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May 4, 2011

International Accounting Standards Board

30 Cannon Street,

London EC4M 6XH

United Kingdom

Dear Sirs,

This letter is the response of the User Advisory Council (the Council) of the Canadian Accounting Standards Board (AcSB) to the Exposure Draft “Offsetting Financial Assets and Financial Liabilities” issued jointly by the International Accounting Standards Board (IASB) and the Financial Accounting Standards Board (FASB) (together “the Boards”), in January 2011.

The Council comprises a diverse group of 23 members, including investors and investment professionals, credit granters in financial institutions, equity and credit analysts, and rating agencies. Additional information about the Council can be found at [www.acsb.org](http://www.acsb.org).

The views expressed in this letter are those of the Council members and do not necessarily represent a common view of the Council, the AcSB or staff, nor do the views expressed by the Council members represent a common view of their respective organizations. Views of the AcSB are developed only through due process.

The Council supports the proposals in the Exposure Draft and agrees that the current requirements for offsetting financial assets and financial liabilities need to be improved. In particular, we think that achieving convergence between IFRSs and US GAAP will improve the usefulness of the information provided in the financial statements and will help users make better decisions.

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

We agree with the proposed offsetting criteria and, in particular, agree that simultaneous settlement takes place only if settlement of the asset and liability occur ‘at the same moment’. A strict interpretation of the meaning of ‘simultaneous settlement’ is critical in order to represent faithfully an entity’s risk exposure to the net amount. Otherwise, we think that a gross presentation of financial assets and financial liabilities generally provides more relevant and more useful information to users of financial statements.

**Question 4—Disclosures**

The Council supports the disclosures proposed about conditional rights of set-off, collateral and related arrangements. Those proposed disclosures will provide insight into the ranking of claims that will help users evaluate whether to provide additional resources and on what terms, or whether to demand payment on debt instruments. This type of information is often difficult to obtain and could help users to learn about arrangements that could affect their claims on the entity.

We also note that, although the focus of the proposed disclosures in this Exposure Draft is on credit risk, other risks are also important to users, such as price, currency, interest rate, duration and in some cases volatility.

We would be pleased to elaborate on these points in more detail if you require. If so, please contact me, Peter Martin, Director, Canadian Accounting Standards Board Staff at +1 416 204-3276 (e-mail [peter.martin@cica.ca](mailto:peter.martin@cica.ca)), or Grace Lang, Principal, Canadian Accounting Standards Board Staff at +1 416 204-3478 (e-mail [grace.lang@cica.ca](mailto:grace.lang@cica.ca)).

Yours truly,



for Blair Carey

Chair, User Advisory Council

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