



**CHARTERED SECRETARIES
AUSTRALIA**

Leaders in governance

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By email: douglas.niven@asic.gov.au and jennifer.odonnell@asic.gov.au

Dear Douglas and Jennifer

Reporting of functional currency

Chartered Secretaries Australia (CSA) is the peak professional body delivering accredited education and the most practical and authoritative training and information on governance, as well as thought leadership in the field. We represent over 8,000 governance professionals working in public and private companies, all of whom, due to their involvement in corporate administration and compliance, have a thorough working knowledge of the *Corporations Act*, and all of whom liaise with the Australian Securities and Investments Commission (ASIC) regularly in the course of their work.

CSA meets formally with ASIC via a Liaison Committee four times each year. ASIC is represented at these meetings by Jennifer O'Donnell, Executive Director Compliance & NSW Regional Commissioner, and other staff as appropriate. CSA is represented by NSW members and CSA's Director, Policy, Judith Fox.

Following discussion at these meetings, members of the CSA/ASIC Liaison Committee undertook to formally submit our concerns as to the reporting of functional currency. Our members are keen to see changes undertaken that can ameliorate the current situation. We believe that this issue make it difficult for our members to ensure that compliance with regulatory requirements results in an informed market.

Functional currency

Australian companies are now permitted, where appropriate, to lodge financial statements with ASIC in a currency other than Australian dollars.

Issue

Form 484 requirements for issued capital and changes to issued capital do not allow for currencies other than 'dollars' (assumed by readers to be Australian dollars.) Therefore, any input is going to result in misleading results.

A company's details on the ASIC database and the company's financial statements will not be able to be reconciled. The company's ASIC share issue details will be in Australian dollars and the financial statements will be in a currency other than Australian dollars. Attempts to reconcile the two using a historical or current exchange rate are unlikely to be successful as varying exchange rates would have been used to translate the historical share issues.

A further issue that CSA believes requires consideration is that the requirement to lodge share issues with ASIC in Australian dollars can influence the manner in which companies present their financial statements. Companies using a different presentation currency from their functional currency can face problems resulting from a build-up of a large foreign currency translation reserve.

CSA's overarching concern with the manner in which share issues are currently reported is that there is the potential for a perception to arise that a company is providing inaccurate information about the company in either its issued share capital information or its financial statements.

CSA members seek to be able to show, in the ASIC online system and on the hard copy Form 484, that their companies are issuing shares in a currency other than Australian dollars, without the end result being either inaccurate or misleading. CSA notes that the online system requires input of the number of shares being issued and the issue price per share.

CSA suggestions regarding reform

One possible solution to this issue is for ASIC to no longer require 'dollars' to be entered for issues of capital having regard to the current situation where the issued capital figure in dollar terms could be incorrect. Consideration would have to be given as to whether such a change would disadvantage parties in any situation (for example, proprietary companies where no financial statements are lodged — in most of these cases the issued capital will be \$1 or another nominal amount, which would give creditors no information or comfort in any case.)

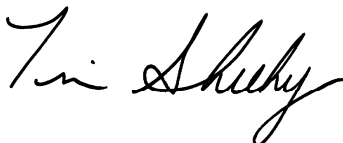
An alternative solution is to allow Form 484 to be completed using currency other than Australian dollars. CSA notes that, for example, the Accounting and Corporate Regulatory Authority of Singapore provides for the input of data in a choice of multiple currencies.

Conclusion

CSA is keen to ensure that compliance with regulatory requirements results in the transparency of financial information for those seeking information on companies in Australia. The current situation with the reporting of functional currency does not assure such transparency. Our suggestions for reform contained in this letter are offered in the spirit of ensuring that compliance achieves the policy outcome of an informed market.

We would be happy to meet with you and discuss these issues further.

Yours sincerely



Tim Sheehy
CHIEF EXECUTIVE