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RESPONSE FROM THE 100 GROUP TO THE ASB ON FRED 30

We welcome the opportunity to respond to Financial Reporting Exposure Draft 30, Financial Instruments: Disclosure and Presentation; Recognition and Measurement ('FRED 30'). We enclose our response to the IASB on their proposed amendments to IAS 32 and 39. The responses to the specific questions raised on FRED 30 are set out below.

This area of accounting is unique in that there is no existing UK standard that contains requirements on the recognition and measurement of financial instruments. In other areas where conversion to international standards will be required, it is at least possible to determine the differences between existing UK requirements and the equivalent international standard. This, coupled with the complexity of the requirements, means that listed companies will spend a significant amount of their conversion projects in assessing and addressing the issues raised by IAS 32 and 39. This work cannot be completed before 2005 and we strongly urge the ASB not to pursue the approach set out in the FRED. We do not support any mandatory change to UK standards in the area of financial instruments before 2005.

ASB (i) *Treating IASs 32 and 39 as a package (Appendix ill, paragraph 15)—The* ASB has concluded that it is best to view the requirements in IASs 32 and 39 as a single package of requirements that should, as far as is practicable, be implemented in the UK at a single point in time. Do you share this view?

Yes.

ASB (ii) *Implementation in 2004 (Appendix Ill, paragraphs* 17-20)-Notwithstanding the general approach referred to in (i) above, the ASB is proposing to implement, at a single point in time, some parts of the standards in mandatory form, some in non-mandatory form and some not at all for the time being. At the same time, it is proposing to withdraw FRSs 4 and 13 (and related UITF Abstracts) and keep in place most parts of FRS 5. Do you believe that, in the circumstances, this represents the best possible approach of implementing in the UK the international requirements in this area?

No. As per question 1, we consider that it is best to view the IAS 32 and 39 requirements as a package. We do not believe it is possible to implement any part of this package before 2005, since companies will need that long to deal with the systems changes necessary.

ASB (iii) *Recognition and derecognition (Appendix III, paragraphs 23-29)—The* FRED proposes that the proposed new IAS 39 approach to recognition and derecognition should not be implemented in the UK at the present time. Instead, when the direction of international convergence on this subject becomes clearer, a further consultation document will be issued. Do you agree with this approach?

Yes, we believe no changes to UK GAAP should be made in this area before 2005. However, when all UK listed companies are required to comply with international standards, we doubt whether a case can be made for the recognition and derecognition approach to be different for unlisted companies.

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(a) Do you agree with this approach?

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(b) Do you agree that the recycling requirements of IAS 39 should not be implemented in the UK pending completion of the project on reporting financial performance and do you agree with the alternative treatment proposed in the FRED? *(Appendix III, paragraphs 50-52)*

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ASS (vi) Unlisted entities and individual financial statements

(a) The FRED proposes that, prior to 2005, entities should be required to comply with IAS 39's measurement and hedge accounting provisions in certain circumstances only. That will change in 2005 for the consolidated financial statements of listed entities but, the FRED suggests, not for other entities or other types of financial statement. Thus, from 2005 listed entities that do not prepare consolidated financial statements and unlisted entities will not be required to adopt IAS 39’s measurement and hedge accounting provisions unless they choose to adopt the fair value accounting rules set out in the Companies Act 1985. Similarly, listed entities that prepare consolidated financial statements will not be required to adopt IAS 39’s measurement and hedge accounting provisions in their individual financial statements unless they adopt the fair value accounting rules in those financial statements. Do you agree with this approach?

The approach to unlisted entities and individual financial statements will depend on the results of the DTI consultation on the possible extension of the European Regulation. In our view, the individual accounts of listed companies and the accounts of subsidiaries of listed companies, should be at least permitted, if not required, to comply with the European Regulation. This will ensure that these financial statements can be prepared on identical terms to the consolidated accounts. In the case of other companies that are not within the scope of the FRSSE, we consider that the stronger argument must be that there should be no differences between international standards and UK GAAP. It may be that such companies should be given a longer deadline than 2005 to apply the requirements of IAS 39 (whether in UK or international standards) but there should be no fundamental measurement differences after the transitional period.

