requirement to hold multiple investments at the same time, directly or indirectly through another investment company, would preclude entities that hold only a single investment from qualifying as investment companies. In practice, single investment funds are relatively common. For example, private equity funds often establish specialized funds because of sector concentration limits or because certain limited partners may seek additional exposure in particular investees. It is not clear why such entities would not be in the scope if they invest solely for returns from capital appreciation, investment income or both and the other factors have been considered.

Pooling of funds

Similar to single investment funds, the proposed amendments are unclear as to why entities with a single investor would not qualify as investment companies. See our response to Question 7 for further information.

Express business purpose

We agree that an investment company should have an express business purpose of investing for returns from capital appreciation, investment income or both. However, we believe an exit strategy should serve as an indicator of an entity’s express business purpose but should not determine whether an entity is an investment company. Requiring an exit strategy could preclude some entities about which investors want fair value information from qualifying as investment companies.

The proposal, as written, is unclear as to whether an exit strategy would be required for each individual investment or whether it would be acceptable to have an exit strategy for most, but not all, investments. For example, if an entity invests for both capital appreciation and investment income but substantially all of its investments are invested for investment income, it is unclear whether an exit strategy would be required.

It is also unclear whether funds that are established with a plan to liquidate after a finite life would satisfy the exit strategy requirement. Paragraph 946-10-55-10 of the proposal states that "disposal of investments only during liquidation or to satisfy investor redemptions are not exit strategies. Therefore, an entity should have a plan to dispose of its investments before liquidation when its express business purpose includes realizing capital appreciation."

Unit ownership

We do not understand why the legal form of an entity or the fact that pooling is obtained through debt securities rather than equity in order to generate returns would preclude an entity from qualifying as an investment company. See our response to Question 8 for further information.

Fair value management

The fair value management criterion is not sufficiently clear and may be difficult to apply in practice without additional implementation guidance. See our response to Question 11 for further information.

Question 2:

The definition of an investment company in the proposed amendments includes entities that are regulated under the SEC's Investment Company Act of 1940. Are you aware of any entities that are investment companies under U.S. regulatory requirements that would not meet all of the proposed criteria in paragraph 946-10-15-2? If so, please identify those types of entities and which of the criteria they would not meet.

Response:

A business development company (BDC) is an example of an entity that could qualify as an investment company under US regulatory requirements but might not meet all of the proposed criteria in paragraph 946-10-15-2. A BDC may elect to be an investment company under the Investment Company Act of 1940. However, a BDC might not meet the "nature of the investment activities" criterion in the proposed Update. For example, many BDCs are actively involved in loan origination activities that do not appear to be consistent with investing only for capital appreciation or investment income or both.

Question 3:

The proposed amendments would remove the scope exception in Topic 946 for real estate investment trusts. Instead, a real estate investment trust that meets the criteria to be an investment property entity under the proposed Update on investment property entities would be excluded from the scope of Topic 946. Do you agree that the scope exception in Topic 946 for real estate investment trusts should be removed? In addition, do the amendments in the proposed Updates on investment companies and investment property entities appropriately identify the population of real estate entities that should be investment companies and investment property entities?

Response:

Yes, we agree that the scope exception in Topic 946 should be removed. We agree with the Board's observation in paragraph BC11 of the proposed Update that an entity's designation as a REIT under the Internal Revenue Service tax code should not be a determining factor for whether an entity is an investment company. However, we do not agree that the proposed Updates appropriately identify the population of real estate entities that should be investment companies.

In our discussions with preparers of financial statements for REITs, some expressed concern that certain REITs may qualify as investment property entities or investment companies while other REITs might not qualify as either one. This could lead to incomparable financial statements for entities with slightly different forms but with substantively similar operating structures and investment strategies. Because REITs could be subject to significant accounting and reporting changes under both the proposed Update and investment property entities proposal, we encourage the Board to seek additional feedback from users and preparers of financial statements.

