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Legal & General INVESTMENTS

Legal & General Investments
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Investment Management Association
65 Kingsway
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Dear Sirs,

Please find below Legal and General Investments' comments on the revised Statement of Recommended Practice (SORP) for the Financial Statements of UK Authorised Funds.

1. How many Funds do you expect to have significant numbers of instruments that are valued using unobservable inputs?
Legal and General Investments, are the Authorised Fund Manager of a range of 56 Unit Trusts, of which only a very small number currently hold instruments valued using unobservable inputs.

2 . Do you have systems or processes in place to support the IFRS reporting levels?
Not applicable due to us outsourcing the Fund accounting function.

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 believe that the 4^{th} level will be useful to any reader of reports however our Fund accounting outsourcer has expressed concerns that system development will be needed to accommodate this. Also we would welcome clear guidance on categorisation within the 4 levels in order to allow consistency across all the industry.

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?
With UCITS V being implemented in the near future and bringing UCITS more in line with AIFMD we believe a generic approach would be more suitable.

5. Do you agree with the integrated approach of using a single set of disclosure to satisfy the regulatory and accounting requirements?
Yes.

6. Do you think the SORP should define realised and unrealised gains/losses for non UCITS funds?
This would be helpful, in order to avoid different interpretations across the industry.

7. If so, should it use definition A, B or something else?
Definition B, as per question one we have very few instruments valued using un observable inputs and believe B therefore is the easiest method.

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 believe the additional disclosure and layout of the comparative table will be beneficial to a reader, we however have concerns over the amount of information which will be contained in the short report and the ability of the average investor to be able to digest and interpret this information.
Potentially we could move to creating individual short reports for each Unit class, however the administrative burdens and costs associated with printing and mailing these would be too onerous. That said if consideration was given to COLL being updated in line with UCITS IV where by manager's reports are no longer required to be mailed and simply need to be made available online, separate reports could become possible. Thought should also be given as to whether Institutional investor classes actually need a short report and whether the nature of this investor means the long form report is more appropriate.

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9. Are there any aspects of the proposals that you think will be particularly troublesome to produce.
Short report layout and size will need a great deal of consideration in order to appropriately capture the requirements as is. L&G conducted market research in 2011 and one of the main feed back points related to the size of the report and clients only wanting to see their class of unit. Therefore making the reports longer may not be appreciated by investors.

10. Do you agree with the simplification of the principles for recognising revenue from debt securities?
Yes.

11. Do you agree with the removal of the aggregation?
Yes.

12. What do you think would be the earliest feasible effective date?
Accounting dates beginning on 1/1/2014.

13. Which requirements need an earlier effective date?
None. However we would appreciate the ability to early adopt on certain fund (but not all funds within the range) on a fund by fund basis where we feel appropriate.

14. Which requirements should be deferred?
None.

15. Do you think the proposed SORP satisfies the requirements of FRS 102?
Yes.

16. Do you have any other comments on the proposed SORP?

- Splitting commission between execution and research requires a great deal on system upgrades in order to facilitate the capture of these figures. Consideration could be given to the benefit to splitting this figure and also as to whether prior period disclosure (meaning data capture early 2014) is also necessary.
- The use of dilution levy to offset transaction costs could in some funds where transaction costs are low, lead to negative costs being disclosed.
- No guidance has been included to capture ESMA issues/requirements.
- 2.15 implies that all underlying holding values need to be monitored for material movements from VP to close of business. In order achieve this analysis work will need to be completed, at close, to entirely re value the portfolio, if this work is being completed why not just use this data within the report and accounts. We believe however that the intended consequence of this update was to allow for last VP valuations with only late trades being monitored for material movements, if so clarification of this point would be appreciated.

Yours faithfully

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