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Berlin, 14 September 2010

Dear Françoise,

EFRAG's Draft Comment Letter on the FASB Exposure Draft *Accounting for Financial Instruments and Revisions to the Accounting for Derivative Instruments and Hedging Activities*

On behalf of the German Accounting Standards Board (GASB), I am writing to comment on EFRAG's draft comment letter on the FASB's Exposure Draft *Accounting for Financial Instruments and Revisions to the Accounting for Derivative Instruments and Hedging Activities*. We appreciate the opportunity to comment on EFRAG's draft comment letter.

For our arguments, please see the appendix (comment letter to the FASB and IASB) attached to this letter.

If you would like to discuss any aspect of this comment letter in more detail, please do not hesitate to contact me.

Yours sincerely,

Liesel Knorr
President

Vorstandsausschuss:
Prof. Dr. Rolf Nonnenmacher (Schatzmeister), Dr. Werner Brandt, Joe Kaeser, Dr. Jörg Schneider

Deutsches Rechnungslegungs Standards Committee e.V.
Accounting Standards Committee of Germany

Der Standardisierungsrat

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Mr. Bob Herz
Chairman of the
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Berlin, 14 September 2010

Sir David Tweedie
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Dear Bob,

Dear David,

File Reference No: 1810-100

FASB Exposure Draft "Proposed Accounting Standards Update – Accounting for Financial Instruments and Revisions to the Accounting for Derivative Instruments and Hedging Activities"

On behalf of the German Accounting Standards Board (GASB) I am writing to comment on the FASB Exposure Draft "Proposed Accounting Standards Update – Accounting for Financial Instruments and Revisions to the Accounting for Derivative Instruments and Hedging Activities" (herein referred to as 'FASB-ED'). We appreciate the opportunity to comment on the FASB-ED.

The GASB appreciates the efforts of the FASB intended to improve the accounting for financial instruments by reducing complexity, enhancing transparency, and providing more representative information for users of financial statements about an entity's involvement in financial instrument. However, we doubt that the proposals in the FASB-ED are heading into the right direction.

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We also believe that obtaining one single set of high quality global accounting standards, especially in the complex area of financial instruments, is a very important objective. Therefore, the GASB regrets that the FASB and the IASB – despite deliberation undertaken jointly – could not agree on a joint model in this important area and, hence, could not reach convergence so far.

We would like to underline that our analysis of and comments on the FASB-ED were taken from an IFRS constituent's perspective. Due to that reason, our letter does not focus on whether, or to what degree, the proposals within the FASB-ED differ from the current Topic 815/825. This means on the one hand, that we rather compare the FASB-ED proposals with the current IFRS requirements or proposals, including the current IASB discussion on proposals still to come. On the other hand, we consider the FASB proposals as a potential alternative and stand-alone proposed accounting model for financial instruments. Having this in mind, we have analysed the FASB-ED in comparison to the IASB's model, but not without considering the essential, which is, whether the FASB proposals are ultimately appropriate.

The remainder of this letter is divided into the following four sections: (1) classification and measurement, (2) credit impairment, (3) hedge accounting, and (4) other issues.

Classification and measurement

The GASB does not agree with the proposals in the FASB-ED because it proposes the use of fair value in areas where we do not believe that it is the most appropriate measurement attribute. We hold the view that fair value is the appropriate measurement attribute for financial instruments without contractual cash flows, for derivatives, and for all financial instruments which are intended to be sold or settled in the short term, but fair value is not a relevant measure for measuring debt instruments held for longer-term investment purposes. For such investments fair values do not necessarily provide information that helps to predict the most likely future cash flows as management may have no intention to sell or discharge itself of the financial instruments but may have other plans with them that are expected to result in cash flows different from the current fair value. Therefore, the GASB is in favour of retaining a mixed model for the accounting of financial instruments with the two measurement categories 'fair value' and 'amortised cost', which is the basic concept underlying IFRS 9.

