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**Invesco Ltd.**  
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January 6, 2010

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

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

Dear Mr. Golden:

This letter sets forth the comments of Invesco Ltd. ("Invesco," or the "Company") on the Proposed Accounting Standards Update, "Amendments to Statement 167 for Certain Investment Funds," (the "Proposed ASU").

Invesco is a global independent investment management company delivering investment management capabilities through a comprehensive array of investment products and solutions for retail, institutional and high-net-worth clients. Operating in 20 countries, Invesco had \$418.8 billion in assets under management as of November 30, 2009. In addition to providing investment management services to investment funds such as retail mutual funds, exchange-traded funds, private equity funds, and separate accounts, the Company provides investment management services to a number of collateralized loan and debt obligation ("CLO") entities. In some instances, we have invested in these entities, generally taking a relatively small portion of the unrated, junior subordinated tranche; our interest is generally less than 10% of this tranche and less than 1% of these entities' overall capital structures. At September 30, 2009 (the reporting date of the Company's third quarter 2009 Form 10-Q), we held \$16.2 million of investments in these CLOs, which represents our maximum risk of loss. The Company does not view its interests in managed CLOs any differently from its interests in other managed funds. We act in a fiduciary or agency capacity to manage a pool of assets for an investment management fee.

We support the Board's proposal to defer the effective date of FASB Statement No. 167, "Amendments to FASB Interpretation No. 46(R)" ("Statement 167"), for certain entities managed by investment managers; however we believe that the scope of the deferral should not exclude managed securitization entities such as CLOs where the investment manager is acting as an agent. We have the following comments for the Board's consideration:

- Investment manager interests in managed CLOs are not contradictory to the agency relationship that exists between the investment manager and investors in the CLOs. Such relationship is different from traditional banking interests in securitized structures. The differences merit separate consideration by the Board.
- Users of investment managers' financial statements have indicated that consolidation of managed CLO structures would not be meaningful or relevant. The cost and burden of preparing such consolidation is expected to be significant, for no added value to the users of the financial statements.

These observations are discussed further below.

### **Investment Manager “Skin in the Game”**

It is standard industry practice that the investment manager is often requested to purchase a small portion of the equity tranche, or the non-rated debt tranche, the “first-loss” portion, of CLO structures. This interest is sometimes referred to as “skin in the game” and is often included in the marketing to potential CLO note and equity investors. The assets of the CLO were not assets of the investment manager prior to the creation of the CLO; in other words, the investment manager did not transfer any assets into a securitized vehicle in order to obtain financing, as some traditional banks have done with structured investment vehicles. The assets of a CLO are not available for general use by the investment manager; nor does the investment manager have any obligation to settle the liabilities of a managed CLO. The investment manager’s maximum risk of loss is limited to its investment in the CLO, which is reflected on the balance sheet of the investment manager in accordance with Accounting Standards Codification Topic 320, “Investments – Debt and Equity Securities.” There are no implicit or explicit guarantees in place between the investment manager and the CLO for which the investment manager is required to cover any losses of the structure. Investments by investment managers into managed CLOs do not therefore obfuscate the agency relationship that investment managers have with the underlying third party investors in the CLO.

Fee arrangements are often structured with senior, junior or subordinated, and incentive elements. Generally, management fees are fixed percentages and are based on the unpaid principal balance of the underlying collateral of the CLO. The junior fee is subordinated purely for purposes of cash flow maintenance and is paid in the interest and principal waterfalls before the equity tranche investors are paid. If cash inflows of interest from the assets of the CLO are not enough to complete the interest waterfall, the junior and incentive fees payable to the investment manager are accrued to be paid at a point when cash inflows become sufficient. Therefore, junior and incentive fees are not foregone but are earned by the investment manager and are deferred; the investment manager becomes a creditor of the CLO. CLO fee waterfalls are structured in this manner to preserve the cash flows of interest payable to the senior debt tranche holders, the investors in the CLO.

The incentive fee is often structured from an internal rate of return hurdle upon the winding up of a CLO. After all payments in the principal waterfall are made, the investment manager may be paid either a percentage above an agreed-upon hurdle rate or a flat basis point fee amount. In practice 80%-100% of the total fees historically generated from a CLO are fixed, asset-based percentages. An investment manager would never jeopardize the receipt of the junior management fee over the life of the CLO to receive the incentive fee upon the winding up of a CLO. The receipt by the investment manager of an incentive fee on CLO arrangements does not indicate that the investment manager is bearing more risk, absorbing more variability, or acting as a principal, nor does it indicate that the investment manager is focusing more on its own interests than those of the investors of a CLO. Fee arrangements of investment managers related to managed CLOs also do not obfuscate the agency relationship that investment managers have with the underlying third party investors in the CLO.

We encourage the Board to consider including interests in managed CLO products, where the investment manager is acting as an agent, in the scope of the deferral of SFAS 167.

### **Consideration of Mechanical and Practical Impact of Consolidation of CLOs**

Consolidation of CLO products by investment managers raises three very important factors that should be considered before concluding on the scope of the deferral of Statement 167. Firstly, the timing of the availability of financial data to consolidate, which may force the Company to use stale financial information from managed CLOs, will introduce estimation into the consolidation process. Secondly, the internal controls around the production of consolidated financial statements including managed CLOs will need to meet the requirements of Sarbanes Oxley, which they currently do not, since the required information is maintained outside of the

Company's financial reporting and internal control systems and processes. This will take significant time to implement to avoid the risk of control weaknesses. Thirdly, the collection of this financial data and the documentation and testing of controls will add significant cost to the financial reporting process, even before the additional required auditing procedures and related costs are considered. All of these issues will need to be addressed to implement the consolidation of managed CLOs, when such consolidation provides little or no meaningful additional information to the users of our financial statements.

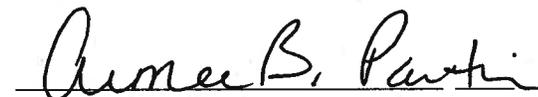
A number of users of the Company's financial statements, including analysts and rating agencies, have already indicated that consolidation of managed investment products, including CLOs, will need to be stripped out of the Company's financial statements to allow them to meaningfully assess and review the Company's results and financial position. Management fees earned from CLOs will be eliminated upon consolidation, described as a "multiple killer," by financial statement users. Standard & Poor's released a publication on December 2, 2009, entitled "New Accounting Rules Will Alter The Financial Statements of Certain U.S. Asset Managers," in which the rating agency indicates that "regardless of the accounting rule changes, we will continue to ask companies to provide us with deconsolidated financial statements and related information in accompanying notes so that we can analyze, from a ratings perspective, the asset manager's operating performance and financial profile separately from those of the funds that it manages and the companies in which it invests." As a result, consolidation of managed CLOs will almost certainly lead to a significant increase in the use of non-GAAP measures to accurately describe the underlying results of operations, liquidity and financial position of the investment manager. We encourage the Board to consider the mechanical and practical impact to the financial statement preparation process for investment managers of consolidation of CLOs, which has no benefit for users of the investment managers' financial statements.

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We would be pleased to discuss our comments with the Board or its staff.

Very truly yours,

  
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David A. Hartley  
Chief Accounting Officer

  
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Aimee B. Partin  
Director, Accounting Policy and Disclosures