EFRAG
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Tel: +32-(0)2 210 44 00
Attention: Gregory Hodgkiss

21 August 2009

Re: EFRAG Draft Comment Letter- Request for Information on Impairment of Financial Assets: Expected Cash Flow Approach (RFI)

Dear Mr Hodgkiss,

Deutsche Bank broadly agrees with the views expressed in the draft EFRAG comment letter on the above DP. In summary we agree with the view that implementation of an expected cash flow approach will present operational challenges, as stated in the EFRAG cover letter.

We ask that EFRAG consider the following points:

1. Question 2 – In response to EFRAG's request that constituents communicate their concerns on feasibility of the expected cash flow model, we have the below additional comments which we believe EFRAG should consider adding to the draft comment letter:

   The IASB's approach requires an estimate of the expected *cash flows* for the amortised cost instruments throughout its life. It must be noted however that the data available for internal risk management purposes is based on expected *losses*, and not necessarily expected cash flows. While expected losses incorporate estimates of a probability of default with an estimate of the related loss for the loan (referred to as 'loss give default'), it cannot be said that expected losses equates to cash flows as the former excludes estimates of timing.

   Another area of distinction is that when future losses are considered for regulatory purposes it is generally only with a 1 year time horizon from the balance sheet date. In contrast the proposed expected cash flow approach will require forecasting losses for the entire life of the loan. Before finalising a new standard on impairment we believe that the IASB must corroborate with preparers to obtain a deeper understanding of the information available for other purposes (regulatory for example, Basel 2). We note that any move to an expected cash flow approach will require significant process and system changes. Undoubtedly the model will require as much if not increased subjectivity than what exists today under the incurred loss model and therefore require that existing controls and review procedures be enhanced to support the increase use of such judgement.

   Even with prospective transition rules, we believe that the IASB should allow at least a 2 year timeframe from the date of final issuance of the standard and the mandatory effective date to allow for adequate implementation time.

2. Question 6 - Regarding transition, we believe that retrospective transition provisions would be unduly complex and would only provide marginal decision useful information to investors. As such transition provisions for this part of the new IAS 39 standard should be prospective; therefore we strongly recommend that likewise EFRAG also support prospective transition. For example the letter could state, 'We urge the Board to carefully assess the transition requirements since retrospective application where entities are either required to assess the expected cash flows at inception or even as of a certain date will not be operationally possible. As such EFRAG supports prospective transition requirements.'

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

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