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February 14, 2012

Technical Director
Financial Accounting Standards Board
401 Merritt 7
P.O. Box 5116
Norwalk, CT 06856-5116

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. Cosper:

The Investment Company Institute¹ is pleased to offer comments on the proposed FASB Accounting Standards Update, Financial Services—Investment Companies (Topic 946): Amendments to the Scope, Measurement, and Disclosure Requirements (“ASU” or “Proposal”). We support the Board’s efforts to develop consistent criteria for determining whether an entity is an investment company, and to improve comparability between U.S. GAAP and IFRS for entities that qualify as investment companies.

A. Summary

We believe investment company consolidation of a controlling financial interest in an investee investment company results in financial statements that are less meaningful for investors in fund-of-funds, particularly where the investee investment company is less than wholly-owned. We believe fund-of-funds do not invest for control purposes, and consolidation misrepresents the economic substance of the relationship between the fund-of-funds and its investee funds. Accordingly, we oppose mandatory investment company consolidation of controlling interests in investee investment companies. In lieu of consolidation, we support efforts to ensure that investors in a fund-of-funds have transparency into the underlying investments held by investee funds, where the investee fund constitutes a significant portion of the fund-of-funds’ assets. We recommend that the Board develop a principles-based model for

¹ The Investment Company Institute is the national association of U.S. investment companies, including mutual funds, closed-end funds, exchange-traded funds (ETFs), and unit investment trusts (UITs). ICI seeks to encourage adherence to high ethical standards, promote public understanding, and otherwise advance the interests of funds, their shareholders, directors, and advisers. Members of ICI manage total assets of \$12.5 trillion and serve over 90 million shareholders.

determining when a fund-of-funds should be required to provide disclosure regarding an investee fund. We describe considerations relating to such a principles-based model below.

We strongly support the Proposal's conclusion that any entity regulated under the Investment Company Act of 1940 ("1940 Act") is deemed to be an investment company and should report its results and financial position under Topic 946. We believe such conclusion is necessary to ensure that SEC registered investment companies are not required to prepare financial statements under two separate bases of accounting. We are concerned that certain types of SEC registered investment companies may not satisfy all of the six criteria described in the Proposal.

B. Consolidation

Under current practice, SEC registered investment companies typically consolidate wholly-owned investment companies and recognize investments in less than wholly-owned investment companies in the schedule of investments at fair value. The Proposal would require an investment company in a fund-of-funds structure to consolidate any controlling financial interest in an investment company or in an investment property entity. In consolidation, the fund-of-funds would present all of the assets and liabilities of the controlled entity in its financial statements. Because a fund-of-funds would consolidate less than wholly-owned investment companies, noncontrolling financial interests would be reflected on the statement of assets and liabilities in net assets separate from the equity attributable to the fund-of-funds' investors. In addition, the Proposal would require a fund-of-funds to exclude amounts attributable to noncontrolling financial interests from financial highlights. The Proposal includes an exemption from consolidation for feeder funds in a master-feeder structure.

Investment Not for Control Purposes

Investment companies frequently invest in other investment companies to access an asset class or investment strategy. For example, an investment adviser may create a fund-of-funds targeted at investors saving for retirement in a particular year (*e.g.*, a 2030 Retirement Fund). The fund-of-funds will access different asset classes through its investments in different underlying funds. Often these underlying funds are organized and offered by the same sponsoring organization. The mix of underlying funds will be managed in such a way as to reduce investment risk as the retirement date approaches. Another example is where an investment adviser will create a money market fund that is offered exclusively to investment companies in the investment company complex. The different investment companies in the complex will invest their cash reserves into the "internal" money market fund, rather than make direct investments in short-term fixed-income securities. In each of these instances the investor fund seeks exposure to an asset class or investment strategy and does not seek to control the investee fund or dictate how the investee fund's assets will be invested. Instead, the investor fund has determined that investment through another investment company (as opposed to direct investment in securities) represents the most efficient means to achieve the desired exposure.

