Sackers extra

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SO7

Abbreviations commonly used in 7 Days

Alert/News: Sackers Extra publications (available from the client area of our website or from your usual contact)
DB: Defined benefit
DC: Defined contribution
DWP: Department for Work and Pensions
ECJ: European Court of Justice
FAS: Financial Assistance Scheme
HMRC: HM Revenue & Customs
NEST: National Employment Savings Trust
PPF: Pension Protection Fund
TPR: The Pensions Regulator

ACCOUNTING STANDARDS BOARD (ASB)

ASB issues revised proposals for the future of Financial Reporting Standards (FRS)

The ASB has today (30 January 2012) published financial reporting exposure drafts (FREDs) 46 to 48, setting out revised proposals for the future of financial reporting in the UK and Republic of Ireland.

The ASB's objective in developing its revised proposals is to enable users of accounts to receive high quality, understandable financial reporting that is proportionate to the size and complexity of the entity and users' information needs.

The revised proposals recommend:

- replacing all current standards with a single FRS (and as a consequence, reducing the volume of accounting standards from approximately 2,500 pages to 250 pages);
- the introduction of a reduced disclosure framework; and
- retaining the financial reporting standard for smaller entities.

As part of the "specialised activities section", the ASB has decided to develop accounting requirements for retirement benefit plans that could be supplemented by the existing Statement of Recommended Practice. FRED 48 sets out proposals for the financial statements of retirement benefit plans, including DB and DC arrangements.

Consultation on the exposure drafts closes on 30 April 2012. It is intended that the revised proposals should take effect for accounting periods beginning on or after 1 January 2015, with earlier adoption permitted.

ASB Press Release

COUNCIL OF THE EUROPEAN UNION

Derivatives: European Council updates its position

On 24 January 2012, the European Council adjusted its position in negotiations with the European Parliament on a draft regulation aimed at increasing market transparency on all derivatives and reducing risk in the over-the counter (OTC) derivatives market.

OTC derivatives are contracts concluded directly between two parties, without going through an exchange or central counterparty. The proposed regulation originated from concerns about the safety and transparency of the OTC derivatives markets following the collapse of Lehman Brothers and the bailout of a number of other financial institutions.

Pension schemes have been concerned that the proposals could make it much more difficult for them to make use of OTC derivatives in an efficient way for risk reduction or efficient portfolio management.

Negotiations over the last few weeks have produced a number of compromises, including in relation to pension schemes. The Council has agreed that pension schemes would be exempt from a clearing obligation for a period of three years, extendable by another two years plus one year, subject to reports justifying the deferrals.

With the Council having adjusted its position in this way, it is intended that rapid agreement with the European Parliament will follow, with the regulation to be adopted at first reading.

The regulation is to apply from the end of 2012.

EU Council Press Release

DEPARTMENT OF WORK AND PENSIONS

Auto-enrolment staging dates clarified

Following the announcement in November 2011 of the Pensions Minister, Steve Webb, that small businesses (defined as those with fewer than 50 employees) will be given additional time to prepare for the implementation of automatic enrolment, the DWP has now issued a timetable outlining revised staging dates.

Large employers (those with 250 or more employees) will not be affected. Medium employers (with between 50 and 249 employees) will be re-assigned staging dates between 1 April 2014 and 1 April 2015. Small employers will be allocated staging dates between 1 June 2015 and 1 April 2017.

The DWP is shortly expected to publish a consultation and draft regulations with more detailed information.

DWP Press Release

HM TREASURY

Financial Services Bill published

On 27 January 2012, HM Treasury published draft legislation which is designed to "fundamentally transform and strengthen financial regulation in the UK".

The Government's plans for reforming the financial regulatory system were first announced by the Chancellor, George Osborne, in his Mansion House speech in June 2010.

The Financial Services Bill and Government White Paper are designed to:

- give the Bank of England responsibility for protecting and enhancing financial stability, bringing together macro and micro prudential regulation;

- abolish the Financial Services Authority and create a strengthened regulatory architecture consisting of the Financial Policy Committee, the Prudential Regulation Authority and the Financial Conduct Authority, also providing them each with clarity of responsibility and the necessary powers to ensure the stability of the financial sector and the protection of consumers;

- empower authorities to look beyond "tick-box" compliance and foster a regulatory culture of judgment, expertise and proactive supervision;

- legislate for a new crisis management regime, providing greater clarity and accountability to protect the taxpayer during times of crisis by providing the Chancellor with new powers over the Bank of England where public money is at risk; and

- enable the transfer of responsibility for regulating consumer credit to the Financial Conduct Authority to better protect consumers.

The Government intends that the Bill will pass through Parliament by the end of 2012 so that the changes can be implemented early in 2013. The White Paper notes that the FSA and the Bank of England are well advanced in preparing for implementation of the reforms. The FSA commenced the process of dividing its operations into separate prudential and conduct business units in April 2011, and in the following months, the Bank and FSA published details of the approach that the two new regulatory authorities will each be taking to their new, more focused remits.

HM Treasury press release

NATIONAL EMPLOYMENT SAVINGS TRUST

NEST Roadshow for large employers

NEST is inviting large employers and their financial advisers around the country to attend its regional roadshows which will offer information about automatic enrolment, as well as step-by-step planning to help employers and their advisers prepare.

NEST's pension experts will be on hand to demonstrate how the scheme can be set up for an organisation and to explain how NEST works.

Further information is available via the NEST website.