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GASB Issues Guidance for External Investment Pools and Pool Participants Ahead of SEC Rule Change.

Norwalk, CT, December 23, 2015 — The Governmental Accounting Standards Board (GASB) today issued guidance addressing how certain state and local government external investment pools and participants in external investment pools may measure and report their investments in response to changes contained in a U.S. Securities and Exchange Commission (SEC) rule due to take effect in April 2016. References to that rule were previously incorporated in GASB literature.

[GASB Statement No. 79](#), *Certain External Investment Pools and Pool Participants*, permits qualifying external investment pools to measure pool investments at amortized cost for financial reporting purposes. The Statement provides guidance that will allow many pools to continue to qualify for amortized cost accounting.

For governments, these external investment pools function much like money market funds do in the private sector. Government investment funds pool the resources of participating governments and invest in short-term, high-quality securities permitted under state law. By pooling their cash together, governments benefit in a variety of ways, including from economies of scale and professional fund management.

GASB Chair David Vaudt said, “The new guidance for qualifying external investment pools and participants in external investment pools will help them to avoid confusion when the regulatory rule changes become effective. Statement 79 will allow those pools the option of continuing to measure and report their investments at amortized cost.”

Existing standards provide that external investment pools may measure their investments at amortized cost for financial reporting purposes if they follow substantially all of the provisions of the SEC’s Rule 2a7. Likewise, participants in those pools are able to report their investments in the pool at amortized cost per share.

Reporting at amortized cost reflects the operations of external investment pools when they transact with participants at a stable net asset value per share. Not having the option to report under amortized cost would represent a significant change from current practice for both pools and pool participants.

Statement 79 replaces the reference in existing GASB literature to Rule 2a7 with criteria that are similar in many respects to those in Rule 2a7. Although the Board considers those criteria to be relevant, it also believes that external investment pool accounting and financial reporting standards should not be subject to regulatory changes that might be made in the future when those changes were not originally intended to be applied to those pools.

The Statement also establishes additional note disclosure requirements for qualifying pools and for governments that participate in those pools. These required disclosures include information about limitations or restrictions on participant withdrawals.

