IASB/FASB Meeting
Week commencing 16 May, 2011

IASB Agenda reference	**5**
FASB Agenda reference	**13A**

Staff Paper

Project	**Offsetting Financial Assets and Liabilities**
Topic	**Feedback summary**

Introduction/Purpose of the paper

1. This paper provides the boards with a summary of the feedback received from respondents to the Exposure Draft (the ED) '*Offsetting Financial Assets and Financial Liabilities*' and related outreach and round table activities. The paper incorporates comments received in the form of comment letters as well as views expressed by constituents during those outreach activities and round tables.
2. However, this paper is not a comprehensive list of the comments. The staff will provide more detailed analysis at each Board meeting depending on the approach that will be selected by the boards.
3. This paper also sets out the broad possible ways forward available to the boards. The paper does not discuss the approaches in detail. However, the staff believes that setting out the possible approaches will help board members put the comments received into context.
4. The ED was published at the end of January 2011 and the comment period ended on 28 April 2011. We received over 150 comment letters on the ED. (Statistics for the comment letters is attached as Appendix A of this paper).
5. The staff conducted outreach during the comment period. This included face-to-face meetings, video and telephone conferences with various constituents including users, preparers, auditors, regulators and clearing houses. An on-line survey was also conducted to obtain input from users on their preference for

gross vs. net presentation either on the face of the statement of financial position or in the notes. (Statistics for the outreach is attached as Appendix B of this paper).

6. In addition, round tables were held in early May in London, Singapore and Norwalk to seek further input from constituents on the questions posed in the ED and on key issues arising from the comment letters and outreach meetings.

A. General comments

7. Below is a summary of feedback from users, regulators, preparers, auditors and general comments on the proposals in the ED:

   (a) **Convergence -** Most respondents to the ED supported the boards' efforts towards the convergence of offsetting criteria or requirements, acknowledging that the differences in offsetting criteria or requirements today are the cause of the largest quantitative differences in the statement of financial position between IFRS and US GAAP[1]. Nearly every comment letter received commended the boards on their efforts. Some users felt that convergence is more important than their preferred balance sheet presentation. Others did not. A "level playing field" is important to investors for calculating their ratios and performing their analyses.

   (b) **User feedback**: During the outreach performed, users asked the boards to develop a common standard on offsetting to allow international comparability, especially among banks. There is no consensus as to whether to present gross or net information in the statement of financial position. However, irrespective of their individual views there was consensus from users that both gross and net information are useful and required for analysing financial statements. Users also preferred a mandatory requirement to set off if the relevant criteria are met, rather than allowing as an accounting policy choice, in order to improve comparability between entities. Most users supported the enhanced and

[1] A few commented that the boards consider a 'linked presentation' (or parenthetical) approach, under which an entity presents both gross and net amounts on the face of the statement of financial position, if a converged solution cannot be found.

converged disclosure requirements between IFRS and US GAAP. There was nearly unanimous support for the proposed disclosures in meeting the investors' needs for information. A more detailed summary of user feedback on the proposals is set out in Section B – User feedback.

(c) **Feedback from prudential and securities regulators:** All of the prudential and securities regulators outside the US, that were consulted or commented on the ED, supported the proposals, or at least supported more gross than net presentation. The regulators in favour of the proposals supported the boards' basis for conclusions. Those regulators also prefer gross presentation, as in their views this increases market discipline. There was also broad support from these regulators for convergence and many claimed that the proposals would make it easier for them to review the calculations as all companies would be starting from more of a level playing field. Some advocated more disclosures, while others asked about the cost/benefit and the increased operational burden on preparers.

The US prudential regulators supported a net presentation of derivatives as allowed under US GAAP as they believe that the application of the proposed criteria would represent the form rather than the economic substance of derivative and repurchase agreement transactions subject to master netting agreements, and therefore would impair rather than improve financial reporting by providing less relevant information to financial statement users.

(d) **Preparer and industry group feedback:** Many who currently use the offsetting criteria in IAS 32 generally agree with the proposed criteria in the ED, stating that the underlying principle and proposed criteria for offsetting are similar to those in IAS 32. They are of the view that the approach to offsetting in IAS 32 is consistent with the definition of assets and liabilities (ie, their rights and obligations) as well as their business, and has stood the test of time during the financial crisis. The staff notes that some IFRS preparers and auditors who support the proposed criteria are concerned that the criteria as drafted in the ED are more restrictive than those in IAS 32. On the other hand, most financial institutions and their industry groupings, while supporting the drive for a converged solution, believe that the current US GAAP exception for derivatives (and repurchase agreements) provides the best reflection of an entity's solvency, and its exposure to credit and liquidity risks for both derivatives and repurchase agreements. They noted that US GAAP works well currently and there is no justification for making these changes as users did not have a preference for gross or net presentation. They believe that gross presentation based on the proposed criteria is less useful to understanding the business and risks of financial institutions, given the specialized legal agreements and collateral arrangements provided for those instruments. Most preparers suggested that the boards further analyse if all the disclosure information proposed in the ED are really necessary and useful. Many also questioned the scope of the disclosures and wondered if it made sense to require such detailed information for loans, receivables and other types of financial instruments or if the disclosures should be limited to derivatives and repurchase agreements and whether information about non-financial collateral should be required.

(e) **Feedback from major accounting firms:** Most of the six major accounting firms support the boards' efforts to develop principles-based offsetting criteria. They believe that the proposed criteria would establish principles that are consistent with the boards *Frameworks.* Those who support the proposals believe that the proposals are designed to convey useful information about the rights and obligations and expected cash flows associated with financial assets and financial liabilities which is based both on their substantive contractual features and an entity's approach to managing the resulting cash flow requirements. However, they believe that there are inconsistencies between the proposed offsetting criteria, defined concepts and related application guidance (ie treatment of collateral and the definition of simultaneous settlement) and they recommend that the boards address these issues in order to avoid inappropriate interpretation and inconsistent application of the criteria. Some of the audit firms are of the view that derivatives should be treated differently by allowing offset for such instruments as permitted under US GAAP. They state that gross presentation of derivative assets and derivative liabilities subject to master netting agreements will likely not provide users with any additional meaningful information regarding future cash flows. Furthermore, they believe a net presentation of derivative financial instruments will provide more decision useful information about credit and liquidity risk for collateralized derivative positions.

