Deutsche Bank

Françoise Flores
European Financial Reporting Advisory Group
35 Square de Meeûs
B-1000 Brussels

Belgium

Deutsche Bank AG London
Winchester House
1 Great Winchester Street
London EC2N 2DB
Tel. +44 20 7545 8000

Dear Ms Flores,

INVITATION TO COMMENT ON EFRAG'S INITIAL ASSESSMENTS OF IFRS 10, IFRS 11, IFRS 12, IAS 27 (2011) and IAS 28 (2011)

Deutsche Bank (the Bank) appreciates the opportunity to provide feedback on EFRAG's initial assessment of IFRS 10, IFRS 11, IFRS 12 IAS 27 (2011) and IAS 28 (2011), (collectively hereafter referred to as "the new Standards") .

We believe that the new Standards represent a key component of a timely financial reporting response to the 2007-08 financial crisis and as such we do not support deferring the effective date to January 2014. We have previously communicated this view along with two European Union domiciled financial institution peers in our 15 February 2012 letter to Nadia Calvino at the European Commission (Appendix 2). Accordingly we have developed an extensive implementation programme for the new Standards and are confident of meeting the January 2013 IASB effective date.

A key issue relating to EFRAG's initial assessment of the new Standards is the impact of the proposed effective date deferral. European-domiciled foreign private issuers (FPIs) in the United States such as Deutsche Bank, must comply with both IFRS as endorsed by the European Union and IFRS as issued by the IASB (in order to avoiding having to prepare a reconciliation to USGAAP). European Union domiciled FPIs no longer undertake a USGAAP reconciliation process and must therefore be able to apply the new Standards from January 2013 in order to meet US reporting requirements, regardless of their European Union effective date. It is therefore essential that the new Standards can be applied from January 2013.

The consequences of a full deferral of the new Standards would be to create significant additional expense and financial reporting operational burden as FPIs would need to operate for financial reporting purposes under two different versions of IFRS: existing IAS27 and SIC-12 for domestic reporting purposes and the new Standards for US reporting purposes. Such a situation is likely to create confusion and undermine investor confidence in financial reporting.

We disagree in principal with EFRAG's proposal to delay the effective date of the new Standards to January 2014; however we believe that should such a course be adopted, then the European Commission should provide clarity that early adoption will be permitted from January 2013 in line with EFRAG's draft endorsement advice to permit such early adoption.

Appendix 1 provides our more detailed responses to your specific questions posed in the EFRAG question.

I hope you find these comments helpful. Should you have any questions or wish to discuss these matters further, please contact me on either +49 (69) 910 31183 or via email to Karin.dohm@db.com

Yours sincerely,

Signed by Cynthia Mustafa on behalf of Karin Dohm

Cynthia Mustafa
Managing Director
Global Head, Accounting Policy and Advisory Group
Deutsche Bank AG

Karin Dohm
Managing Director
Chief Accounting Officer
Deutsche Bank AG

EFRAG

European Financial Reporting Advisory Group

INVITATION TO COMMENT ON EFRAG'S INITIAL ASSESSMENTS OF IFRS 10, IFRS 11, IFRS 12, IAS 27 (2011) and IAS 28 (2011)

Comments should be sent to commentletters@efrag.org or uploaded via our website by 11 March 2012

EFRAG has been asked by the European Commission to provide it with advice and supporting material on the five new and amended standards that address the accounting for consolidation and joint arrangements ('the Standards'), namely IFRS 10 *Consolidated Financial Statements* (IFRS 10), IFRS 11 *Joint Arrangements* (IFRS 11), IFRS 12 *Disclosure of Interests in Other Entities* (IFRS 12), IAS 27 *Separate Financial Statements* (IAS 27 (2011)) and IAS 28 *Investments in Associates and Joint Ventures* (IAS 28 (2011)).