As previously mentioned, we do not believe that the Board should issue a final standard to create specialized accounting for investment property entities. Rather, we believe the proposed Update, with certain changes based on input from users, may be sufficient to address user needs for real estate entities. We encourage the Board to develop a definition of an investment company that would be broad enough to encompass investment entities that primarily invest in real estate property as well as entities that invest in a mixture of investments, including real estate property. Through additional outreach with financial statement users, the Board should determine the appropriate criteria to qualify for fair value reporting. We believe that a single set of criteria for investment entities that measure their investments at fair value with all changes in fair value recognized in net income would be preferable.

Question 4:

The proposed amendments would require an entity to reassess whether it is as an investment company if there is a change in the purpose and design of the entity. Is this proposed requirement appropriate and operational? If not, why?

Response:

Yes, we agree that an entity should be required to reassess whether it is an investment company if there has been a change in the purpose and design of the entity. However, to make the reassessment operational and improve consistent application, we encourage the Board to consider adding guidance on what constitutes a change in purpose and design similar to the guidance provided in Topic 810.

Question 5:

An entity may be an investment company when it performs activities that support its investing activities. As a result, a real estate fund or real estate investment trust (that is not an investment property entity) could be an investment company if the entity (directly or indirectly through an agent) manages only its own properties. However, the entity would be precluded from being an investment company if the other activities were considered more than supporting the entity's investment activities (for example, construction). Is this requirement operational, and could it be consistently applied?

Response:

Yes, we support the Board's conclusion, which is consistent with current practice. However, we believe the Board should articulate clearly within the body of the proposed Update activities that would be prohibited. For example, in paragraph BC14, the Board indicates that construction or warehousing activities do more than support investment activities. However, these activities are not mentioned within the body of the proposed Update. Also, as noted in our response to Question 2, loan origination activities would appear to preclude certain entities from qualifying as investment companies. However, it is unclear whether this would apply to entities that originate loans to support their own investment strategies. While we acknowledge that judgment would be required in certain circumstances, the Board should identify activities that would clearly preclude an entity from qualifying as an investment company.

Question 6:

The proposed implementation guidance includes examples of relationships or activities that would indicate that an entity obtains or has the objective of obtaining returns from its investments that are not capital appreciation or investment income. Do you agree with these examples? If not, how would you modify the examples while still addressing the Board's concerns identified in paragraphs BC15 and BC16?

Response:

Yes, we agree with the examples provided in the proposed Update. The Board should consider additional examples that users and preparers might identify through its outreach efforts.

Question 7:

To be an investment company, 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:

No, we do not believe the requirement to have multiple unrelated investors is appropriate. It is not clear why an entity with a single investor should not qualify as an investment company if the entity's objective is investing for returns from capital appreciation or investment income and other factors have been considered. We understand that single investor funds are relatively common for hedge funds and are designed for various reasons, including liquidity, fee structure or investment strategy (e.g., co-investment vehicles). Prohibiting such entities from qualifying as investment companies may have unintended consequences for users of their financial statements that believe fair value information provides them with the most decision-useful information. Also, other entities (e.g., pension plans, endowments) are often sole investors in funds and currently account for investments at fair value. Requiring multiple unrelated investors would prohibit these funds from qualifying as investment companies, which would significantly change how they account for investments. Such entities would no longer be able to use net asset value per share (or its equivalent) as a practical expedient to estimate the fair value of their investments in funds that do not have a readily determinable fair value.

We acknowledge the Board's concerns about structuring opportunities as described in paragraph BC24. However, we believe structuring opportunities would be mitigated because a single investor or single investment entity's activities would be limited. For example, paragraph 946-10-55-7 prohibits an entity from qualifying as an investment company if the entity or its affiliates obtain or have the objective of obtaining returns from other than capital appreciation or investment income. Based on this provision, it would seem difficult for a parent entity to assert that an entity inserted into its corporate structure is an investment company if the purpose and design of the entity is other than investing for capital appreciation, investment income or both. Therefore, we believe that rather than

focusing on whether an entity has multiple unrelated investors, the focus should be on the purpose and design of an entity and the nature of its investment activities. We encourage the Board to address its concerns about the potential for abuse by clarifying the types of structures and activities that would call into question whether an entity is investing for capital appreciation, investment income or both, rather than using a “bright line” approach based on the number of investors.

