

Staff Paper

Project	Offsetting of financial assets and liabilities
Topic	Disclosure requirements

Purpose of this Paper

1. Earlier at this session, the staff presented a proposed disclosure set for the offsetting project. The Boards asked the staff to streamline the proposed requirements by focusing only on information that is necessary for this project.
2. This paper is a response to the Boards' request and sets out what the staff believes to be necessary disclosures to accompany the proposed criteria for offsetting of financial assets and liabilities.

Proposed disclosure requirements

3. We propose that an entity should provide information about offsetting and related arrangements (such as collateral agreements) and the effect of those arrangements on an entity's exposure to financial contracts. That information should be presented in a single note and in a tabular format, unless another format is more appropriate, and should include:

For each type of financial instrument (financial assets and financial liabilities to be separately disclosed), an entity shall disclose:

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- i. the gross carrying amount (ie before taking into account amounts offset in the statement of financial position and other mitigating factors);
 - ii. amounts deducted as a result of the offset criteria in XX to derive the carrying amounts in the statement of financial position;
 - iii. the portion of the exposures that is covered by a legally enforceable netting agreement (other than in (ii));
 - iv. the amount of collateral (cash collateral and fair value of non cash financial asset collateral should be separately disclosed) obtained or pledged in respect to those assets and liabilities; and
 - v. the net exposure after taking into account the effect of the items in (ii) – (iv).
4. The staff has included two example disclosures of the above criteria on Appendix A and Appendix B.

Questions for the Board – proposed disclosure requirements

1. Do you agree with the proposed disclosure requirements? What should be added or removed and why?
2. Do the Boards give the staff permission to ballot a draft exposure draft?