In order to do that, EFRAG has been carrying out an assessment of each of the Standards against the technical criteria for endorsement set out in Regulation (EC) No 1606/2002 and has also been assessing the costs and benefits that would arise from its implementation in the European Union ('EU') and European Economic Area.

Before finalising its two assessments, EFRAG would welcome your views on the issues set out below. Please note that all responses received will be placed on the public record, unless the respondent requests confidentiality. In the interest of transparency EFRAG will wish to discuss the responses it receives in a public meeting, so we would prefer to be able to publish all the responses received.

Personal information

Please provide the following details about yourself:

(a) Your name or, if you are responding on behalf of an organisation or company, its name:

Deutsche Bank AG

(b) Are you a:

☒ Preparer ☐ User ☐ Other (please specify)

(c) Please provide a short description of your activity:

Financial Services - Banking

(d) Country where you are located:

Germany

(e) Contact details including e-mail address:

Karin Dohm, +49(69)910 31183, Karin.dohm@db.com

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Invitation to Comment on EFRAG's Initial Assessments of IFRS 10

1 EFRAG's initial assessment of IFRS 10 is that it meets the technical criteria for endorsement. In other words, it is not contrary to the principle of true and fair view and it meets the criteria of understandability, relevance, reliability and comparability. EFRAG's reasoning is set out in Appendix 2 of *IFRS 10 - EFRAG's Initial Assessments*.

(a) Do you agree with this assessment?

☒ Yes ☐ No

If you do not, please explain why you do not agree and what you believe the implications of this should be for EFRAG's endorsement advice.

N/A

(b) Are there any issues that are not mentioned in Appendix 2 of *IFRS 10 - EFRAG's Initial Assessments* that you believe EFRAG should take into account in its technical evaluation of IFRS 10? If there are, what are those issues and why do you believe they are relevant to the evaluation?

No.

2 EFRAG is also assessing the costs that are likely to arise for preparers and for users on implementation of IFRS 10 in the EU, both in year one and in subsequent years. Some initial work has been carried out, and the responses to this Invitation to Comment will be used to complete the assessment.

3 The results of the initial assessment of costs are set out in paragraphs 4 to 42 of Appendix 3 of *IFRS 10 - EFRAG's Initial Assessments*. To summarise, EFRAG's initial assessment is that all preparers will incur additional costs to implement the requirements in IFRS 10, and for some preparers (particularly companies in the banking industry and insurance industry), the initial costs of implementation and conducting the required analysis will be significant, with ongoing costs being less significant and decreasing over time. Furthermore, EFRAG's Initial Assessment is that IFRS 10 is unlikely to result in significant costs for users.

Do you agree with this assessment?

☒ Yes ☐ No

If you do not, please explain why you do not and (if possible) explain broadly what you believe the costs involved will be?

We agree with EFRAG's initial assessment and confirm that a large portion of our estimated costs actually arise from the need to produce comparative information for the five years prior to adoption date as prescribed by the SEC for European-domiciled Foreign Private Issuers ('FPIs').

4 In addition, EFRAG is assessing the benefits that are likely to be derived from IFRS 10. The results of the initial assessment of benefits are set out in paragraphs 43 to 54 of Appendix 3 of *IFRS 10 - EFRAG's Initial Assessments*. To summarise, EFRAG's initial assessment is that preparers and users are likely to benefit from IFRS 10. In particular in areas where current IFRSs was silent or contained limited guidance, the new requirements should enhance consistency of application and increase comparability for users, in a significant way.

Do you agree with this assessment?

☒ Yes ☐ No

If you do not agree with this assessment, please provide your arguments and indicate how this should affect EFRAG's endorsement advice?

N/A

5 EFRAG's initial assessment is that the benefits to be derived from implementing IFRS 10 in the EU as described in paragraph 4 above are likely to outweigh the costs involved as described in paragraph 3 above.

Do you agree with this assessment?

