

UKSIP

The Society of Investment Professionals

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Accounting Standards Board

Dear Sirs

Re FRED 25: Related Party Disclosures

I attach the Society's response to the above exposure draft.

Please note that we have separated our comments between ASB questions and IASB questions. While we are content for our responses to ASB questions to be made available publicly, we request that our responses to the IASB question remain confidential.

Yours faithfully

Paul H Richards

Related Party Disclosures (FRED 25) issued by the Accounting Standards Board

ASB(i) Do you agree with the proposal to issue a new standard in the UK on related party disclosures, once the new IAS 24 is approved by the IASB?

The Society supports this approach. It is essential that the ASB produce a new standard. These are very important disclosure matters and the high standards of the UK need to be maintained not weakened.

ASB(ii) Do you believe that the ASB should consider any transitional arrangements?

No, there is no need for transitional arrangements.

ASB(iii) Do you believe that an accounting standard should require disclosure of the name of a controlling party and, if different, that of the ultimate controlling party? If the new IAS 24 does not require disclosure, do you believe that a new UK standard should require this disclosure as set out in paragraphs 13A and 13B of the [draft] FRS?

The Society supports this disclosure.

ASB(iv) Do you believe that an accounting standard should require disclosure of the names of transacting related parties?

The Society supports this disclosure.

ASB(v) Should the definition of related parties specifically refer to shadow directors? Should it also refer to persons acting in concert?

Shadow directors should be identified as should persons acting in concert.

ASB(vi) Do you believe that an accounting standard should specify that disclosure is required of material related party transactions and give more guidance on materiality in the context of such transactions?

The Society supports this approach.

ASB(vii) Are there any other aspects of the draft standard that the ASB should request the IASB to review when finalising the revised IAS 24?

No comment.

FRED 25: IASB questions

(UKSIP response to remain confidential)

IASB(i) Do you agree that the Standard should not require disclosure of management compensation, expense allowances and similar items paid in the ordinary course of an entity's operations (see paragraph 2)?

'Management' and 'compensation' would need to be defined, and measurement requirements for management compensation would need to be developed, if disclosure of these items were to be required. If commentators disagree with the Board's proposal, the Board would welcome suggestions on how to define 'management' and 'compensation'.

Such remuneration must be disclosed fully. Management should include all the directors and any more highly paid executives. See the current UK regime for appropriate definitions. The test for the content of disclosure should be all transactions with directors (or other more highly paid employees). In the case of employees more highly paid than the directors, it would be sufficient to provide grouped information as the identities of the individual employees is less important than in the case of directors.

IASB(ii) Do you agree that the Standard should not require disclosure of related party transactions and outstanding balances in the separate financial statements of a parent or a wholly-owned subsidiary that are made available or published with consolidated financial statements for the group to which that entity belongs (see paragraph 3)?

The Society supports this approach.