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July 7, 2009

**Submitted via e-mail**

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

**Re:** Proposed FSP FAS 157-g

Dear Mr. Golden:

We appreciate the opportunity to comment on the proposed FASB Staff Position FAS 157-g “Estimating the Fair Value of Investments in Investment Companies That Have Calculated Net Asset Value per Share in Accordance with the AICPA Audit and Accounting Guide, *Investment Companies*,” which amends FASB Statement No. 157, Fair Value Measurements.

The American Bankers Association brings together banks of all sizes and charters into one association. ABA works to enhance the competitiveness of the nation’s banking industry and strengthen America’s economy and communities. Its members – the majority of which are banks with less than \$125 million in assets – represent over 95 percent of the industry’s \$13.6 trillion in assets and employ over 2 million men and women. As a result, we represent many preparers of financial statements of trusts, including collective investment trust funds.

We support this project to provide practical application guidance for the many funds that operate in accordance with the AICPA Audit and Accounting Guide (Guide) and believe that the net asset value (NAV) of an investment company is generally the most relevant measurement of fair value, as fair value is, indeed, the price to be received when fund shares are sold and redeemed in an orderly transaction. We have the following recommendation:

### **Scope of the FSP and Related Disclosures**

We believe the scope of the FSP should describe in better detail the kinds of investment companies that are considered “alternative investments” to avoid confusion between FASB and AICPA guidance. The FSP does not include collective investment funds (CIFs) among the list of alternative investments included on page 2. We believe this omission to be correct and that CIFs that calculate the NAV per share in accordance with the Guide should be treated the same as any

other investment fund which calculates the NAV in the same manner. We believe CIFs are outside the scope of this FSP.

In the AICPA's Alternative Investment Task Force draft Issues Paper regarding FAS 157,<sup>1</sup> CIFs are erroneously, to our viewpoint, considered alternative investments. As the attached Appendix demonstrates, CIFs, which are referred to as nonregistered investment companies within the Guide, are highly regulated and calculate and publish NAVs.

Because both open-ended registered investment companies and nonregistered investment companies (CIFs) are highly regulated and available for purchase or immediate redemption at the time the NAV is next calculated, we recommend clarification that these entities are exempt from the scope of the FSP. The proposed FSP disclosures are appropriate for alternative investments such as hedge funds, but not for regulated funds, including CIFs.

Thank you for your attention to this matter and for considering our views. Please feel free to contact Mike Gullette, ABA's VP of Accounting and Financial Management ([mgullette@aba.com](mailto:mgullette@aba.com); 202-663-4986) or me at 202-663-5479 if you would like to discuss our views.

Sincerely,

A handwritten signature in black ink that reads "Lisa J. Bleier". The signature is written in a cursive style with a large initial "L" and "B".

Lisa J. Bleier

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<sup>1</sup> "FASB Statement No. 157 Valuation Considerations for Interests in Alternative Investments," issued by the AICPA Accounting Standards Executive Committee and the Alternative Investments Task Force, January 2009.

## **Appendix**

### **Bank Collective Investment Funds**

Collective investment funds (CIFs) are bank-maintained trusts that combine and collectively invest the assets of multiple qualified tax-exempt retirement plans. CIFs are highly regulated under several regulatory and statutory regimes, including federal or state banking laws and regulations, and the Employee Retirement Income Security Act of 1974 (ERISA). CIFs must also comply with federal tax laws that limit the eligible investors to U.S. tax-qualified retirement plans and U.S. governmental retirement plans. In addition, CIFs must meet specific bank management standards and investor eligibility restrictions to qualify for securities law exemptions.

In the CIF, the bank acts as both trustee/fiduciary and manager, holding legal title to the assets within the trust. The participating retirement plans are the beneficial owners of units of the CIF, holding an undivided interest in the total assets of the CIF. Fiduciary standards are established by federal and state banking law and ERISA.

### **Regulation of Bank Collective Investment Funds**

Banks CIFs are subject to examination and oversight by federal and state banking regulators. Depending on the bank's charter, the regulator could be one or more of the following: the Office of the Comptroller of the Currency; the Federal Reserve Board; the Office of Thrift Supervision; the Federal Deposit Insurance Corporation; or a state banking regulator.

Bank regulators conduct periodic on-site examinations, during which they extensively review and test bank policies, procedures, systems, and risk management, as well as an institution's compliance with the applicable banking and other regulations and laws governing its trust activities, including the management of its CIFs.

### **Utilization of NAV**

Participants in collective funds transact at the NAV, that is, purchase and redeem their units at the current value of the collective fund. This price is currently published through the National Securities Clearing Corporation (NSCC). The NSCC is the system used to report pricing by the vast majority of US registered investment companies (i.e. mutual funds that do not trade on exchanges). For the rest, the NSCC provides the mechanism for dissemination of prices (NAVs) and thus provides the published price in an active market accessible at the measurement date.

If the fund uses the NSCC, the plan sponsors and record keepers execute the daily trades to purchase or redeem units of collective funds through the NSCC, then information on the current NAV of a fund is generally available on the NSCC, or directly from the fund manager. This is done in accordance with the AICPA Audit and Accounting Guide, Investment Companies.