DUTCH ACCOUNTING STANDARDS BOARD (DASB)

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Our ref : RJ-EFRAG 516 B
Direct dial : +31 (0)20 301 0388
Date : 21 April 2011
Re : Comments on the Exposure Draft Offsetting Assets and Liabilities

Dear members of the EFRAG Technical Expert Group,

The Dutch Accounting Standards Board appreciates the opportunity to comment on your Exposure Draft Offsetting Assets and Liabilities (the 'ED') as issued on 28 January 2011.

We refer to our letter to the IASB that is attached. In the appendix to that letter we have included our responses to the detailed questions of the ED.

As can be seen from our cover letter to the IASB, we are concerned that there are a number of potentially significant differences with the current wording of IAS 32 that could lead to a stricter interpretation compared to the existing criteria in IAS 32. If the criteria in respect of simultaneous settlement and collateral obtained or pledged in respect of financial assets and financial liabilities are intended to be stricter than the existing criteria, we do not agree with the proposals in the ED. In addition, we do not agree with the proposed new and much more extensive disclosure requirements.

In our view EFRAG/TEG should consider and include these concerns in its final response. Please note that we are currently not in the position to comment on your question to constituents in respect of costs and benefits. A proper answer to that question can only be obtained by substantial field-testing.

We will be pleased to give you any further information that you may require.

Yours sincerely,

Hans de Munnik
Chairman Dutch Accounting Standards Board

- Appendix: Comment Letter to the IASB

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Our ref	:	RJ-IASB 404 D
Direct dial	:	+31 (0)20 301 0388
Date	:	21 April 2011
Re	:	Comments on the Exposure Draft Offsetting Assets and Liabilities

Dear members of the International Accounting Standards Board,

The Dutch Accounting Standards Board appreciates the opportunity to comment on your Exposure Draft Offsetting Assets and Liabilities (the 'ED') as issued on 28 January 2011. We are supportive of the efforts of the IASB and FASB to develop common requirements for offsetting financial assets and liabilities under IFRS and US GAAP. We believe that offsetting should have the same meaning in both IFRS and US GAAP and that the requirements and the related disclosures should also be the same.

We do not fully support the proposals in the ED as we are concerned that there are a number of potentially significant differences compared to the current wording of IAS 32 that could lead to a stricter interpretation in respect of simultaneous settlements. In addition, the proposals require much more new and extensive disclosures and finally the proposed treatment of collateral obtained or pledged in respect of financial assets and liabilities could also have a significant impact. Please note that if the criteria in the proposals are intended to be stricter than the existing criteria of IAS 32, we do not agree with the proposals in the ED.

Simultaneous settlement
At present, IAS 32 states that financial instruments that are settled through a clearing house (where transactions are net- rather than gross-settled) or in a face-to-face exchange are deemed to constitute simultaneous settlement and it is 'only' in other circumstances that the settlement has to occur at the same moment. Under the proposals in the ED this distinction is not made and the requirement to simultaneously settle at the exact same moment would apply in all circumstances. The condition that the realisation of an asset and the settlement of a liability at the same stated time but in different time zones is not considered a simultaneous settlement, is in our view unacceptable.

Disclosure proposals
We believe that the proposed level of detail of new disclosures is disproportionate compared to other disclosure requirements, does not logically derive from the required net presentation if the relating conditions are met, and we also believe that the proposed disclosure requirements are onerous for entities and will not result in relevant information for users. An entity that appropriately applies accounting standards should not be required to provide many additional data in the notes to the financial statements as if it would apply other or alternative accounting requirements. Therefore, it is our opinion that the disclosures should be limited to the amounts that have been set off and presented on a net basis.

Collateral obtained or pledged in respect of financial assets and liabilities
At present under IAS 32, many entities offset the market values of derivatives and the cash collateral on the basis that all payments on the derivatives will be made net using the cash collateral already provided. Under the proposals in the ED – as elaborated in paragraph C14 – assets pledged as collateral, the right to reclaim collateral or an obligation to return collateral received and the associated financial assets and liabilities would not be offset. If the (new) wording in the ED is intended to be stricter as compared to the existing rules, we do not agree with the proposals in the ED.

In appendix A to this letter we have included our responses to your detailed questions.

We believe that our comments should be considered by the IASB in finalising the proposals. Of course we would be happy to discuss our comments further with you, should you so require.

Yours sincerely,

Hans de Munnik
Chairman Dutch Accounting Standards Board

Appendix A to Comments on the Exposure Draft Offsetting Assets and Liabilities

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?*

No, we do not fully agree. Although the proposals in the ED regarding the requirements look similar to the current IAS 32, we are concerned that there are a few differences that could lead to a stricter interpretation compared to the existing criteria in IAS 32 requirements. If the criteria in respect of simultaneous settlement (as explained in paragraph C11 of the ED) and collateral obtained or pledged in respect of financial assets and financial liabilities (as explained in paragraph C14 of the ED) are intended to be stricter than the existing criteria, we do not agree with the proposals in the ED.

Please note that even when the changed conditions are intended to be more strict we would expect more explanation why the IASB has been opted for this approach as well as we would expect more explanation about the possible consequences on entities' financial statements, evidenced by field-testing. If the changed conditions are not intended to be more strict, we would like to obtain clearance on that from the IASB.

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?*

Yes, we agree with the proposal to clarify that the right to set off financial assets and financial liabilities must be unconditional and legally enforceable in all circumstances.

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?*

Yes, we agree with the proposal 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?*

No, we do not agree. An entity that appropriately applies accounting rules should not be required to provide many additional data in the notes to the financial statements as if it would apply other or alternative accounting rules. We believe that the disclosures should be limited to the amounts that have been set off. All additional disclosures are less relevant for the users of the financial statement and we note that IFRS 7 already requires detailed disclosure relating to financial instruments based on a risk approach. The level of detail of disclosures that have been proposed is disproportionate compared to other disclosures requirements. We believe that the proposed disclosure requirements are onerous for entities and will not result in relevant information for users.

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.*

No, we do not fully agree. We can only justify the transition if the application of the proposals is not stricter than the existing offsetting criteria in IAS 32.