RSM US LLP

30 South Wacker Drive
Suite 3300

Chicago, IL 60606

www.rsmus.com

July 17, 2026

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

File Reference No. 2026-ED300

Dear Mr. Day:

RSM US LLP is pleased to provide feedback on the Financial Accounting Standards Board's (FASB or Board) proposed Accounting Standards Update (ASU), *Fair Value Measurement (Topic 820): Investment Companies with Equity Securities Subject to Contractual Sale Restrictions* (proposed Update or proposal). RSM is the leading provider of assurance, tax and consulting services focused on the middle market, with nearly 18,000 professionals in 77 U.S. cities, six locations in Canada, one in El Salvador and four in India.

We appreciate the FASB's efforts to enhance the decision usefulness of investment company financial reporting by reconsidering the accounting for equity securities subject to contractual sale restrictions. As discussed in our 2021 comment letter[i] on the proposal that led to ASU 2022-03, we believe those restrictions can have economic substance that market participants would consider in pricing an equity security. Recognizing that economic effect can provide relevant, decision-useful information, particularly for entities that report substantially all investments at fair value and transact with investors based on net asset value (NAV).

Overall, we support the Board's decision to reconsider the accounting for contractual sale restrictions by requiring investment companies to reflect those restrictions when measuring the fair value of affected equity securities. However, we recommend that the Board consider expanding the proposed Update beyond investment companies within the scope of Topic 946. Limiting the amendments to Topic 946 entities could result in otherwise identical equity securities held by substantially similar entities being measured differently solely because one entity qualifies as an investment company and the other does not. We believe such inconsistent outcomes would be unwarranted.

Conceptually, we continue to believe the Board should evaluate whether a broader principle should apply to assets subject to contractual sale restrictions rather than limiting the analysis only to equity securities held by investment companies. Contractual sale restrictions may arise in a variety of contexts, and similar questions may exist regarding whether and how those restrictions should be reflected in fair value measurements. While we believe the concepts underlying the proposal could have broader application, we do not believe that the existence of broader questions should prevent the Board from addressing the identified stakeholder concerns through this project. Accordingly, we support the Board's efforts to address the issue for investment companies. We also believe the Board should consider whether future standard-setting or research is warranted for other entities, assets or restrictions. More broadly, while we support the Board's targeted approach in this project, we do not view the underlying conceptual questions as unique to investment companies or equity securities and encourage the Board to explore, in a future project, whether a more principles-based framework for contractual sale restrictions may ultimately be appropriate.

Lastly, we encourage the Board to further evaluate the proposed transition approach, including potential investor protection implications associated with the immediate recognition of contractual sale restriction discounts in the fair value measurement of existing equity holdings.

Our responses to the questions posed in the proposed Update, other than those specifically directed solely at investors or preparers, are included in the remainder of this letter.

Responses to Questions for Respondents

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.

We believe the proposed Update should apply to all entities—especially those that report substantially all investments at fair value, transact with investors on the basis of NAV per share and charge asset-based fees—regardless of whether the entity meets the definition of an investment company under Topic 946. For those entities, an overstatement of the fair value of restricted equity securities may directly affect investor transactions, reported performance and fee calculations.

However, we recognize that the cost of complying with an accounting framework that requires estimating the fair value of a contractual selling restriction may outweigh the benefits for those entities that report their assets and liabilities based on a mixed attribute model (i.e., some assets and liabilities are carried at cost, while others are carried at fair value). As a result, and as a practical expedient, we would not oppose allowing those entities to continue to exclude the effects of a contractual selling restriction when measuring the fair value of the related security. However, we would support a separate project to evaluate whether the amendments in this proposed Update should apply to all entities subject to contractual sales restrictions.

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 agree that an investment company should consider a contractual restriction prohibiting the sale of a security when measuring the fair value of that security, which is consistent with the view expressed in our 2021 comment letter.

The distinction of whether a legal or contractual restriction on a sale of a security is asset-specific or entity-specific is arbitrary from an economic point of view. A fair value measurement of an asset subject to a sale restriction that differs based on whether the restriction would transfer with a sale of the asset is not particularly meaningful because the sale of such an asset is only hypothetical regardless of whether the selling restriction is determined to be a characteristic of the asset or the holding entity. Moreover, the “economic fair value” impact of an entity-specific contractual lock up is consistent with that of a selling restriction considered to be a characteristic of the asset. Valuation specialists agree that an entity contractually prohibited from selling an equity security is exposed to the liquidity and volatility risk of that investment in a manner that differs from holding an equity security that is not subject to a contractual sale restriction. As a result, requiring an entity to ignore the economic fair value impact of a contractual selling restriction on a security when the restriction is considered a characteristic of the holding entity results in the overstatement of an entity's net assets.

