

**Analysis of Disclosure Requirements for  
Tier 2 Entities Relating to AASB  
Exposure Draft ED 209 *Offsetting  
Financial Assets and Financial Liabilities*  
(*proposed amendments to AASB 7 and  
AASB 132, and proposal relating to Tier 2  
disclosure requirements*)**

## Analysis of Disclosure Requirements

Disclosures proposed in ED 209	Disclosure Requirements in <i>IFRS for SMEs</i> , Sections 11 and 12	Comments
<b>11 An entity shall disclose information about rights of set-off and related arrangements (such as collateral agreements) associated with the entity's financial assets and financial liabilities to enable users of its financial statements to understand the effect of those rights and arrangements on the entity's financial position.</b>		Paragraph 11 has no equivalent in the <i>IFRS for SMEs</i> and, based on the reasoning in paragraph 3 of 'Tier 2 Disclosure Principles', should be excluded from the Tier 2 disclosure requirements.
<b>12</b> To meet the requirements in paragraph 11, an entity shall disclose, as the minimum, the following information separately for financial assets and financial liabilities recognised at the end of the reporting period by class of financial instruments: <ul style="list-style-type: none"> <li>(a) the gross amounts (before taking into account amounts offset in the statement of financial position and portfolio-level adjustments for the credit risk of each of the counterparties or the counterparties' net exposure to the credit risk of the entity);</li> <li>(b) showing separately:               <ul style="list-style-type: none"> <li>(i) the amounts offset in accordance with the criteria in paragraph 6 to determine the net amounts presented in the statement of financial position;</li> <li>(ii) the portfolio-level adjustments made in the fair value measurement to reflect the effect of the entity's net exposure to the credit risk of counterparties or the counterparties' net exposure to the credit risk of the entity; and</li> <li>(iii) the net amount presented in the statement of financial position;</li> </ul> </li> <li>(c) the amounts of financial assets and financial</li> </ul>		Paragraph 12 has no equivalent in the <i>IFRS for SMEs</i> and, based on the reasoning in paragraph 3 of 'Tier 2 Disclosure Principles', should be excluded from the Tier 2 disclosure requirements.

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<p>liabilities that the entity has an unconditional and legally enforceable right to set off but that the entity does not intend to settle net or simultaneously;</p> <p>(d) the amount of financial assets and financial liabilities that the entity has a conditional right to set off, separately by each type of conditional right;</p> <p>(e) the net amount of financial assets and financial liabilities after taking into account the effect of the items in (a)-(d);</p> <p>(f) for cash or other financial instrument collateral obtained or pledged in respect of the entity's financial assets and financial liabilities:</p> <p>(i) the amount of cash collateral (excluding the amount of cash collateral in excess of the amount in (b)(iii)); and</p> <p>(ii) the fair value of other financial instruments (excluding the portion of the fair value of such collateral that is in excess of the amount in (b)(iii)); and</p> <p>(g) the net amount of financial assets and financial liabilities (i.e. the difference) after taking into account the effect of the items in (e) and (f).</p> <p>The information required by this paragraph shall be presented in a tabular format, unless another format is more appropriate.</p>		
<p>13 An entity shall provide a description of each type of conditional right of set-off separately disclosed in accordance with paragraph 12(d), including the nature of those rights and how management determines each type.</p>		<p>Paragraph 13 has no equivalent in the <i>IFRS for SMEs</i> and, based on paragraph 3 of 'Tier 2 Disclosure Principles', paragraph 13 should be excluded from the Tier 2 disclosure requirements.</p>
<p>14 If the information required by paragraphs 11-13 is disclosed in more than a single note to the financial</p>		<p>Paragraph 14 has no equivalent in the <i>IFRS for SMEs</i> and, based on the reasoning in paragraph 3 of</p>