(f) **General offsetting criteria:** Responses about the proposed offsetting criteria in the ED varied. Many of the constituents outside the US agree that offsetting on the statement of financial position based on the proposed criteria provides more relevant information for all financial assets and liabilities. Many US constituents agree that offsetting on a statement of financial position based on the proposed criteria provides more relevant information than net presentation for financial assets and liabilities except derivatives and repurchase agreements. They stated that, for derivatives and repurchase agreements, net presentation based on a conditional right of set-off (eg, such as close-out netting in master netting agreements), taking into account cash collateral posted, more faithfully represents the economic substance of the transactions (and how they manage their business and their risk exposures. They also stated that the US GAAP exception for derivatives and repurchase agreements performed well in the credit crisis. For those agreeing with the general offsetting criteria, many had concerns about specific areas of the proposals. The majority were concerned about the strict definition of simultaneous settlement and its operationality when transacting through a clearinghouse. Many preparers also were concerned about the costs of implementing the proposal outweighing the benefits.

(g) **Disclosure requirements:** There was nearly unanimous support for the proposed disclosures among investors. Users also welcomed the proposed quantitative disclosures in a tabular format and emphasised that information in the notes should be clearly reconciled to the amounts on the face of the statement of financial presentation. However, most preparers argued that the boards should further analyse if all the disclosure information proposed in the ED is really necessary and useful. They asked the boards to revisit the costs and benefits of requiring detailed information (ie, information about rights of set-off and related arrangements such as collateral) by class of financial instruments as proposed in the ED, or to consider requiring information based on other factors to align with how such arrangements are managed (eg by counterparty). Others also questioned the scope of the disclosures and wondered whether it made sense to require such detailed information for loans, receivables and other types of financial instruments or if the disclosures should be limited to derivatives and repurchase agreements and whether information about non-financial collateral should be required. In addition, some respondents suggested that the boards should set comprehensive disclosure principles and review the proposed requirements in light of consistency with existing requirements such as IFRS 7 *Financial Instruments: Disclosures* or FASB Topic ASC 815 *Derivatives and Hedging*; paragraph 10-15-2 [2]. When questioned, some users indicated they preferred the proposed disclosures by instrument, others by counterparty, still others want both. Some noted it was important to know if the derivatives are traded via exchanges or central clearinghouses to determine if the values are independently verifiable amounts (valuation and credit mitigation), especially because the capital charges on some over-the-counter products are greater than exchange traded products. A more detailed summary of feedback on the proposed disclosures is set out in Section D – Specific comments on proposed disclosure requirements.

8. Detailed information about the feedback on specific issues and the questions posed in the ED are provided in Section C - Specific comments on proposed offsetting criteria.

[2] Formerly Statement of Financial Accounting Standard (SFAS) No. 161 *Disclosures about Derivative Instruments and Hedging Activities—an amendment of FASB Statement No. 133*

B. User feedback on the ED

Overall

9. As explained in paragraph 7, convergence is important for users. Many indicated that convergence comes before their individual preference for balance sheet presentation. In general, users were mixed in their views as to whether financial assets and financial liabilities should be presented:

   (a) gross;

   (b) net based on the proposals;

   (c) net based on credit or

   (d) net based on other measures (such as market risk, differentiation between proprietary and broker dealer activities or OTC vs exchange traded)

10. However, users were almost unanimous that both gross and net information are important. This is consistent with feedback received before the ED was published. And while there were more users outside the US that preferred the proposals than in the US, there was also split within geographic areas (ie some users in the US supported the proposals and some users outside of the US did not support the proposals) and even within the same organisation. Reasons for preferring one presentation above the others varied, depending on the type of investor, the information they were used to receiving, and the information they needed for their analysis.

11. Many buy-side and credit ratings analysts were indifferent as to what was presented on the face as long as both sets of information (gross and net) were provided. They cited convergence as being very important, along with good disclosures. They focused more specifically on what information they would like to see in disclosures, (including net information based on the proposals and other credit mitigation arrangements - similar to the proposed disclosure requirements).

12. Sell-side analysts and industry representatives of investors and analysts who specialize in analysing accounting issues almost unanimously favored the proposals. On the other hand, the majority of sellside analysts that specialise in financial institutions, some buyside investors and some credit ratings agency

analysts did not support presenting information on the face of the balance sheet as proposed.

Users who support the proposals

13. Users who support the proposed criteria for offsetting on the statement of financial position agree with the boards' conclusion that the statement of financial position should not be based on one particular type of risk (ie credit risk) and that to do so will mask other important risks, such as market and liquidity. They were also concerned that if offsetting were less restrictive than the proposals (ie more netting was allowed or required) information would be lost or hidden. They noted that as long as the notes provide information on the various risks in a financial instrument (market risk, credit risk and liquidity risk), they would have the information they need to analyse an entity's financial statements and additional insight into the numbers presented on the statement of financial position.

14. They were concerned that offsetting based only on conditional right of set-off will not provide sufficient information in the statement of financial position about the size of an entity's business and the volume of transactions an entity has entered into. They believe that net presentation as suggested by the proposals provides a better picture of the volume of derivatives activity and financial leverage and could alert investors to potential problems more quickly.

15. These users were of the view that the proposed presentation could better highlight potential exposures to risks and lead investors to ask questions about those exposures sooner. They also believe that often insufficient attention is paid to the notes until there is a crisis.

16. Other comments from users who support the proposed criteria include:

    (a) Investor concern about the potential regulatory capital impact of gross presentation will lead some investors to prefer net presentation, as in accordance with US GAAP today. Users supporting the proposals do not see this as a sound basis for net presentation.

(b) Some noted that there was also concern about "grossing up" balance sheets under IFRS when IAS 32 presentation came out as well –they do not view this as a sound basis for not supporting the proposals.

(c) A minority of users did not support any offsetting on the statement of financial position, arguing that gross presentation is the accurate representation of an entity's assets and liabilities, and any additional credit mitigating arrangements can be discussed in the notes. However, if faced with the choice of having some offsetting, they agreed with the proposals as long as the amounts that have been offset on the statement of financial position are clearly disclosed in the notes.

    (i) Those analysts argue that gross presentation, along with the proposed disclosures (by instrument type, or counterparty credit risk and collateral), are essential to the understanding of the derivatives positions. This is especially important when replacement values move significantly (IRS, FX forwards).

    (ii) Some of those analysts believe that net presentation allows a "free pass" to companies for their significant derivative activities. They believe gross presentation on the face of the balance sheet (or less netting) would force companies to keep the size of their derivative businesses in check and could help to "wind down" the shadow banking system.

