

21 September 2016

Warren Allen  
Chief Executive  
External Reporting Board  
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Email: [submissions@xrb.govt.nz](mailto:submissions@xrb.govt.nz)

Dear Warren,

**Exposure Draft NZASB 2016-7: PBE IFRS 9 Financial Instruments**

The Guardians of New Zealand Superannuation is pleased to submit its comments on Exposure Draft NZASB 2016-7: PBE IFRS 9 Financial Instruments.

The Guardians of New Zealand Superannuation (Guardians) is a Crown entity established to manage and administer the New Zealand Superannuation Fund (Fund), which is a pool of assets consolidated into the Government's balance sheet. The Guardians meets the definition of a public benefit entity (PBE) and reports under Tier 1 PBE Accounting Standards. The Fund, on the other hand, meets the definition of a profit-oriented entity and prepares its financial statements as a Tier 1 for-profit entity reporting under NZ IFRS and other authoritative pronouncements of the External Reporting Board (XRB) as appropriate for profit-oriented entities. However, because its assets are consolidated into the Government's balance sheet, the Fund is also required to submit financial information to the Government that complies with Tier 1 PBE Accounting Standards.

Therefore, as an entity that is a member of a mixed group, we are particularly concerned with transaction neutrality when reporting under an accounting standards framework that involves a two sector multi-standards approach. We have previously expressed our concerns in prior submissions at the time and cost of maintaining two sets of financial information when reporting under two different sets of accounting standards for which the requirements differ. Whilst we acknowledge there will always be time delays between the issuance of new or amended standards or guidance by the IASB and the IPSASB, it's imperative to avoid unnecessary divergence in accounting treatment that may cause unnecessary confusion for stakeholders and undermine the credibility of a multi-standards approach. As a result, we support the NZASB's proposal to issue a PBE Standard based on IFRS 9 in advance of the IPSASB completing its project on financial instruments, especially considering the IPSASB's expected completion date for this project will be after the effective date of NZ IFRS 9 in the for-profit sector.

Our comments in response to the specific questions raised in the exposure draft are set out in the attached appendix.

Should you wish to discuss, or require any clarification, please contact Jenny Brown ([jbrown@nzsuperfund.co.nz](mailto:jbrown@nzsuperfund.co.nz)) or by phone on + 64 9 373 8967.

Yours faithfully



Jenny Brown  
Senior Accountant

## Appendix: Submission on PBE IFRS 9 Financial Instruments

- 1. Do you support the NZASB's proposal to issue a PBE Standard based on IFRS 9 in advance of the IPSASB completing its project on financial instruments, taking into account the factors discussed in the *PBE Policy Approach*? If not, please explain why not and indicate any alternative course of action that you think would be more appropriate.**

Yes, we support NZASB's proposal to issue a PBE Standard based on IFRS 9 Financial Instruments in advance of the IPSASB completing its project on financial instruments. The changes introduced in NZ IFRS 9 will result in significant differences between the for-profit and PBE frameworks that will result in additional compliance costs for mixed groups. We support alignment across the two accounting standards frameworks to avoid unnecessary differences in reporting and increased compliance costs.

- 2. If a PBE Standard based on IFRS 9 were to be issued by the end of 2016, and you are the head of a mixed group or a member of a mixed group:**

- (a) Do you think it is likely that you or any PBE's within the mixed group would wish to early adopt PBE IFRS 9; and**

Yes, it's likely we would early adopt PBE IFRS 9 to coincide with the effective date of NZ IFRS 9 Financial Instruments to avoid dual reporting.

- (b) If so, do you think that the expected issue date of late 2016 would provide sufficient lead-in time for a PBE within a mixed group to voluntarily adopt the proposed PBE Standard?**

The expected issue date of late 2016 provides sufficient lead-in time for our purposes, however, we cannot provide comment on behalf of other PBE's within mixed groups.

- 3. Do you agree with the modifications made by the NZASB in developing the proposed PBE Standard? If not, please explain why not and identify what you think would be more appropriate.**

Whilst we would prefer closer alignment between the for-profit and PBE accounting standards, especially in relation to fair value measurement, we understand the rationale for the modifications made by the NZASB in developing the PBE IFRS 9.

- 4. Do you agree with the proposed RDR concessions in relation to PBE IPSAS 30? If you disagree, please provide reasons and indicate what concessions you consider would be appropriate.**

We're indifferent to the proposed RDR concessions.

- 5. Do you agree with the proposal that the effective date of the proposed PBE IFRS 9 be January 2021, with early adoption permitted (bearing in mind the NZASB's intention to defer the effective date of PBE IFRS 9 until a future IPSAS based on IFRS 9 is effective)?**

We agree with the proposal to allow early adoption of PBE IFRS 9 as this provides relief for mixed groups.