

22 December 2016

Leanne Damary  
Senior Lawyer, Investment Managers and Superannuation  
Australian Securities and Investments Commission  
Level 5, 100 Market Street  
Sydney NSW 2000

Dear Leanne

### **Response: ASIC class orders on time-sharing schemes**

Crowe Horwath audits a number of entities within the time-sharing industry and as such, we take this opportunity to submit a response to the proposed amendments put forward in your consultation paper. Our response is largely limited to those areas that would have or have the potential to impact on audit costs or compliance processes. That said, from a high level perspective, we are generally supportive of many of the suggested proposals.

Our specific feedback is provided within the attached document for your consideration.

If you have any additional questions or would like to discuss the feedback please do not hesitate to contact Brendan Worrall on 07 3233 3410.

Yours Sincerely

**Crowe Horwath Brisbane**



**Brendan Worrall**  
Managing Partner - Audit & Assurance

## Crowe Horwath Response Paper - Remaking ASIC class orders on time-sharing schemes

23 December 2016

### ***Introduction***

Crowe Horwath has been involved in the external audit of a number of timeshare schemes (and certain related entities) for a number of years.

Based on our involvement (from an external audit capacity) and in the public interest, we have chosen to provide some feedback to some of ASIC's proposed changes or proposal to keep some class orders as they are.

For ease of reference, we have tabulated our responses below.

### ***Feedback***

<b><i>Proposal</i></b>	<b><i>Feedback</i></b>	<b><i>Further Commentary (if applicable)</i></b>
Class Order [CO 00/2460]	<b>Agree</b>	Given the nature of the schemes, it is in the Responsible Entities (RE) best interest to maintain scheme property at an acceptable level to ensure continued patronage thereby negating the need for periodic valuations which will add costs to members but for little or no benefit.
Class Order [CO 02/315]	<b>Agree</b>	
Class Order [CO 02/237]	<b>Agree</b>	We support an annual trust account audit – the current requirement of bi-annual audits is inconsistent with other trust account legislation (concerning external audits). Examples include an annual audit of Real Estate trust accounts and Solicitor trust accounts.
PF 208	<b>Agree – with further comment</b>	While we agree with the uniformity this will bring to the cooling-off statements, our suggestion would be to allow for some flexibility in the template (i.e. allowing

		<p>some sections to be mandatory if applicable). Clients may prefer a little flexibility to be able to tailor the template to their applicable circumstances. A one page statement is preferable as it is a lot easier to manage.</p>
PF 209	<b>Agree</b>	
Enhanced fee disclosure	<b>Unsure</b>	<p>Including finance costs within the PDS fee disclosure requirements creates a risk of over complicating the fee arrangements and thereby confusing timeshare customers – especially if the customer is not interested in accessing the finance option.</p> <p>Given that the RE and the Finance entity are different legal entities holding separate and different AFS licences, the combining of both respective fee structures into in one PDS may be impractical from a responsibility and legal view point.</p> <p>The Consultation paper 272 (page 28) includes an example of providing the member a means of comparison of the annual costs associated with a ‘typical accommodation membership’ (including financing, if financing is facilitated) against alternative holiday arrangements. Based on our experience, it is difficult to draw this comparison as there is no ‘typical’ timeshare membership – they are all structured differently in terms of their inclusions / affiliations / exchange programs etc.</p>
Class Order [CO 13/760]	<b>Agree – with further comment</b>	<p>Agree with broadening the definition of special custody assets as proposed.</p> <p>Auditing trust accounts on an annual basis is consistent with other trust account legislation (i.e. solicitor trust accounts / real estate trust accounts).</p> <p>Audit of points – While we are in agreement that this type of audit will provide additional comfort to members, consideration will need to be given to type and the scope of the</p>

		<p>audit. For example a substantive audit of individual member statements would be costly given that some schemes have in excess of 50,000 members. An approach that focused on reporting to members on the RE's internal controls regarding the accuracy of member statements would be much more cost-effective.</p> <p>Should ASIC wish to proceed with this type of audit we suggest the regulator offer further clarity around audit requirements.</p>
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