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March 22, 2013

International Accounting Standards Board
30 Cannon Street
London EC4M 6XH
United Kingdom

Exposure Draft ED/2012/3 Equity Method: Share of Other Net Asset changes

Credit Suisse Group ("CSG") welcomes the opportunity to share our views on the International Accounting Standards Board's ("the Board") request for views with respect to Exposure Draft ED/2012/3 *Equity Method: Share of Other Net Asset changes* ("ED"). CSG's consolidated financial statements are prepared in accordance with accounting principles generally accepted in the United States ("US GAAP"). However, a number of our subsidiaries are required to apply International Financial Reporting Standards ("IFRS") to their stand-alone financial statements.

We are concerned that the ED leads to a divergence in guidance between IFRS and US GAAP. The Board proposes to amend IAS 28 *Investments in Associates and Joint Ventures* so that an investor will recognise in equity its share of the changes in the net assets of the investee that are not recognised in profit or loss or other comprehensive income ("OCI") of the investee, and that are not distributions received. The scope of the ED includes when an investee issues additional shares to third parties or buys back shares from third parties and when an investee accounts for an equity settled share-based payment transaction. The Emerging Issues Task Force Issue Number 08-6, *Equity Method Investment Accounting Considerations* ("the EITF") states that an equity method investor accounts for a share issuance by an investee as if the investor had sold a proportionate share of its investment and that any gain or loss to the investor resulting from an investee's share issuance is recognised in earnings. For the situation where the EITF provides guidance as noted above, the ED results in a GAAP difference.

Our view is that dilution is equivalent to a direct disposal and is not a transaction with the equity holders in their capacity as equity holders and therefore should go through the income statement. Conceptually we do not believe that a deemed disposal or acquisition should be accounted for differently than an actual disposal or acquisition. Furthermore, we agree with dissenting Board member Takatsugu Ochi, siting his example from section AV6 of the ED, that the proposed guidance is not consistent with paragraph 25 of IFRS 10 *Consolidated Financial Statements* which requires that if a parent loses control of a subsidiary, the parent recognises the gain or loss associated with the loss of control

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attributable to the former controlling interest. If the parent loses control of a subsidiary via dilution as proposed in the ED then the accounting result will be different.

We also note that the ED raises other issues; such as when should a transaction be recorded in equity rather than the income statement; if recorded in equity, where is the appropriate place within equity; as well as when and if it is to be recycled into the income statement. We understand that the ED is a short term solution to address diversity in practice however we believe that any stop gap measure that creates a difference with US GAAP is not acceptable given the IASB and FASB's convergence efforts and that more deliberation is needed in this matter to ensure consistency amongst the various IFRSs and to US GAAP.

We would welcome the opportunity to further discuss our comments in this letter. If you have any questions or would like any additional information on the comments we have provided herein, please do not hesitate to contact Todd Runyan in Zurich at +41 44 334 8063.

Sincerely,

Rudolf Bless
Managing Director
Deputy Chief Financial Officer

Allison Bunton
Accounting Policy and Assurance Group