



AUASB Board Meeting Summary Paper

AGENDA ITEM NO. **17(c)**

Meeting Date: 28 November 2011

Subject: Update on Personal Property Securities Reform

Date: 16 November 2011

Action Required

For Information Purposes Only

Agenda Item Objectives

To present for the Board's information, the key points from a recent information session by the Institute of Chartered Accountants (ICAA) on Personal Property Security.

Background

The Personal Property Securities Act (PPSR) was passed on 14 December 2009 and will be implemented in 2012, with a 2-year transitional period. The PPSR replaces 70 Acts and security registers dealing with personal property with one single Act and online register, and provides rules for the creation, extinguishment and enforcement of security interests in personal property. The PPSR determines priority amongst competing security interests in the same property and applies to all personal property but excludes land and fixtures, specifically excluded property (e.g. water rights, certain liens and set-offs) and any other rights granted by a Commonwealth State or Territory authority declared by law as not constituting personal property (e.g. gaming licences). Land is specifically excluded from this reform and the current laws governing registering a mortgage or caveat remain the same.

The need for reform

Currently, there are over 70 Commonwealth, State and Territory Acts and security registers that regulate personal property security registers that regulate personal property securities and there are many different rules, duplication and competing priorities when dealing with security interests. The reform will replace over 40 registers into one single national register and it aims to reduce complexity within the existing laws, reduce legal disputes and apply some consistency by providing uniform rules for all security interest in

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personal property. The Personal Property Security (PPS) Register is a single, national online register. Secured parties and it aims to reduce complexity within the existing laws, reduce legal disputes and apply some consistency by providing uniform rules for all security interest in personal property.

Matters to Consider

Many amendments were made to State and Territory legislations to repeal existing security arrangements and the new Act will introduce rules that:

- Govern how security interests are created and enforced;
- Determine priority between competing interests;
- Set out when a security interest will be enforceable on the grantor's insolvency;
- Establish the circumstances in which personal property is acquired free of a security interest; and
- Determine rules on the enforcement of security interests.

Recommendation

This paper is for information purposes only to consider the main amendments that were made to the registration of security interests in personal property. There would not appear to be any significant implications for auditing standards at this stage.

Material Presented

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