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April 19, 2011

Technical Director
Financial Accounting Standards Board
407 Merritt 7
PO Box 5116
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File Reference No. 2011-100

Re: *Proposed Accounting Standards Update*, Balance Sheet (Topic 210), Offsetting

The Accounting Principles and Auditing Standards Committee (the AP&AS "Committee") of the California Society of Certified Public Accountants (CalCPA) is pleased to provide our comments to the Financial Accounting Standards Board ("FASB") on the proposed accounting standard update.

The AP&AS Committee is the senior technical committee of the CalCPA. CalCPA has approximately 35,000 members. The Committee is comprised of 50 members, of whom 67 percent are from local or regional firms, 23 percent are sole practitioners in public practice, 5 percent are in industry and 5 percent are in academia.

The Committee commends the Boards' efforts at achieving proposed convergence on this important issue, and urges them to maintain convergence in the final standard.

Following are the committee's responses to the questions in the Proposed ASU.

Offsetting Criteria—Unconditional Right and Intention to Settle Net or Simultaneously

Question 1: The proposals would require an entity to offset a recognized eligible asset and a recognized eligible liability when the entity has an unconditional and legally enforceable right to setoff the eligible asset and eligible liability and intends either:

1. To settle the eligible asset and eligible liability on a net basis
2. To realize the eligible asset and settle the eligible liability simultaneously.

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

The Committee agrees with the proposed criteria. The Committee believes that offsetting should only be done in very limited circumstances, and the criteria are sufficiently limiting.

Unconditional Right of Offset Must Be Enforceable in All Circumstances

Question 2: Under the proposals, eligible assets and eligible liabilities must be offset if, and only if, they are subject to an unconditional and legally enforceable right of setoff. The proposals specify that an unconditional and legally enforceable right of setoff is enforceable in all circumstances (that is, 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 Committee agrees with the proposal that the right of offset must be unconditional and legally enforceable.

Multilateral Setoff Arrangements

Question 3: The proposals would require offsetting for both bilateral and multilateral setoff arrangements that meet the offsetting criteria. Do you agree that the offsetting criteria should be applied to both bilateral and multilateral setoff arrangements? If not, why? What would you propose instead, and why? What are some of the common situations in which a multilateral right of setoff may be present?

The Committee believes that offsetting should be required for multilateral arrangements that meet the offsetting criteria.

Disclosures

Question 4: Do you agree with the proposed disclosure requirements in paragraphs 11–15? If not, why? How would you propose to amend those requirements and why?

The Committee does not have any objection to the proposed disclosure requirements.

Effective Date and Transition

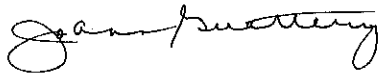
Question 5: Do you agree with the proposed transition requirements in Appendix A? If not, why? How would you propose to amend those requirements and why? Please provide an estimate of how long an entity would reasonably require to implement the proposed requirements.

The Committee agrees with the proposed transition requirements.

It is not able to reasonably estimate how long an entity would reasonably require to implement the proposed requirements. Many entities will be unaffected. For affected entities, the requirement that the right of offset be "bankruptcy-proof" may require extensive legal analysis that could elongate the implementation time.

We thank you for the opportunity to comment on this matter. We would be glad to discuss our opinions with you further should you have any questions or require additional information.

Sincerely,



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