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Berlin, 11 November 2009

Dear Stig,

**Invitation to comment on EFRAG's draft endorsement advice and effects study report on IFRS 9 *Financial Instruments***

On behalf of the German Accounting Standards Board (GASB) I am writing to submit our comments on EFRAG's draft endorsement advice and effect study report on the use of IFRS 9 *Financial Instruments* in the European Union (invitation to comment). We appreciate having this opportunity.

A majority within GASB believes that the IASB has adequately responded to the requests made by the G20 leaders, the Economic and Monetary Council (ECOFIN) and other organisations and provided the specified outcome in accordance with the announced timetable. From a formal point of view, endorsement in Europe will be the logical consequence as, in their opinion, the endorsement criteria are met. However, one board member believes that the endorsement criteria are not met since that member questions whether IFRS 9 will lead to a true and fair view.

The GASB is satisfied that the IASB has retained the mixed measurement model. While developing IFRS 9 the IASB has listened to and dealt with all financial instruments issues that have been particularly scrutinised or deemed crucial (e.g. waterfall structures, non-recourse instruments), as far as the scope of this phase is concerned. We believe that the IASB has addressed those concerns in an adequate way.

Further, we believe that obtaining a single set of high quality global accounting standards is still an important objective. The endorsement of IFRS 9 would send out an important message regarding the underlying principles for future deliberations on the convergence of the accounting requirements for financial instruments under IFRS and US GAAP.

Whereas there is still selected negative feedback from some German constituents, we are not aware of any concerns that have not been considered during the IASB's



deliberations. Hence, on balance we do not judge the rejections being strong enough leading to or justifying a deferral of the endorsement of IFRS 9. In our view, those reservations could – if indeed – be mitigated in the stages of IFRS 9 to come.

Thus, a clear majority of the GASB (with one dissenting view) supports endorsing IFRS 9 for use in the European Union in its current form. Overall, they view this as an improvement to Financial Instruments' Accounting. Lastly, the endorsement is in the European interest, especially in order to not disadvantage those European companies wishing to early adopt IFRS 9 vis-à-vis their non-European counterparts.

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

Yours sincerely,

*Liesel Knorr*

President

c.c.: Dr. Christoph Ernst, Bundesministerium der Justiz

Sir David Tweedie, Chairman of the International Accounting Standards Board