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Sir David Tweedie  
International Accounting Standards Board  
30 Cannon St.,  
London  
EC4m 6XH

28 April 2011

Dear Sir David,

**ED/2011/1 Offsetting Financial Assets and Financial Liabilities**

The Chartered Institute of Management Accountants (CIMA), founded in 1919, is the world's leading and largest professional body of Management Accountants, with 172,000 members and students operating at the heart of business in 168 countries. CIMA is committed to high quality, global, principle-based, neutral financial reporting standards and supports the widespread adoption of International Financial Reporting Standards.

It is our understanding from discussions with preparers that the current IFRS offsetting requirements work well and do not require any change and so we support the Board's intention not to materially amend the current IFRS guidance. There is a risk that making changes to the IFRS requirement to facilitate convergence with US GAAP may have unintended consequences.

We have identified the following issues in the proposed application guidance in appendix C of the ED which raises our concerns. Paragraph C11 appears to prevent offsetting in cases where settlement with a central clearing house occurs in batches due to the volume of transactions and processing constraints, although in these circumstances there is no exposure to credit or liquidity risk and the cash flows are in effect equivalent to a single net amount. We believe that the criterion 'simultaneously' is appropriate but the IASB should consider this issue when re-deliberating the meaning of the criterion and clarify that the criterion is met in such situations.

Another point of concern is the guidance in paragraph C14. This could be read as a general exception from applying the offsetting criteria to collateral obtained or pledged in respect of financial assets and financial liabilities. We do not believe that such an exception would be appropriate. Thus, it should be clarified that the offsetting criteria also apply to margin accounts and that margin accounts should be netted with other positions if the general criteria are met. For example, in certain instances with central clearing houses the margin accounts are included in the net settlement cash flows due and therefore should be offset accordingly.

We also note that the required disclosures are very detailed and granular and would question whether this level of detailed is required. We appreciate that if amounts are immaterial then they would not need to be disclosed but often considerable work needs to be undertaken, especially across groups of companies, to collect sufficient data to determine whether an amount is material or not. It is with this in mind that we believe a fresh look needs to take place on the amount of information required to be disclosed.



Yours sincerely

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