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**Re: Towards a Disclosure Framework for the Notes – Discussion Paper**

Dear Ms. Flores,

Deutsche Bank (DB) appreciates the opportunity to comment on the Discussion Paper (DP) "Towards a Disclosure Framework for the Notes" issued by the staff of the European Financial Reporting Advisory Group (EFRAG), Autorité des Normes Comptables (ANC) and the UK Financial Reporting Council Accounting Committee (FRC). We support the initiative to influence future standard-setting developments by engaging with European constituents and providing input to early phases of the IASB's work in developing a disclosure framework. The development of a comprehensive disclosure framework that can be applied under U.S.GAAP, IFRS and other relevant GAAPs as a result of FASB's, EFRAG's, ANC's and FRC's as well as the IASB's input will enhance comparability and the value of financial information reported globally.

**Key Message**

We strongly support the DP's objective of improving the effectiveness and quality of disclosures in the notes to the financial statements by clearly communicating the information that is relevant to users of each entity's financial statements. The DP aims to address underlying principles and content of a decision-making disclosure framework to assist standard setters to develop disclosure requirements consistently - which we strongly support - so that disclosures across the IFRS are well-balanced and based on relevant information for users of financial statements. We acknowledge that while reducing unnecessary disclosures is not the primary objective of the effort, it is a highly desirable outcome. We note that the current disclosure methodology will typically provide a checklist of items an entity should consider for disclosure on a 'patchwork' Standard by Standard basis. This disclosure system often results in over disclosure and leads to a lack of transparency or confusion to the reader of the financial statements. Accordingly, we offer our support during this comprehensive and long-term project and provide the following points for your consideration:

- The EFRAG DP limits its scope to information disclosed in the notes to the financial statements. We acknowledge that in many jurisdictions information required in other parts of the financial reports is under the responsibility of other institutions and regulators and setting a limited scope to the notes of the financial statements is considered as most efficient to achieve progress on the disclosure discussion in a reasonable timeframe. We note, however, that many of the disclosure requirements included in the notes to the financial statements and those disclosures required by securities and regulatory authorities in Europe and in the US, are at times overlapping and often redundant. An



effective and efficient disclosure framework discussion should therefore not be based solely on disclosures in the notes to the financial statements, but should also address all other reporting disclosure requirements, in particular those required in the MD&A section. We therefore encourage coordination and further cooperation among the international and national standard setters, the SEC and other foreign securities authorities and regulators when setting disclosure requirements to reduce redundancy of information throughout the entire statutory financial reporting. We recognize that this level of coordination is a significant undertaking and will require cooperation from a number of participants but we believe it will be essential to achieve the broader objectives of having financial reporting more focused on information that is relevant to users and to reduce the level of duplicate information throughout an entity's financial reporting. A disclosure framework should also provide guidance to address the possibilities of using cross-references to other reports and linking relevant sections of documents to the notes to eliminate current duplications.

- We agree with the DP's premise that to increase the effectiveness of disclosures, consideration must be given to their intended purpose. The proposed definition of the notes "to provide a relevant description of the items presented in the primary financial statements and of unrecognized arrangements, claims against and rights of the entity that exist at the reporting date" coincides with the overall purpose of the financial statements and the definition of notes as set out in IAS 1. Together with the key principles that should help standard setters in determining what information is considered relevant, we believe that the DP provides a valuable starting point to initiate and promote a substantial debate for developing an effective disclosure framework. It is emphasized further that some information currently presented in the notes might be excluded because of not meeting the proposed definition. This application does not appear to focus enough on why information is not of relevance and whether the information should be instead presented in other parts of the financial reporting package. Therefore, a disclosure framework discussion should strongly focus on the usefulness and relevance of required information and the extent to which existing disclosures are actually used by investors and other financial statement users. Furthermore, it is important to define the boundary between the contents of the notes to the financial statements versus information that is presented in other parts of the financial report to clarify the distinction between the content of the notes and other reports such as management commentary. Placement criteria which provide guidance where information should be disclosed as it is suggested in the FRC's Discussion Paper "Thinking about disclosures in a broader context" could help to assist in eliminating some of the duplication that currently exists today and to streamline financial reporting.
- The DP outlines different approaches how standard setters could set disclosures with a spectrum that runs from allowing complete discretion to preparers over disclosure practice to allowing little, if any. We do not believe that either end of the spectrum on its own is appropriate. The approach where standard setters would allow complete discretion to preparers on what is relevant information would lead to inconsistency in disclosure practices and impair comparability among reporting entities. Conversely, the approach where standard setters would require prescriptive lists of disclosures, leaving little or no discretion to preparers to judge what is relevant for their industry and specific facts and circumstances is also not appropriate.
- As mentioned above the development of underlying principles and objectives as well as a clear definition of disclosure relevance are essential to help preparers understand what



information should be included in the notes to the financial statements. We suggest defining disclosure objectives for each topic and supplementing these principles with 'best practice application guidance' (that is, a list of potential recommended disclosures and examples would be given, but would not be required) such that preparers are allowed to assess what is relevant to disclose considering their specific facts and circumstances and industries. By encouraging entity-specific disclosures, preparers should have flexibility in implementing these objectives in a manner that best communicates their business and financials rather than producing 'boilerplate' information. In limited cases, a single formatted set of disclosures subject to materiality might be required to satisfy users' needs. We believe such a model would alleviate the concerns mentioned in the previous paragraph and bolster comparability. Setting disclosure requirements for each topic on a principle-basis would increase the level of judgment by preparers and therefore the standard setter might consider providing additional guidance to assist preparers documenting their considerations and how their judgments might affect comparability with other entities.

- Another important aspect of increasing disclosure effectiveness is providing guidance on materiality to provide preparers a roadmap to determining what information is relevant to disclose. But a disclosure framework should not re-emphasise the meaning of materiality and develop new materiality principles as concept of materiality is clearly understood as an entity-specific aspect of relevance. Any additional guidance on the materiality concept should finally be the responsibility of the IASB.
- A disclosure framework discussion should in a second step result in a comprehensive reconsideration of existing disclosure requirements within all IFRS with a focus on consolidation and replacement of disclosures to ensure that they are in line with the disclosure framework developed.

We hope you find our comments useful and relevant and we would be glad to work with you in the deliberation of these and other points to arrive at a final framework. Should you wish to discuss any of the comments or responses in this letter, please do not hesitate to contact Karin Dohm by email ([karin.dohm@db.com](mailto:karin.dohm@db.com)) or phone (+49-69910-31183).

Yours sincerely,

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