

21 July 2004

Ms Thompson
International Accounting Standards Board
First Floor
30, Cannon Street
London
EC4M 6XH

Dear Ms Thompson,

Amendments to IAS 39 Financial Instruments: Recognition and Measurement - The Fair Value Option

The IMA is the trade body representing the UK asset management industry. IMA Members include independent fund managers, the asset management arms of banks, life insurers, investment banks and occupational pension scheme managers. They are responsible for the management of approximately £2 trillion of funds (based in the UK, Europe and elsewhere), including institutional funds (for example, pensions and life funds), private client accounts and a wide range of pooled investment vehicles. In particular, our Members manage 99% of UK-authorized investment funds (collective investment schemes).

In managing assets for both retail and institutional investors, IMA Members have an interest in financial reporting and the standards that govern how accounts are prepared from two perspectives:

- as major investors in companies whose securities are traded on regulated markets, we have an interest in the requirements governing how such companies prepare their accounts and the information disclosed to our Members as users; and
- as managers of collective investment schemes (CIS), we have an interest in accounting standards both as preparers of funds' accounts and from the perspective of our Members' clients as users – the retail investor.

We understand the reasons for the proposed amendments and agree in principle with the logic of not taking unrealised gains or losses in the value of assets to the profit and loss unless values can be verified.

We note that in AV3 the Board members who voted against the amendments raised concerns about increased complexity and the relative benefits that result from it. We agree the requirements to verify are complex and would be concerned if taking changes in fair value to the profit and loss account were to be further restricted, which we understand may be considered in the future.

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We would also note that the proposed amendments would appear to conflict with IAS28 which requires associates of venture capital organisations and mutual funds to show changes in values through the profit and loss. We would welcome clarification on how this conflict would be resolved.

Please call 020 7831 0898 if you would like clarification on any of the points in this letter or if you would like to discuss any issues further.

Yours sincerely

Uner Nabi
Senior Adviser – Financial Regulation

Liz Murrall
Senior Adviser – Corporate Governance