The exception in the FASB-ED that permits certain financial liabilities to be measured at amortised cost is, in our view, an attempt to mitigate the shortfalls of the general requirement to measure financial liabilities at fair value, thus evidencing the inappropriateness of the general requirement. In our view, the criterion for qualifying financial liabilities – less than 50% of recognised assets subsequently measured at fair value – is rule-based and arbitrary. The first crite-

rion – a financial liability contractually linked to an asset not measured at fair value – will hardly be applicable, particularly for larger entities (or entities that are part of a group) for which the financing of the business activities is centrally managed by a treasury department.

The majority of the GASB disagrees with the proposed measurement approach for core deposits. In the opinion of those GASB-members core deposits should be measured at amortised cost, which is the amount due on demand because it is not in the entity's discretion to determine when the deposits have to be repaid. However, two members of the GASB principally agree with the proposed approach from an economic standpoint.

As noted in the summary of the FASB-ED, the eligibility criteria for financial instruments to be categorised as recognising the qualifying portion of the fair value change in other comprehensive income (FV-OCI) are similar to those under IFRS 9 to determine whether financial assets are measured at amortised cost. However, we have the impression that the criteria of the business strategy to collect or pay the related cash flows of the financial instrument are stricter in the FASB-ED, as par. 22 requires that the business strategy shall be to hold instruments for a significant portion of their contractual terms. As the question of how many early sales/settlements are acceptable within a holding business strategy has a big practical impact, we would like to urge the Boards to jointly addressing this possible difference in the eligibility criteria in future deliberations.

The GASB believes that it is not appropriate to continue an accounting treatment regardless of whether facts and circumstances have changed, or to not allow an accounting treatment simply because the required conditions are met at a date later than day one. Accordingly, we do not agree with the proposals in the FASB-ED prohibiting any reclassifications of financial instruments, even though the changes in conditions are expected to be infrequent (e.g. changes in business models).

Credit Impairment

The GASB welcomes the proposals to introduce a single model for estimating credit losses for all financial instruments that requires a more timely loss recognition. However, the restriction on past events and existing conditions in determining the expected future cash flows of a financial asset does, in our mind, not fit in the overall model. Firstly, as the entity shall estimate future cash flows, the required distinction whether these estimates are based either on past events and existing conditions or on forecasts and expected future events may be difficult or even impossible in some instances in practice. Secondly, assuming that economic conditions existing at the balance sheet date would remain unchanged for the remaining life of the financial assets is not realistic.

Another point of critique is that the proposed model will result in recognising the initially expected credit losses in the first period after initial recognition of the financial assets. This can be seen as a frontloading of credit losses (while the proposed IASB model is intended to avoid a frontloading of interest income) that conflicts with the matching principle.

Hedge Accounting

With respect to the hedge accounting proposals, we take the view that the proposals are partly adequate, partly not.

The GASB agrees with focussing on a qualitative assessment of whether an economic hedging relationship is effective and qualifies for hedge accounting. Therefore, we agree with the FASB's "reasonably effective" criterion as well as with a qualitative effectiveness assessment and only at inception of the hedge designation. We also encourage the IASB to consider these proposals in developing its own and comprehensive new hedge accounting model.

Nevertheless, we deem some proposals as not being appropriate. After considering the inability to de-designate a hedging relationship, we agree with this proposal as it makes the hedge accounting model less complex and more principles-based. However, the proposals as to whether and to what extent an offsetting derivative may cause or justify a hedging relationship to be terminated, are neither reasonable nor consistent with the stated objective. If one derivative offsets another, and the original derivative was part of a hedging relationship that is "only" reasonably effective, we do not agree that the offset shall be more perfect than the hedge itself. Hence, we would like a hedge to be terminated if the offsetting derivative meets a "reasonable offset" threshold only. In addition, we do not agree that those derivatives may not be re-designated in a new hedging relationship. We have concerns with regard to practicability that those derivatives would be labelled as "not eligible anymore" for hedge accounting, while other derivatives can be designated in a hedge at any time after their initial recognition.

