

Staff Paper

Project	Offsetting of financial assets and liabilities
Topic	Cover note

Background/Purpose of the meeting

1. At the June 2010 meeting, the boards discussed offsetting of financial assets and liabilities and asked the staff to further research several issues, including the appropriateness and usefulness of offsetting and the legal enforceability of the ISDA Master Netting Agreements.
2. After the June meeting, the staff also conducted extensive outreach to obtain input from the user community to better understand their views on this issue and the information that is useful to them.
3. The purpose of this meeting is to provide the boards with sufficient information for the boards to decide whether offsetting of financial instruments on the face of the balance sheet is appropriate and useful and, if so, on what basis financial assets and liabilities should be offset.

Papers at this meeting

4. The staff has prepared the following four papers for this meeting.

This paper has been prepared by the technical staff of the IFRS Foundation and the FASB for discussion at a public meeting of the FASB or the IASB.

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IASB/FASB Staff paper

Agenda Paper 8A: Usefulness and appropriateness of offsetting

5. This paper addresses the usefulness and appropriateness of offsetting, especially in the context of the boards' *Conceptual Frameworks*. In particular, the paper discusses *whether* and *when* offsetting on the face of the statement of financial position might be appropriate to provide useful information.

Agenda Paper 8B: Analysis of offsetting based on different types of risks

6. This paper discusses the appropriateness and usefulness of offsetting *based on different types of risks* (eg, market risk, credit risk and liquidity risk). The paper provides the boards with several alternatives for the basis of offsetting if the Boards were to conclude that offsetting is appropriate and useful.

Paper 8C: User outreach

7. This paper summarises the feedback from users on the usefulness of offsetting. After the June meeting, the IASB and the FASB staff met with various users including analysts from asset management firms, investment banks and rating agencies to discuss their views on offsetting. The paper is for informational purposes.

Agenda Paper 8D: Approach to offsetting

8. This paper primarily discusses issues related to the legal enforceability of the right in bilateral arrangements, such as the ISDA Master netting Agreement and in bank/customer relationships. This is in response to a request by some Board members to obtain more information on the legal enforceability of such arrangements.