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February 18, 2010

Ms. Elizabeth M. Murphy
Secretary
U.S. Securities and Exchange Commission
100 F Street, N.E.
Washington, DC 20549-1090

Re: *Roadmap for the Potential Use of Financial Statements
Prepared in Accordance with International Financial
Reporting Standards by U.S. Issuers; File No. S7-27-08*

Dear Ms. Murphy:

This letter supplements the Investment Company Institute's¹ comment letter dated April 20, 2009 (the "ICI Comment Letter"),² which supported the Commission's decision to exclude investment companies from the proposed Roadmap. The ICI Comment Letter noted that there are significant differences between U.S. GAAP and IFRS as applied to investment companies and that these differences cause fund financial statements prepared under U.S. GAAP to be more informative and transparent than those prepared under IFRS. Further, the ICI Comment Letter noted that certain elements of IFRS as applied to investment companies directly conflict with Article 6 of Regulation S-X. The ICI Comment Letter argued that convergence in accounting standards as applied to investment companies and resolution of these conflicts are prerequisites to any transition to IFRS.

The ICI Comment Letter also indicated that the typical investor benefits associated with a transition to a single set of accounting standards, *e.g.*, comparable financial information issued by U.S. and foreign companies, will be limited in the context of investment companies. U.S. securities laws strongly limit or discourage investment by U.S. persons in foreign funds and U.S. tax rules discourage foreign investment in U.S. investment companies. The cross-border sale of foreign funds in the U.S. and of U.S. investment companies is therefore extremely limited. Further, even absent these impediments, the typical investor benefits would be limited because few European countries apply IFRS to open-end investment funds.

¹ The Investment Company Institute is the national association of U.S. investment companies, including mutual funds, closed-end funds, exchange-traded funds (ETFs), and unit investment trusts (UITs). ICI seeks to encourage adherence to high ethical standards, promote public understanding, and otherwise advance the interests of funds, their shareholders, directors, and advisers. Members of ICI manage total assets of \$11.82 trillion and serve almost 90 million shareholders.

² See letter from Gregory M. Smith, Director, Investment Company Institute, to Elizabeth M. Murphy, Secretary, U.S. Securities and Exchange Commission, dated April 20, 2009 available at <http://www.sec.gov/comments/s7-27-08/s72708-161.pdf>

We write today to provide additional evidence of the global concern associated with application of IFRS to investment companies. Attached to this letter is a comment letter recently filed by the Irish Funds Industry Association³ with the Accounting Standards Board⁴ on its policy proposal: The Future of UK GAAP. The IFIA letter raises concerns similar to those expressed in the ICI Comment Letter. For example, the IFIA letter notes that the IFRS framework is based on a one size fits all approach which is directed at publicly listed entities operating in a general corporate environment. The IFIA letter indicates that IFRS, with some limited exceptions, is not industry specific and attempts to apply similar principles of measurement, presentation and disclosure irrespective of the industry or shareholder base. According to the IFIA letter, application of IFRS to investment companies has led to:

- A significant amount of inconsistency in how information is presented vis-à-vis investors' expectations and needs;
- Significant differences in measurement between the dealing NAV (the price at which share trades are processed) and the financial statement reported net assets; and
- Extensive disclosure which is meaningless and often conflicts with other information disclosed through investor communication and regulation.

The IFIA letter goes on to describe specific IFRS that do not consider the unique nature of investment companies and result in superfluous or misleading disclosure. The Institute identified many of the concerns associated with these specific IFRS in its comment letter on the SEC's concept release requesting comment on allowing U.S. issuers to prepare financial statements in accordance with IFRS.⁵

The IFIA letter proposes the development of a separate framework within IFRS for investment companies and describes such a project as a critical element of any program to achieve global convergence of financial reporting standards. The IFIA letter indicates that the development of IFRS for investment companies is the most viable route to full convergence, given that US GAAP explicitly recognizes investment companies as a separate class of entities and has developed guidance for many areas where IFRS is not well suited for fund financial reporting.

³ The Irish Funds Industry Association (IFIA) is the representative body of the international investment funds community in Ireland, representing the custodian banks, administrators, managers, transfer agents and professional advisory firms involved in the international fund services industry in Ireland. The Irish funds industry services assets worth Euro 1.4 trillion held in over 10,300 funds. The objective of the IFIA is to support and complement the development of the international funds industry in Ireland, ensuring it continues to be a location of choice for the domiciling and servicing of investment funds.

⁴ The Accounting Standards Board (ASB) is responsible for development of generally accepted accounting practice in the United Kingdom (UK GAAP). In the UK, companies which are not listed have the option to report under either IFRS or UK GAAP.

