1. How many funds do you expect to have significant numbers of instruments that are valued using unobservable inputs? For the funds that Northern Trust administers there are not many that are impacted. We see the biggest impact on NURS and unauthorised schemes. Those that we administer that have securities valued with unobservable inputs are identified on the portfolio statement, with auditors requesting back up for their valuation techniques. The bigger impact will be under AIFMD (and probably UCITS V) where independent valuation is required.
2. Do you have systems or processes in place to support IFRS reporting levels? Yes, although it is a manual process to change levels. The issue that we encounter is where clients disagree on the level for the same asset. We would therefore welcome guidance to ensure a consistent approach for classification across levels.
3. Do you agree that the SORP's emphasis justifies the additional disclosure category for unobservable inputs? If not, please explain why. In general we feel that the 4th level is useful, however, having 4 levels will require system development in order to satisfy the different requirements under IFRS, FRS102, and the SORP. This may also have an impact on FTE in order to maintain security classifications based on requirements of differing accounting standards. Per our comment to point 2, we would welcome guidance and look for a consistent approach that will satisfy IFRS, FRS102 and the SORP - whether this be 3 or 4 levels. It would be neater to disclose fair value alongside the portfolio statement, although being an FRS102 requirement it brings in the need for this to be audited.
4. Do you agree with the generic approach for all authorised funds, or should it be more focused on UCITS with non-UCITS funds being dealt with by exception in Appendix III? We agree with the generic approach which we feel may also be required when UCITS V catches up with AIFMD.
5. Do you agree with the integrated approach of using a single set of disclosures to satisfy the regulatory and accounting requirements? Yes, this makes the process more efficient and less open to misstatement.
6. Do you think the SORP should define realised and unrealised gains/losses for non-UCITS funds? Yes, to avoid any subjectivity when dealing with multiple parties - e.g. different audit firms having differing interpretations of the calculation.
7. If so, should it use definition A, B or something else? B. Further to our response to question 1, we feel that the level of securities that have unobservable inputs will be low hence most being disclosed as realised. Consideration, however, should be given to the impact of UCITS V, and whether this is anticipated to have an increased impact on such disclosures going forward.
8. Do you think the proposals will help investors better understand the performance and costs? If not, please suggest how it might be improved. We are not supportive of the proposed changes to the comparative table for a number of reasons as follows;
    - a mixture of ppu and percentages can lead to investor confusion in terms of comparison
    - investors tend to compare like-for-like when choosing which product to buy. If funds were launched with different prices, a ppu comparison will not be appropriate for operating charges or the change in net assets per unit in absolute terms.
    - investors tend not to read the long form accounts, so such information would need to be contained within the short report. There are many funds in the Industry with 20+ classes, so this disclosure will be anything but short, and will lead to increased printing costs. Again, the volume of detail will be confusing. As this may be optional for short reports, will ordinary investors see this information?
    - the adjustment for dilution within the transaction costs section will adversely impact dual priced funds, they will appear more expensive
    - for single priced funds that don't attract transaction costs (e.g. bond and fund of funds) the offset of dilution could actually lead to a rebate of costs being disclosed.
    - given the importance of the figures, consideration should be given that they form part of the audited statements
    - we therefore feel that the level of disclosure as it currently stands within the report and accounts is adequate (e.g. OCF/TER, the breakdown of expenses, the breakdown of transaction costs), and that the IMA should continue to pursue the enhanced disclosure of fund charges and costs with respective managers who are not complying for provision on their website or within the KIID (per the September 2012 guidance). Minor tweaks could be made to the SORP to include all charges within the one expense note, however, this would lead to reconciling items within other notes (reconciliation to the distribution, tax...etc).
9. Are there any aspects of the proposal that you think will be particularly troublesome to produce? Given the fact that there is only the one "unknown" there should not be a problem with figure production. Our concern surrounds the potential volume of disclosure and the impact to both long form accounts and short reports, and whether this is the correct forum for them to be disclosed - e.g. investors tend to look on comparison sites, KIIDS...etc
10. Do you agree with the simplification of the principles for recognising revenue from debt securities? We welcome the move to remove any reference to EY. This will significantly help with the amortisation of certain debt instruments by allowing an appropriate alternative - e.g. straight line on index linked.
11. Do you agree with the removal of the aggregation? We are fully supportive of the removal of the aggregation given the implementation of the protected cell regime.
12. What do you think would be the earliest feasible effective date? We feel that the effective date of 1st January 2015 is suitable

13. Which requirements need an earlier effective date? We feel that anything that will benefit the investor in terms of the distribution could have an earlier effective date as follows; a) 3.57 and 3.60 re fee objectives at a class level and discounting of marginal relief, b) 2.25A and 2.64A investment in fiscally transparent funds - although greater guidance is encouraged around materiality/significance and the availability of peak through information. Both will require system development in order cut down the risk of manual keying error. In addition, anything requiring comparatives should be considered for earlier effective dates - although we do not agree with the requirements of the comparative table, comparatives would need to be accounted for now (i.e. they need to go back 3 years). The removal of the aggregation could also have an earlier date (assuming the issue with India has been resolved).
14. Which requirements should be deferred? We are happy that all other items will enter in to effect from 1st January 2015.
15. Do you think the proposed SORP satisfies the requirements of FRS102? Yes, and we welcome the move to add increased clarity for fair valuation (albeit with further guidance and a uniform approach).
16. Do you have any other comments on the proposed SORP? We have additional comments as follows (in no particular order);
    - 3.35A - The are some funds that have consistent flows of inspecies transfers, so consideration should be given if/when removing from the transaction costs disclosure.
    - 3.12A - 3.12B - Greater clarity is required around the definition of the average dealing spread and subsequent disclosure.
    - SoCINA - SDRT will cease from next April, so consider adding a footnote that this will disappear.
    - The SORP is relatively silent on ESMA guidance released in February '13, so suggest that this needs further explanation.
    - Akin to the above, AIFMD requirements surrounding remuneration are relatively vague. We assume that this section will be enhanced once final ESMA guidelines have been agreed.
    - 3.72 - whilst the note is good, we would welcome general IMA guidance on recognition of FOKUS style reclaims within the NAV together with any revenue/capital treatment. Clarity is also sought surrounding the DTR offset from prior period corporation tax payments, and what HMRC's views are.
    - We would welcome the addition of model long form accounts (both annual and semi-annual) as appendices – e.g change to portfolio statement for counterparty disclosures..
    - We would welcome greater clarity over accounting for indexation and amortisation on index linked gilt edged securities should section 400 be on the way out.
    - Section 2.25A and 2.64A - Investing in Authorised Contractual Schemes. Should this be the case ONLY if your investment in these vehicles is sufficiently material in comparison to the total investment portfolio? Given the difficulty this is likely to cause to source the information, should a caveat be available that means if a fund in “lightly” invested you can STILL recognise on the underlying XD date?
    - We welcome the removal of interest rate and currency risk table disclosure under FRS13.
    - We welcome the opportunity to remove marginal relief on income expenses transferred to capital..