Users who disagree with the proposals

17. On the other hand, users who disagree with the proposed criteria did so mainly from the perspective of the impact on derivatives and repurchase agreements. For those instruments, these users are in favour of net presentation, based on a conditional right of set-off as currently permitted under US GAAP. They believe that credit risk is the most relevant factor for presentation on the face of the statement of financial position for these instruments and that netting based on the proposals would unduly inflate the size of balance sheets. They were not convinced that gross amounts would provide more meaningful information to them, specifically for derivative instruments.

18. These users argue that the statement of financial position should reflect the way risks are managed by an entity (ie, net by counterparty at a portfolio level). In addition, gross presentation of cash collateral is not appropriate from a cash flow perspective when cash collateral (or margin) is posted on a daily basis because it effectively means the positions are 'settled' daily.

19. They also believe that gross presentation may indicate the magnitude of derivative activity but net amounts based on credit mitigation would be used for most analytical calculations, such as return on asset and leverage ratios. These users are concerned about the impact of the proposal on leverage ratio and the potential impact to regulatory capital. They also argue that gross amounts wouldn't have changed opinions in the crisis about whether entities were under or over capitalized, as it wouldn't have changed opinions about liquidity risk.

20. These users commented that US GAAP preparers currently provide sufficient information on the face and in notes about derivatives for investors – and that gross information (except for repos and reverse repos) is available in the US if anyone wants to use those numbers.

21. Some of these analysts noted that companies measure and manage derivatives and repurchase agreements differently than other financial instruments so they should be allowed to reflect that on the face of the balance sheet. Some do not see the difference between the valuation of a specific derivative's cash flows (ie netting a single interest rate swap's pay and receive legs) and netting across different derivative contracts.

22. Many of those analysts believe that IFRS reported amounts (mainly gross amounts) are routinely "adjusted" to net amounts, where possible, today. Some analysts believe that their European analyst counterparts make these adjustments. By contrast, they noted that US reported amounts (net balances) are rarely adjusted to gross figures for comparison purposes. Some think that this may simply demonstrate the fact that even though some of the gross figures are available, they are not consistently used for analysis because the gross in the US and the gross in IFRS are not currently comparable.

23. Some of these analysts also believe that the US has a uniform legal structure for master netting agreements that work for these types of securities. They believe that in the recent financial crisis the master netting arrangements held up. In the event that the legal structures are not enforceable in certain jurisdictions, the amounts should be shown gross to reflect the exposure in those jurisdictions.

24. Others like the fact that net figures are more closely aligned, though not perfectly, with capital requirements than the gross figures.

Other user feedback

25. A few of the sell-side accounting analysts suggested that the boards should consider a linked or parenthetical presentation. They felt that providing the net in addition to the gross amounts on the face would mitigate potential regulatory capital issues and would alleviate potential concern over analysing historical trends. One analyst noted that since the Credit Value Adjustment (CVA) is based on the net exposure, the CVA will look skewed without also presenting the net amount on the face.

26. A few analysts would like the boards to bring together regulatory and accounting information. One investor said he was concerned that he may be underestimating the risks posed by gross derivatives exposures. This investor does not spend significant amounts of time analysing gross exposures today but rather defers to the boards’ judgment if they feel that risks are under-represented through the presentation of net amounts currently allowed under US GAAP.

27. Another asked if the boards would reconsider netting on the statement of comprehensive income, because he wasn’t sure he would be able to tell a return on assets if the balance sheet is “gross” and profit and loss is “net.”

C. Specific comments on proposed offsetting criteria

28. The ED proposes that an entity should offset a financial asset and a financial liability on the face of the financial position when and only when the entity:

(a) has an unconditional and legally enforceable right to set off and

(b) intends either (i) to settle the financial asset and financial liability on a net basis, or (ii) to realise the financial asset and settle the financial liability simultaneously.

29. Specific comments were received on the proposed offsetting criteria. Comments received on the criteria primarily relate to the first part of the criteria (ie unconditional and legally enforceable right of set-off):

    (a) unconditional vs. conditional rights of set-off;

    (b) the definition of 'unconditional and legally enforceable' right of set-off and

    (c) legally enforceable - meaning of enforceable 'in all circumstances'.

30. Feedback and comments relating to the second part of the criteria (that an entity should offset a financial asset and a financial liability on the face of the financial position when and only when the entity intends either (i) to settle the financial asset and financial liability on a net basis, or (ii) to realise the financial asset and settle the financial liability simultaneously) were about:

    (a) definition of simultaneous settlement and intent;

    (b) the unit of account that the criteria should be applied to;

    (c) treatment of collateral/ margin and

    (d) whether offsetting should be optional or required.

31. Some respondents also commented on whether the offsetting criteria and disclosures should be made mandatory or optional.

Unconditional vs. conditional rights of set-off

32. The ED provides the following definitions for unconditional and conditional rights of set-off and a right of set-off:[3]

[3] ED paragraph 10.

- *A right of set-off is a debtor's legal right, by contract or otherwise, to settle or otherwise eliminate all or a portion of an amount due to a creditor by applying against that amount all or a portion of an amount due from the creditor or a third party.*
- *An unconditional right of set-off is a right of set-off the exercisability of which is not contingent on the occurrence of a future event.*
- *A conditional right of set-off is a right of set-off that can be exercised only on the occurrence of a future event.*

33. While some respondents agreed that the right of offset should be 'unconditional' as drafted in the ED (ie, the exercisability of the right is not contingent on the occurrence of a future event), others disagreed with the proposed criteria, mainly as it related to the impact on derivatives.

34. Respondents who agreed with the proposed criteria support the boards' conclusion that requiring offsetting (or balance sheet presentation in general) on the basis of what might or might not happen in the future, such as bankruptcy of the counterparties, would not be appropriate.

> *'[W]e consider that the financial assets and liabilities presented on the statement of financial position should not be based on the potential occurrence of a future event (such as counterparty default). Therefore, we agree with the Boards that a conditional right of offset (such as a master netting agreement) is not sufficient to require a presentation on a net basis.' (CL#11)*

35. As detailed in paragraph 13-15, some of the users that support the proposed offsetting principles do not think that the statement of financial position should be based on one particular type of risk (ie, credit risk). These users were concerned that netting based on one specific risk (ie conditional set-off arrangements) would not provide sufficient information in the statement of financial position about the size of an entity's business and the amount of transactions an entity has entered into. These users agreed that information about the various risks in a financial instrument (market risk, credit risk and liquidity risk) should be provided in the notes to enable users to analyse an entity's financial statements based on their individual requirements. Yet some users who do not support the proposal believe a presentation that highlights

credit risk deserves primacy on the face of the financial statements (for those derivatives that are part of a master netting agreement).

