

Fred 51
Draft Amendments to FRS 102
Hedge Accounting
Submission from The Association of Investment Companies

The Association of Investment Companies (AIC) welcomes the opportunity to respond to FRED 51, the FRC's draft amendments to FRS 102 Hedge Accounting.

The AIC is the trade body representing some 340 investment companies, managing assets of around £98 billion. Our members are closed-ended investment companies, most of which are listed on the London Stock Exchange. Their business is to invest in a diversified portfolio of shares and securities, property and other assets to provide returns for their shareholders.

Around 240 of the members are either investment trusts or venture capital trusts. The vast majority of these will prepare their financial statements in accordance with UK financial reporting standards and, in particular, FRS 102.

The AIC is recognised by the FRC as a SORP-making body, and we recently published a SORP Exposure Draft ('SORP ED') where the deadline for responses is 19 March 2014.

We understand that our members do not use hedge accounting to a significant extent. Consequently we have no comments on the amendments as they relate to hedging generally. Having said that, we support the general thrust of the draft amendments to permit hedge accounting to be applied by entities where this reflects their economic and risk management strategies without onerous conditions.

However, our members value virtually all of their assets at fair value and the SORP ED is recommending (in paragraph 25) that:

'Unless another choice is more appropriate, investments held by an investment company should be accounted for in accordance with the provisions set out in Sections 11 and 12 of FRS 102 in full and measured at fair value with changes in fair value recognised in profit or loss.'

Consequently, we welcome and support the proposed alteration to Section 11 to broaden the range of instruments that may be designated at fair value through profit or loss.

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To discuss the issues raised in this paper please contact:

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