Macquarie Group Limited
ABN 94 122 169 279

No 1 Martin Place
Sydney NSW 2000
GPO Box 4294
Sydney NSW 1164
AUSTRALIA

Telephone (61 2) 8232 3333
Facsimile (61 2) 8232 7780
Internet http://www.macquarie.com.au

Mr Kevin Stevenson
Australian Accounting Standards Board
PO Box 204
Collins Street West
Melbourne, VIC, 8007
Australia

MACQUARIE

By Electronic Submission at: standard@aasb.gov.au

23 April 2010

Australian Accounting Standards Board Exposure Draft 192 - *Revised Differential Reporting Framework*

Dear Kevin,

We are responding to the Australian Accounting Standards Board's (AASB's) request for comments on Exposure Draft 192 - *Revised Differential Reporting Framework*.

We agree with the AASB's decision to not introduce the International Financial Reporting Standard for Small and Medium-sized Entities (IFRS for SMEs) in Australia at this time. Furthermore, we are supportive of the Board's proposal to require the same recognition and measurement requirements for all Australian entities covered by the Corporations Act 2001 while balancing the need to require limited disclosures, for these reasons:

- Australia is already applying the full IFRS recognition and measurement rules. Consequently, Australia is beginning with a high degree of IFRS knowledge and experience in application.

- Introducing new recognition and measurement rules via IFRS for SMEs would reduce comparability within the Australian environment, since practice in Australia is that all entities that lodge accounts with the Australian Securities and Investments Commission need to apply the full IFRS recognition and measurement criteria.

- It will save costs of training and education that would be required of employees, university lecturers, and analysts if a new set of measurement requirements were introduced, including the on-going savings from not having to maintain knowledge of two bodies of GAAP.

- For those Australian entities to which the IFRS for SME's might apply, they would not be disadvantaged compared to other jurisdictions that might allow the use of IFRS for SMEs because these entities do not generally compete internationally with one another.

- Within Macquarie Group, some its wholly-owned subsidiaries might have been the types of entities that could apply IFRS for SMEs; however this would have imposed significant costs (training, policy development) and provided no benefit since Macquarie needs to adjust for differences from full IFRS for the purposes of consolidation.

We disagree with the Board's approach to limiting disclosures for tier 2 entities, by selectively determining disclosures and removing Australia's 'reporting entity concept' (REC) as the basis for determining whether general purpose financial reports (GPFR) are to be prepared. Whilst we understand that in practice some consider there may be situations where the REC is misapplied, we do not consider there to be any imperial evidence of a wide-spread problem. The Board would make more efficient use of its resources if it instead provided additional guidance to assist in appropriately applying the REC, rather than setting and embarking on maintaining disclosures for tier 2 entities.

We note the Board's efforts to determine only those disclosures that it considers important for tier 2 entities. We are concerned that for most of our wholly-owned subsidiaries that we historically considered non-reporting entities will now have an increase burden of disclosure requirements under the AASB's proposals by having to provide the disclosures in AASB 124 *Related Party Disclosures*.

We agree that it is important to consider disclosures that are relevant for publicly-accountable vs non-publicly accountable entities. Consequently, we also consider it is equally as important for the notes to the financial statements to clearly describe the basis of preparation.

Our responses to the questions included within the Exposure Draft *Revised Differential Reporting Framework* are provided in the attached Appendix.

If you have any questions in relation to this submission, or would like our assistance, please do not hesitate to contact myself (+ 61 2 8232 8670).

Yours sincerely

Stuart Dyson
Group Financial Controller
Macquarie Group

About Macquarie Group

Macquarie Group ('Macquarie') is a global provider of banking, financial, advisory, investment and funds management services. Macquarie's main business focus is making returns by providing a diversified range of services to clients. Macquarie acts on behalf of institutional, corporate and retail clients and counterparties around the world.

