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Australian Securities and Investments Commission
Level 5, 100 Market Street
Sydney NSW 2000

Our ref Submission - CP240 - Remaking
ASIC class orders

19 October 2015

Dear Doug

Consultation Paper 240: Remaking ASIC class orders on rounding, directors' reports, disclosing entities and other matters (CP 240)

Thank you for the opportunity to provide comments in relation to CP 240.

We agree that each class order is operating effectively and efficiently, and continue to form a necessary and useful part of the legislative framework, and support the remaking of the class orders detailed in CP 240 as new legislative instruments. We do, however, wish to highlight two particular concerns relating to *ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2015/XX*:

- 1 Date of commencement and practical aspects of application
- 2 Rounding factors

These concerns are highlighted in the Appendix to this letter.

We would be pleased to discuss our comments with you or your staff. If you wish to do so, please contact Michael Voogt on (02) 9455 9744, or myself on (02) 9335 7630.

Yours sincerely

Martin McGrath
Partner

Appendix

1 Date of commencement and practical aspects of application

We note that the new legislative instrument is expected to commence the day after it is recorded in the Federal Register of Legislative Instruments in electronic form.

CP 240 details that the remade instruments are anticipated to commence in January 2016. An entity applying *ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2015/XX* is required to state in its financial report that it is an entity to which the instrument applies and that amounts have been rounded off in accordance with the instrument. Cognisant of this requirement, given the proposed timing of the registering of the legislative instrument coincides with the timing of the preparation of financial statements by 31 December 2015 half-year and annual financial reporters, as a practical matter we recommend that commencement is phrased in respect of a reporting period, e.g. for half-year and financial-year reporting periods ending after 31 December 2015.

We note with the recent remaking of other class orders that all the original class orders, although not necessarily past their sunset dates, were repealed with their remaking into legislative instruments¹. Therefore, in conjunction with our recommendation above, we recommend that the original class order not be repealed until its sunset date, being 1 April 2016.

This will allow those entities reporting for 31 December 2015 periods to continue to refer to ASIC Class Order 98/100 in their financial reports and provide time for those entities reporting for periods after this date to amend reference in their financial report to the remade instrument.

2 Rounding factors

We recommend that the disclosure in the directors' report of remuneration consultant fees required by section 300A(1)(h)(iv)-(v) of the *Corporations Act 2001* be included in the definition relating to *rounding factors* in Part 1, 4(a)(i). We believe such consulting fees would be akin to auditors' remuneration which is subject to the lesser rounding factor. Being a relatively recent additional disclosure we believe this may have been overlooked for inclusion.

We believe it would be a missed opportunity to not re-assess the rounding factor for the disclosures specified in that definition under Part 1, 4(a). We query whether the amounts specified in the definition of *rounding factors* under Part 1, 4(a) sub-paragraphs (ii), (iv) and (v), relating to share based payment arrangements, aggregate breakdown of key management personnel compensation and related party transactions respectively, should continue to be included in the requirements for lesser rounding. We believe they should be subject to the "general" rounding provisions. Is material information truly going to be omitted if, for example, an amount of: \$3,264,217 is disclosed as: \$3.3 million versus \$3,264,000 (where total assets exceed \$1,000,000,000); or as: \$3,264,000 versus \$3,264,217 (where total assets exceed \$10,000,000 but are not more than \$1,000,000,000)?

¹ Refer to *ASIC Corporations (Amendment and Repeal) Instrument 2015/843*