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Mr Kevin Stevenson
Chairman
Australian Accounting Standards Board
PO Box 204
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Dear Mr Stevenson

AASB Exposure Draft 207 ***Amendments to AASB 7: Tier 2***

The Heads of Treasuries Accounting and Reporting Advisory Committee (HoTARAC) welcomes the opportunity to provide comments to the Australian Accounting Standards Board (AASB) on Exposure Draft 207 *Amendments to AASB 7: Tier 2* (ED 207).

While it is unlikely HoTARAC jurisdictions will early adopt the Reduced Disclosure Requirements, based on a preliminary review of ED 207 HoTARAC considers the proposals are likely to reduce the burden of financial reporting of financial instruments for entities that adopt the differential reporting regime. However, if the HoTARAC jurisdictions were to adopt RDR, the proposals are unlikely to provide significant benefits as the majority of HoTARAC jurisdictions' entities only hold very simple financial instruments (e.g. trade payables).

The preliminary review performed by HoTARAC did not include a thorough analysis of the reduced disclosures proposal. Its primary objective was to determine whether overall a disclosure reduction would be achieved. HoTARAC observes that the majority of disclosures arising from AASB 2010-6 *Amendments to Australian Accounting Standards – Disclosures on Transfers of Financial Assets,* revised AASB 9 *Financial Instruments* and AASB 2010-7 *Amendments to Australian Accounting Standards arising from AASB 9* will be excluded from the Tier 2 disclosure requirements.

The preliminary view of the ED 207 raised the following matters:

- HoTARAC notes a potential inconsistency between the Tier 2 proposals regarding paragraphs 10(c) and 11A(e). Both of these sub-paragraphs deal with the same type of disclosure – transfers of cumulative gains or losses within equity – albeit for different types of financial instruments. HoTARAC therefore suggests that both paragraphs 10(c) and 11A(e) should be excluded from the Tier 2 requirements for cost-benefit reasons.

- HoTARAC finds the RDR footnote on page 18 confusing and recommends that the footnote be revised to clarify the application of cross-referenced paragraphs that are only partially excluded from Tier 2 requirements.

- Finally, HoTARAC identified some editorial matters with the exposure draft regarding the identification (through underlining) of amended content for AASB 7, on which constituent feedback was sought. For example, paragraphs 10A, 11A, 11B, 12B, 12C, 12D, 20A, 42D all arise from either AASB 2010-6 or AASB 2010-7. However, none of those paragraphs were identified by full underlining in the exposure draft.

HoTARAC does not perceive any regulatory issues or other issues arising that may affect the implementation of the proposals for public sector entities.

If you have any queries regarding HoTARAC's comments, please contact Peter Gibson from the Australian Department of Finance and Deregulation on 02 6215 3551.

Yours sincerely

Grant Hehir
CHAIR
HEADS OF TREASURIES ACCOUNTING AND REPORTING ADVISORY COMMITTEE
24 February 2011
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