Overall, the GASB wonders whether the hedge accounting proposals are made from a perspective that primarily (or exclusively) considers one-to-one hedges, which inappropriately narrows the focus of hedge accounting. It is our understanding of the FASB proposals that dynamic or net position hedges would not qualify for hedge accounting, despite them being commonly used in various industries. This seems to run counter to the stated objective of hedge accounting which is to reflect risk management practises. We therefore propose that the FASB joins the IASB in comprehensively reviewing and re-developing an overall hedge accounting concept; we hereby encourage the IASB to proceed in deliberating this issue.

Other issues

Equity Method of Accounting

The GASB does not agree with the proposal to include additional criteria for applying the equity method of accounting. We believe that a more comprehensive analysis is needed before such a fundamental change is introduced which should not be done along the way in an exposure draft on accounting for financial instruments.

Definitions

We agree with most of the definitions in the FASB-ED. Some FASB definitions seem in part clearer or more appropriate than those in the IFRSs, while they are not clear enough in other part or details. As such, we like to mention:

- Amortised cost: With regard to the additional adjustments for foreign currency exchanges (par. (c) of the FASB definition), this seems more appropriate. In contrast, while the FASB includes "write offs" by definition, the IASB includes "impairment" and "uncollectability" (the latter considered to be the same as "write offs"). We ask the FASB to note that both shall be included in the measurement, hence, should be mentioned in the definition.
- Financial Instrument: On the one hand we support the FASB definition since it distinguishes between "contracts" and other (non-contractual) instruments, such as cash or ownership interests. On the other hand, we support the IASB definition since it mentions that a financial instrument constitutes a financial asset vs. a financial liability or equity instrument – while not mentioning yet what an asset, a liability or an equity instrument is, whereas the FASB definition already includes a short definition of the subset of a "financial asset" or a "financial liability". Finally, we consider the IASB definition to be slightly more appropriate regarding the inclusion of contracts that will/may be settled with own equity instruments; however, this feature itself might not be appropriate but is currently under discussion while reviewing IAS 32.
- Derivative: The FASB definition includes derivatives with net cash settlement features, which we consider important, while the IASB definition does not. However, the IASB ends up in a similar place because commodity contracts that allow for net cash settlement are within the scope of the financial instruments standard. In contrast, "own use" derivatives without a net cash settlement feature, are similarly excluded from the scope, which we also consider important. To conclude, we prefer the FASB definition.
- Hybrid instrument / Embeddeds: We think that the (different) definitions of both boards are not appropriate since the term "hybrid" is ambiguous and, in addition, sometimes used synonymously with "combined" or "compound" instruments. We suggest that both boards elaborate what they think the terms "hybrid" and "combined" and "compound" stand for and agree

on one identical definition for each term. We urge the boards to take into account which meaning for which term has already been established in the capital markets. E.g., we note that the term "hybrid instrument" is often used for instruments that contain features of equity and debt instruments and not necessarily of cash and derivative instruments. These are rather called structured instruments.

Finally, the definition of "effective interest rate" in the FASB-ED does not seem appropriate. From our view, it does not take into account (at least not explicitly) any early payments, since it refers to the "contractual" rates, hence, not covering any expectations of a period shorter than the instrument's life. We propose that the FASB adopts the IASB definition or clarifies that the FASB definition is meant accordingly.

Disclosures

The GASB did not evaluate each individual disclosure proposed. Generally, we have experienced that – from a user's perspective – many disclosures are often not used or even ignored, as they are not considered to be decision-useful or relevant. We realise that both boards are constantly expanding the list of disclosures with any amendment of a Topic or an IFRS. Whilst we understand that different users have different views as to what constitute useful information (and, hence, each disclosure item can probably be justified by reference to a particular group of constituents), the overall picture of the entirety of the disclosures becomes more and more confusing, as each single disclosure is more and more veiled. We urge both boards to take the opportunity for developing disclosures from a high-level approach, which might lead to proposing rather less than more disclosures.