☒ Yes ☐ No

If you do not agree with this assessment, please provide your arguments and indicate how this should affect EFRAG's endorsement advice?

N/A

6 EFRAG is not aware of any other factors that should be taken into account in reaching a decision as to what endorsement advice it should give the European Commission on IFRS 10.

Do you agree that there are no other factors?

☐ Yes ☒ No

If you do not agree, please provide your arguments and indicate how this should affect EFRAG's endorsement advice?

European-domiciled foreign private issuers (FPIs) in the United States must comply with both IFRSs as endorsed by the European Union and with IFRSs as issued by the IASB (in order to avoid having to prepare a reconciliation to US GAAP). Most FPIs no longer have US GAAP reconciliation processes and so must be able to apply the new standards from January 2013 in order to meet us reporting requirements, regardless of the European Union mandatory effective date. It is therefore essential that the new standards can be applied by FPIs, such as Deutsche Bank, on January 2013, even if they are not mandatory in Europe, and the endorsement mechanism must facilitate this approach.

If adoption in 2013 is not, or cannot be, permitted there will be significant adverse consequences. Such consequences would include substantial operating challenges and costs in preparing financial statements under two different consolidation models thereby detracting from the implementation of changes in capital rules and other regulatory changes, and the issuance of two sets of financial statements for 2013 that are prepared under the current standards and the new standards. This last point is highly likely to create confusion in the market place and damage investor confidence in financial reporting at this critical time.

We believe that it is imperative that the European Commission provides clarity about the likely timing of endorsement and confirms that, if the effective date in Europe will be later than 2013, adoption in 2013 will be legally permitted as soon as possible. And certainly well in advance of the IASB effective date of January 2013. We therefore call on the Commission to publish its endorsement decisions as soon as possible.

Invitation to Comment on EFRAG's Initial Assessments of IFRS 11

7 EFRAG's initial assessment of IFRS 11 is that it meets the technical criteria for endorsement. In other words, it is not contrary to the principle of true and fair view and it meets the criteria of understandability, relevance, reliability and comparability. EFRAG's reasoning is set out in Appendix 2 of *IFRS 11 - EFRAG's Initial Assessments*.

(a) Do you agree with this assessment?

☒ Yes ☐ No

If you do not, please explain why you do not agree and what you believe the implications of this should be for EFRAG's endorsement advice.

N/A

(b) Are there any issues that are not mentioned in Appendix 2 of *IFRS 11 - EFRAG's Initial Assessments* that you believe EFRAG should take into account in its technical evaluation of IFRS 11? If there are, what are those issues and why do you believe they are relevant to the evaluation?

No.

8 EFRAG is also assessing the costs that are likely to arise for preparers and for users on implementation of IFRS 11 in the EU, both in year one and in subsequent years. Some initial work has been carried out, and the responses to this Invitation to Comment will be used to complete the assessment.

The results of the initial assessment of costs are set out in paragraphs 7 to 40, 46 to 51 and 56 to 71 of Appendix 3 of *IFRS 11 - EFRAG's Initial Assessments*. To summarise, EFRAG's initial assessment is that:

(a) IFRS 11 is likely to result in incremental one-off costs for preparers, which for some preparers could be significant. Preparers that expect to be most affected are (1) those that have interests in joint operations structured through a separate vehicle, which were previously accounted for under the equity method, and (2) those that present only separate financial statements and have interests in joint operations structured through separate vehicle;

(b) The incremental ongoing costs will not be significant for most of preparers. However, the ongoing costs could be significant for some preparers; in particular those that have interests in numerous joint operations structured through separate vehicle and that present only separate financial statements; and

(c) IFRS 11 is unlikely to result in significant costs for users.

Do you agree with this assessment?

☒ Yes ☐ No

If you do not, please explain why you do not and (if possible) explain broadly what you believe the costs involved will be?

