



**Australian Government**

**Australian Accounting  
Standards Board**

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### **Issues Paper *Regulatory Impact Analysis: Benchmarking***

The Australian Accounting Standards Board (AASB) welcomes the opportunity to comment on the Productivity Commission's Issues Paper *Regulatory Impact Analysis: Benchmarking*.

The AASB is a Commonwealth government agency that promulgates accounting standards as legislative instruments under the *Corporations Act 2001* [section 334] and is a firm supporter of the Regulation Impact Statement process managed by the Office of Best Practice Regulation (OBPR).

### **Background**

In 2002, the AASB's oversight body, the Financial Reporting Council, issued a strategic direction to the AASB pursuant to its powers under the *Australian Securities and Investments Commission Act 2001* [section 225(2)] that Australia adopt International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) by 2005.

Since 2005, the standards applying to business entities made by the AASB have incorporated IFRS requirements word-for-word. The AASB also issues some 'domestic' standards, for example, the forthcoming replacement standard on financial reporting by superannuation plans (for which a draft RIS has already been provided to OBPR).

The only basis on which the AASB would not adopt a particular IFRS is if it were to consider that adoption would be detrimental to advancing the main objects of Part 12 of the ASIC Act [section 227(a) requires the AASB to advance the main objects of the Part], which include maintaining investor confidence and lowering the cost of capital to Australian entities. It is widely acknowledged that being an IFRS-compliant jurisdiction gives Australia a status that helps maintain investor confidence and attracts capital to Australia (and therefore lowers the cost of capital to Australian entities).

There is only one way to be an IFRS-compliant jurisdiction, which is to adopt all IFRS for publicly accountable entities as they are issued and amended by the IASB. Accordingly, any potential detriment relating to one particular IFRS needs to be weighed against the benefit of remaining an IFRS-compliant jurisdiction as a whole. That means the chance of the AASB not adopting a particular IFRS is remote.

Accordingly, for the AASB, the main focus is contributing to and influencing the development of IFRSs in the interests of achieving the best IFRSs for Australia to adopt. Key features of our work include ensuring there is a thorough consultation process within Australia on proposed IFRSs and promoting relevant Australian views to the IASB.

## **Incorporating international context into threshold triggers/significance tests for RIA**

The AASB notes that the Issues Paper (in the section on terms of reference) refers to strengthening regulatory management practices to help ensure that new barriers to doing business nationally are not created and for regulators to have regard to national market implications of regulatory proposals.

The AASB (and much of Australian business) operates in a national and international environment. Accordingly, the AASB considers that, where relevant, RIA processes should also aim to help ensure that barriers to doing business internationally are not created and for regulators to have regard to international market implications of regulatory proposals.

In that regard, the AASB considers the threshold triggers/significance tests for when RIA processes are required, when relevant, should include consideration of the international context. For example, if the AASB is adopting an IFRS, there could be a presumption that RIA processes are not required because of the established benefits of remaining IFRS-compliant (and therefore remaining consistent with our international peers). Alternatively, if the AASB is contemplating not adopting an IFRS, there could be a presumption that a rigorous RIA process would be needed.

## **Consultation processes**

The Issues Paper highlights consultation as a key element of transparency and accountability for those making regulations (for example, in the section ‘Consultation/public involvement during policy development’, starting at page 34).

The AASB has a rigorous public consultation process, which is inter-linked with IASB due process. This includes exposure drafts of proposals, roundtable discussions, effects analyses and Board meetings conducted in public.

The AASB considers that there should be recognition in Australia’s RIA framework of the benefits of Australian regulators leveraging the efforts of relevant international consultation processes.

Yours sincerely

Kevin M Stevenson  
Chairman & CEO