Please find our detailed comments on selected questions raised in the ED in the appendix to this letter. If you would like to discuss our comments further, please do not hesitate to contact me.

Yours sincerely,

Liesel Knorr
President

Appendix – Answers to selected questions of the FASB-ED

> **Question 4**
> The proposed guidance would require an entity to not only determine if they have significant influence over the investee as described currently in Topic 323 on accounting for equity method investments and joint ventures but also to determine if the operations of the investee are related to the entity's consolidated business to qualify for the equity method of accounting. Do you agree with this proposed change to the criteria for equity method of accounting? If not, why?

The GASB does not agree with the proposed change to the criteria for applying the equity method of accounting. We believe that a deeper and more comprehensive analysis is required before introducing such a fundamental change. Also, we think that it is not appropriate to address this issue along the way within an exposure draft on accounting for financial instruments.

> **Question 13**
> The Board believes that both fair value information and amortized cost information should be provided for financial instruments an entity intends to hold for collection or payment(s) of contractual cash flows. Most Board members believe that this information should be provided in the totals on the face of the financial statements with changes in fair value recognized in reported stockholders' equity as a net increase (decrease) in net assets. Some Board members believe fair value should be presented parenthetically in the statement of financial position. The basis for conclusions and the alternative views describe the reasons for those views. Do you believe the default measurement attribute for financial instruments should be fair value? If not, why? Do you believe that certain financial instruments should be measured using a different measurement attribute? If so, why?

The GASB does not believe that one single measurement attribute is appropriate for all financial instruments and hence favours a mixed model for the accounting of financial instruments with the two measurement categories 'fair value' and 'amortised cost'. While in our view fair value is the appropriate measurement for financial instruments without contractual cash flows, for derivatives, and for all financial instruments which are intended to be sold or settled in the short term, fair value is not a relevant measure for debt instruments held for longer-term investment purposes. For such investments fair values do not necessarily provide information that helps to predict the most likely future cash flows as management may have no intention to sell or discharge itself of the financial instruments, but may have other plans with them that are expected to result in cash flows different from the current fair value. Therefore, in our view, disclosing the fair value of those investments in addition its amortised cost on the face of the financial statements does not provide decision-useful information but rather confuses the user.

Question 16
The proposed guidance would require an entity to decide whether to measure a financial instrument at fair value with all changes in fair value recognized in net income, at fair value with qualifying changes in fair value recognized in other comprehensive income, or at amortized cost (for certain financial liabilities) at initial recognition. The proposed guidance would prohibit an entity from subsequently changing that decision. Do you agree that reclassifications should be prohibited? If not, in which circumstances do you believe that reclassifications should be permitted or required? Why?

The GASB agrees that if an entity decides to exercise an option provided by accounting requirements because the necessary criteria are met at initial recognition, this decision should be made irrevocably. However, if the criteria are not met anymore in subsequent periods due to a change in facts and circumstances, continuing this accounting treatment is not appropriate and as a consequence, reclassification should be required in those cases. Likewise, it should also be allowed to exercise a given accounting option when the required criteria are met at a date later than at initial recognition.

Question 17
The proposed guidance would require an entity to measure its core deposit liabilities at the present value of the average core deposit amount discounted at the difference between the alternative funds rate and the all-in-cost-to-service rate over the implied maturity of the deposits. Do you believe that this remeasurement approach is appropriate? If not, why? Do you believe that the remeasurement amount should be disclosed in the notes to the financial statements rather than presented on the face of the financial statements? Why or why not?

