



Tel: 312-856-9100
Fax: 312-856-1379
www.bdo.com

2014-270
Comment Letter No. 10

330 North Wabash, Suite 3200
Chicago, IL 60611

February, 17 2015

Via email to director@fasb.org

Susan M. Cosper
Technical Director
Financial Accounting Standards Board
401 Merritt 7
PO Box 5116
Norwalk, CT 06856-5116

Re: Proposed Accounting Standards Update, *Financial Services - Investment Companies (Topic 946) - Disclosures about Investments in Other Investment Companies* (File Reference No. 2014-270) ("the ED")

Dear Ms. Cosper:

We are pleased to provide comments on the proposal related to disclosures about investments in other investment companies.

We agree with the ED's objective to improve existing disclosure requirements as it relates to the investments in other investment companies and to align the disclosure and presentation requirements for investment companies regulated under the Investment Company Act of 1940 ("the Act") with those investment companies not regulated under the Act.

However, we believe that there are implementation challenges that need to be considered in order for the proposed disclosures to be operable and auditable in certain situations, as follows:

- **Definition of a Master-Feeder Arrangement:** While we acknowledge the Board's considerations in the basis for conclusions, we recommend either establishing a definition of a "master-feeder arrangement" in order to facilitate consistent application of the proposed standard or alternatively, clarifying its scope. That is, the requirement to provide new disclosures under the ED will likely cause some entities to revisit whether they are within the scope of the final ASU. As part of the alignment goal, we believe nonregistered funds should follow a definition that is similar to the one used for registered funds.
- **Confidentiality and Legal Constraints:** In a traditional master-feeder arrangement, both the feeder fund and the master fund are sponsored or managed by the same investment manager. However, there is diversity in practice where the two funds are managed by unaffiliated parties. Consequently, there could be impediments for a feeder fund to attach a master fund's financial statements due to legal and confidentiality limitations.
- **Different Fiscal Year Ends:** The proposal does not specify whether the date of the master fund's financial statements should be the same as the date of the feeder fund's financial

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statements. It is not uncommon for the master fund to have a different fiscal year end date from the feeder fund.

For funds registered under the Act, when the master and feeder funds have different year-ends, the SEC has indicated that it would not object if, at the feeder fund year-end, the audited report of the feeder is accompanied by the latest audited report of the master as well as an unaudited balance sheet and schedule of investments of the master as of the date of the feeder's financial statements¹. For example, if the feeder has a December 31 fiscal year-end and the master has a September 30 fiscal year-end, the audited December 31 feeder financial statements would be accompanied by the audited September 30 master financial statements, and an unaudited master balance sheet and master schedule of investments as of December 31.

Therefore, we recommend that the Board consider adopting the accepted practices for registered funds in the pursuit of alignment of presentation requirements among all funds - registered and nonregistered.

The implementation timeline of the proposed disclosures would be dependent on addressing the factors discussed above, and would require sufficient time in order to resolve operational, legal and/or confidentiality constraints. We also believe that the disclosures should be applied prospectively for the same reasons.

We would be pleased to discuss our comments with the FASB staff. Please direct questions to Adam Brown at (214) 665-0673 or Dale Thompson at (212) 885-7318.

Very truly yours,

Handwritten signature in blue ink that reads "BDO USA, LLP".

BDO USA, LLP

¹ See the December 30, 1998, "Dear CFO Letter" issued by the Chief Accountant of the SEC Division of Investment Management