(b) FRS 13's disclosure requirements apply only to entities, other than insurance entities, that are listed or have publicly-traded securities and all banks. The ASS is proposing to revise the disclosure requirements on 1 January 2004 and to apply those new requirements to all listed entities, all other entities that have publicly-traded securities and all banks (in other words, the exemption for listed insurance entities will be removed, but otherwise the scope will be unchanged). Do you agree with this approach or do you believe that, from 2004, the requirements should apply to some other entities (for example, unlisted insurance companies) or, alternatively, to a narrower range of entities?

We are opposed to any changes being made to UK disclosure requirements before 2005, in particular the scope of such requirements should not be extended to listed insurance entities. There are too many uncertainties currently surrounding the treatment of insurance contracts and the other financial instruments under international standards for insurance companies to be asked to cope with such a requirement before 2005.

We favour the current approach in FRS 13 where individual company disclosures are not required where consolidated disclosure is provided. This means that, depending on the result of the DTI consultation on the extension of the European Regulation, it either will not be necessary to have the disclosure requirements in UK GAAP (since all companies that would be included in the scope of the disclosure are in any case subject to the Regulation) or it may be considered appropriate to include unlisted banks and insurance companies within the scope of a UK requirement

(c) FRS 13's disclosure requirements apply both to consolidated financial statements and to individual financial statements, except that they do not need to be applied in the individual financial statements of entities that are preparing FRS 13-compliant consolidated financial statements. The FRED proposes to retain a similar exemption. Do you agree with this approach?

Yes, we believe that this approach should also be applied to IAS 32.

RESPONSE FROM THE 100 GROUP TO THE IASB ON THE PROPOSED AMENDMENT TO IAS 32 AND IAS 39

The requirement for all EU listed companies to follow IFRSs by 2005 is an exciting and important step in the harmonisation of international financial reporting. We wholeheartedly support it and are especially pleased that the IASB has the responsibility for developing the standards on which this development will be based.

We are, however, somewhat daunted by the task of conversion and most, if not all, FTSE 100 companies have allocated, or are preparing to allocate, additional resources this project. We see the revised reporting requirements as much more than simply a change to how we prepare our financial statements; it will require us to think carefully how we communicate with the market and other stakeholders. The base GAAP will be different. The task will not be to reconcile existing GAAP to IAS but to understand and use the new basis.

Key issues include:

a) Education – getting management to understand the new requirements. They are complex and, because they are often rules-based, not always intuitive. Considerable effort will be needed.

b) Systems – implementing and testing changes to systems to meet the new requirements will be expensive and must fit into existing programmes and timetables for reasons of efficiency and safety.

c) KPIs – businesses are run on a myriad of key performance indicators which are driven deeply into the businesses. Each is subjected to budget and forecast estimates, which are compared with actual performance, from which actions are taken. The impact of the new Standards needs to be driven through the whole range of KPIs. Instances may be found where the results are contrary to the real underlying economic performance and appropriate adjustments have to be formulated and implemented.

d) Documentation – IAS 39 is unique in that, in part, it determines accounting treatments on management intention as documented and actually accounted for. Therefore, there is considerable work needed to ensure that the documentation and systems are in place before the first year of reporting under IAS (i.e. from 1 January 2004 or, see below, in some cases from 1 January 2003).

We have concerns about the proposals:

a) timing of implementation and comparatives
b) the conceptual basis of the Standards;
c) hedge accounting rules;
d) virtual prohibition of macro hedges and internal transactions;
e) embedded derivatives; and
f) possible abuses which could follow from the option to fair value any item.

a) Timing of implementation and comparatives

EU companies will have to provide comparatives for 2004 (including a reconciliation of the balance sheet at 1 January 2004 from old GAAP to IAS) when they produce their first accounts in 2005 (which may be Q1 if the EU introduces quarterly reporting, which it is currently considering).

Further, US registrants are required to produce two years' comparatives for the income statement, making 1 January 2003 the operative date for companies with a December year-end. Given that the final version of IAS 39 and the first-time application standard will not be available until some time in early 2003, US registrants have been given an impossible task.

IAS 32 and IAS 39 are similar in many respects to FAS 133. In the US the implementation of FAS 133 was delayed by a year from the originally proposed implementation date. Further, the requirements to present comparatives were waived in the first year. It would be of enormous benefit to leading UK companies (and we suspect to others in the EU) if the IASB could see its way to removing the requirements for comparatives for IAS 32 and IAS 39 in the first year of adoption (which we expect to be 2005). For companies with a

December year-end, this would result in 1 January 2005 being the deadline for ensuring systems and documentation are in place to achieve hedge accounting. Unlike 1 January 2003 and possibly even 1 January 2004, this date is achievable by companies with well-managed conversion projects.

b) Conceptual basis of the Standards

We are concerned that there is insufficient discussion of the principles on which the Standards are based (and on which the educational programmes will be based). It is clear that identical underlying economic positions and results could be reported differently by different entities and by the same entity over time, potentially destroying comparability.

