

SORP for Authorised Funds

Summary of feedback

IMA has issued the 2010 revision of the Statement of Recommended Practice (SORP) for Authorised Funds. This follows a public consultation earlier in the year.

This document provides a summary of respondents' comments together with feedback explaining how these comments have been taken into account by the Working Party. This document is intended to explain the development of the requirements of the new SORP. It is not guidance and it does not carry the authority of the SORP.

Puttable instruments

The revised SORP implements the ASB's amendment to FRS 25 (the "puttable instruments amendment"), the effect of which is to change the classification from liabilities to equity of certain puttable financial instruments for accounting periods beginning on or after 1 January 2010.

The reclassification of fund units in this way is unlikely to be helpful to users of the financial statements. However, the nature of the presentational changes is such that it is not expected to cause detriment to the comparability between funds with units classified as equity instruments and funds with units classified as liabilities. Moreover the change is unavoidable and is being made in order to maintain compliance with UK GAAP.

Respondents accepted that the change was unavoidable and no significant adverse impacts were identified.

IMA comments

The proposals have been implemented as proposed. Minor enhancements to the drafting of paragraphs 2.81, 3.24 and Appendix I have been made in response to the feedback received.

Portfolio turnover rate (PTR)

The requirement to disclose the PTR has been removed from EU Regulations governing the reporting of information to investors. Accordingly we proposed removing the requirement to disclose the PTR.

Most respondents supported the removal of the requirement to disclose the PTR.

IMA comments

The requirement to disclose the PTR and the inclusion of the PTR as a factor in assessing the adequacy of the reporting of changes to the composition of the portfolio have both been withdrawn in line with the proposals.

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Index-linked securities

We proposed adding a footnote to paragraph 2.43 to clarify that it is permissible to use the same measure of inflation for both the accounting recognition and the calculation of the distribution.

Most respondents supported the inclusion of the footnote to paragraph 2.43. Some respondents asked for clarification on the relationship between the accounting requirements and the distribution policy disclosures.

IMA comments

The accounting requirements for index-linked securities are defined by paragraph 2.43. The method for calculating distributions is defined by the Financial Services Authority's (FSA) Collective Investment Schemes sourcebook (COLL) using the revenue determined in accordance with the SORP as the starting point. Where COLL allows for a choice of distribution policies, the SORP requirements are limited to the need for a statement of what the chosen policy is.

Other changes

We proposed a limited number of minor changes in order to keep the SORP current.

Respondents made comments on these other aspects of the proposals. In particular, the requirement for a note disclosing significant events after the balance sheet date, the requirements for signing accounts, the contents of the portfolio statement and the commencement date.

IMA comments

The requirement to disclose non-adjusting events after the balance sheet date (paragraph 3.83) has been modified to align with the requirements of FRS 21.

Additional direction (paragraphs 1.13A and 3.4) has been added to make clear the directors' responsibilities for signing the accounts.

No changes have been made in relation to the portfolio statement because the existing requirements are consistent with the FSA's expectations.

The commencement date has not been changed. It is recognised that this might require the new SORP to be implemented at short notice in the case of interim accounts. However, the SORP contains no new obligations other than the requirements that already exist in accounting standards or FSA rules.

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List of respondents

Blackrock Fund Management
BNP Paribas Securities Services
Ernst & Young
Grant Thornton
HBOS
Insight Investments
JPMorgan Worldwide Securities Services
KPMG
Northern Trust
PricewaterhouseCoopers
State Street Global Services