1 December 2008

The Chairman
Australian Accounting Standards Board
P.O. Box 204
Collins Street West VIC 8007
Australia

Email: standard@aasb.gov.au

Dear Sir/Madam,

ED 169 Improving Disclosures about Financial Instruments: Proposed amendments to AASB7

In response to the exposure draft 169 issued in October 2008 on AASB7 I would like to make the following comments:

1. Fair value disclosures

(a) Challenger have noted the proposed implementation of a fair value hierarchy that reflects the significance of inputs used in making the measurements consisting of the following:

- Quoted prices in an active market for the same instruments (level 1);
- Quoted prices in active markets for similar assets or liabilities or other valuation techniques (level 2);
- Valuation techniques that are not based on observable market data (level 3).

Challenger is of the view that this would create increased transparency in a comparable market for the users of financial statements and feel the increased requirements around each level of the hierarchy; in particular level 3 will result in considerable additional disclosure if all aspects of the standard are complied with. i.e reconciliation of movements, separately disclosing movements during the period.

(b) The three level hierarchy suggested in the exposure draft appears relevant and applicable to the current market environment of financial instruments. Given the draft document issued by the International Accounting Standards Board expert advisory panel in September 2008 discussing measuring and disclosing the fair value of financial instruments in markets that are no longer active, the proposed hierarchy categories appear particularly relevant.

(c) As mentioned above additional disclosure in paragraph 27B & 27C will require significant attention from public listed entities, however Challenger would agree with improving the quality of this disclosure in line with the standard.

2. Liquidity risk disclosures

(a) Challenger recognised during financial year end 2008 ambiguity around the requirements set out in paragraph 39 and appendix B, contractual maturity challenger

analysis for liquidity risk and is therefore pleased to see specific amendments proposed for this area of the standard.

The improved definition around distinguishing between the maturity analysis of derivative financial liabilities and non derivative financial liabilities will assist the users of financial statements to identify and understand future cashflows required to meet liquidity commitments. As liquidity risk can be managed using various methods and policies the increased clarification will act as a valuable amendment.

(b) Challenger agrees and would take the same view regarding the proposed definition of liquidity risk:

"*The risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset*"

3. Effective date and transition

Challenger agrees with the proposed effective date of 1 July 2009 and would consider early application as permitted pre financial year 2009.

4. Economic and regulatory

The proposed amendments laid out in this exposure draft are positive improvements to the current standard given the current market environment is actively focusing on the area of fair value and markets that are no longer active in times of liquidity crisis. In addition the users of financial statements will be focusing on risks associated with the ability to meet future obligations, hence improving liquidity disclosure should assist in assessing these risks and review of comparable public sector entities.

Challenger does not currently foresee any regulatory implications from the proposed changes.

I would be happy to discuss the above issues further with the Australian Accounting Standards Board and can be contacted on 02 9994 7757 or via email at atobin@challenger.com.au.

Yours sincerely,

Andrew Tobin
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Challenger Financial Services Group Limited