We urge you to put as many conceptual arguments into the Standards as possible, and to remove as many rules as possible. Rules which seem to run counter to true economic performance invite counter measures and abuse by non-accountants, who treat them like tax law.

Your support for us in our need to provide high quality financial reporting will be greatly appreciated by the FD community.

c) Hedge accounting rules

We agree that hedge accounting should be set out in accounting standards. However, IAS 39 goes beyond the basic principles that hedges should be documented, expected to be effective at inception and tested for effectiveness on a regular basis and introduces rules that prescribe behaviour which are not based on these principles. For example, given that it is possible to decide to treat any financial instrument as if it were held for trading there seems no logical reason why a non-derivative financial asset or liability cannot be designated as a hedging instrument for other than a hedge of foreign currency risk. Similarly, cash flow interest rate risk arises from a variable rate held to maturity investment. Only rules in IAS 39 prevent this from being hedged, not principles.

The rules based nature of the standard make it difficult to understand and apply. This is not helped by the volume of implementation guidance that has been issued. The status of the implementation guidance following the revision to IAS 39 is not clear. This situation is unsatisfactory and increases the risk that preparers will inadvertently fall foul of the requirements of the standard. The nature of the standard also makes it more likely that financial engineers will come up with strategies and transactions that circumvent the rules or use the rules to achieve particular accounting effects that are not in accordance with the substance of the transaction. We hope that the reputation of accountants will not be further diminished as a result of the wider implementation of IAS 39 in Europe.

d) Virtual prohibition of macro hedges and internal transactions

Most large companies in the UK, including banks, use a central treasury function to manage group-wide risk exposures. Often interest rate risk or foreign exchange risk in different parts of the business is transferred to the central treasury function and the net risk position is hedged by the purchase of a derivative in the market. This ensures that derivatives are only dealt with by those with sufficient expertise and that the overall risk in the organisation is reduced.

Risk reduction is not an objective that is relevant to achieving hedge accounting under IAS 39. Rather, the standard is concerned that effectiveness testing is achieved by direct matching of the position being hedged with the hedging instrument.

Meeting the effectiveness test is one of the greatest difficulties companies have in designing accounting systems that comply with IAS 39. Inevitably such systems will involve additional cost and effort without achieving any benefit other than supporting a particular accounting treatment because they are not consistent with the way the business is managed, particularly since the accounting is not concerned with whether, in total, the hedges in place reduce risk.

While hedging of net positions can be achieved, it is virtually impossible for fair value hedges and very difficult for cash flow hedges. The credibility of accounting standards is undermined by the pretence that is involved in achieving cash flow hedge accounting for net positions.

We urge the IASB to review hedge accounting and effectiveness testing with the aim of making it more principles based and workable where hedges are put in place to reduce overall risk.

e) Embedded derivatives

While the ability to fair value any item at its inception as if it were held for trading may help mitigate the need to bifurcate some embedded derivatives, this is not a practical solution in all cases. It may be no less difficult to fair value the entire instrument, including the embedded derivative, than to fair value the embedded derivative on its own. It can also be difficult to identify an embedded derivative. While there is no conceptual argument against the requirements concerning embedded derivatives, we consider that the difficulties that companies may encounter in trying to meet the requirements should not be underestimated.

f) Possible abuses which could follow from the option to fair value any item

We recognise that an option to treat any item at its inception as if it were held for trading has been included in the revision of IAS 39 to reduce the burden of hedge accounting for some fair value hedges and separating embedded derivatives. However, we note that this will permit companies to fair value their own debt and take gains and losses related to changes in their own credit rating through their profit and loss account. While the requirement to designate the treatment at inception of the loan will put some discipline on this practice, concerns remain.

The revised standard includes additional guidance on how to determine fair values. However, concerns remain about the reliability of fair values that are calculated in the absence of deep and liquid markets. Where movements in such fair values can be taken to the profit and loss account, in the absence of regular trading transactions, there may be instances of abuse such as those highlighted by recent situations in the US.

