



**DRAFT ENDORSEMENT ADVICE AND EFFECTS STUDY REPORT ON  
OFFSETTING FINANCIAL ASSETS AND FINANCIAL LIABILITIES  
(AMENDMENTS TO IAS 32 AND IFRS 7)**

**INVITATION TO COMMENT ON EFRAG'S ASSESSMENTS**

Comments should be sent to [commentletters@efrag.org](mailto:commentletters@efrag.org) or  
uploaded via our website by 24 February 2012

EFRAG has been asked by the European Commission to provide it with advice and supporting material on the *Offsetting Financial Assets and Financial Liabilities, (Amendments to IAS 32)* and *Disclosures–Offsetting Financial Assets and Financial Liabilities (Amendments to IFRS 7)* ('the Amendments'). In order to do that, EFRAG has been carrying out an assessment of the Amendments against the technical criteria for endorsement set out in Regulation (EC) No 1606/2002 and has also been assessing the costs and benefits that would arise from its implementation in the European Union (the EU) and European Economic Area.

A summary of the amendments to IAS 32 and IFRS 7 is set out in Appendix 1.

Before finalising its two assessments, EFRAG would welcome your views on the issues set out below. Please note that all responses received will be placed on the public record, unless the respondent requests confidentiality. In the interest of transparency EFRAG will wish to discuss the responses it receives in a public meeting, so we would prefer to be able to publish all the responses received.

**EFRAG initial assessments summarised in this questionnaire will be amended to reflect EFRAG's decisions on Appendix 2 and 3.**

1 Please provide the following details about yourself:

- (a) Your name or, if you are responding on behalf of an organisation or company, its name:

Accounting Standards Board (UK)

- (b) Are you a:

Preparer  User  Other (please specify)

Standard-setter

- (c) Please provide a short description of your activity:

The role of the ASB is to oversee the financial reporting requirements of UK (and Irish) entities. This is done by maintaining and improving UK Financial Reporting Standards (FRS) and influencing the development of

international standards. To achieve this, the ASB collaborates with accounting standard-setters from other countries and the International Accounting Standards Board (IASB).

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(d) Country where you are located:

UK

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(e) Contact details including e-mail address:

David Loweth

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Tel : 00-44- (0) 20- 7492- 2420

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E-mail : d.loweth@rc-asb.org.uk

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2 EFRAG’s initial assessment of the Amendments is that they meet the technical criteria for endorsement. In other words, they are not contrary to the principle of true and fair view and it they meet the criteria of understandability, relevance, reliability and comparability. EFRAG’s reasoning is set out in Appendix 2.

(a) Do you agree with this assessment?

X Yes

No

If you do not, please explain why you do not agree and what you believe the implications of this should be for EFRAG’s endorsement advice.

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(b) Are there any issues that are not mentioned in Appendix 2 that you believe EFRAG should take into account in its technical evaluation of the Amendments? If there are, what are those issues and why do you believe they are relevant to the evaluation?

No

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3 EFRAG is also assessing the costs that are likely to arise for preparers and for users on implementation of the Amendments in the EU, both in year one and in subsequent years. Some initial work has been carried out, and the responses to this Invitation to Comment will be used to complete the assessment.

4 The results of the initial assessment of costs are set out in paragraphs 2 to 15 of Appendix 3. Overall, EFRAG’s initial assessment is that the one-off costs will be significant for those entities that have a large volume of derivative activities, while the ongoing costs are on balance insignificant. The Amendments are likely to result in insignificant costs for users.

Do you agree with this assessment?

X Yes

No

If you do not, please explain why you do not and (if possible) explain broadly what you believe the costs involved will be?

- 5 In addition, EFRAG is assessing the benefits that are likely to be derived from the Amendments. The results of the initial assessment of benefits are set out in paragraphs 16 to 18 of Appendix 3. To summarise, EFRAG’s initial assessment is that the Amendments will allow users to assess better the (potential) effect of netting arrangements, including rights of set-off on the entity’s financial position and will help preparers in applying and improving the consistency in the application of the offsetting criteria.

Do you agree with this assessment?

X Yes  No

If you do not agree with this assessment, please provide your arguments and indicate how this should affect EFRAG’s endorsement advice?

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- 6 EFRAG’s initial assessment is that the benefits to be derived from implementing the Amendments in the EU as described in paragraph 4 above are likely to outweigh the costs involved as described in paragraph 3 above.

Do you agree with this assessment?

X Yes  No

If you do not agree with this assessment, please provide your arguments and indicate how this should affect EFRAG’s endorsement advice?

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- 7 EFRAG is not aware of any other factors that should be taken into account in reaching a decision as to what endorsement advice it should give the European Commission on the Amendments.

Do you agree that there are no other factors?

X Yes  No

If you do not agree, please provide your arguments and indicate how this should affect EFRAG’s endorsement advice?

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