Consolidated Presentation Less Meaningful

Where a controlled fund is less than wholly-owned, we believe presentation of the controlled investee fund's investments on the investor fund's schedule of investments may be misleading in several respects. First, the consolidated presentation suggests that the investor fund's investment adviser affirmatively determined to purchase the consolidated securities for the fund, when in fact they were purchased by the investee fund, pursuant to its own investment objectives and policies. The investor fund's adviser manages its investment in the investee fund as an individual unit of account (*e.g.*, as a single element of an overall asset allocation strategy), while the individual investments within the investee fund are managed pursuant to its own separate investment mandate. Second, the consolidated presentation inflates the investor fund's schedule of investments by including investments attributable to the noncontrolling interest. Third, in instances where the investor fund invests in several different investee funds, only one of which is controlled, the consolidated presentation results in a schedule of investments that is a combination of investments in investment companies and investments in securities issued by operating companies. We are concerned that investors will find this "mixed presentation" to be confusing, given that they elected to invest in a fund-of-funds structure.

Misplaced Emphasis

In instances where the controlled investee fund is a small portion of the investor fund's assets, the consolidated presentation disproportionately emphasizes the investments held by the investee fund. For example, consider a situation where an investor fund owns 60 percent of an investee fund, and the investee fund constitutes 10 percent of the investor fund's assets. Further, the investor fund owns a non-controlling stake in three other investment companies, each of which amounts to 30 percent of the investor fund's assets. The consolidated presentation will disproportionately emphasize the controlled investee fund's holdings by requiring that they be recognized on the investor fund's schedule of investments, even though they constitute a relatively small portion of its assets.

Operational Difficulties

The requirement to consolidate controlling financial interests will introduce numerous practical difficulties for both reporting entities and their auditors. First, the requirement to consolidate will impose the relatively complex variable interest entity analysis required under Topic 810 onto investment companies. Second, where the investee fund is managed by a separate investment adviser, it may be difficult to obtain the information to perform the consolidation. The investee fund may view its investments and strategies as proprietary information that it is unwilling to share. Third, the investor fund's ownership interest in the investee fund will change over time due to unrelated third party investor flows into and out of the investee fund. One can envision a circumstance where the investor fund's investment flips back and forth between control and non-control over successive reporting periods due solely to flows into and out of the investee fund from unrelated third party investors. Fourth, we are concerned that consolidation may require auditors to perform additional audit procedures that will result in increased audit fees. For example, where the investor fund and the investee fund to be consolidated have differing year ends, we believe the auditor to the investor fund would be required to perform duplicative audit procedures on the investee fund's investments as of the

investor fund's year-end. Also, where the investor fund and the investee fund to be consolidated are audited by different audit firms, questions may arise as to whether the investor fund's auditor may qualify as the principal auditor.²

Consider Enhanced Disclosure about Investee Funds in lieu of Consolidation

As described above, we see conceptual and practical difficulties associated with mandatory investment company consolidation of controlling financial interests in investment companies. We are not aware of any concerns by financial statement users that the fund-of-funds reporting model is broken or in need of repair. Indeed, we believe investors in fund-of-funds evaluate their investments based on the change in the fair value of their investment and that currently required total return disclosures serve them well in this regard. If the intent of the Board's proposal is to enhance transparency for the investor fund's shareholders into the investee fund's investments, we believe there are better ways to achieve that objective. In particular, we urge the Board to consider a principles-based model that fund-of-funds could apply to determine when additional disclosure about an investee fund is appropriate.

Under our recommended approach an investor fund in a fund-of-funds structure would apply a principles-based model to investments in investment companies to determine if additional disclosure about those investment companies is warranted. The principles-based model used to consider whether additional disclosure about investee funds is appropriate could consider, for example:

- 1) The portion of the investor fund's assets invested in the investee fund. The greater the portion of the investor fund's assets that are represented by a particular investee fund, the greater the need for information on the investee fund;
- 2) The amount of leverage incurred by the investee fund. The greater the amount of leverage at the investee fund, the greater the need for transparency, as the investee fund could disproportionately affect the investor fund's performance; and,
- 3) The liquidity of the investments held by the investee fund. It may be appropriate to enable the investor fund's shareholders to assess how long it would take the investee fund to monetize its assets.

