

9 May 2013

The Manager  
Corporate Governance and Reporting Unit  
Corporations & Capital Markets Division  
The Treasury  
Langton Crescent  
PARKES ACT 2600

Email: CLAR2013@treasury.gov.au

Dear Sir or Madam

**Corporations Legislation Amendment Regulation 2013 (the proposed amendments)**

Thank you for the opportunity to comment on the above. CPA Australia and the Institute of Chartered Accountants in Australia (the Institute) have considered the proposed regulations and our comments follow.

CPA Australia and the Institute represent over 200,000 professional accountants in Australia. Our members work in diverse roles across public practice, commerce, industry, government and academia throughout Australia and internationally.

We understand the proposed amendments will

1. Change references to the National Institute of Accountants (NIA) to the Institute of Public Accountants (IPA) in the Commonwealth Regulations
2. Insert various remuneration disclosure requirements into the Commonwealth Regulations
3. Remove references to the Financial Reporting Panel (FRP) from the Commonwealth Regulations

Our submission relates solely to the remuneration disclosure requirements, as we have not identified any issues with the other amendments.

The proposed amendments aim to insert the disclosures from Clause 29 of AASB 124 *Related Party Transactions* into the Corporations Regulations 2001. This is to ensure the disclosure requirements continue as they have been removed from AASB 124 by AASB 2011-4 *Amendments to Australian Accounting Standards to Remove Individual Key Management Personnel Disclosure Requirements*. These amendments apply to remove the disclosures from AASB 124 for annual reporting periods beginning on or after 1 July 2013.

Representatives of the Australian Accounting Profession



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We believe legislation is the appropriate place for requiring governance disclosures about key management personnel when those requirements are not based on requirements in the International Financial Reporting Standards. Therefore, we support the proposed amendments to the legislation to achieve this outcome. We also agree that the appropriate place for such disclosures is in the regulations rather than the Corporations Act. However, we have noted some drafting errors, inconsistencies and duplications in the legislation and proposed amendments, as follows:

1. The proposed Subregulation 2M.3.03 (1) item 18 parts (a) - (e) should refer to equity instruments rather than options and rights.
2. The exemption for disclosure of transactions inter alia within a normal employee, customer or supplier relationship and those that are trivial or domestic in nature is given in Subregulation 2M.3.03(1) item 24 and repeated at Subregulation 2M.3.03(3C)
3. There appear s to be duplicative requirements relating to options in Section 300 (1) (d), Section 300A (1) (c) Subregulation 2M.3.03 (1) item 15 of the Corporations Act and proposed amendment Subregulation 2M.3.03 (1) item 17.
4. Subregulation 2M.3.03 (1) items 1- 16 has been drafted in a style inconsistent with the proposed Subregulation 2M.3.03 (1) items 17- 22.
5. Proposed Subregulation 2M.3.03 item 20 suggests that you need to disclose the highest amount of indebtedness for each KMP regardless of the total amount outstanding. AASB 124 Aus 29.8/29.8.1 only requires such detail for loans over \$100,000
6. The disclosure that has been moved into the regulations from AASB 124 includes disclosure related to non remuneration items e.g. loans. This seems inconsistent with the existing regulations in place which are related to s300A which prescribes the content of the remuneration report.

The accounting standard requirements continue to apply up until financial years commencing 1 July 2013. Therefore the first financial year end to which they will not apply is financial years ending 30 June 2014. Therefore, we consider that there is time for a further review of these requirements rather than rush these in now, with some inconsistencies and errors.

We would therefore recommend that Treasury take the opportunity to review for internal consistency the act and its regulations in respect of all the governance disclosures about executive remuneration. The objective of the review would be to identify inconsistencies and duplication for removal.

Ideally, such a review should be done in conjunction with any finalisation of the legislation amendments contained in the Corporations Legislation Amendment (Remuneration Disclosures and Other Measures) Bill 2012. However, given the uncertainty as to the timing of such a Bill progressing prior to 30 June 2014, we would accept it being done on the current legislation and regulations initially, and then be reviewed further once any final amendments to legislation were known.

If you have any questions regarding this submission, please do not hesitate to contact either Mark Shying (CPA Australia) at [mark.shying@cpaaustralia.com.au](mailto:mark.shying@cpaaustralia.com.au) or Kerry Hicks (the Institute) at [kerry.hicks@charteredaccountants.com.au](mailto:kerry.hicks@charteredaccountants.com.au).

Yours sincerely



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