BNY MELLON

FAO: **Susanne Pust Shah**
Financial Reporting Council
Aldwych House
71-91 Aldwych
London
WC2B 4HN

By Email: ukfrs@frc.org.uk

30 April 2014

Re: **FRED 54**
Draft amendments to FRS 102 *"The Financial Reporting Standard applicable in the UK and Republic of Ireland"*

Dear Sirs

We refer to the above and confirm that BNY Mellon Ireland is grateful for the opportunity to submit comments in response to the FRC's proposed amendments to FRS 102.

Overall, BNY Mellon Ireland welcomes these developments, which seek to extend the application of amortised cost for basic financial instruments and debt instruments in particular.

Our responses to the individual questions are set out below:

Question 1:
Do you support the proposal to amend the conditions of paragraph 11.9 and make the requirements less restrictive?

Yes

BNY Mellon Ireland is the largest administrator of money market funds in Ireland. Under European Commission Directive 2007/16/EC and the related CESR guidelines concerning eligible assets for investment by UCITS (Ref. CESR/07-044b), short-term money market funds are permitted, subject to applicable national law, to use an amortised cost method of valuation to determine dealing prices for investors. However, it is worth noting for completeness that the CESR Guidelines also state that "the UCITS [short-term money market fund] must ensure that such a method will not result in a material discrepancy between the market value of the instruments held by the fund and the value calculated according to the amortisation method, whether at the individual instrument level or at the UCITS level. The fund must periodically calculate both the market value of its portfolio and the amortised cost valuation and take action if any discrepancy between them becomes material"

BNY Mellon Ireland is therefore supportive of an accounting framework which enables the accounting and the financial statements to be prepared on a basis consistent with that used to determine dealing prices and consequently, we are also supportive of this proposal to extend the definition of the group of instruments that are basic in nature and are eligible to be held at amortised cost.

Question 2:
In your view, under the amended conditions will debt instruments be classified appropriately, i.e. will the proposal have the effect that debt instruments that are basic in nature are measured at amortised cost and debt instruments that are non-basic in nature are measured at fair value? If you have reservations, please specify the financial instruments that you believe would not be measured appropriately under the proposed requirements.

Yes, in our view, the additional instrument types that it is proposed to amend would be considered basic in nature and we have no concerns that the class of any instruments would be considered inappropriately classified.

Question 3:
It is proposed that the Appendix to Section 11 Basic Financial Instruments will contain some illustrative examples. In your view, are the proposed examples helpful? If not, what other examples would you suggest should be included instead?

BNY Mellon Ireland considers that the examples provided by the FRC are helpful and does not have any additional examples to suggest.

Question 4
The proposed amendments would be effective from 1 January 2015. Do you have any reservations concerning the proposed effective date?

BNY Mellon Ireland confirms they endorse the acceleration of the adoption of these proposals to match the timeline for the implementation of FRS 102 and therefore has no reservations concerning the proposed effective date.

Question 5:
The exposure draft does not contain specific transitional requirements and the requirements of Section 35 Transition to this FRS of FRS 102 will therefore apply. In your view, are any specific transitional provisions in relation to the proposed amendments necessary? If so, please tell us what transitional provisions you would suggest and why?

BNY Mellon Ireland does not consider any specific transitional provisions are necessary because it is anticipated that the only change will be in respect of the classification of these instruments as the financial impact is not expected to be material.

Should you have any queries in relation to our above responses, please do not hesitate to contact us.

Contact: Laura Stevenson, Compliance Manager
Phone: 0131 635 2577
Email: laura.stevenson@bnymellon.com