N/A

9 In addition, EFRAG is assessing the benefits that are likely to be derived from IFRS 11. The results of the initial assessment of benefits are set out in paragraphs 41 to 44, 52 to 54, and 72 to 75 of Appendix 3 of *IFRS 11 - EFRAG's Initial Assessments*. To summarise, EFRAG's initial assessment is that IFRS 11 will provide significant benefits for users and some benefits for preparers.

Do you agree with this assessment?

☒ Yes ☐ No

If you do not agree with this assessment, please provide your arguments and indicate how this should affect EFRAG's endorsement advice?

N/A

10 EFRAG's initial assessment is that the benefits to be derived from implementing IFRS 11 in the EU as described in paragraph 9 of above are likely to outweigh the costs involved as described in paragraph 8 above.

Do you agree with this assessment?

☒ Yes ☐ No

If you do not agree with this assessment, please provide your arguments and indicate how this should affect EFRAG's endorsement advice?

N/A

11 EFRAG is not aware of any other factors that should be taken into account in reaching a decision as to what endorsement advice it should give the European Commission on IFRS 11.

Do you agree that there are no other factors?

☐ Yes ☒ No

If you do not agree, please provide your arguments and indicate how this should affect EFRAG's endorsement advice?

Please refer to answer given in IFRS 10 section, question 6.

Invitation to Comment on EFRAG's Initial Assessments of IFRS 12

12 EFRAG's initial assessment of IFRS 12 is that it meets the technical criteria for endorsement. In other words, it is not contrary to the principle of true and fair view and it meets the criteria of understandability, relevance, reliability and comparability. EFRAG's reasoning is set out in Appendix 2 of *IFRS 12 - EFRAG's Initial Assessments*.

(a) Do you agree with this assessment?

☒ Yes ☐ No

If you do not, please explain why you do not agree and what you believe the implications of this should be for EFRAG's endorsement advice.

N/A

(b) Are there any issues that are not mentioned in Appendix 2 of of *IFRS 12 - EFRAG's Initial Assessments* that you believe EFRAG should take into account in its technical evaluation of IFRS 12? If there are, what are those issues and why do you believe they are relevant to the evaluation?

No.

13 EFRAG is also assessing the costs that are likely to arise for preparers and for users on implementation of IFRS 12 in the EU, both in year one and in subsequent years. Some initial work has been carried out, and the responses to this Invitation to Comment will be used to complete the assessment.

The results of the initial assessment of costs are set out in paragraphs 5 to 40 of Appendix 3 of *IFRS 12 - EFRAG's Initial Assessments*. To summarise, EFRAG's initial assessment is that:

(a) some preparers are likely to incur significant one-off costs from implementing IFRS 12, in particular when they have numerous interests in other entities and when getting access to data is difficult;

(b) the ongoing costs of providing the disclosures are likely to be insignificant in most cases, once preparers are acquainted with the new requirements and have adapted their systems and processes to meet the requirements and collected data for the first time; and

(c) IFRS 12 is likely to result in significant one-off costs for users (particularly in those cases where detailed changes to their models are needed) and in cost savings on an ongoing basis.

Do you agree with this assessment?

☒ Yes ☐ No

If you do not, please explain why you do not and (if possible) explain broadly what you believe the costs involved will be?

As per our estimates, of the new or amended standards under consideration in this questionnaire, IFRS 12 is the most costly to implement. However, we do believe the amendments provide a useful response to the financial crisis, and therefore feel the benefits outweigh the implementation costs.

14 In addition, EFRAG is assessing the benefits that are likely to be derived from IFRS 12. The results of the initial assessment of benefits are set out in paragraphs 41 to 45 of Appendix 3 of *IFRS 12 - EFRAG's Initial Assessments*. To summarise, EFRAG's initial assessment is that preparers are likely to benefit from IFRS 12 as the new disclosures are expected to improve the communication with users. Furthermore, EFRAG's initial assessment is that IFRS 12 will bring significant long-term benefits to users.

