



FRED 62 – Draft amendments to FRS 102

Background

The Financial Reporting Council (FRC) has recently published Financial Reporting Exposure Draft (FRED) 62 ‘Draft amendments to FRS 102 – Fair value hierarchy disclosures’. The FRED proposals are intended to simplify the preparation of disclosures about financial instruments for financial institutions and retirement benefit plans, whilst increasing consistency with disclosures required under European Union (EU) adopted IFRS that users of the financial statements will often be familiar with.

The amendments

FRED 62 proposes to amend paragraphs 34.22 and 34.42 of FRS 102 to require disclosure of financial instruments held at fair value on the basis of a fair value hierarchy consistent with EU-adopted IFRS as follows:

Classification	Measurement input
Level 1	An unadjusted quoted price in an active market for identical assets or liabilities that the entity can access at the measurement date.
Level 2	Inputs other than quoted prices included within Level 1 that are observable (i.e. developed using market data) for the asset or liability, either directly or indirectly.
Level 3	Inputs are unobservable (i.e. for which market data is unavailable) for the asset or liability.

Effective date

When finalised, the amendments are proposed to apply for accounting periods beginning on or after 1 January 2017. Early application will be permitted.

Closing date

Comments on FRED 62 are invited by 31 January 2016.

How we see it

We welcome these proposed amendments as they will alleviate stakeholders’ concerns that certain disclosures required by financial institutions and retirement benefit plans could be made both more cost effective and more consistent with IFRS. We expect that FRS 102 will be

updated for these amendments in March 2016 and that most financial institutions and retirement benefit plans will early adopt these amendments upon issuance.

Until these amendments become effective, divergences to IFRS will remain and preparers of financial statements will need to have a detailed understanding of FRS 102 and its fair value hierarchy in its current form. You can read our update on FRS 102 and its fair value hierarchy as it currently stands [here](#).

For Irish UCITS funds, some boards may consider moving their first quarter board meeting to late April 2016 to allow the relevant fund early adopt the amendments proposed by FRED 62 when they become effective as expected in March 2016. This is to avoid investor confusion and smooth the financial statements preparation process for future years.

Contact

If you have any questions on the above please contact a member of our team.

Niamh Meenan

Partner, Financial Services Audit
D +353 (0)1 6805 614
E niamh.meenan@ie.gt.com

David Lynch

Director, Financial Services Audit
D +353 (0)1 6805 923
E david.lynch@ie.gt.com

John Glennon

Partner, Financial Services Audit
D +353 (0)1 6805 630
E john.glennon@ie.gt.com

Maura Cronin

Director, Financial Services Audit
D +353 (0)1 6805 947
E maura.cronin@ie.gt.com

24-26 City Quay, Dublin 2, D02 NY19

 [@GrantThorntonIE](https://twitter.com/GrantThorntonIE)

www.grantthornton.ie

Offices in Dublin, Belfast, Cork, Galway, Kildare, Limerick and Longford.