The World Bank

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File Reference No. 2011-100
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Re: Proposed Accounting Standards Update Balance Sheet (Topic 210): Offsetting

Dear Sir / Madam,

The World Bank is pleased to provide our comments on the Proposed Accounting Standards Update Balance Sheet (Topic 210): Offsetting. The International Bank for Reconstruction and Development (IBRD) and the International Development Association (IDA) (collectively, the Bank) are international organizations, which are owned by its member countries and whose goals are to promote sustainable economic development and reduce poverty in its developing member countries. These goals are pursued primarily by providing loans, concessional development credits and grants, as well as guarantees and technical assistance.

We believe that comparability of the financial statements is a worthy objective that would greatly benefit the users; and, therefore, we fully support the Board’s efforts to achieve convergence in the area of balance sheet offsetting by establishing a common approach to its presentation. Our responses to the Board’s questions are enclosed.

Thank you again for the opportunity to provide our views.

Sincerely,

[Signature]

Charles A. McDonough
Vice President & Controller

Attachment
Attachment - Responses to Questions

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?

We agree with the proposed requirement. We believe that the resulting gross presentation on the balance sheet together with the increased disclosure requirements would provide meaningful information to users of financial statements.

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?

We agree with the requirement that the eligible assets and liabilities must be offset if, and only if, they are subject to an unconditional and legally enforceable right of setoff. We also support the Board’s proposal that an unconditional and legally enforceable right of setoff must be enforceable in all circumstances and should not be contingent upon feature events.

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?

No comment.

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?

We support the Board’s proposal to require increased disclosures of rights of setoff and related arrangements. Irrespective of how rights of setoff are presented on the balance sheet, net or gross, we believe that disclosing both net and gross information would be meaningful and helpful to the readers of the financial
statements and will result in comparability between entities. In addition, we support disclosing net exposure amounts after the effects of collateral.

**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.

We support the Board’s proposal to apply the requirements of the standard retrospectively for all comparative periods. Although, it can arguably be a more labor intensive approach, it would enhance comparability and understandability of balance sheet information within companies’ financial statements and between different companies.