



European Financial Reporting Advisory Group ■

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

Draft comment letter 17 February 2011

EFRAG's overall assessment – Offsetting criteria



	EFRAG preliminary 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.

EFRAG's overall assessment - Disclosures



	EFRAG preliminary position
<i>EFRAG agrees with</i>	<p>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.</p> <p>EFRAG believes that the proposed disclosures would enable users to see the link between the gross and the net amounts and the relationship between financial assets and financial liabilities.</p> <p>EFRAG broadly supports the proposal to specify clearly the requirements for disclosures about financial assets and financial liabilities that the entity has a conditional right to set off.</p> <p>EFRAG believes that this requirement would increase consistency in the level of detail of information provided and would therefore improve the comparability between the entities.</p>
<i>EFRAG's concern</i>	<p>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 <i>Financial Instruments: Disclosures</i> 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.</p>

EFRAG's overall assessment - Effective date and transition



	EFRAG preliminary position
<i>Transitional provisions</i>	EFRAG supports the proposed retrospective application.
<i>Effective date</i>	EFRAG observes that the effective date of the proposals should not necessarily be aligned with the application of IFRS 9 <i>Financial Instruments</i> , but could be an <u>earlier date</u> .
Question to constituents	EFRAG is asking constituents whether the benefits resulting from the proposals would outweigh the costs related to it.
Question to preparers	EFRAG is asking preparers about the time reasonably required to implement the proposed disclosure requirements.