



SAS Quadra 05. Bloco J. CFC  
Brasília, Distrito Federal – Brazil  
[www.cpc.org.br](http://www.cpc.org.br)

International Accounting Standards Board  
30 Cannon Street  
London EC4M 6XH  
United Kingdom

**RE: Exposure Draft ED/2011/4 – Investment Entities**

Dear Board Members

The Comitê de Pronunciamentos Contábeis - CPC (Brazilian Accounting Pronouncements Committee)<sup>1</sup> welcomes the opportunity to respond the questionnaire about Investment entities.

We are a standard-setting body engaged in the study, development and issuance of accounting standards, interpretations and guidances for Brazilian companies.

If you have any questions about our comments, please contact Mr. Idésio da Silva Coelho Júnior ([operacoes@cpc.org.br](mailto:operacoes@cpc.org.br)), vice coordinator of international affairs and coordinator of a working group constituted to study any proposal issued by the IASB.

Yours sincerely,

**Edison Arisa Pereira**  
Technical Coordinator  
Comitê de Pronunciamentos Contábeis (CPC)

---

<sup>1</sup> The Brazilian Accounting Pronouncements Committee (CPC) is a standard-setting body engaged in the study, development and issuance of accounting standards, interpretations and guidances for Brazilian companies. Our members are nominated by the following entities: ABRASCA (Brazilian Listed Companies Association), APIMEC (National Association of Capital Market Investment Professionals and Analysts), BMFBOVESPA (Brazilian Stock Exchange and Mercantile & Future Exchange), CFC (Federal Accounting Council), FIPECAFI (Financial and Accounting Research Institute Foundation) and IBRACON (Brazilian Institute of Independent Auditors).



SAS Quadra 05. Bloco J. CFC  
Brasília, Distrito Federal – Brazil  
[www.cpc.org.br](http://www.cpc.org.br)

## QUESTIONNAIRE ABOUT INVESTMENT ENTITIES

**Question 1:** In your jurisdiction, are many entities expected to qualify as investment entities under the exposure draft's proposed criteria? What types of entities would qualify (e.g. mutual fund, private equity, venture capital, etc.)?

**Answer:**

In Brazil, there are many entities that are expected to qualify as investment entities under the exposure draft's proposed criteria, mainly investment funds (equity funds, real estate funds, private equity funds and venture capital funds). However, this is not the case with some types of investment funds wouldn't qualify as investment entities, such as

- (a) Single investor funds: exclusive investment funds, that are addressed to qualified investors and are formed to receive applications from a single quotaholder;
- (b) Single-investment funds: investment funds with just one investee in their portfolio;
- (c) Investment funds in which the investments don't are managed or and their performance is evaluated, on a fair value basis, such as in most of private equity funds; and
- (d) Private equity (or venture capital) entities that are structured by other legal forms which is not an investment fund, as a limited liability company or a joint stock company.

This is because the criteria of pooling of funds and multiple investments wouldn't be met.

**Question 2:** Are there any entities in your jurisdiction that you think would inappropriately qualify as investment entities under the exposure draft's proposed criteria? If so, what types of entities would inappropriately qualify and why do you think that it would be inappropriate for them to qualify as investment entities?

**Answer:**

In Brazil, there aren't any entities that inappropriately would qualify as investment entities under the exposure draft's proposed criteria.



SAS Quadra 05. Bloco J. CFC  
Brasília, Distrito Federal – Brazil  
[www.cpc.org.br](http://www.cpc.org.br)

**Question 3:** Conversely, are there any entities that would not qualify as investment entities under the exposure draft's proposed criteria, and for which you think that conclusion would be inappropriate? If so, what types of entities would inappropriately fail to qualify and why do you think that it would be appropriate for them to qualify as investment entities?

**Answer:**

In Brazil, there are many entities would inappropriately fail to qualify as a investment entity and we think that it would be appropriate for them to qualify as investment entities. This is the case of with some types of entities, such as

- (a) Single investor funds: exclusive investment funds, that are addressed to qualified investors and are formed to receive applications from a single quotaholder;
- (b) Single-investment funds: investment funds with just one investee in their portfolio;
- (c) Investment funds in which the investments don't are managed or and their performance is evaluated, on a fair value basis, such as in most of private equity funds; and
- (d) Private equity (or venture capital) entities that are structured by other legal forms which is not an investment fund, as a limited liability company or a joint stock company.

This is because the criteria of pooling of funds and multiple investments wouldn't be met.

We understand that those entities should be qualified as an investment entity if they meet the following criteria:

- (a) the entity's fund manager (or its general partner) is an independent professional (unrelated to its investors) and has a discretionary management mandate and ;
- (b) the entity's investment portfolio is not composed by investees related to its investors;



SAS Quadra 05. Bloco J. CFC  
Brasília, Distrito Federal – Brazil  
[www.cpc.org.br](http://www.cpc.org.br)

**Question 4:** How likely is it for investment entities in your jurisdiction to hold controlling interests in their investments? Are there certain types of entities that are more likely to hold controlling interests?

**Answer:**

Some investment funds in Brazil usually hold controlling interests in their investments. In general, the power to govern the financial and operating policies of an investee aims to increase the likelihood of success and the return on investment, as well as to protect the rights of investors.

**Question 5:** In your jurisdiction, would it be likely for a non-investment entity parent to have an investment entity subsidiary? Are there industries or types of entities in which this scenario is more likely?

**Answer:**

In Brazil, it wouldn't be likely for a non-investment entity parent to have an investment entity subsidiary. However this is possible in the case of a single investor funds when the investor is a report entity.

**Question 6:** Do many entities in your jurisdiction currently elect the fair value option in IAS 28? If so, would they qualify as investment entities under the exposure draft's proposals? What types of entities would currently elect the fair value option in IAS 28 but fail to qualify as an investment entities?

**Answer:**

We have no available information about how many entities in Brazil currently elect fair value option in IAS 28 in consolidated financial statements, but we can say that not all entities that today can make this option would qualify as investment entities under the exposure draft's proposed criteria.

On the other hand, in Brazil, it is required by law that all investments in associates, joint ventures and subsidiary shall be accounted for using the equity method in its separate financial statements.