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Exposure Draft ED/2009/11: Improvements to IFRSs
Comments of the Association of German Banks

Dear Sir David,

Thank you for the opportunity to respond to the changes to various international financial accounting standards (IFRSs) proposed as part of the annual improvement project. We welcome the chance to outline our views on the exposure draft.

Amending standards and interpretations in the context of the annual improvement project is a useful way of complementing the reviews of individual IFRSs. The consolidation of several amendments in a single exposure draft and the collective publication of the final agreed changes allow the standard-setting process to be organised more efficiently. Not only the International Accounting Standards Board (IASB), but all stakeholders can benefit from this streamlined approach. Before amendments are implemented, however, conscientious consideration must be given to the legitimate concerns of affected users.

Our replies to the questions posed in the exposure draft are as follows:

General questions (applicable to all proposed amendments)

Question 1

Do you agree with the Board's proposal to amend the IFRS as described in the exposure draft? If not, why and what alternative do you propose?

We take the view that the amendment to **IAS 8** *(Accounting Policies, Changes in Accounting Estimates and Errors)* should not be part of the annual improvement project and should be addressed only after phase A of the conceptual framework project has been completed. As the exposure draft points out, IAS 8 makes reference to terminology which is being dealt with in phase A of the work on the conceptual framework. The conclusion of this phase should therefore be awaited so that it will be easier to evaluate possible changes to this terminology and their resulting implications.

We have strong reservations about the proposed changes to **IFRS 7** *(Financial Instruments: Disclosures)*. Deleting the materiality criterion in IFRS 7.34(b) might lead to the erroneous assumption that more risk disclosure is required. For this reason, we suggest expressly enshrining materiality in IFRS 7 as a standard criterion. In any event, we assume that no requirement to provide additional risk disclosure is intended.

We are equally concerned about the additional requirement in IFRS 7.36(b) for disclosure of the financial effect of collateral held as security and other credit enhancements. It would be highly costly to collect this data at consolidated level. We are therefore in favour of retaining the original rule.

Specific questions

Question 3

The Board proposes changes to IAS 34 *Interim Financial Reporting* to emphasise its disclosure principles. It also adds to the guidance to illustrate better how to apply these principles. The Board published an exposure draft *Fair Value Measurement* in May 2009. In that exposure draft, the Board proposes that all of the fair value measurement disclosures required in IFRS 7 *Financial Instruments: Disclosures* for annual financial statements should also be required for interim financial statements.
Do you agree that this proposed amendment is likely to lead to more useful information being made available to investors and other users of interim financial reports? If not, why? What would you propose instead and why?

The existing rules require the inclusion in interim reports of an explanation of events and transactions that are significant to an understanding of the changes in the financial position and performance of the entity since the end of the last annual reporting period (IAS 34.15 ff.). We support the retention of this key sentence, which should also apply to all disclosures required by IFRS 7. However, the costs generated by including all the disclosures required by IFRS 7 for annual financial statements in interim statements as well would, in our view, be out of all proportion to the resulting benefits.

Question 5

The Board proposes to amend IAS 40 *Investment Property* to remove the requirement to transfer investment property carried at fair value to inventory when it will be developed for sale, to add a requirement for investment property held for sale to be displayed as a separate category in the statement of financial position and to require disclosures consistent with IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*. Do you agree that the proposed amendment should be included within *Improvements to IFRSs* or should a separate project be undertaken to address this issue? If you believe a separate project should be undertaken, please explain why.

The exposure draft proposes deleting the requirement to transfer investment property to inventory as soon as it begins to be developed for sale. Instead, these financial investments are to be treated as held for sale under IFRS 5. In the interests of consistency it is not, in our opinion, appropriate to require disclosures pursuant to IFRS 5.38 and IFRS 5.40 to IFRS 5.42 if the criteria set out in IFRS 5 are not met. We therefore reject the proposed change to IAS 40.

We would be pleased if you would take our comments into account when reviewing the exposure draft.

Yours sincerely,

Dirk Jäger

Bernd Schulte-Brinker