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February 17, 2015

Ms. Susan Cospers  
Technical Director  
File Reference No. 2014-270  
Financial Accounting Standards Board  
401 Merritt 7  
P.O. Box 5116  
Norwalk, CT 06856-5116  
Via email: [director@fasb.org](mailto:director@fasb.org)

**Re: Comment Letter - File Reference No. 2014-270 – Proposed Accounting Standards Update: Financial Services – Investment Companies (Topic 946) Disclosures about Investments in Other Investment Companies Exposure Draft**

Dear Ms. Cospers:

BlackRock Inc. (“BlackRock”) is a global investment manager, overseeing \$4.32 trillion of assets under management as of December 31, 2014. BlackRock and its subsidiaries manage multiple portfolios, including registered investment companies, hedge funds, private equity funds, exchange-traded funds and collective investment trusts, in addition to separate accounts.

BlackRock appreciates the opportunity to provide comments to the Financial Accounting Standards Board (the “Board” or “FASB”) on the Proposed Accounting Standards Update (“ASU”), *Financial Services – Investment Companies (Topic 946) Disclosures about Investments in Other Investment Companies* (the “Proposal” or the “Proposed Standard”).

BlackRock supports the Board’s efforts to increase comparability of financial statements for all investment companies. We are concerned, however, that certain areas of the Proposal may result in unintended consequences for regulated investment companies. Our primary concern is the requirement to disclose information about each investment owned by an investee that exceeds 5 percent of net assets. This Proposal would result in additional costs that outweigh the benefits. We believe existing regulations and disclosure requirements provide sufficient transparency to investors for regulated investment companies.

Attached are responses to the Board’s questions that were included in the Exposure Draft. Please do not hesitate to contact me at (302) 797-6810 with any questions.

Sincerely,



Ann D. Frechette  
Managing Director, US Retail Financial Reporting and Accounting Policy

*Appendix – Responses to the Board’s Questions for Respondents*

***Question 1: Do you agree that all feeder funds in a master-feeder arrangement (those that are regulated under the Investment Company Act of 1940 and those that are not regulated under that Act) should provide the financial statements of their master fund along with their own financial statements? Why or why not?***

Yes, we agree that both a regulated and a non-regulated investment fund that is a feeder in a master-feeder structure should provide the master fund’s financial statements with its own financial statements. We define master-feeder as a two-tiered investment structure in which investors contribute capital (either cash or contributed property) into a feeder fund (“feeder”), which in turn invests in a master fund (“master”) that has the same investment objective. The standalone financial statements of a feeder fund do not provide full transparency into the investments of the master fund. As the Board noted in the Proposed Standard, the Securities and Exchange Commission (“SEC”) currently requires a feeder fund, that is regulated by the Investment Company Act of 1940 (“1940 Act”), to include the financial statements of its master fund in its SEC filings. We support the Board in aligning this requirement for a non-regulated feeder fund to include the master fund’s financial statements with its financial statements to increase consistency between regulated and non-regulated master-feeder arrangements. Our current practice is to include the master’s financial statements with the feeder’s financial statements to provide full transparency for all investors in our proprietary regulated and non-regulated master-feeder structures.

In addition, we recommend that the Board expand the scope of the practicability exception in paragraph 946-210-50-10 to the requirements in paragraph 946-205-45-6. Specifically, the expansion of the practicability exception is recommended for feeder funds with unaffiliated master funds that are unable to attach the master fund’s financial statements due to confidentiality agreements, or other similar reasons.

***Question 2: Do you agree that all investment companies (those that are regulated under the Investment Company Act of 1940 and those that are not regulated under that Act) should be required to disclose in their financial statements information about investments held by investee funds that exceed 5 percent of the reporting investment company’s net assets? Why or why not?***

We appreciate the Board’s efforts to improve consistency between all investment companies (those that are regulated under 1940 Act and those that are not regulated under that Act) with regard to disclosures in financial statements about investments held by investee funds.