The majority of the GASB does not agree with the proposed remeasurement approach for core deposit liabilities being appropriate. In the view of those GASB-members, core deposit liabilities should be measured at amortised cost which is the amount due on demand because it is not in the entity's discretion to determine when the deposits have to be repaid. However, two members of the GASB principally agree with the proposed approach from an economic standpoint.

Question 18
Do you agree that a financial liability should be permitted to be measured at amortized cost if it meets the criteria for recognizing qualifying changes in fair value in other comprehensive income and if measuring the liability at fair value would create or exacerbate a measurement attribute mismatch? If not, why?

The GASB believes that amortised cost is the appropriate measurement attribute for financial liabilities unless the liability is a derivative financial instrument or the entity has the intent and the ability to settle the liability with the counterparty to realise gains and losses from fair value changes before maturity ('early settlement'). Therefore, in our view, the proposed exception is an attempt to mitigate the shortfalls of the general requirement to measure financial liabilities at fair value and thus evidencing the inappropriateness of this general requirement. We also believe that defining a measurement attribute mismatch will result in practical difficulties as such a

mismatch often results from an underlying economic mismatch. As a consequence, the FASB-ED proposes criteria to identify the existence of such a measurement attribute mismatch. We do not agree with the proposed criteria – less than 50% of recognised assets subsequently measured at fair value – because, in our opinion, it is rule-based and arbitrary. The first criterion – a financial liability contractually linked to an asset not measured at fair value – is namely more operational but will hardly be applicable, particularly for larger entities or entities that are part of a group for which the financing of the business activities is centrally managed by a treasury department.

Question 23

The proposed guidance would establish fair value with all changes in fair value recognized in net income as the default classification and measurement category for financial instruments. An entity can choose to measure any financial instrument within the scope of this proposed Update at fair value with all changes in fair value recognized in net income, except for core deposit liabilities which must be valued using a remeasurement approach. Do you believe that a default classification and measurement category should be provided for financial instruments that would otherwise meet the criteria for qualifying changes to be recognized in other comprehensive income? If not, why?

We do not agree that a default classification and measurement category should be provided for financial instruments as we do not believe that one single measurement attribute is appropriate for all financial instruments for the reasons explained in our answer to question 13 above.

Question 27

Do you believe that measuring certain short-term receivables and payables at amortized cost (plus or minus any fair value hedging adjustments) will provide decision-useful information? If yes, how will the information provided be used in your analysis of an entity? If not, why?

We believe that measuring short-term receivables and payables at amortised cost is a quasi fair value, because we typically see no major differences between the two measurements for those instruments. The fact that entities currently measuring their trade receivables at amortised cost often state in the notes to the financial statements that the fair values of those receivables approximate their carrying amounts affirms our view.

Question 38

The proposed guidance would require an entity to recognize a credit impairment immediately in net income when the entity does not expect to collect all contractual amounts due for originated financial asset(s) and all amount originally expected to be collected for purchased financial asset(s).

The IASB Exposure Draft, *Financial Instruments: Amortised Cost and Impairment* (Exposure Draft on impairment), would require an entity to forecast credit losses upon acquisition and allocate a portion of the initially expected credit losses to each reporting period as a reduction in interest income by using the effective interest rate method. Thus, initially expected credit losses would be recorded over the life of the financial asset as a reduction in interest income. If an entity revises its estimate of cash flows, the entity would adjust the carrying amount (amortized cost) of the financial asset and immediately recognize the amount of the adjustment in net income as an impairment gain or loss.

Do you believe that an entity should immediately recognize a credit impairment in net income when an entity does not expect to collect all contractual amounts due for originated financial asset(s) and all amount originally expected to be collected for purchased financial asset(s) as proposed in this Update, or do you believe that an entity should recognize initially expected credit losses over the life of the financial instrument as a reduction in interest income, as proposed in the IASB Exposure Draft on impairment?

