FRED 62 fair value hierarchy

Submission from The Association of Investment Companies

The Association of Investment Companies (AIC) welcomes the opportunity to respond to the Financial Reporting Council's (FRC) financial reporting exposure draft (FRED 62) on fair value hierarchy disclosures.

The AIC represents some 351 closed-ended investment companies with assets under management of approximately £120 billion. Our members are closed-ended investment companies, most of which are listed on the London Stock Exchange. They invest in a diversified portfolio of shares and securities, property and other assets to provide returns for their shareholders. The AIC is recognised by the FRC as a SORP-making body.

The vast majority of our members prepare their financial statements in accordance with UK Financial Reporting Standards (FRS) and will therefore be subject to the proposed changes to FRS 102.

In response to the questions posed in the paper:

Question 1

The AIC agrees with the proposed amendments to FRS 102. This will align the fair value hierarchy disclosure with that set out in IFRS 13 Fair Value Measurement. It will also improve comparability to accounts prepared under International Financial Reporting Standards, and replicates the withdrawn FRS 29 disclosure requirements. We **recommend** the proposed revisions to paragraphs 34.22 and 34.27 are accepted.

This will require a consequential amendment to paragraph 11.27 as the reference to "*Section 34 Specialised Activities*" will no longer be required. We **recommend** this is reference is removed.

Question 2

The AIC agrees with the proposals that an entity shall apply these amendments for accounting periods beginning on or after 1 January 2017, with early application being permitted.

The AIC welcomes these amendments. We **recommend** these changes are brought into effect as soon as possible. The majority of our members are required by the Disclosure and Transparency Rules to publish their annual financial reports within four months of their year-end. Given this timeframe, the earlier these changes are adopted the better. This will give issuers sufficient time to prepare their accounts using this new basis if they choose to do so.

Question 3

We do not have any comments in relation to the Consultation Stage Impact Assessment.

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To discuss the issues raised in this paper please contact:

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