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Mr Adam Van Eperen Financial Crisis Advisory Group Financial Accounting Standards Board The Group of 100 he exposited Level 28, 385 Bourke Streyt Melbourne VIC, 3000 AUSTRALIA www.group100.com.au Relephone (05) 9000 9601 Easimile (05) 9070 8904 Einail: g4006 group100 com.au

4BX+83-398-191-240

aivaneperen@fasb.org

Dear Mr Van Eperen

The Group of 100 (G100) is an organization of chief financial officers from Australia's largest business enterprises with a purpose of advancing Australia's financial competitiveness.

Many of the issues raised are addressed in a report presented by the Australian Financial Reporting Council at the IASB/FASB Roundtable in Tokyo in December 2008. That analysis reflected the views and experiences of major banking companies in Australia and can be downloaded from www.frc.gov.au.

The G100 is pleased to provide comments to the Financial Crisis Advisory Group (FCAG) on the following questions:

- 1. From your perspective, where has general purpose financial reporting helped identify issues of concern during the financial crisis? Where has it not helped, or even possibly created unnecessary concerns?
 - The G100 believes that the experience with general purpose financial reports (GPFRs) has been that the reporting requirements and framework have not been able to respond on a timely basis in a rapidly changing environment. However, GPFRs have highlighted the concerns about the use of fair value measurements where markets are illiquid.
- 2. If prudential regulators were to require 'through-the-cycle' of 'dynamic' loan provisions that differ from the current IFRS or US GAAP requirements, how should general purpose financial statements best reflect the difference:
 - i. recognition in profit or loss (earnings):
 - ii recognition in other comprehensive income;
 - iii appropriation of equity outside of comprehensive income;
 - iv footnote disclosure only;
 - v some other means; or
 - vi not at all?

Please explain how your answer would promote transparency for investors and other resource providers.

The G100 is concerned with the difference between prudential requirements for loan provisioning and IFRS requirements and considers the IASB should review its provisioning model. We believe that the FCAG should be indicating the need to address issues and their priority and not indicating technical solutions to the IASB.

3. Some FCAG members have indicated that they believe issues surrounding accounting for off-balance items such as securitizations and other structured entities have been far more contributory to the financial crisis than issues surrounding fair value (include mark-to-market) accounting. Do you agree, and how can we best improve IFRS and US GAAP in that area?

The G100 believes that the accounting treatment of off-balance-sheet vehicles may have delayed a fuller appreciation of the risks inherent in company structures. However, while they may be a contributory factor they are not a core concern.

The G100 believes that amending the approach to consolidations and making more explicit disclosures about risk exposures are desirable. The disclosure regime should be assessed against a set of disclosure principles to determine whether they are appropriate and fir for purpose. A major concern is that additional disclosure requirements tend to be introduced without a rigorous assessment of their usefulness.

- 4. Most constituents agree that the current mixed attributes model for accounting and reporting of financial instruments under IFRS and US GAAP is overly complex and otherwise suboptimal. Some constituents (mainly investors) support reporting all financial instruments at fair value. Others support a refined mixed attributes model. Which approach do you support and why? If you support a refined mixed attributes model, what should that look like, and why, and do you view that as an interim step toward full fair value or as an end goal? Whichever approach you support, what improvements, if any, to fair value accounting do you believe are essential prerequisites to your end goal? The G100 does not believe that the adoption of a fair value model is appropriate at this stage. The G100 continues to support a mixed measurement model for financial instruments. We believe that the model should, and can, be simplified while retaining the mixed measurement approach. It is expected that issues relating to measurement of financial instruments will be address in the forthcoming Discussion Paper.
- 5. What criteria should accounting standard-setters consider in balancing the need for resolving an 'emergency issue' on a timely basis and the need for active engagement from constituents through due process to help ensure high quality standards that are broadly accepted?

The G100 considers that the IASB should be able to deal with urgent matters apart from its normal due process. In these cases a 30 day comment period should be available to constituents. However, we believe that criteria as such are unnecessary and that the IASB should justify each circumstance on a case-by-case basis.

6. Are there financial crisis-related issues that the IASB or the FASB have indicated they will be addressing that you believe are better addressed in combination with, or alternatively by, other organizations? If so, which issues and why, and which organizations?

The G100 believes that in addressing issues identified during the financial crisis the IASB/FASB should engage with key constituent groups to ensure that the issues and implications are clear before taking action.

7. Is there any other input that you'd like to convey to FCAG?
No.

Yours sincerely,

Tony Reeves National President