While paragraph 946-10-55-15 provides an exception for certain entities with single investor parents, the words “formed in conjunction with” are not sufficiently clear. We do not believe the Board intended for these words to mean that a single investor entity and its parent had to be “set up at the same time” but rather that they could be. We encourage the Board to provide clarification.

Question 8:

The proposed unit-ownership criterion would require an entity to have ownership interests in the form of equity or partnership interests to be an investment company. The entity would consider only those interests in determining whether it meets the proposed pooling-of-funds criterion. Therefore, a securitization vehicle, such as a collateralized debt obligation, may not qualify as an investment company under the proposed amendments because it may not meet the unit-ownership or the pooling-of-funds criterion. The entity would not consider interests held by its debt holders when evaluating these criteria to be an investment company. For entities that do not have substantive equity interests (for example, those considered variable interest entities under Subtopic 810-10), should the unit-ownership and pooling-of-funds criteria to be an investment company consider interests held by debt holders? Please explain.

Response:

Yes, we believe the criteria to be an investment company should consider interests held by debt holders. The proposed Update does not provide a clear conceptual basis for the differentiation between pooling of funds through debt securities versus equity or partnership interests. Collateralized loan obligations (CLO) and other similar structured credit funds are managed similarly to other funds in which investors invest through equity interests. Debt is simply a different form of capital. Therefore, we believe these entities should qualify as investment companies if their express business purpose is to invest for capital appreciation, investment income or both and other factors have been considered. Again, financial statement user feedback would be critical to inform the Board’s view on whether fair value is the appropriate measurement basis for these types of entities.

Question 9:

Certain entities may meet all of the other criteria to be an investment company but have only a single investor (for example, a pension plan). The amendments in FASB's proposed Update on investment property entities provides that if the parent of an entity is required to measure its investments at fair value under U.S. GAAP or the parent entity is a not-for-profit entity under Topic 958 that measures its investments at fair value, the entity would not need to meet the unit-ownership and pooling-of-funds criteria to be an investment property entity. Considering the Board's concerns identified in paragraph BC24, should the criteria in this proposed Update be amended to address situations in which the entity has a single investor?

Response:

Yes, we believe the criteria should be amended to address situations in which an entity has a single investor. See our response to Question 7.

Question 10:

The unit-ownership and pooling-of-funds criteria in the proposed amendments do not consider the nature of the entity's investors for evaluating if an entity is an investment company. That is, the criteria do not differentiate between passive investors and other types of investors. Do you agree that the nature of the investors should not be considered in evaluating the unit-ownership and pooling-of-funds criteria?

Response:

Yes, we agree that the nature of the investors (i.e., passive or active) should not be a factor when evaluating the unit-ownership or pooling-of-funds criteria. Consistent with the Board's conclusion described in paragraph BC23, we believe that requiring an investment company to have a minimum number of passive investors or a prescribed percentage of passive investors establishes a "bright line" that could create structuring opportunities. However, we believe the nature of investors should be considered when evaluating an entity's express business purpose. Substantial ownership by passive investors in an entity provides evidence that an entity's express business purpose is investing for capital appreciation, investment income or both. Also, allowing preparers to consider this and other factors would help alleviate our concern that the criteria do not allow for the appropriate use of judgment.

Question 11:

The proposed amendments would require that substantially all of an investment company's investments are managed, and their performance evaluated, on a fair value basis. Do you agree with this proposal? If not, why? Is this proposed amendment operational and could it be consistently applied? If not, why?

Response:

No, we do not believe the fair value management criterion is sufficiently clear or operational. For example, fair value management could be interpreted as an entity that is required to measure its investments at fair value in accordance with US GAAP. Fair value management could also be interpreted as an entity that contemplates selling its investments in the future. Without additional implementation guidance and examples, we believe this criterion would be difficult to consistently apply in practice, particularly for entities that are primarily investing for investment income purposes.