36. As stated in paragraph 7 above, most respondents who disagreed with the proposed criteria agreed in principle with the offsetting requirements but did not think they were appropriate for derivative instruments. They argued that net presentation based on a conditional right such as close-out netting in a master netting agreement[4] better reflects the economic substance of derivative transactions. Many of those analysts suggested that collateral or margin posted on those transactions also be offset on the face of the statement of financial position. In other words, they preferred retaining current US GAAP on offsetting with the exceptions for derivatives (and repurchase transactions). Other specific comments made by respondents include:

(a) An enforceable master netting agreement effectively consolidates multiple derivative arrangements into a single agreement and thus net presentation better reflects the credit risk of derivatives.

(b) Under a master netting agreement, gross cash flows are only available to derivative counterparties and only the net amounts are available to general creditors.Net presentation of derivatives is more consistent with how entities manage those instruments on a portfolio basis.

(c) Net presentation provides a more relevant measure of liquidity risk because funding requirements are driven by collateral held and posted and margining is done on a net basis.

(d) Netting based on the proposals would inflate the statements of financial position and there was no certainty that "gross" amounts or less netting would provide more meaningful information to them, specifically for derivative instruments.

'We believe net presentation of derivatives provides the most useful information to our investors and stakeholders if a legally enforceable right of set-off exists even where that is only in the event of default… This approach would not result in the loss of any potential cash flow information, would more accurately reflect liquidity and

[4] Simply referred to as 'net presentation' in this section.

credit risks, and would be more consistent with how most entities manage these assets and liabilities.' (CL#87)

Definition of 'Unconditional and legally enforceable' right to setoff

37. Some of the respondents asked the boards to further clarify the meaning of 'unconditional' and 'legally enforceable'.

Unconditional right of set-off

38. The ED defines an unconditional right of set-off as a *right of set-off the exercisability of which is not contingent on the occurrence of a future event.*

39. For example, they asked if the following meet the definition of 'unconditional':

    (a) The right to set off is considered enforceable in the normal course of business but it is exercisable only on (or after) a specified date in the future (the right is not exercisable as of today (at the end of a reporting period)). How about a right which is exercisable only before a specified date?

    (b) An entity needs to take some action (eg, notification to the court/counterparty) before exercising the right to offset, even though the action is quite procedural in nature and the entity has control over the procedure.

    (c) Concerns that unconditional is too strict and that any conceivable event in the future that can cause termination of a contract, regardless of how remote, could cause or render a right of offset 'conditional' and hence result in an entity failing to meet the offsetting criteria. Is it worthwhile trying to sort through all contracts to find all conditions?

        'it may be useful if the standard were to provide examples of what would be considered a "condition." For example, there could be relatively minor stipulations in an agreement, such as submission of a letter from one party to the other to enact the legal set-off, that might be seen as "conditions," but which seem to focus on form over substance. It is not clear if such

stipulations in an agreement are intended to be considered "conditions" for the purposes of the standard.' (CL#34)

40. One respondent noted that the boards should clarify whether 'unconditional' is meant to have the same meaning as in IAS 1 *Presentation of Financial Statements*, paragraph 69(d)[5] with respect to liability classification as current or non-current as this could also affect classified statements of financial position.

Legally enforceable (in all circumstances)

41. The ED proposes that a legally enforceable right of set-off is a right *that is enforceable in all circumstances (ie both in the normal course of business and on the default of the counterparty)*.

42. In this regard, US GAAP currently requires that the right of setoff should be 'enforceable at law' and clearly states that the right should be upheld in bankruptcy (Topic 210: Balance Sheet in the *FASB Accounting Standards Codification*®; paragraph 210-20-45-9). On the other hand, IAS 32 paragraph 42(a) requires that the entity '**currently** has a legally enforceable right to set off' but does not give clear guidance as to what is meant by currently legally enforceable.

43. Some respondents agree that the right should be enforceable not only in the normal course of business but also in the event of default.

'The proposal that a legal right of set-off must be enforceable in all circumstances to achieve accounting offset is consistent with our interpretation of IAS 32's existing requirements.' (CL#80)

'[The organisation] welcomes the clarification that the ED introduces in the requirements of IAS 32. The proposals clarify that, in order to meet the offsetting criteria, the right to set-off should be unconditional and legally enforceable in all

[5] IAS 1 Paragraph 69(d) states that an entity "shall classify a liability as current when it does not have an unconditional right to defer settlement of the liability for at least twelve months after the reporting period (see paragraph 73)…" Paragraph 73 goes on to say that "…when refinancing or rolling over the obligation is not at the discretion of the entity (for example, there is no arrangement for refinancing), the entity does not consider the potential to refinance the obligation and classifies the obligation as current."

circumstances. We agree that only if the right has these two characteristics, the entity has the ability to settle net or simultaneously and this ability is ensured.' (CL#139)

44. However, other respondents raised concerns that the proposal in the ED is more restrictive than the current criteria and therefore would have unintended consequences in practice. Entities would have to obtain a level of assurance that the right can be enforced even in the event of default (which many did not think was required under today's requirements). Therefore, they asked the boards to revert to the original criteria in IAS 32.

45. Some of them indicated that, frequently in practice, they have the right to offset only in the normal course of business but are not sure if they can do so in the case of default or bankruptcy and/or that it is difficult to obtain a particular level of legal assurance in some jurisdictions where no case law precedent on bankruptcy is available.

'[W]e recommend that the Board leaves the basic principles unchanged but stated that offsetting shall be required on the basis of the conditions prevailing at the balance sheet date and consequently removes the reference to the bankruptcy regime.' (CL#79)

'An entity may need to seek appropriate legal advice to support it in assessing this criterion in this regard, which in our opinion is not realistic or cost effective. Furthermore, it may not be possible to get any legal advice for some developing jurisdictions which do not have any history or case law on bankruptcy. Hence, we would suggest reverting to the previous "currently enforceable right" in IAS 32.' (CL#13)

46. In addition, some asked the boards to clarify the level of assurance required to meet the 'legally enforceable' criterion.

'It is not clear if the Boards‟ intention is to require entities to undertake legal advice

on the enforceability of the right in the relevant jurisdictions prior to invoking the offsetting provisions and we recommend that the Boards provide further clarification and guidance in the final standard to address these operational issues.'(CL#69)

47. Different legal systems are also a concern to some users. For example, one user referred to a case study done when Russian sovereign debt was the underlying assets for some securities. When the Russian market collapsed, the

US banks had different accounting than the IFRS banks, which led investors to different conclusions for the same underlying risk.