RESPONSES TO SPECIFIC QUESTIONS

IAS 32

Question 1 - Probabilities of different manners of settlement (paragraphs 19, 22, and 22A)

Do you agree that the classification of a financial instrument as a liability or as equity in accordance with the substance of the contractual arrangements should be made without regard to probabilities of different manners of settlement? The proposed amendments eliminate the notion in paragraph 22 that an instrument that the issuer is economically compelled to redeem because of a contractually accelerating dividend should be classified as a financial liability. In addition, the proposed amendments require a financial instrument that the issuer could be required to settle by delivering cash or other financial assets, depending on the occurrence or non-occurrence of uncertain future events or on the outcome of uncertain circumstances that are beyond the control of both the issuer and the holder of the instrument, to be classified as a financial liability, irrespective of the probability of those events or circumstances occurring (paragraph 22A).

No. We support the notion that an instrument that the issuer is economically compelled to redeem should be classified as a liability. We are concerned that basing the classification on the substance of the contractual arrangements will result in contractual arrangements drafted to meet a certain accounting affect with the actual transaction having a different economic substance. If the intention is that an instrument that contains any clause that could in any circumstances require the delivery of cash or other financial assets should be treated as a liability, the paragraphs that have been added to this section seem unnecessary. However, we would point out that the contractual arrangements of many financial instruments that would otherwise be classified as equity contain clauses requiring cash payments in the event of the insolvency of the issuer. It is not clear whether the standard as drafted would require such instruments to be classified as liabilities even though the issuer is a going concern.

We note that paragraph 17 says that an equity instrument in a subsidiary is presented in the equity section of the consolidated balance sheet as a minority interest. We support IFRIC's view that additional terms agreed between the parent or another entity in the group and the preferred shareholders of a subsidiary should be considered when determining if the consolidated group has discretion over distributions and thus whether the equity instrument in the subsidiary represents minority interest or a liability on consolidation.

Question 2 -- Separation of liability and equity elements (paragraphs 28 and 29)

Do you agree that the options in IAS 32 for an issuer to measure the liability element of a compound financial instrument initially either as a residual amount after separating the equity element or based on a relative-fair-value method should be eliminated and, instead, any asset and liability elements should be separated and measured first and then the residual assigned to the equity element?

Yes, this would appear consistent with the principle that equity is the residual amount.

Question 3 -- Classification of derivatives that relate to an entity's own shares (paragraphs 29C -- 29G)

Do you agree with the guidance proposed about the classification of derivatives that relate to an entity's own shares?

We consider that the guidance should clearly state the principles on which it is based. It appears at present to set rules for how transactions should be accounted for in certain circumstances.

Question 4 -- Consolidation of the text in IAS 32 and IAS 39 into one comprehensive Standard

Do you believe it would be useful to integrate the text in IAS 32 and IAS 39 into one comprehensive Standard on the accounting for financial instruments? (Although the Board is not proposing such a change in this Exposure Draft, it may consider this possibility in finalising the revised Standards.)

Yes. Although such a standard would be long, we consider that it would be helpful to users of the standard and also help ensure that there are no inconsistencies between the two existing standards. It would be necessary to re-expose such a combined standard to ensure that there are no unintended affects and this has consequences for a requirement for comparatives under these standards for 2003 and 2004.

Other comments

We consider that the individual accounts of the parent company should be outside the scope of the disclosure requirements of IAS 32 where the individual accounts are presented with the consolidated accounts. There would be considerable duplication involved in disclosures for both the parent company and the group and, in any case, disclosure should concentrate on risks and balances remaining after consolidation, which are more relevant to users.

The disclosure requirements in paragraph 77B are excessive and are likely to result in the disclosure of such detail that the key information is lost. It is appropriate to explain the methods used to determine fair values and the significant assumptions used. However, it is not appropriate, within the financial statements, to require a disclosure of the effect on fair value of using a range of reasonably possible alternative assumptions where valuation techniques are used. This would serve only to reduce the reliability of the amounts recognised or disclosed. Valuation techniques will be used to disclose fair values in circumstances where market values are not available and the financial instruments are in any case held to maturity or are originated loans. These fair values are not recognised and it is likely that the costs of providing sensitivity analysis would exceed any benefit to users.

IAS 39

Question 1 -- Scope: loan commitments (paragraph 1(i))

Do you agree that a loan commitment that cannot be settled net and the entity does not designate as held for trading should be excluded from the scope of IAS 39?