Do you agree with this assessment?

☒ Yes ☐ No

If you do not agree with this assessment, please provide your arguments and indicate how this should affect EFRAG's endorsement advice?

N/A

15 EFRAG's initial assessment is that the benefits to be derived from implementing IFRS 12 in the EU as described in paragraph 14 above are likely to outweigh the costs involved as described in paragraph 13 above.

Do you agree with this assessment?

☒ Yes ☐ No

If you do not agree with this assessment, please provide your arguments and indicate how this should affect EFRAG's endorsement advice?

N/A

16 EFRAG is not aware of any other factors that should be taken into account in reaching a decision as to what endorsement advice it should give the European Commission on IFRS 12.

Do you agree that there are no other factors?

☐ Yes ☒ No

If you do not agree, please provide your arguments and indicate how this should affect EFRAG's endorsement advice?

Please refer to answer given in IFRS 10 section, question 6.

Invitation to Comment on EFRAG's Initial Assessments of IAS 28 (2011)

17 EFRAG's initial assessment of IAS 28 (2011) is that it meets the technical criteria for endorsement. In other words, they are not contrary to the principle of true and fair view and it meets the criteria of understandability, relevance, reliability and comparability. EFRAG's reasoning is set out in Appendix 2 of *IAS 28 (2011) - EFRAG's Initial Assessments*.

(a) Do you agree with this assessment?

☒ Yes ☐ No

If you do not, please explain why you do not agree and what you believe the implications of this should be for EFRAG's endorsement advice.

N/A

(b) Are there any issues that are not mentioned in Appendix 2 of *IAS 28 (2011) - EFRAG's Initial Assessments* that you believe EFRAG should take into account in its technical evaluation of IAS 28 (2011)? If there are, what are those issues and why do you believe they are relevant to the evaluation?

No.

18 EFRAG is also assessing the costs that are likely to arise for preparers and for users on implementation of IAS 28 (2011) in the EU, both in year one and in subsequent years. Some initial work has been carried out, and the responses to this Invitation to Comment will be used to complete the assessment. The amendment relating to disclosure is discussed in EFRAG's initial assessment of IFRS 12.

The results of the initial assessment of costs are set out in paragraphs 7 and 8 of Appendix 3 of *IAS 28 (2011) - EFRAG's Initial Assessments*. To summarise, EFRAG's initial assessment is that, for preparers, IAS 28 (2011) would involve a decrease in costs. For users, costs are unlikely to be significantly affected by IAS 28 (2011).

Do you agree with this assessment?

☒ Yes ☐ No

If you do not, please explain why you do not and (if possible) explain broadly what you believe the costs involved will be?

We can confirm no additional costs have been specifically allocated to the implementation of the IAS 28 amendments.

19 In addition, EFRAG is assessing the benefits that are likely to be derived from IAS 28 (2011). The results of the initial assessment of benefits are set out in paragraphs 9 to 11 of Appendix 3 of *IAS 28 (2011) - EFRAG's Initial Assessments*. To summarise, EFRAG's initial assessment is that IAS 28 (2011) does not affect benefits for preparers in any significant way, and the users are likely to benefit from IAS 28 (2011), as the information resulting from them will assist users in their analysis.

Do you agree with this assessment?

☒ Yes ☐ No

If you do not agree with this assessment, please provide your arguments and indicate how this should affect EFRAG's endorsement advice?

N/A

20 EFRAG has tentatively concluded that the benefits to be derived from implementing IAS 28 (2011) in the EU as described in paragraph 19 above are likely to outweigh the costs involved as described in paragraph 18 above.

Do you agree with this assessment?

☒ Yes ☐ No

If you do not agree with this assessment, please provide your arguments and indicate how this should affect EFRAG's endorsement advice?

N/A

21 EFRAG is not aware of any other factors that should be taken into account in reaching a decision as to what endorsement advice it should give the European Commission on IAS 28 (2011).

