



European Financial Reporting Advisory Group ■

EFRAG's position on the IASB Exposure
Draft *Offsetting Financial Assets and
Financial Liabilities*

Comment letter 29 April 2011

EFRAG's position – Offsetting criteria



	EFRAG position
<i>EFRAG agrees with</i>	<ul style="list-style-type: none">• EFRAG supports the IASB's proposal to establish an overarching principle for offsetting financial assets and financial liabilities, based on the existing IAS 32 requirements.• EFRAG agrees with the proposal that the right to set off the financial asset and the financial liability must be unconditional and legally enforceable in all circumstances.• EFRAG agrees with the proposal to keep the scope of the offsetting guidance unchanged and require offsetting for both bilateral and multilateral arrangements that meet the offsetting criteria.
<i>EFRAG's concerns</i>	<ul style="list-style-type: none">• EFRAG believes that the simultaneous settlement criterion, which requires settlement 'at the same moment', might be interpreted in a way that prevents offsetting in a wide range of circumstances. To ensure that the offsetting requirements can be applied in accordance with the underlying principle, we recommend that the Board consider requiring offsetting where there is no settlement risk.• The ED prohibits offsetting of cash collateral against the associated financial assets or liabilities even in instances where all offsetting criteria are met. EFRAG believes that this is an unnecessary restriction that prevents entities from applying the principles underlying the offsetting requirements. Therefore, the Board should lift this restriction in circumstances where the criteria for offsetting are met.

EFRAG's position - Disclosures

EFRAG position

- EFRAG agrees with the proposal to require disclosures about rights to offset financial assets and financial liabilities of an entity and the related arrangements, including information about collateral and master netting arrangements.
- EFRAG believes that this requirement would increase consistency in the information provided about the rights to offset that may exist and would therefore improve the comparability between the entities.
- EFRAG believes the proposals in the ED would expand significantly the disclosure requirements in respect of one specific aspect of financial instruments, and taking IFRS 7 as a whole, this level of detail could be seen as disproportionate compared to the other disclosure requirements. Therefore, EFRAG urges the IASB to consider the proposals in the ED in the context of the existing disclosure requirements in IFRS 7, taking into account the disclosure proposals made in other consultation documents in respect of accounting for financial instruments; and to ensure that the level of guidance included in the standard remains consistent and balanced across topics.
- EFRAG disagrees with the requirement to disclose grossed-up information about financial instruments that meet the offsetting criteria and that have been offset on the face of the statement of financial position.

EFRAG's position - Effective date and transition

	EFRAG position
<i>Transitional provisions</i>	<ul style="list-style-type: none">• EFRAG supports the proposed retrospective application.
<i>Effective date</i>	<ul style="list-style-type: none">• The effective date of the ED should be aligned with the effective date of IFRS 9 and IFRS 7 revised.