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July 17, 2026

Via email to director@fasb.org

Mr. Jackson M. Day, Technical Director
Financial Accounting Standards Board
801 Main Avenue
P.O. Box 5116
Norwalk, CT 06856-5116

Re: Fair Value Measurement (Topic 820): Investment Companies with Equity Securities Subject to Contractual Sale Restrictions (File Reference No. 2026-ED300)

Dear Mr. Day,

We appreciate the opportunity to comment on the proposed Accounting Standards Update, *Fair Value Measurement (Topic 820): Investment Companies with Equity Securities Subject to Contractual Sale Restrictions*. The accounting for contractual sale restrictions has been a challenging and debated issue for many years, as indicated by the close Board vote and dissenting views accompanying ASU 2022-03, *Fair Value Measurement of Equity Securities Subject to Contractual Sale Restrictions*. The continued diversity of stakeholder views demonstrates that reasonable arguments exist both for and against including contractual sale restrictions in fair value measurements.

Overall, we support the Board's efforts to revisit this issue and believe the proposed amendments represent a reasonable and pragmatic response to concerns raised by investment company stakeholders regarding the effect of contractual sale restrictions on net asset value (NAV), investor transactions, management fees, and performance reporting outcomes.

While we are generally supportive of the proposed amendments, we offer several observations and recommendations that we believe could further improve the operability and usefulness of the guidance, including whether the proposed scope should apply uniformly to all investment companies. Our suggestions are detailed in our responses to the Questions for Respondents in the attached Appendix.

We would be pleased to discuss our comments with the FASB staff. Please direct any questions to Adam Brown (214) 665-0673 or Dale Thompson at (212) 885-7318.

Very truly yours,

BDO USA, P.C.

BDO USA, P.C.

Appendix

Question 1: Do you agree that the amendments in this proposed Update should apply to investment companies as defined under Topic 946? Please explain why or why not.

Considering the continued mixed views discussed in our cover letter, we generally agree that the Board's focus on investment companies is appropriate. The Basis for Conclusions appropriately identifies concerns unique to investment companies, including the significance of NAV in investor transactions, performance reporting, and management fee calculations. These considerations distinguish investment companies from many other entities that hold equity investments.

However, we encourage the Board to consider whether all investment companies within the scope of ASC 946 are affected equally by the concerns that motivated the proposed amendments. In particular, many of the concerns discussed by stakeholders relate to open-ended funds, where investors routinely purchase and redeem shares based on NAV. In contrast, closed-end funds ("CEFs") generally do not:

- experience the same ongoing purchase and redemption activity because investors in CEFs that trade on exchanges buy and sell fund interests in the public markets rather than transact directly with the fund at NAV, or
- continuously raise capital and redeem investor interests upon request. Rather, the capital in private CEFs (such as private equity and venture capital funds) is often locked up for periods of up to 10 to 12 years. And for unlisted registered interval CEFs, investors are offered limited liquidity — usually quarterly — of up to 5% typically of the outstanding shares at NAV.

Additionally, management fees for private CEFs are *generally* not calculated based on the fair value of assets. For example, management fees for these funds are generally based on committed (and invested) capital. Performance-based fees (i.e. carried interest) are often based on the timing of certain specific cash flows, including purchases and sales of investments, as well as dividends and/or interest income.

Accordingly, in the near term, the Board may wish to further evaluate whether a more targeted scope focused on investment companies for which NAV directly affects investor transactions (and/or fees) would better align with the stated objectives of the project. This could be facilitated through amendments to ASC 946 rather than ASC 820 itself.

We also note that companies outside the scope of ASC 946 often hold equity securities that are remeasured at fair value through earnings each period. In a separate project, the Board might consider whether restrictions should impact the valuation in those circumstances too, rather than creating a permanent industry-specific difference.

Notwithstanding these observations, we support the Board's decision to address the issue through a targeted amendment for investment companies rather than undertaking a broader reconsideration of Topic 820 at this time.

Question 2: Do you agree that an investment company should consider a contractual restriction prohibiting the sale of an equity security when measuring the fair value of that equity security? Should this guidance be optional? Please explain why or why not.

We acknowledge that reasonable views exist on whether a contractual sale restriction should be reflected in the fair value measurement of an equity security. As demonstrated by the Board's prior deliberations and stakeholder feedback, the question involves balancing conceptual consistency within ASC 820 against the desire to reflect the economic effects of contractual sale restrictions. Therefore, on balance, we support the proposed amendments requiring investment companies to consider contractual sale restrictions when measuring the fair value of affected equity securities.

We understand the Board's rationale that, for certain investment companies, incorporating contractual sale restrictions may result in information that is more relevant to investors and better reflects the economics associated with those restrictions, particularly when NAV directly affects investor transactions. At the same time, while entities and valuation specialists have historically been able to address contractual sale restrictions in fair value measurements, we note that the proposed amendments will (re)introduce additional valuation costs, subjectivity, and potential comparability challenges because different entities may reasonably arrive at different discounts for similar restrictions. As discussed in our response to Question 1, the stakeholder issues that led to the issuance of this proposed ASU may not apply to all investment companies. Therefore, we believe the Board could also reasonably consider an optional approach, similar to the NAV practical expedient in ASC 820-10-35-59.