Definition of simultaneous settlement and intent

48. The ED proposes that an entity offset a financial asset and a financial liability when and only when the entity intends either (i) to settle the financial asset and financial liability on a net basis, or (ii) to realise the financial asset and settle the financial liability simultaneously).

49. The ED further explains that realisation of a financial asset and settlement of a financial liability (ie, gross settlements) are treated as simultaneous only when the settlements are executed **'<u>at the same moment</u>'** (ie there is exposure to only the net or reduced amount)[6]. It further explains that the settlements are not simultaneous if they take place over a period even if the period is brief and that simultaneous settlement may occur through, for example, the operation of a clearing house depending on the operations and rules of the clearing house[7].

50. The respondents that agree with the proposed offsetting criteria requested that the boards expand on the definition of simultaneous settlement. Many financial institutions as well as exchanges and clearinghouses argue that it is impossible or quite difficult in practice to meet the condition of 'at the same moment' as defined in the ED, simply due to processing constraints or the volume of transactions and due to different time zones, particularly for foreign currency transactions.

> *'Since electronic transactions are usually processed in batches, even the simplest of transactions involving payments and receipts are not likely to pass the test of "simultaneous" settlement.' (CL#13)*

> *'We believe that in practice simultaneous settlement as defined in IAS 32 would normally be impossible or at least very difficult to achieve.' (CL#7)*

51. They suggest that intra-day settlement through exchanges/clearinghouses in general should be treated or interpreted as simultaneous, provided that credit risk and liquidity risk are sufficiently mitigated by collateral/margining and

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[6] ED paragraphs 6(b)(ii) and C11
[7] ED paragraphs C11 and C12

other arrangements. Some respondents suggested that the current US GAAP guidance for offsetting repurchase and reverse repurchase transactions[8] could be used as a basis for determining if credit and liquidity risks are sufficiently mitigated for such transactions.

> *'Paragraph C11 appears to prevent offsetting in cases where settlement with a central clearing house occurs in batches due to the volume of transactions and processing constraints, although in these circumstances there is no exposure to credit or liquidity risk and the cash flows are in effect equivalent to a single net amount. We believe that the criterion 'simultaneously' is appropriate but the IASB should consider this issue when re-deliberating the meaning of the criterion and clarify that the criterion is met in such situations.' (CL#25)*

> *'We also believe that same day transfers of gross amounts associated with repurchase (repo) and reverse repurchase (reverse repo)agreements may be considered the functional equivalent of net settlement (and therefore balance sheet offsetting should be permitted) when transactions are settled through a centralized settlement mechanism that minimizes credit and liquidity risk. (CL#62)*

52. Some users also voiced concerns about the definition of simultaneous as "at the same moment" and whether this would result in even less netting than permitted today in IFRSs.

> *'Current IAS 32.48 states that the operation of a clearing house leads to the equivalent of net settlement and only in 'other circumstances' exchange at the same moment is required...Consequently transactions cleared through central clearing counterparties are deemed to settle simultaneously if they are settled during the same day. The proposed guidance seems to prohibit this practice, as it is required that transactions need to settle 'at the same moment'...We do not believe that the Boards intended to change the current IFRS guidance and practice in this area.' (CL#22)*

53. The staff met with several clearinghouses and exchanges during their outreach activities and gathered information regarding clearing mechanisms. Depending on the decisions made in today, the staff will bring to the boards

[8] FASB ASC 210-45-11 and 210-20-45-14 to 17 require that an entity should meet several conditions including settlement on a securities transfer system with specific features, for repo transactions to be offset on the face of balance sheet.

detailed analysis of this issue and settlement mechanisms and possible solutions.

54. There was also feedback regarding the use of the word ‘intent’ in the criteria for net or simultaneous settlement. Some users and regulators do not agree with using the word “intent” as it may imply that an entity can change its mind at a later date and could be difficult to audit in practice. A few users were concerned that intent should not be a factor for presentation purposes and that it can change depending on the business environment:

> *“Whether there is intent to net each transaction is meaningless. No bank manages risk purely on a micro basis, so a macro netting framework does a much better job, especially when netting can be done across asset classes. I would note that if a netting arrangement can be overruled in some circumstances (say what the UK regulators did with Lehman's collateral in the UK) then it makes sense to show it gross.”*

55. Others believe that the intention to settle simultaneously is demonstrated by entering into a contract to settle simultaneously, or that an entity’s intention to settle net really means that the entity will settle net and that the entity cannot easily change their intention. Some suggested that wording could be changed to the entity ‘will settle net’ to clarify the meaning of intent.

Unit of account/partial offsetting

56. Some respondents raised concerns about the level at which to apply the offsetting criteria (ie ‘unit of account’), as well as the boards’ meaning of ‘settlement’. Paragraph 6 of the ED requires an entity to offset “a recognised financial asset and a recognised financial liability…” However, paragraph 10 defines a right of set-off as a “debtor’s legal right…to otherwise eliminate **all or a portion** of an amount due to a creditor by applying **all or a portion** of an amount due from the creditor or a third party” [emphasis added].

57. In the case of receivables and payables that have a single payment to be made at the same date (typically on maturity), it is clear that the offsetting criteria are applied to the entire instrument (ie, the cash flows at the maturity date, which

are the only cash flows from the contract). It is also clear that settlement refers to the payment upon maturity of the related instruments.

58. Some respondents asked the boards to clarify how the criteria in the ED are intended to be applied to financial assets and liabilities that are subject to periodic or multiple (interim) payments such as interest rate swaps or particular types of commodity derivatives that require monthly payments and whether the criteria should apply to all or portion of a financial asset and all or a portion of a financial liability.

59. In the case of derivatives with multiple payment legs (often referred to as multiple settlements), there might be a case where netting *some* of the interim payments may meet the offsetting criteria. For example, suppose that one swap contract (swap A) has the same (but offsetting) terms as those of another swap contract (swap B), except that swap A has a longer maturity. If all of swap B's payment legs match a portion of swap A's payment legs, respondents are not clear whether offsetting the coinciding payments meet the proposed offsetting criteria.

'Paragraph 6 of the ED refers only to offsetting a "recognised financial asset and a recognized financial liability". It does not refer to offsetting portions of these financial instruments, which implies that the unit of account for offsetting is the entire financial asset or financial liability. Paragraph 10(b), however, indicates that the right of set-off may apply to "all or a portion of an amount". The Boards should reconcile these statements in the final standard and provide additional clarification.' (CL#28)

60. Another example of the 'partial offsetting' or unit of account issue is when cash flows from many different types of derivatives are subject to 'Payment Netting' in a master netting agreement. In this situation cash flows with the same settlement date and the same currency are settled net across different instruments.