Question 12:

The proposed amendments would retain the requirement that an investment company should not consolidate or apply the equity method for an interest in an operating company unless the operating entity provides services to the investment company. However, the proposed amendments would require an investment company to consolidate controlling financial interests in another investment company in a fund-of-funds structure. An investment company would not consolidate controlling financial interests in a master-feeder structure. Do you agree with this proposed requirement for fund-of-funds structures? If not, what method of accounting should be applied and why? Should a feeder fund also consolidate a controlling financial interest in a master fund? Please explain.

Response:

We believe more outreach is needed with investment companies and their investors to determine whether consolidation of a fund-of-funds or master fund is appropriate or desired.

The existing accounting and reporting framework for investment companies is well established and embraced by financial statement users. Requiring an investment company to consolidate another investment company that it controls would be a significant change in practice and could lead to less clarity and transparency of financial information for investors. We believe the fair value of an investment company's investment is the most meaningful metric for investors. Reporting the underlying assets and liabilities, including noncontrolling interests, could obscure this fair value information. Further, certain key financial metrics such as net asset value (NAV) might also be affected because the fair value of an investment company subsidiary's net equity may not equal the fair value of the underlying assets and liabilities, including any associated uncertain tax positions. Lastly, if the Board believes that consolidation would provide more decision-useful information to investors, it is unclear why the proposed Update would require an investment company to exclude such amounts from its presentation of financial highlights.

Acknowledging the Board's concerns about the transparency of an investment company subsidiary's underlying investments and obligations, we recommend the Board seek additional feedback from users about whether they share these concerns. Also, consideration should be given to whether there are alternatives (e.g., disclosures) that could address these concerns while reducing costs.

Beyond issues involving users' financial reporting needs, we also have concerns that the proposed Update could result in significant costs to preparers of financial statements that may outweigh the benefits. For example, additional systems and controls would need to be put in place to prepare and report consolidated financial statements. In some cases, we have heard that an investment company may lack the ability to obtain the information necessary for consolidation because the subsidiary fund is under no obligation to provide such information. These circumstances could also present audit inefficiencies or audit scope limitations. This might occur if an investment company is deemed to have a controlling financial interest in another investment company based solely on a unilateral kick-out right. Even when the information can be obtained, there are concerns about whether that information can be obtained on a timely basis and whether it can be certified and audited by preparers and auditors, respectively.

As the number of investment companies consolidated by an investment company parent changes, the parent's auditors would need to reassess whether they could rely on the work of other auditors or whether they could function as principal auditors. These analyses would need to be re-performed at each reporting period, with conclusions subject to change as a parent investment company changes its portfolio.

Question 13:

The proposed amendments would require an investment company to consolidate a controlling financial interest in an investment property entity. Should an investment company be subject to the consolidation requirements for controlling financial interests in an investment property entity? If not, what method of accounting should be applied and why?

Response:

See our response to Question 3.

Question 14:

The proposed amendments would prohibit an investment company from applying the equity method of accounting in Topic 323 to interests in other investment companies and investment property entities. Rather, such interests would be measured at fair value. Do you agree with this proposal? If not, why?

Response:

Yes, we agree with this proposal and believe that fair value accounting would provide more decision-useful information for investors. Because investments in investment companies would typically be measured using NAV as a practical expedient, we generally do not believe that eliminating the equity method of accounting would result in a significant change in practice. However, as provided in paragraph 820-10-15-4 in the investment property entities proposal, the use of NAV as a practical expedient for investment property entities would be restricted to only those that “would transact at NAV per share.” Many investment property entities such as closed-end funds or real estate property funds do not stand ready to transact with their investors and, as a result, interests in these entities would need to consider all of the fair value measurement requirements in Topic 820.