Question 3: Are there other types of assets subject to contractual sale restrictions that should be considered either in this project or in a separate project? In your experience, to what extent are contractual sale restrictions on these other types of assets pervasive and considered by market participants? Please explain your reasoning.

We believe the underlying questions raised by contractual sale restrictions are not limited to equity securities. For example, certain crypto assets and other emerging asset classes may be subject to restrictions that limit transferability, liquidity, or the holder's ability to realize value during a specified period. In some circumstances, market participants may consider those restrictions when determining value in a manner similar to the considerations discussed in this proposed Update. We note adjusting the measurement of equity securities held by investment companies creates a difference within the general fair value framework for all investments in ASC 946, an outcome which likely merits further consideration after the issuance of this ASU. However, we support the Board's decision to limit the scope of this project to equity securities. Expanding the scope at this stage could delay resolution of the specific issues identified by stakeholders and may require additional research regarding the nature of restrictions affecting other asset classes.

Accordingly, we recommend that the Board monitor developments in other areas and consider a separate project to evaluate whether similar principles should apply to additional asset types.

Question 4: The proposed amendments would require that an investment company disclose the amount of the discount attributable to contractual sale restrictions on equity securities.

> ***a. Investors: Would the proposed disclosure provide investors with decision-useful information and help investors understand the effects of a contractual restriction on the sale of an equity security held by an investment company? If the amount of the discount disclosed was attributable to all contractual sale restrictions on equity securities in the aggregate, would that provide for decision-useful information? Please explain why or why not.***
>
> ***b. Preparers: What costs would be incurred to disclose the amount of the discount attributable to contractual sale restrictions on equity securities?***

While this question is primarily directed at investors and preparers, we agree that disclosure of the effect of contractual sale restrictions would provide investors with decision-useful information.

However, we believe the usefulness of the proposed disclosure could be enhanced if the Board required disclosure of the percentage discount attributable to contractual sale restrictions, either instead of, or in addition to, the dollar amount of the discount on a disaggregated basis.

While the absolute dollar amount provides insight into the impact of contractual sale restrictions on a particular entity, a percentage-based disclosure would improve comparability across entities, investment portfolios, and reporting periods. Percentage information, on a disaggregated basis would allow investors to better understand the relative significance of the restriction and facilitate comparisons between different funds regardless of investment size.

Accordingly, we recommend that the Board consider requiring disclosure of either only the percentage, or both the amount and percentage, of the discount attributable to contractual sale restrictions.

Question 5: Do you agree with the transition guidance in this proposed Update? Please explain why or why not. Should an investment company instead be permitted to apply the proposed amendments only to equity securities with contractual sale restrictions that are executed or modified on or after the date of adoption, rather than to all equity securities with contractual sale restrictions in effect at the date of adoption? If so, please describe the nature of the transactions or circumstances that would necessitate that transition alternative and how frequently those circumstances arise in practice.

We support the proposed transition guidance. Applying the amendments prospectively to all equity securities beginning on the date of adoption provides a practical and operationally efficient approach. In particular, applying the amendments to all existing contractual sale restrictions at the adoption date promotes consistency and comparability within an entity's portfolio and avoids the complexity of maintaining different accounting approaches for investments depending on when a restriction was executed or modified. Further it promotes consistency in the outcomes for NAV determination, management fees calculations, and performance reporting.

We also agree that recognizing the cumulative effect through current-period earnings is simpler and more understandable than alternative approaches that could require retrospective recalculation of NAV and related amounts.

Accordingly, we believe the proposed transition requirements appropriately balance cost, operability, and comparability considerations.

Question 6: How much time would be needed to implement the proposed amendments? Should the effective date for entities other than public business entities differ from the effective date for public business entities? If so, how much additional time would you recommend for entities other than public business entities? Please explain your reasoning.

We do not anticipate significant implementation challenges for many investment companies because valuation processes already exist for measuring investments that require significant judgment and estimates.

However, investment companies may need time to update valuation policies, control processes, governance procedures, disclosures, and auditor documentation. Accordingly, we believe providing at least one annual reporting cycle between issuance of a final standard and its effective date would be appropriate.

We do not have a strong view that different effective dates are necessary for public business entities and other entities. However, if the Board receives feedback indicating that smaller investment companies would incur disproportionate implementation costs, providing additional time for nonpublic entities may be appropriate.

Question 7: Do you agree with the early adoption guidance in this proposed Update? Please explain why or why not.

We support permitting early adoption. Because the proposed amendments are intended to improve the usefulness of fair value measurements and NAV reporting, entities that are prepared to implement the guidance should be permitted to do so without waiting for the mandatory effective date.

In addition, allowing early adoption provides flexibility while avoiding unnecessary complexity because the proposed transition guidance requires prospective application beginning on the adoption date.

Accordingly, we believe the proposed early adoption provisions are appropriate.