EFRAG
35 Square de Meeûs
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Attention: Kristy Robinson 21 August 2009

Re: EFRAG Draft Comment Letter- Discussion Paper Credit Risk in Liability Measurement (the DP)

Dear Ms Robinson,

Deutsche Bank broadly agrees with the views expressed in the draft EFRAG comment letter on the above DP. We would highlight the following for EFRAG's consideration:

- Paragraphs 24 to 27 – While we agree in concept with EFRAG's view that own credit should only be factored into the initial measurement of those liabilities when own credit risk is inherent in the price of the transaction, we believe that these paragraphs could be further strengthened by citing specific examples. For example, clause 27a) could read, 'such as in the case of an obligation taken on in exchange for cash proceeds, such as a bond liability or other financial borrowing arrangement'. Likewise clause 27b) could state 'Typically trade payables, legal liabilities, tax liabilities, and contingent consideration to be paid in a business combination will fall into this category'.

- Paragraph 32 – The letter states that 'because of the short term nature of trading liabilities, we believe the effect of taking this into account in the measurement will be negligible and does not need to be adjusted for'. It appears that this statement indicates that own credit in derivatives is immaterial due to the short term nature of trading liabilities and as such no adjustment should be allowed. DB would like to point out that for large broker traders it would be common that they will have certain trading liabilities such as derivatives which may be long dated (for example, currency or interest rate swaps with terms exceeding 3 years) and as such the own credit impact may not be negligible. We therefore believe that paragraph 32 should be removed; the preceding paragraphs are adequate.

- Paragraphs 30 and 31. The comment letter states that even if the initial measurement should include own credit, the subsequent measurement should not include own credit risk changes. This methodology if applied would result in a different measurement basis other than fair value in the financial statements. The instrument would be reported at fair value on day one but be at another measurement basis (fair value less own credit risk) at day 2. This would be counter to the recent efforts of the IASB to simplify financial instruments accounting. While we appreciate there are various ways to view the topic, DB would prefer to keep a two prong model- fair value and amortised cost, rather than to introduce yet another measurement category.

- To maintain a simplified two category model, DB believes that all financial liabilities should be reflected in the balance sheet according to the fair value definition expressed in the ED on Fair Value Measurement, and as such should incorporate own credit. We do not support the creation of another measurement basis for financial liabilities as this would be counter to the Board's efforts to reduce complexity in accounting for financial instruments.

- We have the following proposals for the presentation of the changes in fair value attributable to own credit:

    - Changes in fair value attributable to own credit for non trading liabilities (which will comprise primarily note issuances) held at FV should be reported through equity; and

    - Changes in fair value attributable to own credit for trading liabilities (derivatives) should be reported through earnings

- The fundamental basis for the difference in presentation between trading versus non trading is the higher relative probability of an entity realising changes in its own credit in a trading portfolio versus a non trading portfolio. Funded liabilities are entered into primarily for funding purposes and as such the possibility to realise those changes is lower than that which exists in a trading book.

We hope you find our comments useful and relevant, and look forward to continue working with you in the future. Should you want to discuss in more detail the contents of the letter, please do not hesitate to contact Cynthia Mustafa at the following email address cynthia.mustafa@db.com and phone number 020 754 50978.

Yours sincerely,

Cynthia Mustafa

Managing Director

Global Head, Accounting Policy and Advisory Group

Deutsche Bank AG