



*World-Class Solutions,
Leadership & Advocacy
Since 1875*

Michael L. Gullette
VP –Accounting &
Financial Management

Phone: 202-663-4986
Fax: 202-663-5209
Email: mgullette@aba.com

January 5, 2010

Mr. Russell Golden
Technical Director
Financial Accounting Standards Board
301 Merritt 7
P.O. Box 5116
Norwalk, CT 06856-5116

Via email: director@fasb.org

File Reference: No. 1750-100: *Consolidation (Topic 810)—Amendments to Statement 167 for Certain Investment Funds*

Dear Mr. Golden:

The American Bankers Association (ABA) appreciates the opportunity to comment on the exposure draft: *Consolidation (Topic 810)—Amendments to Statement 167 for Certain Investment Funds (ED)*. ABA brings together banks of all sizes and charters into one association. ABA works to enhance the competitiveness of the nation's banking industry and strengthen America's economy and communities. Its members – the majority of which are banks with less than \$125 million in assets – represent over 95 percent of the industry's \$13.3 trillion in assets and employ over 2 million men and women. Many ABA members manage trust assets that are invested in funds are affected by the ED as well as common trust funds and collective investment funds that are similarly affected. Thus, ABA represents both users and preparers of investment manager financial statements.

FASB Statement 167 Should be Deferred for Certain Investment Funds

ABA supports deferral of Statement 167 for investment funds. If Statement 167 is implemented without amendment, billions of dollars of fund assets would be consolidated onto the balance sheets of asset managers, and asset management fees – the main gauge of revenue in this industry – would often be distorted. This would make it more difficult for financial statement users (including management, investors, and regulators) to understand the financial statements, as the financials would be based on irrelevant data. Financial statement users would be forced to disregard traditional metrics and rely on consolidating disclosures. As a result, ABA supports the deferral of Statement 167.

Scope of the Deferral Should be Clarified

The proposed amendment to Accounting Standards Codification paragraph 810-10-65-2 describes the attributes of investment funds that qualify for deferral, and sub-paragraph aa-1-iii provides examples of entities that may qualify. While we are concerned that this list of entities will become the “bright line” for auditors, leading them to possibly exclude appropriate vehicles, we also believe the list will be helpful, considering the timing of the effective date.

Bank-managed common trust funds (CTFs) and collective investment funds (CIFs) are investment funds whose regulations pre-date the Investment Company Act of 1940 and clearly possess all the attributes specified in paragraph 946-10-15-2. Yet, CTFs and CIFs do not necessarily fit into the examples provided in the proposal (mutual funds, hedge funds, mortgage real estate investment funds, private equity funds, and venture capital funds). As a result, we fear that omitting CTFs and CIFs from the examples may result in inappropriate consolidation or, at a minimum, unnecessary audit work.

We recommend that the list of funds be expanded to include CTFs and CIFs in order to avoid confusion.

Other Considerations

The related-party considerations that are proposed to apply to all of the conditions in paragraph B22, as opposed to applying only to sub-paragraph c, are appropriate and consistent with how related party interests are evaluated throughout the rest of Statement 167. ABA supports this proposal.

ABA also supports the proposed change to sub-paragraph c of paragraph B22, which clarifies that a quantitative analysis should not be the sole determinant in whether a reporting entity’s interest in a variable interest entity (VIE) would absorb more than an insignificant amount of the VIE’s expected losses. This change is also consistent with how variable interests are evaluated throughout the rest of Statement 167.

Thank you for your attention to these matters and for considering our views. Please feel free to contact me (mgullette@aba.com; 202-663-4986) if you would like to discuss our views.

Sincerely,



Michael L. Gullette