The proposals in the FASB-ED would result in recognising the initially expected credit losses in the first period after initial recognition of the financial assets. We do not believe that this front-loading of credit losses is appropriate because it conflicts with the matching principle. In contrast, the proposed model in the IASB Exposure Draft on impairment is intended to avoid front-loading of interest income by spreading the initially expected credit losses over the life of the financial asset which, in our view, is a superior approach.

Question 44/46

The proposed guidance would require that in determining whether a credit impairment exists, an entity consider all available information relating to past events and existing conditions and their implications for the collectability of the cash flows attributable to the financial asset(s) at the date of the financial statements. An entity would assume that the economic conditions existing at the end of the reporting period would remain unchanged for the remaining life of the financial asset(s) and would not forecast future events or economic conditions that did not exist at the reporting date. In contrast, the IASB Exposure Draft on impairment proposes an expected loss approach and would require an entity to estimate credit losses on the basis of probability-weighted possible outcomes.

Do you agree that an entity should assume that economic conditions existing at the reporting date would remain unchanged in determining whether a credit impairment exists, or do you believe that an expected loss approach that would include forecasting future events or economic conditions that did not exist at the end of the reporting period would provide more decision-useful information/would be more appropriate? Are both methods operational? If not, why?

The GASB supports an expected loss model for determining the impairment of financial assets that incorporates more forward-looking credit information and results in a more timely recognition of credit losses. Estimating the future cash flows attributable to financial assets in such a model should encompass all available information, i.e. past events and existing conditions at the balance sheet date and their implications as well as resulting forecasts of future events or

economic conditions. The proposal in the FASB-ED to exclude forecasts of future events or economic conditions that did not exist at the reporting date does not fit in this overall model. Furthermore, the assumption that the economic conditions existing at the end of the reporting period would remain unchanged for the remaining life of the financial asset(s) in many instances is not realistic.

Question 56

Do you believe that modifying the effectiveness threshold from *highly effective* to *reasonably effective* is appropriate? Why or why not?

The GASB generally agrees that an economic hedge shall be eligible for hedge accounting under a qualitative criterion. If an economic relationship is intended to offset financial risks and obviously suitable for achieving this offset, e.g. due to its parameters, this shall be both necessary and sufficient to qualify for hedging accounting. We consider a "reasonably effective" criterion to be methodically sound and even more appropriate than a threshold which has a rather quantitative character, as is the case today.

Question 57

Should no effectiveness evaluation be required under any circumstances after inception of a hedging relationship if it was determined at inception that the hedging relationship was expected to be reasonably effective over the expected hedge term? Why or why not?

With reference to our view set out in the answer to question 56, we also agree with not requiring effectiveness tests after inception, to the extent the circumstances of those items designated for hedge accounting did not change. Since we support a qualitative effectiveness threshold, it seems appropriate to retrospectively measure ineffectiveness in order to recognise it in profit or loss, but not to terminate hedge accounting, even if the ineffectiveness exceeds a certain quantitative level. Hence, it is neither necessary nor appropriate to make a subsequent quantitative test determinative for maintaining or terminating a hedging relationship, since it was (at inception, and prospectively) not necessary to pass a quantitative test. As a logical consequence, it is not necessary to establish a quantitative test to determine whether the hedge is (still) "effective enough".

Question 58

Do you believe that requiring an effectiveness evaluation after inception only if circumstances suggest that the hedging relationship may no longer be reasonably effective would result in a reduction in the number of times hedging relationships would be discontinued? Why or why not?

From a preparer's perspective, we think this would not provide any relief. In order to prepare its accounts, an entity still needs to calculate (and account for) the fair value changes of any hedged item or hedging instrument, hence, automatically evaluates the degree of effectiveness

by comparing these changes, on each subsequent balance sheet date. However, from a methodical perspective it is an improvement as set out in the answer before.

Question 61
Do you foresee any significant operational concerns or constraints in calculating ineffectiveness for cash flow hedging relationships? If yes, what constraints do you foresee and how would you alleviate them?