If additional disclosure is appropriate and the investee fund is non-public, then the investor fund could provide the disclosure by attaching the investee fund's financial statements or by providing specified information about the investee fund (*e.g.*, returns, fees, top holdings, *etc.*). In instances where the non-public investee fund is a wholly-owned subsidiary of the investor fund, we believe consolidation would be the most effective means of presenting information about the investee fund. Wholly-owned investee fund subsidiaries often represent an extension of the investor fund's investment strategy (*e.g.*, the wholly-owned subsidiary holds investments that the investor fund cannot hold directly due to tax or other restrictions). Consolidation of wholly-owned subsidiaries should not be precluded.

² See AU Section 543, *Part of Audit Performed by Other Independent Auditors*.

If additional disclosure is appropriate and the investee fund is a public company, we believe the investor fund in a fund-of-funds structure should be able to satisfy the disclosure obligation by disclosing where the investee fund's financial statements can be accessed (*e.g.*, by providing a URL or link to a website).

Expense Ratio

If the Board agrees with our recommendation to require additional disclosure about significant investee funds in lieu of consolidation, then we recommend it consider requiring investment companies that invest in other investment companies to provide a supplemental expense ratio in the financial highlights that would consider both directly incurred expenses and expenses incurred indirectly through investments in other funds. This supplemental expense ratio presentation would illustrate for investors the “layering” of expenses that occur where management and other fees are charged at both levels. If an investor fund provides disclosure about any investee fund pursuant to our principles-based approach, then that investor fund should calculate and disclose a supplemental adjusted expense ratio that includes both its own expenses and its proportionate share of the investee fund's expenses. Our proposed disclosure is similar to the consolidated expense ratio presentation that would be required under the Proposal.³ It is different, however, in that it would consider expenses attributable to investments in investee funds on which disclosure is provided pursuant to our principles-based approach, rather than those investee funds in which the investor fund has a controlling financial interest. We believe our recommended expense ratio disclosure would be more meaningful to shareholders in that it would reflect indirect expenses associated with the fund-of-funds' most significant investee funds.

C. Investment Company Criteria

As noted above, we strongly support the Proposal's conclusion that any entity regulated under the 1940 Act is deemed to be an investment company and should report its results and financial position under Topic 946. We believe such conclusion is necessary to ensure that SEC regulated investment companies are not required to prepare financial statements under two separate bases of accounting.⁴ If this conclusion is not included in the final standard, we believe the criteria should be modified as described below.

Express Business Purpose

946-10-55-10: An investment company whose express business purpose includes realizing capital appreciation should have an exit strategy for how it plans to realize the capital appreciation of its investments. Although the investment company may not have yet determined the specific method or timing of disposition, the fact that the investment company has identified potential exit strategies through which it can realize capital appreciation provides evidence that its express business purpose is

³ See the Proposal at 946-810-50-1.

⁴ Absent such conclusion, an SEC registered investment company that fails any of the six criteria would be required to prepare financial statements under both “regular GAAP” and investment company GAAP (as required by Article 6 of Regulation S-X).

consistent with the definition of an investment company. 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. An investment company whose express business purpose is only to invest for returns from investment income does not require an exit strategy for its investments.

BC 21 indicates that in developing the criteria for an investment company, the Boards decided that an investment exit strategy is essential to an investment company whose investment objectives include realizing capital appreciation because the investment company must have a plan to ultimately dispose of its investments to realize capital appreciation. BC22 indicates that the proposed amendments would not require an exit strategy for investments that are held only for returns from investment income (for example, investments in municipal bonds) because the investment company does not plan to realize changes in the price of the investments through disposal. Further, the FASB believes that an entity investing only for returns from investment income should not be precluded from being an investment company provided it meets the other criteria, including the fair value measurement criterion.

