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**Proposed Accounting Standards Update, "Amendments to Statement 167 for Certain Investment Funds"
(File Reference No. 1750-100)**

Dear Mr. Golden:

We appreciate the opportunity to comment on the Financial Accounting Standards Board (FASB) Proposed Accounting Standards Update (ASU), "Amendments to Statement 167 for Certain Investment Funds" (the Exposure Draft). We believe that investment managers and users of their financial statements have reasonable concerns regarding the usefulness of those financial statements if investment managers are required to consolidate certain entities. Therefore, we support the Board's proposed amendments to defer the effective date of Statement 167 for certain investment funds and believe that the deferral adequately responds to these concerns until the Board has had an opportunity to pursue the joint consolidation project with the International Accounting Standards Board (IASB).

Additionally, we support the Board's efforts to collaborate with the IASB on the development of a joint consolidation model. These collaborative efforts will allow both Boards to reach agreement on fundamental aspects of the consolidation model, including guidance on principal and agent relationships and the consideration of kick-out rights. We believe that the differences between Statement 167 and the direction of ED 10 with respect to the consolidation conclusions for certain entities highlight the need for a single converged consolidation model and lend support to the Board's proposal to defer the effective date for these entities.

While we agree with the Board's direction in the Exposure Draft, we have the following comments for the FASB's consideration. Additionally, our responses to the questions posed in the Exposure Draft are attached to this letter.

Deferral for additional entities

As noted in the Exposure Draft, the IASB's preliminary deliberations on its consolidation project seem to yield different consolidation conclusions for investment funds than those reached under Statement 167 in some cases. These potential differences were a prominent reason highlighted in the Exposure Draft for the deferral of Statement 167 for certain investment funds. While the potential differences between the two Boards are most evident in the analysis of certain investment funds, the

Board undoubtedly will receive comments from various constituents asking for the deferral to be expanded to other entities during the comment letter process. We do not expect the Board to waver on certain entities (e.g., an entity that formerly was considered a qualifying special-purpose entity). However, we believe that the Board carefully should consider examples identified in comment letters where there is potential for differences in the principal and agency conclusions between Statement 167 and the IASB's preliminary deliberations. We believe that if differences in the principal and agency conclusions exist for other entities, deferral for these entities may have merit when considering the Board's current rationale for the proposed deferral.

Basis for conclusions to not provide deferral for certain entities

We note in the Basis for Conclusions that the Board believes that the "proposed deferral should not apply to entities including, but not limited to, securitization entities, asset-backed financing entities, or entities that were formerly considered qualifying special-purpose entities even if practice considers those entities to have the characteristics similar to that of an investment company, as defined in Topic 946 or for which it is industry practice to apply the measurement guidance in that Topic." This guidance is extended to collateralized loan obligations and collateralized debt obligations because the FASB believes these structures are asset-backed financing entities rather than investment companies. We understand that it is not practicable for the Board to provide a comprehensive list of all entities that do or do not qualify for the deferral. However, we believe that the Board should expand its Basis for Conclusions to explain why the Board believes that certain entities should not receive a deferral even if they have characteristics of an investment company. We believe that it is important for the Board to articulate its basis and its considerations for excluding certain entities from the deferral while including others. This will assist preparers in applying reasonable judgments in the application of any final amendments to potential arrangements that are not specifically discussed in the amendments or in the Basis for Conclusions. In other words, we believe that the Board should describe the characteristics of entities that should not be eligible for the deferral.

* * * * *

We appreciate the opportunity to provide our comments and observations on the Exposure Draft and would be pleased to discuss them with the Board members or the FASB staff at your convenience.

Very truly yours,

A handwritten signature in black ink that reads 'Ernst & Young LLP'.

Attachment

Responses to the specific questions raised in the Exposure Draft

Question 1: Do you agree that the Board should defer the effective date of Statement 167 for entities that meet the requirements in the proposed Update? Please elaborate as to why you believe this deferral is appropriate or not?

We agree that the Board should defer the effective date of Statement 167 for entities that meet the requirements in the Exposure Draft for the reasons articulated above and consider whether the deferral should be extended to other entities as appropriate. However, we have one additional recommendation as articulated below.

We believe that certain clarifications should be made with respect to ASC 810-10-65-2(aa)(1)(i)(02). We believe that some may interpret "industry practice" to mean widespread application across an entire industry. However, we believe that the Board's intent was to focus on the characteristics of an entity and not the accounting policies elected by the entity. Thus, we believe widespread application of the measurement principles in ASC 946 is less relevant and believe the proposed deferral should contemplate scenarios in which it is "permissible" based on industry practice or "acceptable" based on industry practice for entities to apply guidance consistent with the measurement principles in ASC 946. Without the change, we believe some may question whether entities within a particular industry should be considered for the deferral if practice within the industry is mixed.

