



## Solution 121.31

<b>Component</b>	Investment entities
<b>Index</b>	The Group
<b>Short title</b>	Consolidation – umbrella funds

**Attention:** This guidance is based on the revised standards and interpretations that are mandatory for accounting periods commencing 1 January 2005. A company may early adopt an individual revised standard, but only in its entirety. Guidance based on the previous version of the standards is included in the “Applying IFRS 2004” guidance.

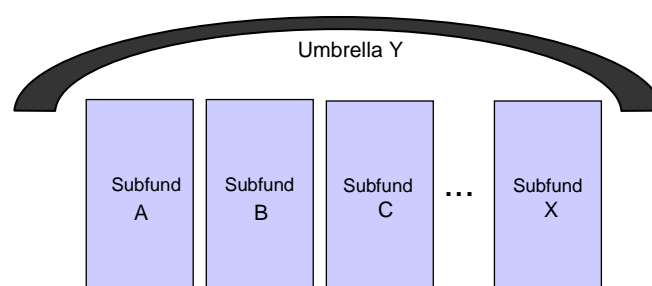
### Issue

An entity should consolidate a SPE that it controls even if it owns little or none of the SPE’s equity [SIC-12.9]. Control may arise when an entity has rights to obtain the majority of the residual or ownership risks related to the SPE or its assets [SIC-12.10(d)].

Should an entity consolidate a sub-fund, which belongs to an umbrella fund even if the entity does not have a majority interest in the umbrella fund?

### Background

Investor A owns 100% of the outstanding units of sub-fund X, which is a sub-fund of umbrella fund Y. Umbrella fund Y has several other sub-funds and is regulated as an OEIC in the United Kingdom. The regulatory environment in the United Kingdom is very strong. The prospectus is also very detailed and thus it can be concluded that the Umbrella fund and its sub funds are SPEs. The assets under management in sub-fund X represent 15% of the total assets managed by umbrella fund Y. Units are issued only for the sub-funds and not for the umbrella fund. Sub-fund X does not have cross liability risk.



### Solution

Yes. Investor A should consolidate sub-fund X as it has the majority interest in X. Investor A has the majority of the risks and rewards of sub-fund X. The absence of an ownership interest by A in the umbrella fund is not relevant.