



INTERNATIONAL SWAPS AND DERIVATIVES ASSOCIATION, INC.

## NEWS RELEASE

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### **ISDA Comments on Proposals Issued by the IASB and FASB**

**LONDON, Monday, January 31, 2011** — The International Swaps and Derivatives Association, Inc. (ISDA) welcomes the efforts of the International Accounting Standards Board and the Financial Accounting Standards Board to seek convergence on their current US GAAP and IFRS models regarding offsetting of assets and liabilities in the balance sheet.

ISDA believes that reporting derivatives positions on a net basis where netting is enforceable gives the best information for users of financial statements. Net presentation is consistent both with the way derivatives are managed by the entity and with the regulatory treatment of them. It therefore provides the most relevant and risk sensitive information.

ISDA believes the Boards' proposal to report derivatives on a gross basis rather than a net basis on the balance sheet is counterintuitive, may lead to complexity in practice and can obscure the real position of the entity. It is likely to be misleading when presenting the leverage, credit risk and liquidity risk position of an institution. Misperceptions regarding the risk exposure of derivatives users may impede the ability of corporations, government entities and financial institutions to effectively manage the business and financial risks to which they are exposed.

#### **About ISDA**

ISDA, which represents participants in the privately negotiated derivatives industry, is among the world's largest global financial trade associations as measured by number of member firms. ISDA was chartered in 1985, and today has over 800 member institutions from 54 countries on six continents. These members include most of the world's major institutions that deal in privately negotiated derivatives, as well as many of the businesses, governmental entities and other end users that rely on over-the-counter derivatives to manage efficiently the financial market risks inherent in their core economic activities. Information about ISDA and its activities is available on the Association's web site: [www.isda.org](http://www.isda.org).

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