Macquarie Group Limited is listed in Australia (ASX:MQG) and is regulated by APRA, the Australian banking regulator, as it is the parent of Macquarie Bank Limited, an authorised deposit taker. Macquarie also owns a bank in the UK, Macquarie Bank International, which is regulated by the FSA. In addition, Macquarie's activities are subject to scrutiny by other regulatory agencies around the world.

As an owner and manager of significant community assets, Macquarie works closely with governments around the world to deliver important services including transport, roads, airports and utilities.

Founded in 1969, Macquarie operates in more than 70 office locations in 28 countries. Macquarie employed approximately 14,400 people and had assets under management of AUD 342 billion at 31 December 2009.

APPENDIX

Specific Matters for Comment

The AASB has asked for comment on the following:

(a) whether you agree with the introduction of a second tier of reporting requirements for preparing general purpose financial statements (GPFSs) for:

(i) for-profit private sector entities that do not have public accountability;
(ii) not-for-profit private sector entities; and
(iii) public sector entities other than those required by the AASB to apply Tier 1?

If not, and you support differential reporting, what other classifications of entities do you think would be more appropriate for differential reporting and why?

On the assumption that the Board chooses to develop a new Australian framework for differential reporting:

(i) We agree.
(ii) No comment.
(iii) No comment.

(b) whether you agree that entities within the second tier should be able to apply the proposed reduced disclosure regime, which retains the recognition and measurement requirements of full IFRSs or would you prefer another approach (e.g. IFRS for SMEs)? If you prefer the IFRS for SMEs, what do you consider to be the specific advantages of the individual differences of recognition and measurement requirements in the IFRS for SMEs compared with full IFRSs?

As noted in our covering letter, we support the AASB's decision to not incorporate IFRS for SMEs into Australia's legislation. The only circumstances we consider the use of IFRS for SMEs might be appropriate is for Australian subsidiaries of foreign parents. In this instance, the use of IFRS for SMEs should be available only if:

1. The Australian subsidiary is wholly-owned by a foreign parent; and
2. The foreign parent's documented policy is that its foreign subsidiaries are to apply the IFRS for SMEs where a jurisdiction permits its use.

(c) the definition of public accountability (which is used to identify those for-profit entities that must apply Tier 1) and whether there are categories of entities in the Australian environment that should be cited as examples of publicly accountable entities other than those already identified in paragraph 26.

We have no comments.

(d) whether you would require any other classes of public sector entities, such as Government Departments, Government Business Enterprises or Statutory Authorities, to be always categorised as 'Tier 1' reporting entities and, if so, the basis for your view.

We have no comments.

(e) the clarification of the meaning of GPFSs and modifying the way the reporting entity concept is used

Please refer to our comments within the covering letter.

(f) the extent and nature of the proposed disclosures under the RDR (Tier 2), including whether the RDR would be effective in reducing sufficiently the disclosure burden on entities in preparing their GPFSs

Please refer to our comments within the covering letter

(g) any particular disclosure requirements that:
(i) have been retained in the RDR that you consider should be excluded from the RDR, and your reasons for exclusion;
(ii) have been excluded from the RDR that you consider should be retained, and your reasons for retention.

We have no comments.

(h) transitional provisions for entities applying Tier 1 or Tier 2 for the first time and moving between Tiers.

Whilst the Exposure Draft outlines the proposed transitional requirements, we ask that the AASB liaise with the IASB to have them revisit their transition requirements in order to relieve the burden imposed where an entity moves from applying IFRS for SME to applying full IFRS.

(i) whether there are any regulatory issues or other issues arising in the Australian environment that may affect the implementation of the proposals.

We have no comments.

(j) whether, overall, the proposals would result in reducing the costs of preparing GPFSs that would remain useful to users.

We have no comments.

(k) whether the proposals are in the best interest of the Australian economy.

We are not convinced that the existing application of Australia's non-reporting entity concept warrants its removal. The Board could have retained this concept and provided further guidance to minimise any perceived abuses of this concept.

We agree with the Board's proposal to not adopt IFRS for SMEs in Australia.
31 August 2009