61. For example, one of the interim cash flows from Derivative A may be settled net with one of the interim cash flows from Derivative B on 31 January, while another interim cash flow from Derivative A may be settled net with one of the interim cash flows from Derivative C on 28 February. Derivatives A, B and C could be all interest rate swaps or they could be different types of derivatives

with payment legs that coincide. The question is whether the individual payments that coincide should be broken out and netted separately on the statement of financial position.

62. While respondents who commented on this issue asked for clarification, their preferences varied:

    a. Partial offsetting should be <u>required</u> to the extent that some of the identifiable cash flows from an instrument meet the offsetting criteria, regardless of whether the entire unit of account meets the offsetting criteria (ie, pierce the unit of account).

    b. If an entity elects Payment Netting, *the entire fair value of all transactions* conducted under the master netting agreement should be presented net, even if only some of the cash payment dates match.

'[W]here an entity had elected payment netting in a master netting agreement, and hence had the right and obligation to net settle when payments coincide, this would be sufficient to allow all transactions conducted under that agreement to be presented net. We believe any other approach would be difficult to implement operationally.' (CL#61)

    c. Looking through an instrument to each and every cash flow and separately presenting the cash flows that match would be overly burdensome (eg, in the case of Payment Netting) and not the way the business is managed.

'*We believe peeking through the unit of account to net individual cash flows is not an accurate reflection of the net exposure, and would be overly burdensome from an operational perspective.'(CL #30)*

63. Some respondents further argued that offsetting criteria should be applied at a portfolio level because most derivatives are managed on a portfolio basis in practice, and not on a contract-by-contract basis. This could be specifically relevant for derivatives that clear through central clearinghouses.

Collateral and Margin

64. The ED states that an entity cannot offset recognised financial assets or liabilities against the related collateral pledged or obtained because the collateral is a separate asset or liability. The ED states that the collateral for an amount owed is irrelevant to the question of whether assets and liabilities should be presented separately or offset on the statement of financial position[9]. In addition, the ED specifically refers to 'margin accounts' for futures and other derivatives as a form of collateral that cannot be net[10].

65. However, a number of respondents, mainly financial institutions, disagree with the proposal.

    a. They note that the proposed restriction on collateral is more restrictive than the application of both IAS 32 and US GAAP today. For example, some clearinghouses may require its members to provide or receive cash (variation margin) on a daily basis in response to change in the fair value, for the effect of discounting (decay) and settlement of the underlying contracts based on the net position in specific asset classes or products (and currencies). This is intended not only to ensure that the net position is always cash-collateralised, but to cover any payments due on that day so that the positions are never settled separately.

    b. Collateral or margin should not be precluded from the scope of offsetting in all cases as drafted in the ED since it may meet the offsetting criteria.

'[Paragraph C14] could be read as a general exception from applying the offsetting criteria to collateral obtained or pledged in respect of financial assets and financial liabilities. We do not believe that such an exception would be appropriate. Thus, it should be clarified that the offsetting criteria also apply to margin accounts and that margin accounts should be netted with other positions if the general criteria are met.' (CL#25)

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[9] ED paragraphs C14 and BC62
[10] ED paragraph C14

c. Some, if not all, types of cash collateral or margin posted for derivative instruments, such as exchange traded futures contracts, legally constitute settlement of the derivative position.

'We believe that variation margin should not be considered collateral and that settlement of variation margin should be reflected in the fair (carrying) value of the derivative contract.' (CL#107)

d. Collateral or margin should be offset more generally against derivative positions, regardless of its legal form because the net presentation reflects the economic substance (credit risk and liquidity risk) of the arrangement, as permitted under US GAAP or as interpreted in practice under IAS 32.

'[W]e do not believe it is appropriate that the legal form of margin as either settlement or collateral should be the basis for balance sheet presentation, but rather that economic substance should be the guiding principle. The offset of the collateral against the derivative balance provides users with the most accurate risk and liquidity profile of an entity and would be consistent with the presentation for futures contracts.' (CL#36)

66. The staff met with several financial institutions, clearinghouses and exchanges during their outreach activities and gathered information regarding clearing mechanisms, collateral and margin. Depending on the decisions made today, the staff will present an analysis of the issue and possible solutions for the boards' consideration.

Multilateral set-off arrangements

67. Almost all the respondents agreed with the proposal in the ED that requires offsetting not only for bilateral but also for multilateral set-off arrangements. They support the boards' conclusion that there is no basis for explicitly excluding multilateral netting arrangements from the scope of offsetting if all the other criteria, including legal enforceability, are met for the transaction.

Permitted (optional) or required

68. The majority of the respondents supported the proposed approach in the ED that offsetting should be required, as opposed to permitted, if the offsetting criteria are met. They suggest that making it optional would not enhance comparability of the financial statements, which is one of the important goals of this project.

Linked presentation alternative

69. In seven of the comment letters received a linked presentation alternative was suggested where both gross and net amounts would be included in the statement of financial positional in a linked manner. This was often not a first choice but rather a suggestion (compromise) if a preferred solution was unattainable.

70. There are different ways in which linked presentation could occur and most did not describe suggested mechanics. One approach suggested was that financial assets and financial liabilities would continue to be offset when the criteria in the ED are satisfied. Financial assets and financial liabilities that do not meet both of the proposed offsetting criteria, but that are subject to a legally enforceable right of set-off in the event of a counterparty's failure to pay or deliver, would be displayed together, with a net subtotal on the face of the statement of financial position.

71. Those opposed to this approach believe that even if both gross information and net information were provided, this in and of itself would not provide the information necessary to understand an entity's derivatives and repurchase transactions and believe that the notes are integral to obtaining that understanding. They believe that the linked presentation approach would clutter the statement of financial position. Alternatively, some suggest that the boards may consider providing either the gross amount or net amount parenthetically and enhancing disclosures.

D. Specific comments on proposed disclosure requirements

72. The majority of users agreed with the direction of the proposed disclosure requirements on offsetting and related credit mitigation arrangements and that the proposed quantitative information in a tabular format proposed in the ED are helpful in understanding the risk profile of the entity. Many preparer respondents commented that the proposed disclosures were burdensome and not representative of how their businesses are managed. Some also suggested that disclosures be limited to derivative instruments and repurchase transactions.