Do you agree that there are no other factors?

☐ Yes ☒ No

If you do not agree, please provide your arguments and indicate how this should affect EFRAG's endorsement advice?

Please refer to answer given in IFRS 10 section, question 6.

Invitation to Comment on EFRAG's Initial Assessments of IAS 27 (2011)

22 EFRAG's initial assessment of IAS 27 (2011) is that they meet the technical criteria for endorsement. In other words, IAS 27 (2011) is not contrary to the principle of true and fair view and it meets the criteria of understandability, relevance, reliability and comparability. EFRAG's reasoning is set out in Appendix 2 of *IAS 27 (2011) - EFRAG's Initial Assessments*.

(a) Do you agree with this assessment?

☒ Yes ☐ No

If you do not, please explain why you do not agree and what you believe the implications of this should be for EFRAG's endorsement advice.

N/A

(b) Are there any issues that are not mentioned in Appendix 2 of *IAS 27 (2011) - EFRAG's Initial Assessments* that you believe EFRAG should take into account in its technical evaluation of IAS 27 (2011)? If there are, what are those issues and why do you believe they are relevant to the evaluation?

No.

23 EFRAG is also assessing the costs that are likely to arise for preparers and for users on implementation of IAS 27 (2011) in the EU, both in year one and in subsequent years. Some initial work has been carried out, and the responses to this Invitation to Comment will be used to complete the assessment.

The results of the initial assessment of costs are set out in paragraphs 4 to 6 of Appendix 3 of *IAS 27 (2011) - EFRAG's Initial Assessments*. To summarise, EFRAG's initial assessment is that IAS 27 (2011) will not result in any significant costs for users and preparers.

Do you agree with this assessment?

☒ Yes ☐ No

If you do not, please explain why you do not and (if possible) explain broadly what you believe the costs involved will be?

We can confirm no additional costs have been specifically allocated to the implementation of the IAS 27 amendments.

24 In addition, EFRAG is assessing the benefits that are likely to be derived from IAS 27 (2011). The results of the initial assessment of benefits are set out in paragraphs 4 to 6 of Appendix 3 of *IAS 27 (2011) - EFRAG's Initial Assessments*. To summarise, EFRAG's initial assessment is that IAS 27 (2011) will not result in any significant benefits for prepares and users.

Do you agree with this assessment?

☒ Yes ☐ No

If you do not agree with this assessment, please provide your arguments and indicate how this should affect EFRAG's endorsement advice?

N/A

25 EFRAG's initial assessment is that the benefits to be derived from implementing IAS 27 (2011) in the EU as described in paragraph 24 above are likely to balance the costs involved as described in paragraph 23 above.

Do you agree with this assessment?

☒ Yes ☐ No

If you do not agree with this assessment, please provide your arguments and indicate how this should affect EFRAG's endorsement advice?

N/A

26 EFRAG is not aware of any other factors that should be taken into account in reaching a decision as to what endorsement advice it should give the European Commission on IAS 27 (2011).

Do you agree that there are no other factors?

☐ Yes ☒ No

If you do not agree, please provide your arguments and indicate how this should affect EFRAG's endorsement advice?

Please refer to answer given in IFRS 10 section, question 6.

Invitation to Comment on EFRAG's Initial Assessment of the date of transition

27 EFRAG has prepared a draft of the endorsement advice letter it will issue to the European Commission that recommends that the effective date of the Standards should be 1 January 2014, with early application permitted. Given the interaction between the Standards, EFRAG recommends that they be adopted by companies at the same time, and therefore recommends the deferral of the effective date to apply to all Standards.

In reaching its conclusions, EFRAG considered a number of factors, which are described in EFRAG's *Draft cover letter to the European Commission* issued together with this invitation to comment.

Do you agree with EFRAG's recommendation that the Standards should be effective in the EU as of 1 January 2014, with early application permitted?