We believe that existing regulations sufficiently address investment disclosure requirements for regulated investment companies. Accordingly, the requirement for further disclosures for regulated investment companies is unnecessary and not cost beneficial given existing transparency into regulated investment companies. Regulated investment companies are subject to various requirements under the 1940 Act that are not in place for non-regulated funds. Therefore, non-

regulated funds' disclosure of the look-through information creates increased transparency to their investors. A regulated investment company has a requirement to file annual, semi-annual and quarterly reports with the SEC that includes detailed descriptions of the investments held by the reporting investment company. Those reports are publicly available through the SEC's website and the fund's website. In addition, the holdings of our exchange traded funds are available daily on the fund's website.

Regarding fund of fund arrangements, in which one fund (the "top tier fund") invests assets in shares of another fund ("underlying fund") rather than directly investing in securities, the staff from SEC's Division of Investment Management's Chief Accountant's Office has issued guidance around filings for such fund of fund arrangements. That guidance advises registrants that a top tier fund should attach the financial statements of the underlying fund with its financials statements when it has a significant amount of its portfolio invested in a single underlying fund or owns a controlling interest in an underlying fund. We apply this recommendation to our regulated fund of fund arrangements thereby increasing transparency for regulated funds that as part of their overall investment strategy invest a substantial portion of their assets in other funds.

We believe that the proposed look-through disclosure requirement under the Proposed Standard would not provide additional, useful information and may be confusing to investors who are primarily focused on total return when making investment decisions regarding regulated investment companies. There are costs already incurred with the existing reporting requirements listed above for regulated investment companies, and the proposed disclosure requirements will increase such costs to investors.

Additionally, we have concerns about operational challenges associated with the proposed disclosure requirement as discussed in Question 3.

***Question 3: Are the proposed disclosure requirements operable and auditable? If not, which aspects pose operability and/or auditability issues and why?***

We do not anticipate significant issues with the provision to include the master's financial statements with the feeder financial statements, in terms of operability and auditability. As stated above, we generally include the master's financial statements for both our proprietary regulated and non-regulated feeder funds.

We believe there are a number of significant operational concerns with the proposed disclosures regarding investments of investee funds. Our most notable concern is the cost that would be required to develop, monitor, and report this information within the accounting system and financial reporting software. Technology resources and development will be required to create the ability to extract and aggregate each position. On an ongoing basis, the information would need to be evaluated against the 5 percent threshold and named and categorized as outlined in the Proposal. Additional audit fees would also be incurred related to the testing of the new system development and the proposed disclosures. Investors would ultimately bear these costs through increased preparation costs, audit fees and print/mail charges that are charged to the funds.

**Question 4: How much time would be necessary to implement the proposed amendments?**

As noted above, given our existing practices, we do not have concerns regarding implementation of the master-feeder proposal.

We believe that a considerable amount of time would be needed to implement the disclosures related to investments in investee funds. Accounting systems and financial reporting software upgrades would be required in order to meet the 60-day timeframe for SEC filings. An appropriate amount of consideration would be needed in an effort to provide accurate and complete information from the systems utilized to generate financial statements. Therefore, if finalized as proposed, we recommend a two-year period upon issuance of a final ASU.

**Question 5: Should the effective date for investment companies other than public business entities be one year after the first annual period for which public business entities are required to adopt the proposed amendments?**

Yes, we believe the effective date for investment companies other than public business entities should be one year after the first annual period for which public business entities are required to adopt the Proposal to allow for additional implementation time should such time be needed.

**Question 6: Do you agree that the proposed disclosure requirements should be applied prospectively and that early adoption should be permitted? Why or why not?**

While we do not support the requirement for regulated funds to disclose investments of investee funds that exceed 5 percent, if finalized as proposed, we believe the proposed disclosure requirements should be applied prospectively. Our experience is that we would likely not early adopt if permitted due to the operational complexities involved with the disclosures regarding investments in investee funds. However, early adoption should be permitted for entities that may have the information readily available.