73. There were also comments or suggestions about the proposed disclosures :

    a. Some types of non-financial collateral and guarantees that are not required in the ED would also be useful in providing users with information on credit risk.

    b. Information about the amounts not offset on the statement of financial position (eg, conditional right of set-off and related arrangements such as collateral) would be better disclosed 'by counterparty', as opposed to 'by class of financial instruments'. Preparers believe this is more operational, less burdensome, and more representative of how they manage their business.

    c. Information disclosed in the note should be clearly reconciled to the amounts presented on the face of the statement of financial position.

74. As noted in paragraph 11 many of the buy-side analysts and credit ratings agency analysts were indifferent to what was presented on the face as long as both sets of information (gross and net) were provided (ie one of the face and the other in the notes).

75. However, most users see the proposed disclosures as very useful, especially when analysing IFRS filers because that information is not available today.

76. Other user comments about disclosures included:

a. The class of instrument approach is helpful in understanding the differences between instrument liquidity, valuation and extent of credit mitigation.

b. Detailed disclosure that helps an analyst understand counterparty risk and collateral are essential. One analyst commented that "the disclosures should tell an analyst whether the company has significant exposure to Greece, AIG or Lehman".

c. Counterparty risk by credit rating would be helpful to most users (preferably with specific names of the entities or countries). One credit ratings agency analyst indicated that disclosures by counterparty would not be as useful to them because they analyse exposures by product.

d. Details on collateral by counterparty disaggregated by cash collateral, financial instrument collateral and non-financial collateral would be helpful.

Cost/benefit (extensiveness of the disclosure requirements)

77. Many respondents including preparers are concerned that some of the disclosure requirements as drafted in the ED are too detailed. They strongly suggest that the boards should confirm if the benefits outweigh the costs and operational challenges of providing such detailed information. Those comments include:

    (a) The level of granularity in the table was criticised. These respondents believe that they should only include what would have been net under US GAAP today (ie conditional agreements) but further disaggregation into details about why the criteria were not met (ie no intention to net settle) may not be available.

    (b) There was also concern about providing the disclosures retrospectively as the information as proposed is not captured in the systems today.

(c) Whether requiring portfolio level adjustments in the table fit in with offsetting disclosures. They argued it is more appropriate to include this information in fair value measurement disclosures.

(d) If the boards believe that the proposed criteria for offsetting are appropriate, the amounts that have been offset in accordance with the criteria need not be disclosed.

'Where assets and liabilities are offset, the result represents a single asset or liability in accordance with the Framework. Therefore, we disagree with the requirements in paragraphs 12(a) and 12(b) to disclose grossed-up information about financial instruments that meet the offsetting criteria and that have been offset on the face of the statement of financial position.'(CL#139)

(e) Disclosures should be required only for financial assets and liabilities that are actually offset on the face of the statement of financial position based on the proposed criteria.

The proposed disclosure requirements in paragraphs 11-15 of the ED are extensive, and we question their usefulness. In particular, the requirements of paragraphs 12(c)[amounts subject to legally enforceable right but no intention], 12(d)[amounts subject to conditional right] and 13[description of each type of conditional right] are likely to be onerous and we believe that they will be of little benefit to users of the financial statements…We believe that disclosures should be limited to offsetting actually achieved in the financial statements. (CL#8)

(f) The disclosures should be limited to derivatives and repurchase agreements because those two asset classes are the main causes of the large differences between IFRS and US GAAP and are the focus of market participants in terms of offsetting.

Our understanding is that this exposure draft is the result of deliberations by the [boards] aimed at addressing the inadequacies in the presentation and disclosure of derivatives and repo transactions in financial statements which were observed at the time of the financial crisis. However, while its primary purpose was to improve the presentation of derivatives and repo transactions, the proposal actually expands the scope of presentation and disclosures on financial statements and imposes significant practical burdens. (CL#51)

Consistency with other disclosure requirements

78. Some respondents are concerned that disclosure requirements on credit risk proposed in the ED are too extensive and disproportionate compared to those required on other risks, such as market risk and liquidity risk in other existing standards (eg, IFRS 7 or FASB Topic ASC 815 -10-15-2 [11]). Others asked the boards to confirm that there is no duplication of requirements between the proposal and other standards.

> *Existing U.S. GAAP already requires disclosure of gross positions and collateral amounts related to derivative instruments and collateral pledged or received in transfers of financial assets accounted for as secured borrowings. Further, the existing derivative disclosures are relatively new requirements with most companies adopting SFAS 161 in 2009. Much of the proposed disclosures, which require presentation in a single footnote, overlaps existing U.S. GAAP disclosures and does not appear to appropriately incorporate and recognize that such disclosures already exist. (CL#42)*
>
> *IFRS 7, Financial Instruments: Disclosures already requires a number of robust and principles-derived disclosures for liquidity, credit and market risk and is the most appropriate starting place for improving information relating to financial instruments. The qualitative disclosures required by IFRS 7.33 address the types of risks generated by financial instruments and how those risks are measured and managed. To the extent that quantitative information on conditional or unconditional set-off rights is important to management's assessment of risk, that information will be captured therein. (CL#145)*

E. Other comments

Effective date and transition

Retrospective vs. prospective

79. The majority of the respondents agreed with the retrospective application of the standard for all comparative periods presented for the balance sheet only. They support the boards' view that retrospective application enhances

[11] Formerly Statement of Financial Accounting Standard (SFAS) No. 161 *Disclosures about Derivative Instruments and Hedging Activities—an amendment of FASB Statement No. 133*

consistency and comparability. However, many were concerned that the level of detail required in the disclosure would be difficult to provide as it is not currently captured by the systems today.

Effective date:

80. Respondents in general suggested that the boards should take into account comments received on *'Request for Views on Effective Dates and Transition Methods'* when determining the effective date on this project.

81. Some respondents suggested that the standard on offsetting should have the same (or at least no earlier) effective date than other components of the financial instruments project (eg, IFRS 9 *Financial Instruments*). If an earlier effective date were to be required, some requested that the requirements for retrospective application be restricted to only the presentation on the balance and not for the disclosures.

82. Some stressed the importance of an adequate transition period to make sure that regulators can modify their rules if necessary given that the proposed requirements could have a significant impact on entities' key financial ratios based on the accounting numbers on the statement of financial position, which may be used for regulatory purposes in some jurisdictions.

