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January 13, 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, *Fair Value Measurement (Topic 820) — Disclosures for Investments in Certain Entities That Calculate Net Asset Value per Share (or Its Equivalent) (***File Reference No. EITF-14B) ("the ED")**

Dear Ms. Cosper:

We are pleased to provide comments on the proposal related to the disclosures for investments in certain entities that calculate net asset value per share (or its equivalent).

We agree with the ED's objective to address the diversity in practice regarding how investments measured at net asset value (the "practical expedient") with redemption dates in the future are categorized in the fair value hierarchy. We believe that removing investments for which the practical expedient is used from the fair value hierarchy would be an improvement. That way, the categories in the hierarchy will be based entirely on the observability of the input(s) used in the fair value measurement. We note that concept is distinct from the length of time until an investment becomes redeemable, if ever.

We also agree with the proposed retrospective method of adoption because it improves comparability. Since the proposal does not require new information, we believe that both public and private companies would be able to apply the proposed amendments immediately and furthermore, no additional time is needed for private companies to adopt.

We generally support the Task Force's proposal to limit the disclosures required in paragraph 820-10-50-6A to only investments that are measured using the practical expedient. However, we believe the current disclosures should be maintained for fund of fund structures under Topic 946, as discussed in our response to Question 2 in the Appendix.

We also recommend that the Task Force address one unintended consequence of the ED for certain investment companies' that are not required to present a statement of cash flows. An exception to that effect is provided in Topic 230, which refers to the fair value hierarchy. The final amendments should ensure that exception is preserved, as explained in more detail in the Appendix.

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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,

BDO USA, LLP

BDO USA, LLP

Appendix

Question 2:

Should the scope of the disclosures required in paragraph 820-10-50-6A be limited to only investments measured at net asset value (or its equivalent) using the practical expedient rather than all investments that are eligible to be measured at net asset value (or its equivalent) using the practical expedient? If not, why not?

We support the ED's proposal to limit the disclosures required in paragraph 820-10-50-6A to only investments that are measured using the practical expedient, with one exception. We believe that the information required under ASC 820-10-50-6A for an interest in an investment company held by a reporting entity that is also an investment company provides investors with useful information about the underlying funds' investment strategy, liquidity and associated limits on redemption that may exist. Therefore, we believe investment companies under Topic 946 that invest in underlying funds (e.g., fund of funds investment companies) should provide the disclosures required by ASC 820-10-50-6A, regardless of whether the practical expedient is used.

We are aware that funds-of-funds are subject to disclosures for their schedule of investments that are similar to 820-10-50-6A. Specifically, ASC 946-210-50-6g requires disclosures of an underlying fund's investment objective and restrictions on redemption. However, such disclosures are limited to only significant investments, i.e. an investment in an underlying fund whose fair value is more than five percent of the reporting fund's net assets. For a fund of funds, there may be instances where there is no individually significant investment in an underlying fund. Under the ED, if the disclosures in ASC 820-10-50-6A are not provided because such fund of funds did not use the practical expedient, investors in such a fund of funds would lack access to meaningful disclosures about the nature and risks of the underlying funds. Therefore, we recommend retaining the current disclosure requirements for those situations.

Other Issue for Consideration

We recommend that the Task Force address one unintended consequence of the ED. This particular aspect of proposal affects the scope exception for the presentation of a statement of cash flows by investment companies. An investment company generally is exempt from providing a statement of cash flows if, provided other requirements are met, "[d]uring the period, substantially all of the entity's investments were carried at fair value <u>and</u> classified as Level 1 or Level 2 measurements in accordance with Topic 820"[1] (emphasis added). Therefore, under the proposal to remove the requirement to categorize investments for which the practical expedient is used from the fair value hierarchy, investment companies that invest substantially in underlying funds for which the practical expedient is used will no longer have a basis to be exempt from providing a statement of cash flows.

Consequently, conforming changes will be needed to amend Topic 230 to preserve this exception. One approach would be to revise the language to read "…were <u>(i)</u> carried at fair value and classified as Level 1 or Level 2 measurements in accordance with Topic 820 <u>or (ii) measured using the practical expedient in paragraph 820-10-35-59.</u>" However, we acknowledge the Task Force may wish to deliberate whether investment companies holding substantial investments carried at net asset value for which there are long-term restrictions on redemption, or which may have no redemption provisions, should be exempt from providing a statement of cash flows.

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[1] ASC 230-10-15-4.c.2.