⁵ See letter from Gregory M. Smith, Director, Investment Company Institute, to Nancy M. Morris, Secretary, U.S. Securities and Exchange Commission, dated November 13, 2007 available at <http://www.sec.gov/comments/s7-20-07/s72007-60.pdf>.

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The Institute encourages the Commission to carefully consider the issues and concerns raised by the IFIA as it deliberates the Roadmap and its application to investment companies.

Sincerely,

/s/

Gregory M. Smith
Director – Operations/
Compliance & Fund Accounting

cc: James L. Kroeker, Chief Accountant
Office of the Chief Accountant

Richard F. Sennett, Chief Accountant
Division of Investment Management

Mr. Peter Godsall,
Accounting Standards Board,
5th Floor, Aldwych House,
71-79 Aldwych,
London WC2B 4HN.

1st February 2010

RE: POLICY PROPOSAL: THE FUTURE OF UK AND IRISH GAAP

Dear Mr. Godsall,

The Irish Funds Industry Association (IFIA) is the representative body for the international investment fund community in Ireland including administrators, custodians, managers and advisors who service international funds in Ireland. With over 10,000 Irish and Non-Irish domiciled funds, including sub-funds, with a Net Asset Value in excess of €1,300 billion, under administration in Ireland. Ireland is now one of the leading international jurisdictions for fund domicile and fund servicing and therefore provides a representative view of the international industry including promoters in Europe, Asia and North America.

As the parties responsible for the preparation of the Financial Statements of these funds, the industry companies have a keen interest in financial reporting and the standards that govern how accounts are prepared. The IFIA is pleased to have the opportunity to respond to the Policy Proposal on the Future of UK and Irish GAAP.

As an industry with an international investor base, we support the strategy of ASB in proposing to replace existing UK and Irish GAAP with standards based on international standards. However, we have significant concerns over the ability of the IFRS framework as currently constituted, to cope with the specific issues of investment funds/companies¹. We include below some of the key considerations supporting these concerns and we have also included proposals in relation to alternative strategies that we would encourage the ASB to consider, which would provide the framework for truly international standards for investment funds. In addition and for completeness, Appendix 1 to this letter sets out our responses to the specific questions raised in the ASB's Consultation Paper.

Need to replace UK and Irish GAAP

As an industry, we strongly agree with the need to replace current Irish and UK GAAP. Consultation with Industry companies and the investors in Irish funds, the constituency who the financial statements are prepared for, have highlighted the following key issues with current UK and Irish GAAP;

- From an investors perspective it is unclear what constitutes current UK and Irish GAAP, particularly given the ad hoc manner converged standards sit alongside existing standards.
- There is continued uncertainty around the future direction of UK and Irish GAAP particularly in respect of which standards will converge and in the case of existing

¹ Any reference to investment funds would apply equally as if it were a reference to investment companies.

converged standards whether future amendments will be made and whether this will be on the same timeframe as the IFRS standard.

- With the development of IFRS, UK and Irish GAAP are no longer perceived as the international quality standard.
- UK and Irish GAAP is no longer the framework through which university students and accounting trainees are taught. (This creates significant additional costs to industry where they have to retrain staff to work within this framework. It is also a significant barrier to the most efficient use of resources across an international business).

As the representative organisation for the Industry in Ireland, the IFIA has been grappling with the challenges of implementing partly converged Irish and UK GAAP for investment funds since 2005 (and through the servicing of both domiciled (Irish) and non domiciled (non-Irish) funds with full IFRS) and has taken a lead role in responding to IASB consultations and also in providing guidance on the implementation of standards. (In December 2005 the IFIA issued a Technical Briefing Paper on the Implementation of FRS 25, 26 and 29 for investment companies entitled “Developments in Financial Reporting Standards – Implications for Investment Funds” and have issued a number of subsequent briefing papers). As such we believe we are well placed to draw upon our experiences to comment on the issues that face investment funds reporting under Irish and UK GAAP and under IFRS.

Investment Fund/Company Landscape

Investment companies, or collective investment schemes, are a particular form of pooled investment vehicle used extensively throughout the globe. Ireland is one of the key international centres for the domiciling and servicing of investment companies with over 10,000 funds serviced in Ireland of which more than 5,000 are domiciled in Ireland, predominantly in the form of Irish corporates, formed under the Irish Companies Acts. As a grouping, investment companies are the single largest class of companies which the proposal of the ASB will affect and therefore we would ask the ASB to carefully consider the impact of the policy proposal on this class of companies.