Yes, this seems a helpful simplification, particularly where any resulting loan would be an originated loan.

Question 2 -- Derecognition: continuing involvement approach (paragraphs 35-57)

Do you agree that the proposed continuing involvement approach should be established as the principle for derecognition of financial assets under IAS 39? If not, what approach would you propose?

Overall we are in favour of a continuing involvement approach, but feel that the current model warrants further research to determine whether it can be improved to make it more relevant, reliable and easier to understand. We have serious concerns about abandoning tried and tested approaches for an untested new approach.

In particular, in the case of the sale of a financial asset with a retained call option it does not seem sensible that the security pledged should be recorded at the amount of the call option (120 in the example in appendix B) when the fair value of the security is 100.

Question 3 -- Derecognition: pass-through arrangements (paragraph 41)

Do you agree that assets transferred under pass-through arrangements where the cash flows are passed through from one entity to another (such as from a special purpose entity to an investor) should qualify for derecognition based on the conditions set out in paragraph 41 of the Exposure Draft?

We support the idea that pass-through type arrangements, such as typical securitisition structures, should qualify for derecognition. However, the requirements of paragraph 41 are unlikely to be met by many securitisation structures because of the restrictive conditions, particularly conditions (a) and (c).

As a result of applying the conditions currently set out in paragraph 41 most assets transferred in respect of typical pass-through securitisation structures will not qualify for derecognition. Consideration should be given to amending the conditions to meet the objective of allowing derecognition of assets in pass-through structures.

If a pass-through arrangement met the conditions and the originator of the assets holds a share in the equity of the pass-through vehicle, the accounting is not clear. Would the originator consolidate a vehicle that holds no assets or liabilities and eliminate the share of equity on consolidation or would the risk retained, as represented by the share of equity, remain on the originator's balance sheet?

Question 4 -- Measurement: fair value designation (paragraph 10)

Do you agree that an entity should be permitted to designate any financial instrument irrevocably at initial recognition as an instrument that is measured at fair value with changes in fair value recognised in profit or loss?

We agree that this may be a helpful simplification for companies that have financial instruments with embedded derivatives or that wish to match positions in the profit and loss account without the documentation and effectiveness testing that is required for fair value hedging. However, we note that this would allow companies to fair value their own debt and take gains and losses relating to their own credit ratings through their profit and loss accounts. This is mitigated to some extent by the requirement to designate on acquisition.

Question 5 -- Fair value measurement considerations (paragraphs 95-100D)

Do you agree with the requirements about how to determine fair values that have been included in paragraphs 95-100D of the Exposure Draft? Additional guidance is included in paragraphs A32-A42 of Appendix A. Do you have any suggestions for additional requirements or guidance?

Yes. But it will always be difficult, if not impossible, to fair value certain assets and liabilities that are not traded in a deep and liquid markets. We have no further suggestions.

Question 6 -- Collective evaluation of impairment (paragraphs 112 and 113A--113D)

Do you agree that a loan asset or other financial asset measured at amortised cost that has been individually assessed for impairment and found not to be individually impaired should be included in a group of assets with similar credit risk characteristics that are collectively evaluated for impairment? Do you agree with the methodology for measuring such impairment in paragraphs 113A-113D?

We agree with the principle, but consider that the methodology set out is so detailed and the data requirements so great that is unlikely to be able to be applied in practice. It would be preferable to clearly state the principle and let entities determine methodologies that fit with their business requirements.

Question 7 -- Impairment of investments in available-for-sale financial assets (paragraphs 117--119)

Do you agree that impairment losses for investments in debt and equity instruments that are classified as available for sale should not be reversed?

No. There seems no logical reason why such impairment losses cannot be reversed when impairment losses for other types of assets are reversed.

Question 8 -- Hedges of firm commitments (paragraphs 137 and 140)

Do you agree that a hedge of an unrecognised firm commitment (a fair value exposure) should be accounted for as a fair value hedge instead of a cash flow hedge as it is at present?

No. This approach introduces additional complexity without additional benefit and also requires recognising the subsequent cumulative change in fair value of the firm commitment that is attributable to the hedged risk. It seems meaningless to recognise part of a transaction that has not yet occurred merely to achieve hedge accounting. When the transaction actually occurs, for example, when the fuel mentioned in paragraph 40 is purchased, it is likely that the entity will wish to achieve cash flow hedge accounting, rather than fair value hedge accounting. The effort involved in changing the method of hedge accounting seems excessive compared to any benefit to users of the financial statements.

