Technical Accounting
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For the attention of Peter Godsall
Accounting Standards Board
5th Floor, Aldwych House
71-91 Aldwych
London
WC2B 4HN

29 January 2010

Dear Sirs,

BNP Paribas Securities Services (BNP Paribas)
Response to the consultation paper – The Future of UK GAAP

This note contains our comments on the consultation paper from the perspective of an administrator of open-ended investment funds.

We have also replied under separate cover with views regarding the impact on investment trusts.

BNP Paribas welcomes the opportunity to respond to the Accounting Standards Board's Consultation Paper on the Future of UK GAAP. BNP Paribas administers around 294 UK Authorised Funds (unit trusts and open-ended investment companies) with assets of over £51 billion, and feels well placed to comment on the Paper. Please note that the views expressed are those of BNP Paribas rather than those of all or any specific clients of BNP Paribas.

We would like to comment on three of the questions – numbers 10 (the role of SORPs), 15 (impact of applying new requirements) and 16 (proposed adoption dates)

Question 10 – Do you agree with the Board's current views on the future role of SORPs? If not, why not?

We disagree with the proposals to withdraw the SORP for Authorised Funds, for a number of reasons:

The first is general. We believe that the SORP has played a massively important and pivotal role in both the harmonisation of accounting practice and the identification and setting out of best practice right across the funds industry. Such harmony allows the industry to offer the highest level of accounting practice in a clear and consistent way. The accounting issues faced by funds can be complex and there are many areas where accounting standards do not address such issues. The SORP is enormously helpful in promoting consistency in these areas.

Secondly we believe that the SORP meets a genuine need in filling in gaps in the mainstream accounting standards. In particular for authorised funds it is essential that the total return reported in the financial statements is accurately separated out between those which are revenue and those which are capital. This requirement is driven by the fundamental regulatory and tax requirements of these vehicles which mean that the net revenue in each accounting periods must be distributed to investors.

To reiterate this point, financial statements prepared under IFRS will show the total accounting income for the period under review but for Authorised Funds this will not provide the complete picture, as some of this accounting income will include items which are capital in nature (and so should not be distributed) while others will be revenue items and therefore must be distributed. If we did not have the SORP (as endorsed by the ASB) then this exercise would be significantly more difficult.

There has been a suggestion that this role might be covered by IFRIC as the body which would provide the detailed interpretations of IFRS. We believe this to be untenable. Much of the reasons for the SORP are because of the specific local requirements applying to UK Authorised Funds, and to expect IFRIC to address these would be unrealistic. We also question whether being able to apply IFRS to local circumstances would actually be within that body's remit.

A further concern we have is that the SORP is referred to within a substantial amount of fund legislation (both tax-related and regulatory) and removing this would require this to be redrafted. The Offshore Fund Regulations published in 2009 would be one example here but there are many others.

Question 15 – If you are an entity whose basis of preparing financial statements will change under these proposals, what are the likely effects of applying those new requirements?

A switch to preparing financial statements under IFRS would create additional requirements, for example increased financial instruments disclosures, a need to include cash flow statements and potentially issues relating to functional currencies, some of which could involve significant additional time and effort.

The removal of the SORP would inevitably mean greater uncertainty regarding the appropriate treatment of particular items, and this in turn could incur additional time and cost for preparers of financial statements and auditors.

One particular concern which we have at the moment is that the developments which are taking place currently within IFRS , particularly relating to financial instruments (e.g the project to revise IAS 39) , mean that there is considerable uncertainty as to what the final requirements will be, which makes planning ahead difficult.

Question 16 – What are your views on the proposed adoption dates?

We believe the proposed dates are too early. One reason follows on from the point above regarding the uncertainly at present as to what the final form of the IFRS to be applied will actually look like.

More specifically if IFRS is to be first applied for financial years beginning on 1 January 2012 then comparatives will have to be prepared for the period beginning 1 January 2011 which means that the effective date of first time adoption could be 1 January 2011. As this is less than a year away we believe this would be unrealistic.

Please contact David McTear, Head of Technical Accounting on 0141 225 3057 if you wish to discuss any aspect of these comments in more detail.

Yours faithfully,
BNP Paribas Securities Services