Given the proposal to recognise ineffectiveness from cash flow hedge accounting for overhedges and underhedges symmetrically (par. 123), we wonder how it can be accounted for. In case the change in fair value of the hedging instrument is “bigger”, the amount to be recognised as ineffectiveness would be that part of its fair value change which is not offset by the corresponding change in present value of future cash flows on the hedged transaction. In the inverse case, the entire amount of the hedging instrument’s fair value change would be recognised in OCI, but the exceeding present value change from the hedged transaction – which represents the ineffectiveness amount – cannot be accounted for as long as the hedged transaction is not recognised yet. We would appreciate, if the board could develop an illustrative example or might revise this proposal.

Question 63
Do you foresee any significant operational concerns or constraints arising from the inability to discontinue fair value hedge accounting or cash flow hedge accounting by simply de-designating the hedging relationship? If yes, what constraints do you foresee and how would you alleviate them?

From a methodical perspective, we consider this prohibition to de-designate to be basically appropriate. Though, whether this causes any constraints depends on the remaining requirements about why and when hedge accounting may be or has to be discontinued. Given the proposal that a hedge has to be discontinued if the hedging instrument is *perfectly* offset by another derivative, we have concerns how a hedge (for accounting purposes) can be discontinued if this offset is not perfect but took place nevertheless.

Question 64
Do you foresee any significant operational concerns or constraints arising from the required concurrent documentation of the effective termination of a hedging derivative attributable to the entity’s entering into an offsetting derivative instrument? If yes, what constraints do you foresee and how would you alleviate them?

If the proposal not to allow the original hedging instrument as well as the offsetting derivative to be eligible for later hedge accounting (par. 120) will be retained, we would have concerns about the practicability of documentation. We imagine the case that such derivative is labelled as “not eligible anymore” for accounting purposes, but actually is used later again (and, hence, documented accordingly) as a hedging instrument in risk management. We also imagine that this constraint might be circumvented if a derivative “not eligible anymore” is sold or settled while

another, similar derivative will be contracted at the same time, which then is eligible. Both may appear in particular under dynamic hedging strategies. This underlines our general impression that several proposals are made for one-to-one hedges only, which we consider to be not appropriate.

Question 65 Do you agree with the proposed disclosure requirements? If not, which disclosure requirement do you believe should not be required and why?

As mentioned before, we do not agree with expanding the disclosures regularly. To be more precise, we consider it difficult to deal with a set of disclosures, the content and extent of which is never stable. It is also not obvious to compare the FASB proposals for disclosures neither with the disclosures required by Topic 815/825 as per today nor with those required by IFRSs.

We would like to mention one example for a disclosure which we consider not to be reasonable. The disclosure of fair value changes arising from changes in an entity's (own) credit standing (par. 98) seems to comprise all financial liabilities at fair value. Since IFRS 7 requires this disclosure for financial liabilities only if designated to be measured at fair value through net income, we are not aware of what's the use of disclosing these changes for any financial liability that is a derivative or that is held for the purpose of trading. Moreover, it may cause serious doubts of how the board analyses and decides for the need or usefulness of a specific disclosure, if both boards do not conclude and, hence, do not require a comparable disclosure similarly.

Finally, we wonder why this question is explicitly set out for preparers, not for users. As we are convinced that many users do not use a considerable part of the disclosures, it may also be from a users' perspective that less disclosures would serve the purpose better.

Question 67 Are there any other disclosures that you believe would provide decision-useful information and why?

We are not sure whether we understand this question the way it is meant, since it may ask whether there are other "additional" disclosures or whether there are "alternative" disclosures.

Having said that the disclosures required so far are considered to be already much too extensive, we are not in the position to propose other additional disclosures. If the board asks whether alternative disclosures – in the meaning of developing an overall set of other disclosures – we propose to discuss this issue in its entirety, that is, not in the context of financial instruments only.