IRISH FUNDS INDUSTRY ASSOCIATION

Ms. Susanne Pust Shah,
Financial Reporting Council,
Aldwych House,
71-79 Aldwych,
London,
WC2B 4HN,
United Kingdom.

14 February 2014

Dear Ms. Pust Shah,

Re: FRED 51- Draft Amendments' to FRS 102 – Hedge Accounting

We refer to the Financial Reporting Council's (FRC) recently published Financial Reporting Exposure Draft (FRED) with respect to proposed amendment to the FRS 102 in relation to hedging. We welcome the opportunity to comment on FRED 51 on behalf of the Irish Funds Industry Association ('IFIA').

The IFIA is the representative body for the International Investment Fund community in Ireland. The Association represents the administrators, custodians, managers and advisors who service the international funds industry in Ireland. Ireland is now one of the leading jurisdictions for fund domicile and fund servicing and therefore provides a representative view of the international industry including promoters in Europe, Asia and North America. As the parties responsible for the preparation of the Financial Statements of Collective Investment Schemes, the industry companies have a keen interest in financial reporting and the standards that govern how accounts are prepared.

We welcome the overall approach taken by the FRC with respect to this Exposure draft. However, we have some specific comments on Question 6, which we wish to make on behalf of the Investment Funds Industry in Ireland; which we feel would make the proposed amendments more relevant and appropriate for Investment Funds.

Our specific comments are as follows:

Question 6
The draft amendments propose an alternation to Section 11 of FRS 102 to broaden the range of instruments that may be designated at fair value through profit or loss, with the effect of allowing, in some cases, economic hedging. Do you agree with these changes? If not, why not?

We support these revisions and note that the current FRS 102, paragraph 11.14(b) permits an entity that has 'debt instruments', as defined in paragraph 11.8(b), that would otherwise be designated at amortised cost to instead be designated at fair value through profit or loss (FVTPL).

We would suggest a revision in the wording in paragraph 11.14(b) (ii). This paragraph currently permits the designation at FVTPL where:
'a group of financial liabilities or financial assets and financial liabilities is managed and its performance is evaluated on a fair value basis...'

In practice, a group of financial assets on their own might be managed on a fair value basis (without any related financial liabilities), funded by the issuance of investor shares/units. This is particularly common

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and relevant in the investment funds sector. Therefore, we would suggest the wording be revised to instead permit designation at FVTPL where:

'a group of (i) financial assets, (ii) financial liabilities, or (iii) a group of financial assets and liabilities is managed and its performance is evaluated on a fair value basis...'

We are grateful for the opportunity to provide our comments and would welcome the opportunity to discuss these with you further.

Yours faithfully,

Patrick J Lardner

Pat Lardner
Chief Executive