Santander

**Exposure Draft ED/2011/1**

**OFFSETTING FINANCIAL ASSETS AND FINANCIAL LIABILITIES**

**I - GENERAL COMMENTS:**

In order to contribute to FASB and IASB to achieve a common approach to the offsetting, or netting, of financial position (Balance Sheet) Banco Santander Brasil has answered the questions of the Exposure Draft (ED/2011/1) which are presented below (in blue).

**II – RESPONSES TO THE QUESTIONS:**

## 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 recognized 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?**

Yes, since this kind of presentation better represents the economics' settlement and provides to the financial statements users an usual information about entities' expected cash flow of financial assets and financial liabilities.

## 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 (ie 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?**

Yes. The unconditional right of sett-off must be enforceable in all circumstances, once it will require that involved entities have to adopt the same presentation criteria in their financial statements, consequently no individual/additional entity judgment is necessary.

## 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 with bilateral set-off arrangements only. Under the demands of rule application ((i) unconditional and legally enforceable right of set-off; (ii) to settle and realize the financial asset and liability on a net basis or simultaneously), the involvement of more than two parties could hamper the achievement of the main objective of the new reporting standard.

## 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?**

Yes, we agree.

## 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?**

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

Considering that the proposal does not differ too much from the current IAS 32 pronouncement, a feasible adoption date could be in 2013/01/01.

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