28 April 2011

Sir David Tweedie
Chairman
International Accounting Standards Board
30 Cannon Street
London EC 4M 6XH
UNITED KINGDOM

Dear Sir David


Thank you for the opportunity to comment on this supplement. The Commonwealth Bank of Australia (CBA) is one of the four major Australian banks. We have prepared financial statements under IFRS since 2005, having previously prepared financial statements under Australian GAAP (AGAAP).

Our comments on the specific questions raised by the Boards are addressed in the Appendix; however we have set out below our general thoughts on the Exposure Draft.

We welcome and commend the IASB and the FASB on their efforts to converge requirements for offsetting financial assets and financial liabilities. Overall, we support the decision to use, as a basis for the converged requirements, the existing guidance for offsetting financial assets and financial liabilities in IAS 32 'Financial Instruments Presentation'.

However, we are concerned about the extent and detail of the proposed disclosure requirements. We urge the Boards to consider these disclosures in the context of existing disclosure required by IFRS 7 'Financial Instruments: Disclosures' and other proposals issued by the Board.
We would be happy to discuss the above with you should you require further detail. Please contact the undersigned with any questions or comments.

Yours sincerely

Michael Venter
APPENDIX

**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 support the proposed requirements. We believe that the criteria in IAS 32 are appropriate and support the continued use of these.

However, we recommend the removal of paragraph 9 of the current proposals as it can be interpreted to be inconsistent with other paragraphs. We understand that this is an anti-abuse measure and as such, it would be more appropriate to include it in the context of an example, in the application guidance.

**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 (i.e., 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 proposal that the right of set-off must be unconditional and legally enforceable in all circumstances. This approach will clarify existing requirements.

**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 that the offsetting criteria should be applied to both bilateral and multilateral set-off arrangements.

**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?
We believe that the disclosures made should be based on the application of a set of disclosure principles. We are concerned about the extent and detail of the proposed disclosures. We consider that the volume of the disclosures will be inconsistent with the significance of the arrangements to the operations of the entity and the intended scope of the offsetting project. The disclosure proposals should only address offsetting arrangements instead of addressing credit risk more broadly. Should the Board continue with this level of disclosure, we ask that the Board clarify whether the definition of 'class', as used in ED, is consistent with other accounting standards and at what level of granularity the definition should be applied.

We believe that the consideration of these disclosures should be performed as a comprehensive review of IFRS 7 rather than as part of the offsetting project currently open on the Board’s agenda.

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<th>Question 5 – Effective date and transition</th>
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<td>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?</td>
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<td>b. Please provide an estimate of how long an entity would reasonably require to implement the proposed requirements.</td>
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We do not believe there would be a significant change for the Group upon implementation of the presentation elements of the proposals and therefore implementation would take minimal time.

However, as noted above, we are concerned about the extent and detail of the required disclosures. Given the quantity and complexity of the disclosures, we request that the Board consider, as part of transition requirements, to allow the compilation of comparatives over a number of years, instead of requiring full comparatives in the year of adoption.