Many index funds seek a total return (*i.e.*, a combination of capital appreciation/depreciation and investment income) that matches the performance of a specified index. Such funds do not plan to dispose of their investments unless or until the investment is removed from the index. It is unclear whether these funds would satisfy the requirement to have an exit strategy. Nevertheless, such funds have the ability to sell their investments and accordingly should be deemed to satisfy the express business purpose criterion.

Similarly, certain “tax managed” funds pursue capital appreciation with the intent of minimizing taxable capital gains distributions to shareholders. Among other techniques intended to minimize taxable capital gains distributions, these funds seek to avoid selling appreciated securities. It is unclear whether these funds would satisfy the requirement to have an exit strategy. Nevertheless, these funds have the ability to sell their investments and should be deemed to satisfy the express business purpose criterion.

Many fixed-income funds seek income as a primary objective, and capital appreciation as a secondary objective. Certain securities may be purchased because, in the manager’s opinion, they hold the potential for capital appreciation (*e.g.*, a bond that is deeply discounted due to credit quality concerns, where the adviser anticipates improvement in the issuer’s credit standing prior to scheduled maturity that would allow the issuer to pay all principal and interest when due). Such a fund may not plan to dispose of its investment prior to maturity of the bond. Nevertheless, it has the ability to sell the bond and should be deemed to satisfy the express business purpose criterion.

We recommend that the ASU be revised to state that any entity that invests substantially all of its assets in investment securities that are classified as Level 1 or Level 2 assets under the fair value hierarchy (820-10-50-2) is deemed to have an exit strategy for its investments. We do not mean to suggest, however, that an entity with significant investments in Level 3 securities could not or would not have exit strategies for those investments. Indeed, we envision a fund with significant Level 3 assets could identify exit strategies and satisfy the express business purpose criterion. Instead, our recommendation

is intended to enable funds with substantially all of their investments in Level 1 or Level 2 securities to avoid the need to identify and document exit strategies for their investments.

Fair Value Management

946-10-55-16: Substantially all investments of an investment company must be managed and their performance evaluated on a fair value basis. This evaluation is based on the way the investment company manages and evaluates performance rather than on the nature of its investments. The investment company activities must demonstrate that fair value is the primary measurement attribute used to make a decision about the financial performance of those assets.

BC 29 indicates that the FASB concluded that money market funds, which report their investments at amortized cost, would be considered to be managing their investments on a fair value basis. This conclusion is based on such funds being managed to minimize the difference between amortized cost and fair value of their investments.

Some may argue that yield, rather than fair value, is the primary measurement attribute for money market fund investments, because fair value and amortized cost do not differ materially under normal circumstances. Under this argument, money market funds may not satisfy the fair value management criterion.

While we disagree with this argument, we bring it to the Board's attention in order to highlight the importance of retaining the Proposal's conclusion that entities regulated under the 1940 Act are investment companies. If the Board decides to omit this conclusion from the final standard, then we recommend that the Board revise the fair value management criterion to indicate that short-term high quality instruments may be managed and their performance evaluated on the basis of yield, provided fair value and amortized cost do not differ materially under normal circumstances. Short-term high quality instruments should be limited to securities eligible for purchase by money market funds pursuant to 1940 Act rule 2a-7.

D. Disclosure

946-20-50-15: An investment company shall disclose whether it has provided financial support during the periods presented to any of its investments that it was not previously contractually required to provide support to or whether it intends to provide such support, including the following: a) the type and amount of support provided, including situations in which the investment company assisted the investee in obtaining financial support, and b) the primary reasons for providing the support.

We are unclear as to the meaning of the term "financial support" and how it relates to terms defined in connection with accounting for defaulted debt securities (*i.e.*, capital infusions, workout expenditures, ongoing expenditures).⁵ Is financial support limited to instances where the investment company does not receive additional securities (debt or equity) from the investee?

⁵ See existing 946-320-35-14 through 946-320-35-16.

946-20-50-16: An investment company shall disclose the nature and extent of any significant restrictions on the ability of investees to transfer funds to the investment company in the form of cash dividends, or interest, or repayment of loans or advances.