Question 9 -- 'Basis adjustments' (paragraph 160)

Do you agree that when a hedged forecast transaction results in an asset or liability, the cumulative gain or loss that had previously been recognised directly in equity should remain in equity and be released from equity consistently with the reporting of gains or losses on the hedged asset or liability?

No. The prohibition of basis adjustments introduces additional complications into hedge accounting to merely achieve a different balance sheet presentation. The efforts involved in tracking movements in hedged items of inventory, for example, so that matching amounts can be released from equity should not be underestimated and are likely to exceed any benefit to users.

However, for both this question and question 8, we would accept companies being given a choice of either the approach in the original IAS 39 or the revised exposure draft where this would be of assistance to SEC registrants in reducing US GAAP differences.

Question 10 -- Prior derecognition transactions (paragraph 171B)

Do you agree that a financial asset that was derecognised under the previous derecognition requirements in IAS 39 should be recognised as a financial asset on transition to the revised Standard if the asset would not have been derecognised under the revised derecognition requirements (ie that prior derecognition transactions should not be grandfathered)? Alternatively, should prior derecognition transactions be grandfathered and disclosure be required of the balances that would have been recognised had the new requirements been applied?

There are serious concerns with the new continuing involvement approach which mean that it needs further consideration. In our view, it is not appropriate to introduce the new approach without extensive field-testing. When the new approach is finalised, it may be decided that grandfathering should be permitted on practical grounds. In any case, if it is not practical to restate previous transactions under the new approach, it will not be possible to disclose the balances that would have been recognised if the transactions had been restated.

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(a) Do you agree with this approach?

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(a) Do you agree with this approach?

(b) Do you agree that the approach being proposed in place of recycling? *(Appendix III, paragraphs 64-68)*

No. We consider that IAS 39 should not be brought into UK GAAP before 2005. After that date, we believe that, if UK accounting standards remain that are applicable to unlisted companies (with the exception of small companies within the scope of the FRSSE) there should be no differences between UK standards and international standards.

ASB (vi) *Unlisted entities and individual financial statements*

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The approach to unlisted entities and individual financial statements will depend on the results of the DTI consultation on the possible extension of the European Regulation. In our view, the individual accounts of listed companies and the accounts of subsidiaries of listed companies, should be at least permitted, if not required, to comply with the European Regulation. This will ensure that these financial statements can be prepared on identical terms to the consolidated accounts. In the case of other companies that are not within the scope of the FRSSE, we consider that the stronger argument must be that there should be no differences between international standards and UK GAAP. It may be that such companies should be given a longer deadline than 2005 to apply the requirements of IAS 39 (whether in UK or international standards) but there should be no fundamental measurement differences after the transitional period.

(b) FRS 13's disclosure requirements apply only to entities, other than insurance entities, that are listed or have publicly-traded securities and all banks. The ASB is proposing to revise the disclosure requirements on 1 January 2004 and to apply those new requirements to all listed entities, all other entities that have publicly-traded securities and all banks (in other words, the exemption for listed insurance entities will be removed, but otherwise the scope will be unchanged). Do you agree with this approach or do you believe that, from 2004, the requirements should apply to some other entities (for example, unlisted insurance companies) or, alternatively, to a narrower range of entities?

We are opposed to any changes being made to UK disclosure requirements before 2005, in particular the scope of such requirements should not be extended to listed insurance entities. There are too many uncertainties currently surrounding the treatment of insurance contracts and the other financial instruments under international standards for insurance companies to be asked to cope with such a requirement before 2005.

We favour the current approach in FRS 13 where individual company disclosures are not required where consolidated disclosure is provided. This means that, depending on the result of the DTI consultation on the extension of the European Regulation, it either will not be necessary to have the disclosure requirements in UK GAAP (since all companies that would be included in the scope of the disclosure are in any case subject to the Regulation) or it may be considered appropriate to include unlisted banks and insurance companies within the scope of a UK requirement.

(c) FRS 13's disclosure requirements apply both to consolidated financial statements and to individual financial statements, except that they do not need to be applied in the individual financial statements of entities that are preparing FRS 13-compliant consolidated financial statements. The FRED proposes to retain a similar exemption. Do you agree with this approach?

Yes, we believe that this approach should also be applied to IAS 32.