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April 2011

Exposure Draft 'Offsetting Financial Assets and Financial Liabilities'  
International Accounting Standards Board  
30 Cannon Street, London EC4M 6XH  
United Kingdom

Dear Sir or Madam:

The Korea Accounting Standards Board (KASB) has finalized its comments on Exposure Draft 'Offsetting Financial Assets and Financial Liabilities'.

I would appreciate your including our comments in your summary of analysis.

The enclosed comments represent official positions of the KASB. They have been determined after extensive due process and deliberation.

Please do not hesitate to contact us if you have any inquiries regarding our comments. You may direct your inquiries either to me(suklim@kasb.or.kr) or to Mr. Gun Jae Lee (gjlee@kasb.or.kr), Senior Researcher of KASB.

Yours sincerely,



Mr. Suk-Sig (Steve) Lim  
Chairman, Korea Accounting Standards Board

Cc: Sungsoo Kwon, Director of Research Department

We are pleased to comment on the Exposure Draft ‘Offsetting Financial Assets and Financial Liabilities’. Our comments include views from a public hearing and responses collected from the various associations. We finalized the comment letter through the due process established in KASB.

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### **Exposure Draft ‘Offsetting Financial Assets and Financial Liabilities’**

*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 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?*

We agree. However, we think it would be useful to illustrate how to demonstrate an entity’s intention to settle net or settle simultaneously by an example.

*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?*

We agree.

*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 offsetting 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.

*Question 4 Disclosures*

*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?*

It is necessary to reconsider whether the proposals fit in with the overall framework of IFRS 7, because IFRS 7 already requires an entity to disclose nature and extent of risks arising from financial instruments including a description of collateral held as security.

In that regard, we believe that the information about the portfolio-level adjustments made in the fair value measurement is beyond the scope of this IFRS.

Meanwhile, we recommend you to examine how easily applicable the proposed disclosure requirements are.

*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 requirement?*

We agree.