We question whether the proposed disclosure is practicable or meaningful where a fund holds hundreds of different securities. As drafted, the proposed disclosure would seemingly require investment company preparers to search financial statements, debt covenants, and other disclosures issued by each investee company to determine if any such restrictions exist. If the Board pursues this proposed disclosure, we recommend that it apply only to holdings that exceed 10 percent of total assets.

E. Questions Posed in ASU:

SCOPE

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?

We believe the criteria appropriately identify those entities that should be within the scope of Topic 946 and that an entity should be required to meet all of the criteria. We recommend, however, that the Express Business Purpose and the Fair Value Management criteria be modified as described above.

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.

As noted above, we are concerned that index funds, tax-managed funds, and income oriented funds that seek capital appreciation as a secondary objective may not have an exit strategy as defined and would fail the express business purpose criterion. Also, we are concerned that money market funds may not satisfy the fair value management criterion.

We have concerns that business development companies, a type of SEC registered investment company that often originates loans to small business may not satisfy the express business purpose criterion.

We also have concerns that insurance company separate accounts issuing variable annuity contracts and variable life insurance policies may not satisfy the unit ownership and pooling of funds criteria. Insurance company separate accounts offering these investment products are registered with the SEC as investment companies. The assets in the separate account, however, are owned by the insurance

company, which is obligated to provide the contracted annuity or life insurance benefits to the policy holder. Accordingly, because the separate account does not issue unitized equity ownership interests to unrelated investors, it may not satisfy the unit ownership and pooling of funds criteria.

We strongly urge that the conclusion that companies regulated under the 1940 Act are investment companies be retained in the final standard, so as to ensure that these entities are not required to prepare financial statements under two separate bases of accounting. If the Board does not retain this conclusion, we recommend the Board implement our suggested changes to the express business purpose and fair value management criteria.

FAIR VALUE MANAGEMENT

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?

As noted above, we are concerned that some may argue that investments held by a money market fund may be evaluated on a yield basis, because amortized cost and fair value are substantially the same under normal circumstances. To address this concern, we recommend that the Board revise the fair value measurement criterion to indicate that short-term high quality instruments may be managed and their performance evaluated on the basis of yield, provided fair value and amortized cost do not differ materially under normal circumstances.

We would also point out that long-term fluctuating NAV investment companies may invest a portion of their assets in short-term fixed-income securities. Typically these funds recognize such investments at their amortized cost.⁶ Would the conclusion in BC 29 that money market funds that recognize their investments at amortized cost satisfy the fair value management criterion also apply to long-term funds that recognize investments in short-term fixed-income securities at amortized cost?

INTERESTS IN OTHER ENTITIES

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.

⁶ SEC Release IC-9786 permits investment companies to value securities with a remaining maturity of 60 days or less at amortized cost.

As noted above, where the investee investment company is less than wholly-owned, we believe consolidation results in a less meaningful presentation and misrepresents the economic substance of the relationship between the funds. We also have concerns that consolidation of controlling financial interests in investee funds will add extra pages to the investor fund's financial statements and increase the fund's print and mail costs. These incremental costs would be borne by the fund and its shareholders. Finally, we believe our recommended approach more closely aligns with the IASB's proposal, which requires investment entities to measure their investments in controlled entities at fair value through profit or loss.⁷

We support retention of the exemption for feeder funds in a master-feeder structure. We believe attaching the master fund's financial statements to the feeder fund's financial statements ensures transparency for investors in the feeder fund.

We seek clarification of the Proposal as drafted. The Proposal indicates that an investment company would be required to consolidate a controlling financial interest in another investment company *in a fund of funds structure* (emphasis added).⁸ In certain instances, an investment company may invest primarily in securities issued by operating companies and also in shares issued by one or more investment companies (e.g., the internal cash fund example described above). Such a fund may not be considered a "fund of funds." If such a fund has a controlling financial interest in an investment company, would it be required to consolidate that investment company under the Proposal?

