April 28, 2011

Sir David Tweedie  
International Accounting Standards Board  
1st Floor, 30 Cannon Street  
London EC4M 6XH  
United Kingdom

Dear Sir David Tweedie:


Thank you for the opportunity to comment on the IASB exposure draft “Offsetting Financial Assets and Financial Liabilities”. The views expressed in this letter reflect the views of the Province of British Columbia (the province). These views are based on a commitment to preparing financial statements that are understandable and meet the information and decision-making needs of the public and the Legislature acting on their behalf.

The Summary Financial Statements of the province are prepared in accordance with Canadian Public Sector Accounting Board (PSAB) standards. The province will be impacted by the proposed revisions contained in the exposure draft because several of our entities adopted IFRS in 2011; these entities are accounted for by the province on the modified equity basis. In addition, IPSASB and PSAB guidance may be impacted by IASB guidance in the future.

The province endorses the proposals contained in the exposure draft “Offsetting Financial Assets and Financial Liabilities.” The proposals are consistent with the province’s current presentation with respect to the offsetting of financial assets and financial liabilities. The proposals are also consistent with financial asset and financial liability offsetting accounting guidance that was recently approved by the Canadian PSAB.
Responses to specific questions posed in the exposure draft are attached. Should you have any comments or questions, please contact me at 250 387-6692 or by-mail: Stuart.Newton@gov.bc.ca, or Carl Fischer, Executive Director, Financial Reporting and Advisory Services Branch, at 250 356-9272 or by e-mail: Carl.Fischer@gov.bc.ca.

On behalf of the Province of British Columbia.

Sincerely,

[Signature]

Stuart Newton, CA, CIA
Acting Comptroller General

Enclosure

cc: Peter Milburn
Deputy Minister
Ministry of Finance

Sabine Feulgen
A/Deputy Secretary to the Treasury Board
Ministry of Finance

Carl Fischer
Executive Director, FRAS

Peter Martin, Director
Accounting Standards Board, Canada
E-mail: ed.accounting@cica.ca
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?

The province agrees with this proposed requirement.

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?

The province agrees with this proposed requirement.

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?

The province has no comment on this question because the province does not have any arrangements that
represent a multilateral right of set-off.

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?

The province agrees with the proposed disclosure requirements.

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?

The province agrees with retrospective presentation for all comparative periods included in an entity’s
financial statements.

(b) Please provide an estimate of how long an entity would reasonably require to implement the
proposed requirements.

The province has no comment on this question.