Question 2: The Board expects that the deferral would only affect a limited number of types of entities, including but not limited to mutual funds, hedge funds, mortgage real estate investment trusts, private equity funds, and venture capital funds. The Board expects that this deferral would not apply to securitization entities, asset-backed financing entities, and entities formerly classified as qualifying special-purpose entities. For example, the Board does not expect this deferral to apply to (a) structured investment vehicles, (b) collateralized debt/loan obligations, (c) commercial paper conduits, (d) credit card securitization structures, (e) residential or commercial mortgage-backed entities, and (f) government-sponsored mortgage entities. That list is not meant to be all inclusive as to the entities that the Board expects would not meet the requirements in this proposed Update for deferral. Do you believe that the amendments to paragraph 810-10-65-2 in this proposed Update clearly identify the population of entities that would qualify for the deferral? If not, please provide suggested language to assist the Board in achieving this goal.

As noted above, we believe that the Board should expand its Basis for Conclusions to explain why the Board believes that certain entities should not receive a deferral even if they have characteristics of an investment company. We believe that it is important for the Board to articulate its basis and its considerations for excluding certain entities from the deferral while including others to allow preparers to apply reasonable judgments in the application of any final amendments to potential arrangements that are not specifically discussed in the amendments or in the Basis for Conclusions.

In the paragraphs that follow, we provide our additional suggestions to assist in clearly identifying the population of entities that would qualify for the deferral.

In Question 2 above, we note that the Board lists several examples of arrangements for which the Board would not expect the proposed deferral to apply. In an effort to clearly identify the population of entities that would not qualify for the deferral, we believe that the Board should include this listing in

the proposed amendments to the Codification. This would serve to reinforce the Board's position with respect to these entities. If the Board chooses not to adopt our recommendation, we believe that this listing of entities should be included at a minimum in the Basis for Conclusions as the Questions for Respondents will not be included in any final ASU.

Additionally, we believe that the Board should elaborate on the terms "securitization entity" and "asset-backed financing entity" to assist preparers in applying reasonable judgments in implementing the proposed deferral. These terms are not defined in the Codification. We believe that the Board could describe the characteristics of these entities and perhaps reference Statement 167's implementation guidance for examples of these entities.

We note in the Basis for Conclusions that the Board "concluded that an entity that has characteristics consistent with those of a variable interest entity included in the implementation guidance of Statement 167 should not be subject to the deferral as provided in this proposed Update." We believe that this guidance should be included in the amendments to Statement 167 to help clearly identify the population of entities that would and would not qualify for the deferral.

We note in the Basis for Conclusions that the Board recognizes "that there are investment funds that are (a) not subject to U.S. GAAP...but have the same characteristics as entities within the scope of Topic 946 that may be eligible for the proposed deferral." We believe that this concept should be included within the amendments to Statement 167 to make clear that foreign funds are potentially subject to the deferral.

Question 3: Do you believe that the Board's proposed change to include language to clarify that related-party arrangements should be considered for all of the conditions in paragraph B22 of Statement 167 is operational and achieves the Board's objective?

We believe that the Board should provide additional clarity to make the proposed amendments operational. We note under the proposed amendments that related parties should be "considered" in the application of paragraph B22. However, we are unclear as to the Board's intent with respect to this change. Currently (prior to amendment), we believe that paragraph B22(c) is explicit in that the interests of related parties are to be aggregated with the interests of the decision maker or service provider as if they are their own. However, we're not sure if this concept is the same under the proposed amendments. If the Board intends to change this meaning, we believe that this should be clearly articulated in the Basis for Conclusions.

In addition, while the Board has proposed to change the language with respect to related parties, it is unclear whether the Board has resolved the implementation issues with respect to the evaluation of related party interests in paragraph B22, and in particular, paragraph B22(c). Under Statement 167, preparers and others have interpreted paragraph B22(c) to require that the interests of related parties be treated the same without regard to the nature of the related party relationship. For example, the interests held by an employer sponsored pension plan or equity-method investee would be treated the same as if they were held by a subsidiary. However, a reporting entity may receive different economic benefits depending on the nature of the related party relationship. We believe that treating all related party interests as if they were held by a subsidiary may lead to unintended consequences. Rather, we believe a reporting entity should be permitted to apply judgment in the application of paragraph B22 and weight the interest of a related party differently depending on the nature of the related party

relationship. Also, a reporting entity may have little or no control over the investments or actions of an equity-method investee. In contrast, the same reporting entity would have unilateral control over the investments or actions of a subsidiary. If the Board intended the changes that would result from the proposed amendments to provide reporting entities with the latitude to exercise this type of judgment, we would recommend that it be clarified in the Basis for Conclusions.

In ASC 810-10-55-37A, the proposed amendments note that a related party “includes any entity identified in paragraph 810-10-25-43.” We believe that “entity” should be replaced by “party” as the listing in ASC 810-10-25-43 contemplates parties that could extend beyond an entity (e.g., an individual).

Question 4: Do you believe that the Board’s proposed changes to condition (c) in paragraph B22 of Statement 167 are operational and achieve the Board’s original objective in Statement 167 that a quantitative test should not be the sole determinant of whether a fee arrangement is a variable interest?

We believe that the Board’s proposed changes to condition (c) in paragraph B22 of Statement 167 are operational and that a quantitative test should not be the sole determinant of whether a fee arrangement is a variable interest.