



International Accounting Standards Board
30 Cannon Street
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United Kingdom

Financial Accounting Standards
401 Merritt 7
Norwalk, Connecticut 06856
United States of America

4th January 2012

**Re: Exposure Drafts – Investment Entities (IFRS) /
Topic 946 Financial Services – Investment Companies (FASB)**

Dear IASB/FASB Board Members,

The Corporate Reporting Users' Forum (CRUF) welcomes the opportunity to comment on the Exposure Draft (ED) on Investment Entities (Companies). Although this area is not one that many users spend much time on, we believe the proposed changes would represent a valuable improvement, particularly to IFRS.

In general, we are supportive of the proposals in the Exposure Drafts. We have not provided detailed answers to each question but we would like to highlight the following areas where we are in agreement with the proposals.

We support:

- The clarification of the definition and qualifications of an investment entity (company), whereby its sole nature of activities is to invest in one or multiple entities with the objective of achieving capital appreciation and/or investment income. We understand why the FASB includes a legal aspect to the definition and the IASB does not - we do not believe this will cause significant problems for users.
- The use of fair value to measure the value of the investments of the investees by an investment entity particularly with the gains (losses) running through the profit and loss statement as representative of the entity's form of operations.

- Improved disclosure. It is not always possible to extract useful information from the notes about the entity's investment assets, related liabilities and risk exposures. Without clear, consistent and detailed disclosures, the standard could create further lack of transparency for users. The new disclosure requirements in our view is supportive of our view towards a goal of useful and not necessarily more information
- Clarification of when to use full consolidation versus other forms of consolidation.
- Achieving a converged result in this area. We applaud the extent to which these proposals improve convergence between US GAAP and IFRS in this area.

We do not agree with the IASB's proposal to prohibit a non-investment company parent from retaining the specialized investment company consolidation accounting treatment. We would prefer to see Investment Company accounting preserved in such situations in line with the FASB's proposed approach. We believe the approach proposed by the IASB would prevent a number of companies from displaying information in a decision-useful manner and so dilute the benefits to be gained from this proposed change to IFRS. We also believe that to have divergence on this particular point would fail to address an area where users currently face difficulties making comparisons between entities applying US GAAP and those applying IFRS.

Whilst the broader CRUF believes that the most useful accounting would be for an investment company to survive consolidation, there are some concerns that this standard might allow companies to structure themselves in a way that will permit them to avoid the consolidation of entities that are, in substance, operating as subsidiaries. Most felt that the benefit of investment company accounting was sufficiently great that the FASB method was preferable and that any concerns should be resolved by more robust principles (and disclosure). Nevertheless, CRUF Canada was very concerned about "special purpose" investment companies being created by banks, and felt that the disadvantage of potentially requiring a few true investment companies to consolidate would be outweighed by the benefit of prohibiting non-investment company parents from using investment entities accounting (thus provide an added level of safety against inappropriate use of this standard).

About the Corporate Reporting Users' Forum (CRUF)

The CRUF came together in 2005 as a discussion forum to help its participants in their approach to the debate on current and future corporate reporting requirements. In particular, participants are keen to have a fuller input into the deliberations of accounting standard setters such as the IASB and FASB.

CRUF participants come from all around the world, including individuals from both buy- and sell-side institutions, and from both equity and fixed income markets.

The CRUF is a discussion forum. Different individuals take leadership in discussions on different topics and in the initial drafting of representations. It does not seek to achieve consensus views, though at times some or all of its participants will agree to make joint representations to standard setters or to the media. It would not be correct to assume that those individuals who do not participate in a given initiative disagree with that initiative.

We sign this letter in our individual capacity as participants of the Corporate Reporting Users' Forum (www.CRUF.com) and not as representatives of our respective organizations. The views expressed are those of individual CRUF participants and do not necessarily reflect the views of the respective organizations where we are employed.

The participants in the Forum that have specifically endorsed this response are listed below.

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