Limitations of applying full IFRS for Investment Companies

The IFRS framework is based on a one size fits all approach which is specifically directed at public listed entities operating in the general corporate environment. IFRS, with some limited exceptions, is not entity or industry specific but attempts to apply similar principles of measurement, presentation and disclosure irrespective of the industry or the nature of stakeholder base. Investment companies have a unique structure and purpose and therefore the application of full IFRS has led to generally:

- a significant amount of inconsistency in how information is presented vis-a-vis investors expectations and needs
- significant differences in measurement between the dealing NAV² (the key financial metric) and the financial statement reported net assets
- extensive disclosure which is meaningless and often conflicts with other information disclosed through investor communication and regulation

² **Net asset value** (NAV) is a term used to describe the value of an entity's assets less the value of its liabilities and is the price at which investors subscribe and redeem units in a fund.

Specifically, some of the key issues in respect of applying IFRS to investment companies are as follows:

- The presentation format of IAS 1 does not match the key sources of income and expense within an investment company and how they interact
- Under IAS 32, the presentation of unit holders as a financial liability and the related measurement is inconsistent with the substance of the relationship in an investment company (and the recent amendment to IAS 32 only adds further confusion)
- IFRS requires the consolidation of master/feeder structures for investment companies in certain circumstances which is inconsistent with the nature of the relationship and structure
- IFRS does not specifically consider investment companies as subject companies for consolidation leading to meaningless (and often temporary) consolidation of investment companies by investors or investment managers
- IFRS does not specifically consider investment companies in considering the need to consolidate investments under IAS 27 leading to the inappropriate and meaningless consolidation of investments in underlying companies by investment companies (often on a temporary basis). This will be further complicated by the proposed ED 10 on which we have recently engaged with the ASB and written to the IASB
- IFRS requires earnings per share disclosures which are irrelevant and misleading against the more relevant NAV per share metric
- IFRS 7 requires disclosures which are overly prescriptive and don't reflect the nature of an investment company including potentially misleading information on sensitivity analysis for investors
- IFRS requires cash flow statements which in the majority of cases does not provide meaningful analysis of the company's liquidity or cash position which is typically the aim of a cash flow statement
- IFRS requires a statement of changes in equity which is meaningless for an investment company as such information is more appropriately presented as a statement of changes in net assets
- IAS 39 requires the use of bid/offer pricing which is inconsistent with the general principle of mid market used in valuing investments for NAV dealing and doesn't adequately reflect the position of potential investors in and out of the investment company
- IFRS 8 creates unnecessary additional disclosures particularly in umbrella fund companies

Many of these issues have been raised directly with IASB as part of submissions relating to individual amendments to standards but to little effect. These issues have been raised by other jurisdictions, for example, by the US Investment Company Institute (ICI) in their response to the SEC's 'Request for comments on allowing US Issuers to Prepare Financial Statements with IFRS'. The ICI raised strong concerns about the use of IFRS for investment companies (Appendix 2 includes the ICI response). EFAMA, the European industry group, has also raised similar concerns, and, it is our understanding, that in recent months the Canadian investment management industry has raised concerns at an IASB level (specifically on consolidation but also on many other aspects of IFRS for investment companies).

Approach for Investment Companies

The IFIA is committed to a global framework for financial reporting for investment funds/companies and propose the development of a separate framework for IFRS for

Investment Companies. We believe that this project can be similar in nature and scope to the IFRS for SME project and is a critical element of any programme to achieve global convergence of financial reporting standards; investment companies represent a significant portion of companies, have a significant role in the capital market structure and generally have regulatory/investor reporting requirements.

It is proposed that an IFRS for Investment Companies have the basic following features:

- Measurement principles consistent with full IFRS (though removing some of the options available for different measurement basis in full IFRS)
- Primary statement presentation that more clearly reflects the nature of investment funds with a focus on the key metrics of net asset value and net asset value per share
- Meaningful disclosure requirements that focus on the key risk and uncertainties within investment funds

In addition to providing appropriate, meaningful and relevant financial statements the development of such a framework would also provide a basis for the IASB to develop appropriate interactions between entities under full IFRS and investment companies particularly in the area of consolidation.

In respect of the overall convergence project and particularly convergence with US GAAP, we see the development of an IFRS for Investment Companies as the most viable route to full convergence, given that US GAAP explicitly recognises investment companies as a separate class of entities and has developed its guidance to cater for many of the issues identified above relating to IFRS.

Options for the ASB

We strongly encourage the ASB to support the investment funds industry in interacting with the IASB to achieve the goal of creating an IFRS for Investment Company standard. In this respect, we recommend that the ASB consider the following options under the policy proposal for the future of UK and Irish GAAP.

