ED233 sub 10

26 March 2013

Kevin Stevenson
Chairman
Australian Accounting Standards Board
PO Box 204
Collins Street West Victoria 8007
AUSTRALIA

Dear Mr Stevenson,

Re: Exposure Draft 233 Australian Additional Disclosures – Investment Entities (the ED)

Australia and New Zealand Banking Group Limited (ANZ) is listed on the Australian Securities Exchange. Our operations are predominately based in Australia, New Zealand and the Asia Pacific region. Our most recent annual results reported profits before tax of US$5.9 billion and total assets of US$672 billion.

There will be no impact to the ANZ Consolidated financial statements as ANZ does not fall under the definition of an investment entity as set out in the ED. However, through our wealth management division ANZ has registered and unregistered schemes which are expected to fall under the definition of an investment entity and this ED will apply to those entities.

We support the Board in its endeavours to ensure users of financial statements have adequate information to support decision making. However, it is our preferred approach that the Australian Accounting Standards and the International equivalents mirror one another unless there is a significant concern to justify a departure and warrant any additional costs being incurred by Australian entities relative to their international counterparts. It is our view that allowing investment entities to account for their investments at fair value provides relevant and consistent information to users of these financial statements who are accustomed to assessing their investments on a fair value basis. As such, we do not believe that the proposed Australian additional disclosures are necessary to support users in their decision making and do not justify a departure from the International equivalent standard.

Furthermore, it is our belief that the International Accounting Standard on Investment Entities, which proposed that investment entity be permitted to account for investees that it controls at fair value through profit or loss is a preferable outcome given the nature of the investment entities. We believe that this provides meaningful information as the fair value approach provides consistency in accounting for a range of investments held by the investment entity. This is preferable to the existing approach where certain investments are accounted for at fair value and certain investments are consolidated.

Should you have any queries on our comments, please do not hesitate to contact me at shane.buggle@anz.com.

Yours sincerely

Shane Buggle
Deputy Chief Financial Officer

Appendix: Detailed comments on the questions raised by the AASB on the ED

Question 1 The appropriateness of the proposed Australian additional disclosures and whether such disclosures are warranted.

We do not believe the Australian additional disclosures are appropriate or warranted for investment entities as defined in the ED.

Since investors in investment entities manage their investments primarily on a fair value basis we believe the inclusion of consolidated financial information in the financial reports of the investment entity is of little value to the investor. This is evidenced by the fact that the IASB proposal was issued in response to comments from users of financial statements who prefer to receive information regarding the fair value of their investments.

In addition, we believe that this could be misleading as it presents information which is not in line with how management manages and evaluates performance of these investments or discusses the results of the overall performance of the investments.

Question 2 Whether there are any alternative approaches / disclosure strategies that can be employed to minimise the adverse impact on decision-making of the loss of consolidation information.

It is our view that allowing investment entities to account for their investments at fair value provides relevant and consistent information to users of financial statements who are accustomed to assessing their investments on a fair value basis. As such, we do not believe that the proposed Australian additional disclosures or any other alternative disclosures are necessary to support users in their decision making to justify a departure from the International equivalent standard.

Question 3 If the AASB's proposals proceed whether you agree with not providing relief to Tier 2 entities from any of the proposed Australian additional disclosure requirements.

We do not support the AASB's proposals for either Tier 1 or Tier 2 entities.

Question 4 Whether there are any regulatory issues or other issues arising in the Australian environment that may affect the implementation of the proposals, particularly issues relating to: a. not-for-profit entities; and b. public sector entities

We do not have any comment.

Question 5 Whether, overall, the proposals would result in financial statements that would be relevant to users

We do not believe the proposals will result in financial statements that are more relevant to users than financial statements prepared under the IASB approach.

The primary users of financial statements of investment entities are investors who are accustomed to assessing their investments on a fair value basis and we believe information regarding the fair value of their investment is more relevant to investors than consolidated financial information. Furthermore, this approach aligns external reporting with how the investments are reported and managed for internal management reporting.

Question 6
Whether the proposals are in the best interests of the Australian economy.

Additional costs will be incurred in order to produce consolidated financial information for the entities impacted by the Australian additional disclosures. The costs are incremental as is not how the businesses are viewed and managed for internal reporting.

In addition to the costs of obtaining the information required to present the disclosure, largely a manual process, preparers would also incur additional costs associated with detailed and ongoing assessments of whether an entity would require consolidation under AASB 10 'Consolidated Financial Statements' for no purpose other than meeting the disclosure obligations.

Question 7
Unless already provided in response to specific matters for comment 1 – 6 above, the costs and benefits of the proposals relative to the current requirements, whether quantitative (financial or non-financial) or qualitative.

We do not believe that the additional costs to Australian entities to produce this disclosure would justify the marginal benefits to investors in investment entities.