



The Chairman  
 Australian Accounting Standards Board  
 PO Box 204  
 Collins Street West Victoria 8007

3 April 2013

Dear Chairman

**FSC submission – ED233**

Thank you for the opportunity to provide a submission on exposure draft.

The Financial Services Council (FSC) represents Australia's retail and wholesale funds management businesses, superannuation funds, life insurers, financial advisory networks, private and public trustees. The FSC has over 130 members who are responsible for investing \$2 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 Securities 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.

We write to you in relation to the current consultation on ED 233. As you have noted, the International Accounting Standards Board have issued an amendment to the consolidation principle, such that an investment entity no longer needs to prepare consolidated financial statements but instead can prepare financial statements on a fair value basis.

This Exposure Draft proposes to issue the same relief for investment entities, but continue to require additional disclosures (ie full profit & loss statement, balance sheet, cash flow statement and statement of changes in equity) prepared on a consolidated basis.

This will essentially result in a set of financial statements with two P/Ls, two balance sheets, two cash flow statements and two statements of changes in equity, each prepared on a fair value and also consolidated basis.

We understand the industry is in favour of the relief to prepare accounts only on a fair value basis going forward.

We believe the additional disclosure requirements (to continue to disclose consolidated financial information) are inappropriate for the following reasons:

- (1) Fair value is the most useful information for users, as it reflects the value of their investment. Fair value is the basis for investment decisions - both management's decisions and the investment decisions of users. As a result, additional disclosures based on consolidated financial information are not relevant or useful.

- (2) The additional disclosure requirements are likely to confuse users in that it is likely to be unclear which financial information is the relevant financial information on which users should base their decisions.
- (3) Significant costs borne by preparers to maintain essentially two books and records (ie fair value and consolidated), with no (or limited) benefit to users
- (4) The onerous disclosures required of Australian investment entities are likely to impact on their competitiveness in the global market, and contradicts the efforts made to date to achieve globalisation of the asset management industry. Furthermore, it is not apparent why such onerous disclosures are required specifically of Australian investment entities, when globally the exception appears to have been accepted unamended.

The FSC and members are concerned that these outcomes could increase cost and complexity for Responsible Entities for no obvious benefit and impact Australia's competitiveness as a financial centre.

We seek a meeting with you to further discuss our concerns. I can be contacted on 02 9299 3022.

Yours sincerely



**ANDREW BRAGG**

SENIOR POLICY MANAGER