



30 April 2012

Mr. Kevin Stevenson
Chairman
Australian Accounting Standards Board
PO Box 204
Collins Street West
Melbourne, VIC, 8007
By Electronic Submission at: www.iasb.org

Dear Mr Stevenson

AASB Exposure Draft 223 Superannuation Entities

We appreciate the opportunity to provide input into Exposure Draft 223 – Superannuation Entities.

The Financial Services Council (FSC) represents Australia's retail and wholesale funds management businesses, superannuation funds, life insurers and financial advisory networks. The FSC has 128 members who are responsible for investing \$1.8 trillion on behalf of more than 11 million Australians. The pool of funds under management is larger than Australia's GDP and the capitalisation of the Australian Stock Exchange and is the fourth largest pool of managed funds in the world. The FSC promotes best practice for the financial services industry by setting mandatory Standards for its members and providing Guidance Notes to assist in operational efficiency.

The FSC welcomes the expansion of the presentation of the financial statements to include a "Statement of changes in equity" and a "Statement of changes in member benefits". These new statements provide more detailed and better classification of overall economic activity for a superannuation entity than currently required; and

The FSC also supports the modified treatment of contributions and rollovers through the member benefit statement (under current standards these are accounted through the income statement). This change in our view significantly improves the reporting of the operating result after income to accord with what end users would consider to be the aggregate "investment performance" of the entity,

However, we have a particular concern regarding the proposals and their interaction with AASB 1053. We consider the AASB 1053 definition of public accountability B2 (d) should be altered, as it has the consequence of requiring some entities that would otherwise satisfy the principles for reduced disclosure being required to provide additional reporting that is not justified on cost benefit grounds. Further explanation on the rationale for this concern is explained in Appendix 1.

If you have any further questions in relation to this submission, please contact me on 02 8235 2523.

Yours sincerely

A handwritten signature in blue ink, appearing to read 'Martin Codina', with a long horizontal flourish extending to the right.

MARTIN CODINA
Director of Policy

AASB 1053 deems all APRA regulated funds (except for small APRA funds) as having “public accountability” per AASB 1053 B2 (d), rather than consider the specific circumstances of each entity to determine whether there is actual “public accountability”. The AASB’s approach is arbitrary and inconsistent with the principles based approach applied to corporate entities regulated by ASIC, where accounting standards do not deem all ASIC regulated entities as necessarily having public accountability. The key consequence of the AASB’s current position for superannuation entities is that reporting entities that would otherwise satisfy the principles for reduced disclosure are required to provide additional reporting that is not justified on cost benefit grounds.

We believe there are a significant number of public offer retail superannuation entities, particularly those which have defined contribution benefits only and have member directed investments, that do not satisfy the definition of public accountability, but the AASB has otherwise are deemed to be publicly accountable merely on the basis that they are APRA regulated. We believe that the trustee of a superannuation entity is best able to exercise their judgment to determine whether a superannuation entity meets the definition of public accountability by considering the specific circumstances of their superannuation entity, and its relevance to stakeholders.

Background on the operation of member directed entities

Member directed superannuation entities provide members a comprehensive list of investment choices, including diversified and sector specific managed investment schemes, unlisted unit trusts, term deposits and securities listed on the Australian Stock Exchange (ASX). Members may be required to use a financial adviser that they nominate, and in conjunction with the nominated financial adviser investment decisions are made referable to the member’s portfolio.

Member investments are separated into individual member portfolios and the risks and benefits of a particular member’s investment choices are allocated to that member.

A key feature of the service offered is that members and their financial adviser are provided timely and individualised financial information on their investments

Unlike other entities such as listed corporate structures, members do not have a proportionate interest in all the net assets of the entity, and therefore the overall financial position of the entity merely represents a statistical aggregation of member assets and does not represent any particular member’s individual economic interest or financial risk profile. This fundamentally detracts from the usefulness of general purpose financial statements for members in their financial decision making.

The following provides an illustration by stakeholder of factors that may be supportive / not supportive of public accountability.

External stakeholder	Supportive of public accountability	Not supportive of public accountability
Employer	Where the superannuation entity has a defined benefit obligation, where the employer may use the	Where the entity is a public offer accumulation benefit only Plan, and the employer acts on the direction of

	financial statements to determine potential additional increase/decreased contribution rates to fund current or future asset surplus/deficits.	member choice to contribute to the Plan.
Potential or existing member	Defined benefit plans, where member benefits are a function of the capacity of the plan as a whole to fund future liabilities.	Public offer accumulation only plans, where member entitlements are not related to the aggregated position of the entity. Public offer plans where investments are solely member-directed (ie investment decisions are made by members based on a master list of investment choices).
Service Providers	External service providers to the superannuation entity (eg administration service providers, investment advisers) who are not related to the Trustee and do not have access to alternative information on the financial position.	Arrangements where the service provider(s) to the superannuation entity is the Trustee (or a related entity of the trustee) and they have alternate reporting to meet their needs.
APRA regulator	N/A – APRA is able to demand reporting that meets their regulatory needs	