

9 August 2018

Ms Kris Peach
Chair
Australian Accounting Standards Board
(Submitted via AASB website)

Dear Ms Peach

Re: Applying the IASB's Revised Conceptual Framework and Solving the Reporting Entity and Special Purpose Financial Statement Problems

Thank you for the opportunity to comment on this consultation. This short submission provides background about COBA member and their reporting.

COBA is the industry association for Australia's customer-owned banking institutions – mutual banks, credit unions and mutual building societies. The customer owned banking sector comprises 74 authorised deposit-taking institutions (ADIs) with total assets of more than \$110 billion, 4 million customers, and 10 per cent of household deposits. Our members are predominately involved in retail banking – providing residential mortgages, personal loans, credit cards and deposit products to households.

Key Points

- COBA members are publicly accountable entities as ADIs and therefore subject to Tier 1 general purpose financial statement (Tier 1 GPFS) reporting.
- Larger COBA members have securitisation trusts that are generally providing special purpose financial statements (SPFS) and they should have the option to continue to do so subject to agreement with their users. COBA notes that the AASB expects to provide further guidance on trusts.

Mutual ADIs as Tier 1 GPFS reporting entities

All COBA members are ADIs. COBA members are regulated by ASIC as financial services companies and as public companies limited by shares or limited by shares & guarantee. Our members are also 'for-profit' institutions for accounting purposes and do not share the characteristics of the typical 'not-for-profit'.

COBA members are publicly accountable under AASB 1053¹ as ADIs are one of the groups of 'for-profits' deemed to have public accountability. Therefore, COBA's members are required to apply Tier 1 requirements in preparing general purpose financial statements.

COBA notes that the AASB states that this proposal is not expected to change the accounting requirements for Tier 1 GPFS entities.

¹ AASB 1053 Application of Tiers of Australian Accounting Standards. Appendix B.

COBA members and securitisation trusts

Larger COBA members have securitisation trusts under their control. These trusts are used for term securitisation to access funding from investors, self-securitisation to access liquidity from the Reserve Bank of Australia and 'warehousing' to access revolving lines of credit (generally from a major bank).

These securitisation trusts generally report SPFS. Given these trusts are consolidated into the parent ADI, these statements would be prepared under the Australian Accounting Standards (AAS) recognition and measurement requirements.

COBA recognises that the AASB notes that these changes will not apply GPFS to entities that "are not currently required by legislation or otherwise to prepare financial statements in accordance with AAS". Several COBA members note that their trusts are likely to fit into this 'unimpacted' category. However, a COBA member raises concerns about the general future of SPFS reporting, even for non-publicly accountable, non-lodging, non-AAS entities, given the AASB's proposed changes.

COBA also understands that some securitisation trusts that may be captured within the scope of GPFS reporting, even if they are not publicly accountable.

COBA notes that shifting to GPFS is likely to be inappropriate for securitisation trusts, particularly if users are in a position to access information that already meets their needs (e.g. SPFS, monthly investor reports or more mortgage data). One COBA member notes this would lead to a "material increase in the quantum of disclosures and, consequently, a material increase in the work required to prepare them". In some cases, these transition costs may be low but can add up where there are multiple trusts concerned. These costs should also be put in the context of the limited additional value of GPFS, recent increases in securitisation costs from the newly implemented APS 120² and the continually increasing regulatory burden on ADIs.

COBA notes that the AASB has indicated that it is likely to publish FAQs to provide further clarification around securitisation trusts. COBA would welcome such further clarification.

COBA member subsidiaries or associates

Some COBA members also have ASIC-regulated subsidiaries or associates (i.e. Corporations Act companies). While some entities are not impacted as they are small proprietary companies (i.e. not required to lodge reports with ASIC), others may be captured in the Phase 2 of this proposal as either non-publicly accountable public companies or large proprietary companies. COBA will encourage concerned members to attend AASB's September outreach sessions.

Thank you for the opportunity to comment on this consultation paper. Please contact Mark Nguyen, Senior Policy Adviser on 02 8035 8443 if you have any further queries.

Yours sincerely



LUKE LAWLER
Director - Policy

² APRA's Prudential Standard on Securitisation which come into force on 1 January 2018