



ASIC
Australian Securities &
Investments Commission

Explanatory Statement

ASIC Corporations (Amendment) Instrument 2022/519

This is the Explanatory Statement for *ASIC Corporations (Amendment) Instrument 2022/519*.

The Explanatory Statement is approved by the Australian Securities and Investments Commission (*ASIC*).

Summary

1. *ASIC Corporations (Amendment) Instrument 2022/519* (the **amending instrument**) makes minor and technical amendments to *ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191* for changes to legislation impacting the financial reporting requirements of entities under the *Corporations Act 2001* (the **Act**).
2. The amending instrument makes the following minor and technical amendments:
 - (a) the definition of 'entity' is amended to include a sub-fund of a corporate collective investment vehicle (**CCIV**);
 - (b) references are added to disclosure requirements in accounting standard *AASB 1060 General Purpose Financial Statements – Simplified Disclosures for For-Profit and Not-for-Profit Tier 2 Entities* (**AASB 1060**).
3. ASIC will continue to monitor the appropriateness of this legislative instrument having regard to the feedback from relevant stakeholders.

Purpose of the instrument

4. The purpose of the amending instrument is to make minor and technical amendments to *ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191* for changes to legislation impacting the financial reporting requirements of entities under the Act.
5. ASIC is made aware of such matters from time-to-time through stakeholder engagement and/or internal review. Where necessary, minor amendments are

made through an amending instrument to ensure that ASIC instruments continue to operate effectively and as intended.

6. The amending instrument does not affect the duration of the instrument to be amended, nor does it make any substantive change to the policy setting of that instrument.

Consultation

7. Before making this amending instrument, ASIC engaged with a range of financial reporting and audit stakeholders (including audit firms, professional accounting bodies and standard-setters) to understand where minor and technical amendments may be required.
8. Given that the amending instrument neither impacts upon the policy setting of the instrument to be amended, nor changes its duration, ASIC did not consider it necessary to engage in further consultation before making the amending instrument.

Operation of the instrument

9. The amending instrument makes minor and technical amendments to *ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191* instruments as follows:
 - (a) the definition of 'entity' is amended to include a sub-fund of a CCIV. A CCIV is a further type of entity newly subject to the financial reporting and audit requirements of Part 2M.3 of the Act, which apply to companies, registered schemes and disclosing entities. Sub-funds of CCIVs are similar to registered schemes but in a structure more easily understood by foreign investors;
 - (b) references are added to disclosure requirements in accounting standard AASB 1060. AASB 1060 is a new accounting standard that specifies simplified disclosures for entities that are not 'publicly accountable'. These disclosures are a cut down version of disclosures already required under the full disclosure requirements of accounting standards for listed entities and many other entities.
10. None of these changes affect the policy setting or the duration of the above instrument. As such, the amending instrument will sunset at the same time as the principal instrument, that is, 1 April 2026. ASIC will review the instrument ahead of its sunset and consult on options for amending or remaking it as appropriate.
11. The amending instrument commences on the day after it is registered on the Federal Register of Legislation.

Legislative authority

12. The amending instrument is made under subsections 341(1) and 992B(1) of the Act.
13. Subsection 341(1) provides that ASIC may make an order in writing in respect of a specified class of companies, registered schemes or disclosing entities, relieving any of the directors, the companies, registered schemes or disclosing entities themselves, or the auditors of the companies, registered schemes or disclosing entities from all or specified requirements of Parts 2M.2, 2M.3 and 2M.4 (other than Division 4) of the Act.
14. To make an order under subsection 341(1), ASIC must be satisfied that complying with the relevant requirements of Parts 2M.2, 2M.3 and 2M.4 of the Act would:
 - (a) make the financial report or other reports misleading; or
 - (b) be inappropriate in the circumstances; or
 - (c) impose unreasonable burdens.
15. ASIC is satisfied that complying with the statutory requirement to disclose exact amounts and nil amount items in financial reports would be inappropriate given that companies, registered schemes and disclosing entities are already subject to relief from those requirements. Entities applying AASB 1060 would otherwise lose the ability to round amounts in financial/directors' reports.
16. Under subsection 33(3) of the *Acts Interpretation Act 1901* (as in force as at 1 January 2005 and as applicable to the relevant powers because of section 5C of the Act), where an Act confers a power to make any instrument, the power is to be construed as including a power exercisable in the like manner and subject to the like conditions (if any) to amend any such instrument.
17. The amending instrument is a disallowable legislative instrument.
18. The matters contained in the amending instrument and the principal instrument are appropriately used to deal with specific, technical and machinery issues. As a consequence, if the matters in the amending instrument and the principal instrument were to be inserted into the primary legislation, they would insert, into an already complex statutory framework, a set of provisions that are highly specific in nature and may become redundant over time.

Statement of Compatibility with Human Rights

19. The Explanatory Statement for a disallowable legislative instrument must contain a Statement of Compatibility with Human Rights under subsection 9(1) of the *Human Rights (Parliamentary Scrutiny) Act 2011*. A Statement of Compatibility with Human Rights is in the Attachment.

Statement of Compatibility with Human Rights

This Statement of Compatibility with Human Rights is prepared in accordance with Part 3 of the *Human Rights (Parliamentary Scrutiny) Act 2011*.

ASIC Corporations (Amendment) Instrument 2022/519

Overview

1. *ASIC Corporations (Amendment) Instrument 2022/519* makes minor and technical amendments to *ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191* for changes to legislation impacting the financial reporting requirements of entities under the *Corporations Act 2001*.
2. The amending instrument makes the following minor and technical amendments:
 - (a) the definition of 'entity' is amended to include a sub-fund of a corporate collective investment vehicle;
 - (b) references are added to disclosure requirements in accounting standard AASB 1060 *General Purpose Financial Statements – Simplified Disclosures for For-Profit and Not-for-Profit Tier 2 Entities*.

Assessment of human rights implications

3. This instrument does not engage any of the applicable rights or freedoms.

Conclusion

4. This instrument is compatible with the human rights and freedoms recognised or declared in the international instruments listed in section 3 of the *Human Rights (Parliamentary Scrutiny) Act 2011*.