The challenges in estimating fair value for certain investments in investment companies led the Board to issue guidance providing for the use of NAV as a practical expedient. We expect companies would face similar challenges in estimating the fair value of investments in investment property entities (e.g., estimating liquidity derivatives). We believe that the Board should consider using NAV as a practical expedient to estimate the fair value of investments in investment property entities.

Question 15:

An investment company with a controlling financial interest in a less-than-wholly-owned investment company subsidiary or an investment property entity subsidiary would exclude in its financial highlights amounts attributable to the noncontrolling interest. Do you agree that the amounts attributable to the noncontrolling interest should be excluded from the calculation of the financial highlights? If not, why?

Response:

If the Board believes that consolidation would provide more decision-useful information to investors, it is unclear to us why the proposed Update would require an investment company to exclude such amounts from its presentation of financial highlights. As described in our response to Question 12, we believe more outreach with users and preparers is needed to determine whether the proposed changes are appropriate or desired.

Question 16:

If an investment company consolidates an investment property entity, the proposed amendments require the investment company to disclose an additional expense ratio that excludes the effects of consolidating its investment property entity subsidiaries from the calculation. Do you agree? If not, why?

Response:

See our response to Question 15.

Question 17:

Do you agree with the additional proposed disclosures for an investment company? If not, which disclosures do you disagree with, and why? Would you require any additional disclosures and why?

Response:

Yes, we agree with the additional proposed disclosures for an investment company. However, it is unclear what constitutes "financial support" in paragraph 946-20-50-15. For example, suppose a private equity fund has a wholly owned portfolio company and makes an additional strategic investment in the portfolio company. It is unclear whether this additional investment would qualify as "financial support" and would be subject to disclosure or whether it would simply be an investment. We encourage the Board to provide further clarification. As for additional disclosure requirements, we encourage the Board to consider the feedback from preparers and users of financial statements.

Question 18:

The proposed amendments would retain the current requirement in U.S. GAAP that a noninvestment company parent should retain the specialized accounting of an investment company subsidiary in consolidation. Do you agree that this requirement should be retained? If not, why?

Response:

Yes, we agree that this requirement should be retained and believe that the International Accounting Standards Board's (IASB) proposal should be amended to align with the proposed Update. In our comment letter to the IASB on its investment entities proposal, we expressed our view that a noninvestment company parent should retain the fair value accounting of an investment company subsidiary in consolidation.

Question 19:

An entity that no longer meets the criteria to be an investment company would apply the proposed amendments as a cumulative-effect adjustment to retained earnings as of the beginning of the period of adoption by calculating the carrying amounts of its investees as though it had always accounted for its investments in conformity with other applicable U.S. GAAP, unless it is not practicable. If not practicable, the entity would apply the proposed amendments as of the beginning of the period of adoption. Do you agree with this proposal? If not, why?

Response:

Yes, we agree with this proposal.

Question 20:

How much time would be necessary to implement the proposed amendments?

Response:

We anticipate that a significant amount of time would be necessary to implement the proposed amendments, given that the consolidation requirements would represent a significant change from current practice. Preparers would need time to obtain information regarding controlled subsidiaries, which might not be readily available. In addition, more systems and internal controls would likely be necessary.

Question 21:

The proposed amendments would prohibit early adoption. Should early adoption be permitted? If yes, why?

Response:

In general, we believe that users could face significant challenges if companies with the same fiscal years were not adopting standards at the same time. Therefore, we generally believe that early adoption should not be permitted for significant standards. However, the views of both preparers and users should be carefully considered and should strongly influence the Board's final decision about whether the proposed investment company guidance could be adopted early.

Question 22:

The proposed amendments would apply to both public and nonpublic entities. Should the proposed amendments apply to nonpublic entities? If not, how should the proposed amendments differ for nonpublic entities and why?

Response:

Yes, we believe the proposed amendments should apply to nonpublic entities. In general, although we understand that some exceptions and modifications to standards will continue to be appropriate for private companies (particularly with respect to certain disclosure requirements), we are concerned about the possibility of numerous and significant differences being created in the area of recognition and measurement, which would give rise to a two-GAAP framework.