



Basis of preparation of regulatory returns for first-time adopters of FRS 102 or IFRS during the transition period for FRS 102

This note sets out the basis under which the PRA will accept regulatory returns during the transitional period for first-time adopters of FRS 102 that are currently applying old UK GAAP (meaning pre-FRS 102 UK GAAP). As the UK accounting standards offer a choice of accounting frameworks that include IFRS, equivalent principles should apply to first-time adopters of IFRS that are currently applying old UK GAAP.

The PRA wishes firms to submit regulatory returns – including FSA001, FSA002 and COREP – that are prepared on the basis of their normal accounting practice or applicable accounting framework at that time¹. However, the PRA has an interest in high-quality adoption of accounting standards and is conscious that the lead time needed for implementation means that not all firms will have fully embedded FRS 102 into their accounting processes and practices from the beginning of the first annual period for which they are reporting under FRS 102.

In the PRA's view, the normal accounting practice or applicable accounting framework of a firm:

- that has already prepared financial statements complying with FRS 102 is FRS 102;
- whose next financial statements will be prepared under old UK GAAP is old UK GAAP; and
- whose next set of financial statements will be the first they have prepared under FRS 102 could be either FRS 102 or old UK GAAP – except that the PRA's view is that the normal accounting practice or applicable accounting framework will be FRS 102 in time for the firm to submit at least one set of regulatory reporting using FRS 102 before they approve for issue their first set of financial statements that comply with FRS 102. The intention is to have the impact of adoption of FRS 102 confirmed through regulatory reporting ahead of firms' market disclosures.

Illustrative examples

Financial year end	Could use either FRS 102 or old UK GAAP for regulatory reporting periods up to and including:	First reference date for regulatory reporting using FRS 102 should be no later than:
31 December 2015	30 September 2015	31 December 2015
4 April 2016	31 December 2015	31 March 2016 (COREP) 4 April 2016 (FSA returns)
31 October 2016	30 June 2016 (COREP) 31 July 2016 (FSA returns)	30 September 2016 (COREP) 31 October 2016 (FSA returns)

¹ Reporting guidance for FSA001 income statement and FSA002 balance sheet states that firms should follow their normal accounting practice wherever possible. The Capital Requirements Regulation (575/2013) refers in various places to the calculation of items in accordance with the applicable accounting framework.

No change to the format of the existing regulatory returns is necessary to accommodate use of FRS 102.

The PRA expects firms to assess the impact of the move to FRS 102 on their profit and capital forecasts, and in particular the impact on capital on first time adoption of FRS 102, and for transition plans to allow adequate time for capital planning. As part of their regular dialogue, firms should keep their supervisors informed of their expectations regarding adoption of FRS 102 or IFRS for the purpose of statutory and regulatory reporting, including the capital impact.

Firms should notify their supervisors in advance via their usual point of contact if they:

- do not expect to be able to submit at least one set of regulatory reports using FRS 102 before they approve for issue their first set of financial statements that comply with FRS 102; or
- intend to submit regulatory returns using FRS 102 for reporting reference dates earlier than 31 December 2015.

April 2015