Option 1:

Investment funds/companies to be excluded from the current proposals and allow them to continue to use existing UK and Irish GAAP for a limited period while an IFRS for Investment Companies is developed. We understand that this is the position being adopted by the Investment Management Association (IMA) in the UK.

Option 2:

Investment funds/companies to be included in Tier 2, IFRS for SMEs to be supported by additional disclosure and presentation requirements. This additional disclosure and practical considerations to be included through guidance (potentially in the form of a SORP). This again would be an interim solution to the IASB adopting an IFRS for Investment Companies but could also provide a best practice position for other IFRS adopting countries to consider.

Option 3:

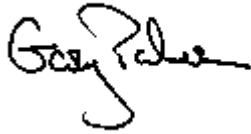
Remove investment funds/companies from the current proposals and develop an ASB standard for Investment Companies based on the measurement principles of IFRS. This again may be a precursor to an IASB standard.

While highlighting a number of options the objective of each is the same and that is to provide an opportunity to develop an appropriate framework for investment funds. To allow the development of such a framework we strongly recommend that the ASB does not go

down a route of requiring all or part of the investment fund community to adopt full IFRS. While we fully appreciate that many investment funds are at present using full IFRS (including many of our members) our experience is that the final product is less meaningful, more confusing for investors and creates a significant additional cost burden for companies.

We would very much welcome the opportunity to discuss the proposals which we believe will achieve our collective objective of preparing and providing suitable financial statements for the investors/shareholders in investment companies.

Yours sincerely,

A handwritten signature in black ink, appearing to read "Gary Palmer". The signature is fluid and cursive, with a long horizontal stroke extending to the right.

Gary Palmer
Chief Executive

Appendix 1

Question 1

Which definition of Public Accountability do you prefer: the Board's proposal (paragraph 2.3) or the current legal definitions (paragraph 2.5)? Please state the reasons for your preference. If you do not agree with either definition, please explain why not and what your proposed alternative would be?

Notwithstanding our comments in the main body of our letter which recommends that specific consideration be given to investment companies, we have the following observations on the general definitions. We prefer the Board's definition of publicly accountable however we believe further guidance needs to be given on the definition to ensure it is not inappropriately applied.

Listed entities:

The intention of the definition appears to be that listed entities would typically mean publicly listed entities trading their securities on an exchange. In this regard it would be important to draw a distinction between a listing for regulatory purposes and a listing for trading purposes. The shares of investment funds are traded on their Net Asset Value (NAV) and although admitted to trading on a recognised exchange (listed) are not typically actively traded on such exchanges. Many investment funds obtain a listing on a regulated market, such as the Irish Stock Exchange, for regulatory purposes only in order to improve their marketability. The admission to listing on the Irish Stock Exchange is not for trading purposes but purely to enhance a fund's attractiveness to potential investors, particularly those investors who are only permitted to invest in listed securities. By applying for a listing of their shares/units, funds significantly increase their potential investor base. Traditionally, the Irish Stock Exchange has been a very popular exchange on which to seek a listing and in the case of funds, which are approved and regulated by the Irish Financial Regulator, seeking admission to listing is a relatively straightforward exercise, also it is a condition of admission to listing on the Irish Stock Exchange for an investment fund that the fund be a passive investment vehicle. In practical terms it is rare that the shares of a mutual fund would be regarded as "publicly traded"³. It is believed that this is a fundamental and important distinction which differentiates listed and regulated investment funds from non-regulated closed-ended issuers whose shares are admitted to listing and actively traded on a regulated market.

Any definition of listed needs to be specific as not to scope in entities that don't trade on an exchange.

Publicly Accountable:

The definition of publicly accountable has three main items:

- holds assets in a fiduciary capacity

³ Exchange traded funds (ETF's) would be an exemption to the norm and are a specific investment fund product that would actively trade on an exchange.

- deposit taking entity
- broad group of outsiders

We would encourage the ASB to carefully consider and provide more guidance on the definition of each element above. While the IFRS for SME includes a mutual fund as an example of a publicly accountable entity, in practice, an investment company can have a wide variety of forms and on examination in many instances would not meet each or any of the sub definitions. For example:

- a fund has an investor/investee relationship with its unitholders which could be characterised as not meeting the definition of holding assets in a fiduciary capacity but one of deploying the resources of the company to provide a return. This would be the case with most funds. On the other hand, money market funds and other liquid daily dealing funds are often seen as being an alternative form of deposit making.
- many funds, especially non UCITS funds, may actually have a very limited investor base and only be available for investment into by qualifying investors and therefore may not meet the definition of a broad group of outsiders.