We do not believe the proposed guidance should be optional. If the Board concludes that the economic effect of contractual sale restrictions should be reflected in the fair value measurement for entities within the scope of any final update, we believe that conclusion should be applied consistently by those entities.

Question 3: Are there other types of assets subject to contractual sale restrictions that should be considered either in this 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.

Given the abbreviated comment period, we have not had the opportunity to fully evaluate other types of assets subject to contractual sale restrictions that meet the conditions specified in the Board's question. However, assets such as certain crypto assets, fixed income securities—including convertible debt instruments—and certain beneficial interests secured by financial assets may meet the Board's criteria.

Conceptually, we would support extending the proposed Update to all types of assets subject to a contractual selling restriction, regardless of whether the restriction was considered a feature of the instrument or a condition imposed on the holder of the instrument. However, we recognize that such a change would require further consideration and stakeholder outreach to avoid any unintended consequences, which would significantly delay the completion of this project. As a result, we support the Board's more measured approach in this project. We also would support a separate project to further evaluate Topic 820 guidance, including whether other asset types subject to contractual selling restrictions meet the Board's criteria.

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?

Intentionally omitted because the question is directed to investors and preparers of financial statements.

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 understand the Board's rationale for applying the proposed amendments prospectively to all affected equity securities subject to contractual sale restrictions as of the adoption date. That approach would enhance comparability after adoption and avoid requiring an investment company to measure economically similar restricted equity securities using different approaches. It also would avoid the complexity and potential hindsight involved in recalculating prior-period fair value measurements, NAVs and related management fees, while allowing entities to reflect the economic effect of contractual sale restrictions prospectively. However, it is unclear whether the Board considered the additional investor implications of the proposed transition guidance or whether the transition approach used in ASU 2022-03 may produce a better outcome for investors.

Applying the proposed transition guidance to all equity securities with contractual sale restrictions that exist on the transition date, rather than only to new or modified equity securities with contractual sale restrictions, could potentially harm investors who held interests in an investment company before the adoption of the proposed Update. Moreover, the Board's proposed transition guidance may create arbitrage opportunities. Investors that understand the timing and expected effect of the proposed Update may have an incentive to redeem or sell their interests before the effective date and reacquire the interests after adoption (i.e., when the contractual sale restriction discount has been reflected in the investment company's NAV).

We recognize that for many investment companies, the proposed amendments would not have a significant impact on the entity's NAV. However, before finalizing the proposed Update, we recommend that the Board evaluate these potential investor implications further, and if it has already done so, to more fully explain its rationale for favoring its proposed approach in the basis for conclusions of any final ASU.

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 defer to financial statement preparers regarding the time needed to implement the amendments in the proposed Update.

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

We agree with the proposed early adoption guidance. Permitting early adoption for financial statements that have not yet been issued or made available for issuance would allow entities that are prepared to implement the guidance to improve the relevance of their fair value measurements and related NAV information without waiting for the mandatory effective date.

We also believe that early adoption may reduce some of the arbitrage risk and potential investor harm described in our response to Question 5. By allowing preparers this flexibility, early adoption may reduce the first-mover advantage that sophisticated investors could have if the adoption date were predefined. In that sense, early adoption may help mitigate, although not eliminate, the risk that investors seek to transact immediately before and after a known adoption date to benefit from the adoption date discount.

We appreciate this opportunity to provide feedback on the proposed Update and would be pleased to respond to any questions the Board or its staff may have concerning our comments. Please direct any questions to Alex Bradford at 202.221.8855 or Joseph Cascio at 212.372.1139.

Sincerely,

RSM US LLP

RSM US LLP

---

[i] See Comment Letter No. 23 (2021-005) for the *Fair Value Measurement of Equity Securities Subject to Contractual Sale Restrictions – Exposure Draft* (dated November 18, 2021). UNDERWRT.ED.023.RSM_US_LLP