We also have concerns about how the Proposal will affect insurance company separate accounts that issue variable annuity contracts and variable life insurance policies. These separate accounts are registered with the SEC as investment companies and they report their results and financial position to investors in the variable annuity contracts and variable life policies. It is common for an insurance company separate account to invest its assets in underlying investment companies (mutual funds) that are selected by the contract/policy holder. In many cases the underlying mutual fund is created by the insurance company and its shares are offered exclusively to the separate account. As a result, the separate account is the sole shareholder in the underlying mutual fund and would therefore have a controlling financial interest.

Currently the separate account's financial statements recognize investments in underlying mutual funds at fair value. We are concerned that the Proposal would require the separate account to consolidate the underlying fund. In particular, we are concerned that a user of the separate account's financial statements would be confused to see many individual equity and debt investments, rather than an investment in a mutual fund. We note that the underlying mutual funds in which the separate account invests prepare their own financial statements consistent with Topic 946 identifying the individual equity and debt investments held by the fund. Contract/policy holders are provided with the underlying fund's financial statements. Accordingly, consolidation by the separate account would also

⁷ See IFRS exposure draft, *Investment Entities*, ED 2011-4 (August, 2011).

⁸ See the Proposal at 946-810-45-3.

appear to be redundant from the contract/policy owner perspective.⁹

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?

For the same reasons as those expressed above, we believe an investment company should not be required to consolidate a controlling financial interest in an investment property entity.

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?

We agree with the Proposal. We believe recognition at fair value best reflects the nature of the investment.

PRESENTATION AND DISCLOSURE

Question 15: An investment company with a controlling financial interest in a less-than-wholly owned investment company subsidiary or investment property entity subsidiary would exclude in its financial highlights amounts attributable to the non-controlling interest. Do you agree that the amounts attributable to the non-controlling interest should be excluded from the calculation of the financial highlights? If not, why?

As described above, we believe an investment company with a controlling financial interest in another investment company should not consolidate that investment company (unless the investee fund is a wholly-owned subsidiary that represents an extension of the investor fund's investment strategy). If, however, the Board ultimately determines to require consolidation of all controlling financial interests in investment companies, we agree that amounts attributable to the noncontrolling interest should be excluded from calculation of the financial highlights (both per share and ratio amounts).

Question 17: Do you agree with the additional proposed disclosures for an investment company? If not, which disclosure do you disagree with, and why? Would you require any additional disclosures and why?

As described above, we are concerned that the proposed disclosure of restrictions on the ability of investees to transfer funds in the form of cash dividends, interest, or repayment of loans may be neither practicable nor informative where the fund holds hundreds of different securities. Also, we seek clarification of the meaning of "financial support."

⁹ It is unclear that the underlying mutual fund in which the insurance company separate account invests would satisfy the pooling of funds criterion and qualify as an investment company (absent the conclusion that any entity regulated under the 1940 Act is an investment company).

RETENTION OF SPECIALIZED ACCOUNTING

Question 18: The proposed amendments would retain the current requirement in U.S. GAAP that a non-investment company parent should retain the specialized accounting of an investment company subsidiary in consolidation. Do you agree with this requirement should be retained? If not, why?

We agree that investment company accounting should be retained by the non-investment company parent in consolidation. We believe an investment company is fundamentally different than other operating entities and that the nature of the investment company does not change because of consolidation by a non-investment company parent. Concerns about abuses of the investment company accounting model are better addressed in how the investment company is defined. We believe the proposed criteria are sufficiently limited so as to minimize the risk of abuse.

EFFECTIVE DATE AND TRANSITION

Question 20: How much time would be necessary to implement the proposed amendments?

We believe at least one full calendar year after issuance would be necessary to implement the proposed amendments.

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?

We believe the amendments should apply to both public and non-public entities.

If you have any questions on our comments or require additional information, please contact the undersigned at 202/326-5851 or smith@ici.org. We would be pleased to participate in the Board's roundtable discussion on investment companies scheduled for March 16, or to arrange for participation by sponsors of SEC registered investment companies.

Sincerely,



Gregory M. Smith
Director – Fund Accounting

cc: Jaime Eichen, Chief Accountant
Division of Investment Management
U.S. Securities and Exchange Commission