> *'[W]e believe that in some jurisdictions the proposed requirements could significantly affect entities' capital ratios (e.g., leverage ratio) as computed under existing regulatory requirements. We encourage the Boards to provide an adequate transition period (with early adoption permitted) that will enable regulators in those jurisdictions to modify their rules in response to the new accounting standard before entities are required to adopt it.'(CL#28)*

Other comments

Unsettled regular way trades:

83. Some US GAAP preparers requested the boards to retain the current guidance for broker-dealers under US GAAP[12] that permits net presentation of receivables and payables arising from unsettled regular-way securities trades. They pointed out that (i) the system enhancements required to present those

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[12] FASB Topic ASC 940 *Financial Services –Broker and Dealers;* paragraph 940-320-45-3

accounts gross would be costly and (ii) the vast majority of trades are successfully settled as intended.

'[T]he proposed change is not compelling when considering the very short period of time between trade date and settlement date for these transactions and the insignificant amount of risk associated with transactions not settling.' (CL#126)

F. Possible ways forward

84. The staff notes that feedback received on the ED does not indicate a single preferred approach. As detailed in paragraph 7, many respondents support the proposed offsetting approach in the ED as the basis for net presentation on the balance sheet. However, many others prefer offsetting based on the conditional right of offset in certain circumstances. And still others were indifferent as to the balance sheet presentation, as long as both gross and net information were available and the offsetting requirements in accordance with US generally accepted accounting principles (GAAP) and International Financial Reporting Standards (IFRSs) preparers were converged.

85. The staff stresses that one message that has been consistently received is that there should be a converged solution for offsetting financial assets and financial liabilities.

86. Using the comments received, as well as feedback from outreach activities, the staff believes the following are possible approaches the boards could take. The purpose of this section is to highlight those possible broad approaches, so that the boards can make a decision on next steps to give the staff direction.

    (a) **Approach 1—** Finalise the approach in the ED (ie requiring offset only when an entity has an unconditional and legally enforceable right of set off).[13] The staff acknowledges there are further issues to be addressed around the proposed offsetting criteria, including the proposal to require

[13] Note this is focused on the proposed requirement for an unconditional and legally enforceable right of set-off. The boards will be asked to separately consider the need for the second criteria (the intention to settle net or simultaneously) depending on the decisions made in this paper.

simultaneous settlement and the proposed treatment of collateral/variation margin in certain situations.

(b) **Approach 2―** Finalise the proposed approach in the ED, but provide an exception for derivatives and repurchase agreements similar to existing US GAAP (US GAAP allows an entity to offset amounts recognised for derivative instruments (and related cash collateral) executed with the same counterparty under a master netting arrangement when the entity does not intend to settle net[14] or cannot settle net in the normal course of business.)

(c) **Approach 3** – Adopt the current IFRS requirement for offsetting, which requires offsetting if an entity *currently* has a legally enforceable right to set off the recognised amounts (and intends either to settle net or settle simultaneously)[15].

(d) **Approach 4―** Develop another approach based on the feedback received. Examples could include:

(i) an approach that follows Approach 1 or Approach 3 but includes an exception for collateralized derivatives. This approach would require netting of cash collateral /margin for derivatives, where there is daily posting of cash collateral/variation margin and the right to offset the derivative positions and cash collateral is legally enforceable in the event of an early termination (ie is conditional).

(ii) a linked presentation approach, where gross and net amounts would be included in the statement of financial position in a linked manner. The staff notes that a few respondents raised this alternative approach as a means of achieving a converged solution (a compromise) rather than finalising the above approaches.

[14] Accounting Standards Codification Topic 815-10-45-5
[15] IAS 32 paragraph 42

87. The staff is seeking direction from the boards in how they would like to proceed.

Question 1: Proposed approach
Do the boards want to pursue the proposed offsetting approach (Approach 1) and address the issues raised by respondents?

Question 2: Alternative Approach
Do the boards want to consider any other approaches in their future deliberations? If so, which ones?

Appendix A

Statistical analysis of comment letters

(as of 11 May 2011)

Demographics of the comment letter respondents

Respondents by geographic region	Number	%
Africa	2	1%
Asia-Pacific	27	17%
International	15	10%
Nordic	2	1%
North America	58	37%
South America	3	2%
West Europe	51	33%
Total	**158**	**100%**

Respondents by type	Number	%
Firms and industry organisations	65	41%
Preparers	50	32%
Standard setters	20	13%
Regulators	12	8%
Individuals/Other	6	4%
Users	5	3%
Total	**158**	**100%**

Appendix B

Statistical analysis of outreach

Demographics of the outreach meetings

All constituents

Meetings by region	Number	%
Americas	56	51%
Asia Pacific	11	10%
Europe & Africa	40	36%
International	3	3%
Total	**110**	**100%**

Meetings by type of user	Number	%
Users	42	38%
Preparers	30	27%
Firms and industry organisations	17	15%
Clearinghouses and exchanges	11	10%
Regulators	10	9%
Total	**110**	**100%**

User meetings

User meetings by region	Number	%
Asia Pacific	3	5%
Europe	15	29%
International	2	4%
North America	31	60%
South America	1	2%
Total	**52**	**100%**

Meetings by type of user	Number	%
Asset Management	10	19%
Rating agency	2	4%
Regulators		
Prudential regulator	7	13%
Securities regulator	3	6%

Subtotal regulators	*10*	*19%*
Users		
General	15	29%
European investment banks	4	8%
US investment banks	3	6%
Valuation firm	1	2%
Subtotal users	*23*	*44%*
User group	7	13%
Total	**52**	**100%**

Non-user meetings

Non-user meetings by region	Number	%
Africa	3	5%
Americas	24	41%
Asia-Pacific	8	14%
Europe	22	38%
International	1	2%
Total	**58**	**100%**

Meetings by type of constituent- non user	Number	%
Clearinghouses and exchanges	11	18%
Firms and industry organisations		
Accounting firm	11	19%
Industry organisation	3	5%
Professional organisation	1	2%
Law firm	1	2%
Standard setter	1	2%
Subtotal firms and industry organisations	*17*	*30%*
Preparer	30	52%
Total	**58**	**100%**

Statistical analysis of users - survey

Demographics of the survey respondents

Region of respondent	Number	%
Africa	2	6%
Asia	6	17%
Asia-Pacific	10	28%
International	3	8%
Middle-East	2	6%
West Europe	13	36%
Grand Total	**36**	**100%**

Type of user	Number	%
Both	12	33%
Equity	19	53%
Fixed Income	1	3%
Regulator	1	3%
not indicated	3	8%
Grand Total	**36**	**100%**

Sector	Number	%
Chemicals, Trading	1	3%
Finance Regulator	2	6%
Financial / Investments	3	8%
Financial Services	12	33%
Forestry	1	3%
Generalist	6	17%
Infrastructure	2	6%
Investments	2	6%
not indicated	7	19%
Grand Total	**36**	**100%**