



Ms Susanne Pust Shah  
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Via email: [ukfrs@frc.org.uk](mailto:ukfrs@frc.org.uk)

Dear Susanne,

### **FRED 51 – Hedge accounting**

BT Group plc (“BT”) is one of the world’s leading communications service companies, serving the needs of customers in the UK and in more than 170 countries worldwide. The shares of BT are listed on the London and New York Stock Exchanges and BT is a FTSE 100 company.

BT welcomes the opportunity to comment on the FRC’s FRED 51: Hedge Accounting (‘the FRED’).

BT supports the FRC’s objective to allow entities to apply hedge accounting when this reflects their economic and risks management strategies, without onerous conditions, and to use concepts and language that are, as far as possible, consistent with those included in IFRS 9 *Financial Instruments*. We have responded to the most relevant questions in the FRED and provided our comments in the attached Appendix I.

We trust our response is helpful in contributing to your deliberations. If you have any questions or would like to discuss these comments, please do not hesitate to contact me.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'Glyn Parry', is written over a thin horizontal line.

**Glyn Parry**  
**Director, Group Financial Control**  
**BT Group PLC**

## Appendix I

**Question 1: Do you support the adoption in FRS 102 of the three hedge accounting models as set out in this FRED? If not, why not.**

Yes, we support this approach.

**Question 2: Do you agree with the overarching principle of setting the requirements for hedge accounting in a way that can be straightforwardly applied by entities undertaking relatively simple economic steps to manage risk? If not, why not?**

We agree with the principle of simplifying the requirements of applying hedge accounting.

**Question 3: The draft amendments to FRS 102 require an economic relationship between the hedging instrument and hedged item. Do you agree with this approach to establishing whether a hedging relationship exists.**

We agree with the approach to require an economic relationship between the hedging instrument and hedged item. As there is no further guidance on how this should be determined, further guidance may be beneficial.

**Question 4: The draft amendments have the effect of removing the requirement to make a binary assessment at the beginning of a hedging relationship that defines that hedge as effective or ineffective. The effect of this would be to allow hedge accounting to be used for the effective portion of any relationship meeting the qualifying conditions. Do you agree with this approach? If not, why not?**

Yes, we agree with this approach. We welcome the proposed removal of the 'highly effective' criterion. The proposal to permit qualitative assessment would alleviate some of the administrative and operational overhead of hedge accounting.

**Question 5: The draft requirements for net investment hedges state that when a hedging relationship is discontinued, amounts deferred in equity may not be reclassified to profit or loss. This is to achieve consistency with paragraphs 9.18A and 30.13 of FRS 102. Do you agree with this proposal, or should recycling of gains or losses on hedging instruments be permitted regardless of the mismatch with the foreign currency movements?**

We agree with the proposal to ensure consistency with the treatment of exchange gains and losses on the disposal of a foreign operation under FRS 102 paragraphs 9.18A and 30.13.

**Question 6: The draft amendments propose an alteration 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 are in agreement with these changes to allow increased flexibility to use the fair value option to achieve natural offsetting in profit and loss.

**Question 8: The draft amendments propose a transitional exemption which will allow certain one-off remeasurements of hedging instruments and hedged items at the transition date. Do you believe that these exemptions facilitate application of hedge accounting to arrangement in place at transition?**

We believe that the exemptions should facilitate application of hedge accounting.