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statements, an entity shall cross-reference from the note in which the information in paragraph 12 is disclosed to the notes in which the information required by paragraphs 11 and 13 is disclosed.		‘Tier 2 Disclosure Principles’, should be excluded from the Tier 2 disclosure requirements.
15 An entity need not provide the information required by paragraphs 11-14 if the entity has no financial assets and financial liabilities at the reporting date that are subject to a right of set-off and the entity has neither obtained nor pledged cash or other financial instruments as collateral in respect of recognised financial assets and recognised financial liabilities.		Paragraph 15 has no equivalent in the <i>IFRS for SMEs</i> and, based on the reasoning in paragraph 3 of ‘Tier 2 Disclosure Principles’, should be excluded from the Tier 2 disclosure requirements.
<b>Appendix C</b> <b>Application guidance</b> C16 Paragraph 12 requires an entity to disclose the required information by class of financial instruments. An entity shall group financial assets and financial liabilities (separately) into classes that are appropriate to the nature of the information disclosed and that take into account the characteristics of those financial instruments and the applicable rights of set-off.		Paragraph C16 has no equivalent in the <i>IFRS for SMEs</i> and, based on the reasoning in paragraph 3 of ‘Tier 2 Disclosure Principles’, should be excluded from the Tier 2 disclosure requirements.
C17 Paragraph 12(d) requires disclosure of the portion of the net amount presented in the statement of financial position that is covered by each type of conditional and legally enforceable right of set-off. The disclosures required by paragraph 12(d) may be presented in the aggregate for similar types of rights of set-off if separate disclosure of each type of right of set-off would not provide more useful information to users of financial statements. An entity shall disclose the criteria it applies in aggregating similar rights of set-off. At a minimum, an entity shall distinguish between rights of set-off that are exercisable on default, bankruptcy or insolvency (or		Paragraph C17 has no equivalent in the <i>IFRS for SMEs</i> and, based on the reasoning in paragraph 3 of ‘Tier 2 Disclosure Principles’, should be excluded from the Tier 2 disclosure requirements.

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<p>similar events) and rights of set-off that are exercisable in the normal course of business. In determining whether to aggregate the disclosures in paragraph 12(d) for different types of rights of set-off, an entity shall consider the characteristics of those rights and the disclosure requirements in paragraph 12.</p>		
<p>C18 Paragraph 12(f) restricts the amount of cash or other financial instrument collateral to be disclosed in respect of the entity's financial assets and financial liabilities to the amounts of the financial asset or financial liability, as presented in the statement of financial position. An aggregate disclosure of the amount of cash or the fair value of other financial instrument collateral would not provide meaningful information about the effect of collateral arrangements on the entity's financial position if account is not taken of over-collateralisation of financial assets or under-collateralisation of financial liabilities and vice versa.</p>		<p>Paragraph C18 has no equivalent in the <i>IFRS for SMEs</i> and, based on the reasoning in paragraph 3 of 'Tier 2 Disclosure Principles', should be excluded from the Tier 2 disclosure requirements.</p>
<p>C19 The specific disclosures required by paragraphs 12 and 13 are minimum requirements and an entity may need to supplement them depending on the nature of the rights of set-off and related arrangements and their effect on the entity's financial position. Disclosures required by other IFRSs may be considered in determining whether additional information needs to be disclosed to meet the requirements in paragraph 11.</p>		<p>Paragraph C19 has no equivalent in the <i>IFRS for SMEs</i> and, based on the reasoning in paragraph 3 of 'Tier 2 Disclosure Principles', should be excluded from the Tier 2 disclosure requirements.</p>
<p>C20 An entity shall present the disclosures in a manner that clearly and fully explains to users of the financial statements the nature of rights of set-off and related arrangements and their effect on the entity's financial assets and financial liabilities. An entity shall determine how much detail it must provide to satisfy the disclosure</p>		<p>Paragraph C20 has no equivalent in the <i>IFRS for SMEs</i> and, based on the reasoning in paragraph 3 of 'Tier 2 Disclosure Principles', should be excluded from the Tier 2 disclosure requirements.</p>

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<p>requirements of this [draft] IFRS. The entity must strike a balance between obscuring important information as a result of too much aggregation and excessive detail that may not help users of financial statements to understand the entity's financial position. For example, an entity shall not disclose information that is so aggregated that it obscures important differences between the different types of rights of set-off or related arrangements.</p>		