☐ Yes ☒ No

If you do not agree with this recommendation, please explain your position?

We are not supportive of the recommendation to delay the effective date of these standards. As we have publicly stated on previous occasions, it is imperative that there is a timely financial reporting response to the 2007-8 financial crisis and we consider these standards an important part of that response.

If, however EFRAG were to go ahead with this recommendation to the European Commission, it is essential that early implementation prior to the European effective date is permitted - and it is unclear to us whether a mechanism exists for the European Commission to enable early adoption.

If early adoption is not, or cannot be, permitted, there will be significant adverse consequences. Such consequences would include having to run parallel reporting for both the current and the new standards in 2013 (something that no preparer has the ability to do, and would result in significant costs and effort), and the issuance of two sets of financial statements for 2013 that are prepared under current and new standards.

In light of the points made above, rather than delaying the effective date of the standards, we would propose instead some transitional relief on the requirement for comparative data for IFRS 10 and IFRS 12. This is further explained in the letter sent to the chairmen of the IASB (Hans Hoogervorst) on the 24th January 2012, attached to this document in Appendix 2.

Appendix 2 – Joint letter to Chairmen of the IASB, Hans Hoogervorst

Nadia Calvino
Deputy Director General
Internal Market and Services
European Commission
SPA2 – Pavillon
rue de Spa
B-1000 Bruxelles
Belgium

15th February 2012

Dear Ms Calvino,

Consolidations, Joint Arrangements and Related Disclosures

We are writing to you with regard to the endorsement approach for IFRS 10 *Consolidated Financial Statements*, IFRS 11 *Joint Arrangements*, IFRS 12 *Disclosure of Interests in Other Entities*, IAS 27 *Separate Financial Statements* and IAS 28 *Interest in Associates and Joint Ventures* ('the new standards'). We note the draft endorsement advice recently issued by the European Financial Reporting Advisory Group (EFRAG) suggests that the effective date be deferred until January 2014, but that early adoption should be permitted.

As we have publicly stated, it is imperative that there is a timely financial reporting response to the 2007-8 financial crisis and we consider these standards an important part of that response. We do not support deferring the effective date – a position we've communicated to the International Accounting Standards Board (IASB) as well as to Francoise Flores, Chair and other EFRAG members prior to the issuance of the draft EFRAG advice. Each of our institutions has well-advanced implementation programs for the new standards, and we are confident that we will meet the effective date of January 2013 that has been set by the IASB.

European-domiciled Foreign Private Issuers (FPIs) in the United States must comply with both IFRSs as endorsed by the European Union and with IFRSs as issued by the IASB (in order to avoid having to prepare a reconciliation to US GAAP). Most FPIs no longer have US GAAP reconciliation processes and so must be able to apply the new standards from January 2013 in order to meet US reporting requirements, regardless of the European effective date. It is therefore essential that the new standards can be applied January 2013, even if they are not mandatory in Europe, and the endorsement mechanism must facilitate this approach.

If adoption in 2013 is not, or cannot be, permitted there will be significant adverse consequences. Such consequences would include substantial operating challenges and costs in preparing financial statements under two different consolidation models thereby detracting from the implementation of changes in capital rules and other regulatory changes, and the issuance of two sets of financial statements for 2013 that are prepared under the current standards and the new standards. This last point is highly likely to create confusion in the market place and damage investor confidence in financial reporting at this critical time.

We believe that it is imperative that the European Commission provides clarity about the likely timing of endorsement and confirms that, if the effective date in Europe will be later than 2013, adoption in 2013 will be legally permitted as soon as possible – and certainly well in advance of the IASB effective date of January 2013. We therefore call on the Commission to publish its endorsement decisions as soon as possible.

Please contact us with any questions you may have, and should it be helpful we are happy to arrange a meeting to discuss this issue further.

Yours sincerely

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Copies to
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Francoise Flores, Chair, Technical Expert Group, EFRAG.