



Tel: +44 (0)20 7486 5888
Fax: +44 (0)20 7487 3686
DX 9025 West End W1
www.bdo.co.uk

55 Baker Street
London W1U 7EU

Jenny Carter
Financial Reporting Council
8th Floor
125 London Wall
London
EC2Y 5AS

19 January 2016

Direct line: 020 7893 2980
Email: nicole.kissun@bdo.co.uk

Dear Jenny,

FRED 62: Draft amendments to FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland - Fair value hierarchy disclosures (November 2015)

We are pleased to have the opportunity to comment on the Exposure Draft "FRED 62: Draft amendments to FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland - Fair value hierarchy disclosures (November 2015)" (the Exposure Draft).

Whilst we accept that the changes set out in the Exposure Draft would eliminate a disclosure inconsistency between FRS 102 and IFRSs, we note that the proposed revised disclosures would introduce an inconsistency with the measurement hierarchy set out in paragraph 11.27 of FRS 102 for those entities that elect to follow 11.2(a). In order to avoid this, we recommend that the fair value hierarchy disclosure requirement for financial instruments should either follow the measurement requirements that the entity has chosen to apply or allow a choice between the disclosures currently required by paragraphs 34.22 and 34.42 and those set out in the Exposure Draft.

Our detailed comments on the questions asked in FRED 62 are set out overleaf.

If you wish to discuss any of the points further, please do not hesitate to contact me.

Yours sincerely,

Nicole Kissun

BDO LLP
Nicole Kissun
Partner
For and on behalf of BDO LLP



Question 1: Do you agree with the amendments proposed to FRS 102? If not, why not?

No, we do not wholly agree with the amendments proposed to FRS 102.

Whilst the introduction of the proposed amendments would eliminate an inconsistency between the disclosures required under FRS 102 and those required under IFRSs, they would introduce an inconsistency between the measurement and disclosure requirements of FRS 102. The proposed revised disclosures draw on the measurement hierarchy that is set out in IFRS 13 'Fair Value Measurement', which is different to the measurement hierarchy set out in paragraph 11.27 of FRS 102.

In consequence, entities that elect to use the recognition and measurement requirements set out in Chapters 11 and 12 of FRS 102 would be required to re-analyse their valuation methodologies under the IFRS 13-based hierarchy in order to draft disclosures that adhere to the requirements of FRS 102. In our view, this would add unnecessary complexity and cost for those preparers (such as Venture Capital Trusts and unlisted financial institutions, particularly those that actively trade in financial instruments) and move the problem identified to a different group of FRS 102 adopters, rather than eliminating it.

In order to avoid this, we recommend that the proposed amendments either:

- a) Apply only to those entities that elect to use the recognition and measurement requirements of IAS 39 'Financial instruments: Recognition and Measurement' or IFRS 9 'Financial Instruments' under paragraph 11.2(b) or (c), or
- b) Allow a choice between the disclosures currently included in paragraphs 34.22 and 34.42 and those set out in the Exposure Draft.

Question 2: Do you agree with the proposed effective date for these amendments? If not, what alternative would you propose?

Yes, we agree with the proposed effective date.

Question 3: In relation to the Consultation Stage Impact Assessment do you have any comments on the costs and benefits identified? Please provide evidence to support your views of the quantifiable costs or benefits of these proposals.

Other than as set out in our response to Question 1 above, we have no comments on the Consultation Stage Impact Assessment.