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DSR – öffentliche SITZUNGSUNTERLAGE

DSR-Sitzung:	154. / 04.03.2011 / 14:45 – 16:15 Uhr
TOP:	09 – IAS 39 replacement: IASB ED/2011/1 Offsetting
Thema:	Entwurf der Stellungnahme an den IASB
Papier:	154_09b_Draft_CL_IASB_ED_Offsetting



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Sir David Tweedie
Chairman of the
International Accounting Standards Board
30 Cannon Street
London EC4M 6XH
United Kingdom

Dear David,

Exposure Draft ED/2011/1 Offsetting Financial Assets and Financial Liabilities

On behalf of the German Accounting Standards Board (GASB) I am writing to comment on the IASB Exposure Draft ED/2011/1 'Offsetting Financial Assets and Financial Liabilities' (herein referred to as 'ED'). We appreciate the opportunity to comment on the ED.

The GASB welcomes the efforts of the IASB and the FASB to achieve a converged proposal for offsetting financial assets and financial liabilities which eliminates quantitative differences in IFRS and US GAAP balance sheets.

We agree with the proposal to establish a clear principle for offsetting financial assets and financial liabilities. We believe that the proposed offsetting criteria – which broadly agree with the current IFRS requirements – are appropriate and that offsetting should be required when these criteria are met for both bilateral and multilateral set-off arrangements.

The GASB also agrees with the proposed disclosure requirements which in our opinion will satisfy the different information needs of different user groups.

Please find our detailed comments on the questions raised in the ED in the appendix to this letter. If you would like to discuss our comments further, please do not hesitate to contact me.

Yours sincerely,

Liesel Knorr
President



Appendix

Question 1 - Offsetting criteria: unconditional right and intention to settle net or simultaneously

The proposals would require an entity to offset a recognised financial asset and a recognised financial liability when the entity has an unconditional and legally enforceable right to set off the financial asset and the financial liability and intends either:

- (a) to settle the financial asset and financial liability on a net basis or
- (b) to realise the financial asset and settle the financial liability simultaneously.

Do you agree with this proposed requirement? If not, why? What criteria would you propose instead, and why?

The GASB agrees with the proposed offsetting criteria and the requirement to offset when these criteria are met. We support to establish a clear principle for offsetting financial assets and financial liabilities that justifies an exception from the general gross presentation requirement in IAS 1. In our opinion, paragraphs 4 and 5 of the ED set out an appropriate principle in this respect and this principle is adequately converted into applicable criteria.

Question 2 - Unconditional right of set-off must be enforceable in all circumstances

It is proposed that financial assets and financial liabilities must be offset if, and only if, they are subject to an unconditional and legally enforceable right of set-off. The proposals specify that an unconditional and legally enforceable right of set-off is enforceable in all circumstances (ie it is enforceable in the normal course of business and on the default, insolvency or bankruptcy of a counterparty) and its exercisability is not contingent on a future event. Do you agree with this proposed requirement? If not, why? What would you propose instead, and why?

The GASB agrees with the proposal that the unconditional right of set-off must be enforceable in all circumstances. We welcome this clarification with regard to the current requirements in IAS 32.42.



We understand that the proposed offsetting requirements are stricter than those in the Basel Framework for prudential regulation and that some have asked for an alignment between accounting standards and regulatory requirements. However, we believe that in this special case the objectives are different and therefore do not allow such an alignment. In this respect, we agree with the IASB's position set out in BC64 and BC65 of the ED.

Question 3 - Multilateral set-off arrangements

The proposals would require offsetting for both bilateral and multilateral set-off arrangements that meet the offsetting criteria. Do you agree that the off-setting criteria should be applied to both bilateral and multilateral set-off arrangements? If not, why? What would you propose instead, and why? What are some of the common situations in which a multilateral right of set-off may be present?

We agree with the proposal to require offsetting of financial assets and financial liabilities when the offsetting criteria are met, irrespective of whether the set-off arrangements are bilateral or multilateral.

Question 4 - Disclosures

Do you agree with the proposed disclosure requirements in paragraphs 11-15? If not, why? How would you to amend those requirements, and why?

The GASB understands that users of financial statements are often interested in information about gross positions even though a net presentation in the statement of financial position is appropriate. We therefore agree with the proposed disclosure requirements about rights of set-off and related arrangements (including information about collateral and master netting agreements) to enable users of financial statements to understand the effect of those rights and arrangements on the entity's financial position.

**Question 5 – Effective date and transition**

- (a) Do you agree with the proposed transition requirements in Appendix A? If not, why? How would you propose to amend those requirements, and why?
- (b) Please provide an estimate of how long an entity would reasonably require to implement the proposed requirements.

The GASB agrees with the proposal to apply the requirements retrospectively to all comparative periods presented. As the proposed requirements compare broadly with the current offsetting requirements in IAS 32, we do not expect significant difficulties regarding presentation.

The proposed disclosure requirements are more extensive compared to what is currently required under IFRS 7, so that some entities are likely to require a certain lead-time to accumulate the necessary information, especially for comparative periods.