To the extent that our proposals with regard to a specific framework for IFRS for Investment Companies contained in the main letter, are not found to have merit, it would be important that any definition of publicly accountable needs to be clearly defined with adequate implementation guidance.

Question 2

Do you agree that all entities that are publicly accountable should be included in Tier 1? If not, why not?

See the main body of our letter. We do not believe it appropriate for investment funds to be Tier 1 and subject to full IFRS.

Question 3

Do you agree with the Board's proposal that wholly-owned subsidiaries that are publicly accountable should apply EU adopted IFRS? If not, why not?

Many groups may hold an investment funds within its structure. Again, we refer you to the main body of our letter and our position that investment funds should not be considered Tier 1.

Question 4

Do you still consider that wholly-owned subsidiaries that are publicly accountable should be allowed reduced disclosures? If so, it would be helpful if you could highlight such disclosure reductions as well as explaining the rational for these reductions.

See responses above

Question 5

Do you agree that the *IFRS for SMEs* should be used by 'Tier 2' entities?

Please note our recommendation for the use of IFRS for SMEs as a possible interim measure for investment funds.

Question 6

Do you agree with the Board's proposal that the *IFRS for SMEs* should be adopted wholesale and not amended? If not, why not? It would be helpful if you could provide specific examples of any amendments that should be made, as well as the reason for recommending these amendments.

Please see our main letter comments on IFRS for Investment Companies.

Question 7

Do you agree with the Board's proposal that large Non-Publicly Accountable Entities should be permitted to adopt the *IFRS for SMEs*? Or do you agree that large entities should be required to use EU adopted *IFRS*? Please give reasons for your view.

No Comment. Our consideration of these proposals is focused on the impact/potential impact on investment funds.

Question 8

Do you agree with the Board that the *FRSSE* should remain in force for the foreseeable future?

Please refer to response to question 7.

Question 9

Do you agree that the *FRSSE* could be replaced by the *IFRS for SMEs* after an appropriate transition period, following the issuance of the *IFRS for SMEs*?

Please refer to response to question 7.

Question 10

Do you agree with the Board's current view on the future role of *SORPs*? If not, why not?

Please refer to the main body of our letter. We believe there should be a specific IFRS for Investment Companies. However, we recognise that for the ASB an interim step may be needed. One option is to carve out Investment Companies and allow them to continue under existing UK GAAP which, for many investment companies would include the SORP. Alternatively, Investment Companies could be required to use the IFRS for SMEs with additional guidance which might be in the form of a SORP.

Question 11

Do you agree with the Board's proposal to develop a public benefit entity standard as part of its plan for the future of UK GAAP? If not, how should (converged) UK GAAP address public benefit entity issues?

Please refer to response to question 7.

Question 12

If you do agree with the proposal to develop a public benefit entity standard, should the standard cover all the requirements for preparing true and fair view accounts or should it cover only those issues where *IFRS* or the *IFRS for SMEs* needs to be supplemented for the public benefit entity sector?

Please refer to response to question 7.

Question 13

Do you agree the issues listed in the above table are distinctive for the public benefit entity sector and should therefore be covered in a public benefit entity standard? What other issues might the proposed standard include?

Please refer to response to question 7.

Question 14

The Board accepts there may be a continuing need for guidance to supplement a public benefit entity standard in sectors such as charities, housing and education. Where this is the case, do you think the Board should provide a Statement confirming the guidance is consistent with UK GAAP, including the public benefit entity standard?

Please refer to response to question 7.

Question 15

If you are an entity whose basis of preparing financial statements will change under these proposals, what are the likely effects of applying those new requirements? Please indicate both benefits and costs and other effects as appropriate. If you are a user of financial statements (such as an investor or creditor) what positive and negative effects do you anticipate from the implementation of the proposals set out in this paper?

Please refer to response to question 7.

Question 16

What are your views on the proposed adoption dates?

We believe that proposed adoption dates would require careful consideration which would include the following aspects:

- Current UK and Irish GAAP is an unstable platform so action needs to be taken quickly. Therefore any proposal by the ASB should be decided on quickly and allow for early adoption to allow companies to get to a stable platform quickly

-The current timetable conflicts with some major changes in full IFRS, for example, IFRS 9. To the extent that companies are required to implement full IFRS aligning any mandatory date of implementation with the proposed implementation dates of these significant standard changes is imperative. Under the current timeline, entities may have to implement full IFRS and then subsequently implement a significant change in standards (particularly given the EU endorsement process which could prevent early adoption of new standards)

- The timeline needs to consider the options we have set out in our main letter