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Berlin, 21 February 2012

EFRAG's Assessment of Offsetting Financial Assets and Financial Liabilities – Amendments to IAS 32 and Disclosures – Offsetting Financial Assets and Financial Liabilities – Amendments to IFRS 7

Dear Françoise,

The Accounting Standards Committee of Germany (ASCG) appreciates the opportunity to comment on EFRAG's Assessment of the amendments to IAS 32 and IFRS 7.

We agree with EFRAG's technical assessment of the amended standards regarding the technical criteria for endorsement; that is we support the positive endorsement advice to the European Commission regarding the adoption of both amendments.

This view is mostly supported by the answers that we received from a survey that the ASCG carried out with selected companies in Germany. For this purpose we sent your questionnaire to the DAX 30 companies. We received responses from three preparers as a result of the survey, most of whom fully support EFRAG's technical assessment regarding the amendments.

The ASCG, as a standard setter, has not itself evaluated the costs and benefits that are likely to arise for preparers and users through the implementation of the amended standard. Besides, two out of three respondents to the survey agree with EFRAG's assessment of the costs and benefits that could arise; this means those two support EFRAG's conclusion that the benefits to be derived from applying the amendments will exceed the costs involved.

For your convenience, we have attached only those responses on our survey which do not fully agree with EFRAG's assessments.

If you have any further questions, please do not hesitate to contact me.

Yours sincerely,

Liesel Knorr

President

**DRAFT ENDORSEMENT ADVICE AND EFFECTS STUDY REPORT ON
OFFSETTING FINANCIAL ASSETS AND FINANCIAL LIABILITIES
(AMENDMENTS TO IAS 32 AND IFRS 7)**

INVITATION TO COMMENT ON EFRAG'S ASSESSMENTS

**Comments should be sent to commentletters@efrag.org or
uploaded via our website by 24 February 2012**

EFRAG has been asked by the European Commission to provide it with advice and supporting material on the *Offsetting Financial Assets and Financial Liabilities, (Amendments to IAS 32)* and *Disclosures—Offsetting Financial Assets and Financial Liabilities (Amendments to IFRS 7)* ('the Amendments'). In order to do that, EFRAG has been carrying out an assessment of the Amendments 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 (the EU) and European Economic Area.

A summary of the amendments to IAS 32 and IFRS 7 is set out in Appendix 1.

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.

EFRAG initial assessments summarised in this questionnaire will be amended to reflect EFRAG's decisions on Appendix 2 and 3.

- 1 Please provide the following details about yourself:
- (a) Your name or, if you are responding on behalf of an organisation or company, its name:
Accounting Standards Committee of Germany (ASCG)
- (b) Are you a:
 Preparer User Other (please specify)
National Standard Setter
- (c) Please provide a short description of your activity:
See above
- (d) Country where you are located:

Amendments to IAS 32 and IFRS 7 – Invitation to Comment on EFRAG’s Initial Assessments

Germany

(e) Contact details including e-mail address:

Liesel Knorr – c/o DRSC e.V.

Zimmerstr. 30; 10969 Berlin

knorr@drsc.de

2 EFRAG’s initial assessment of the Amendments is that they meet the technical criteria for endorsement. In other words, they are not contrary to the principle of true and fair view and it they meet the criteria of understandability, relevance, reliability and comparability. EFRAG’s reasoning is set out in Appendix 2.

(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.

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

None.

3 EFRAG is also assessing the costs that are likely to arise for preparers and for users on implementation of the Amendments 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.

4 The results of the initial assessment of costs are set out in paragraphs 2 to 15 of Appendix 3. Overall, EFRAG’s initial assessment is that the one-off costs will be significant for those entities that have a large volume of derivative activities, while the ongoing costs are on balance insignificant. The Amendments are likely to result in insignificant 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 as a national standard setter are not in a position to comment on this issue.

(All our constituents responding to this survey agree with EFRAG’s assessment.)

Amendments to IAS 32 and IFRS 7 – Invitation to Comment on EFRAG’s Initial Assessments

- 5 In addition, EFRAG is assessing the benefits that are likely to be derived from the Amendments. The results of the initial assessment of benefits are set out in paragraphs 16 to 18 of Appendix 3. To summarise, EFRAG’s initial assessment is that the Amendments will allow users to assess better the (potential) effect of netting arrangements, including rights of set-off on the entity’s financial position and will help preparers in applying and improving the consistency in the application of the offsetting criteria.

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?

We as a national standard setter are not in a position to comment on this issue.

(One of our constituents does not agree with EFRAG's assessment and commented on this issue as shown below.)

- 6 EFRAG’s initial assessment is that the benefits to be derived from implementing the Amendments 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?

We as a national standard setter are not in a position to comment on this issue.

(One of our constituents does not agree with EFRAG's assessment and commented on this issue as shown below.)

- 7 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 the Amendments.

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?

**DRAFT ENDORSEMENT ADVICE AND EFFECTS STUDY REPORT ON
OFFSETTING FINANCIAL ASSETS AND FINANCIAL LIABILITIES
(AMENDMENTS TO IAS 32 AND IFRS 7)**

INVITATION TO COMMENT ON EFRAG'S ASSESSMENTS

**Comments should be sent to commentletters@efrag.org or
uploaded via our website by 24 February 2012**

EFRAG has been asked by the European Commission to provide it with advice and supporting material on the *Offsetting Financial Assets and Financial Liabilities, (Amendments to IAS 32)* and *Disclosures—Offsetting Financial Assets and Financial Liabilities (Amendments to IFRS 7)* ('the Amendments'). In order to do that, EFRAG has been carrying out an assessment of the Amendments 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 (the EU) and European Economic Area.

A summary of the amendments to IAS 32 and IFRS 7 is set out in Appendix 1.

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.

EFRAG initial assessments summarised in this questionnaire will be amended to reflect EFRAG's decisions on Appendix 2 and 3.

1 Please provide the following details about yourself:

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

- (b) Are you a:

Preparer User Other (please specify)

Amendments to IAS 32 and IFRS 7 – Invitation to Comment on EFRAG’s Initial Assessments

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

(d) Country where you are located:

Germany

(e) Contact details including e-mail address:

2 EFRAG’s initial assessment of the Amendments is that they meet the technical criteria for endorsement. In other words, they are not contrary to the principle of true and fair view and it they meet the criteria of understandability, relevance, reliability and comparability. EFRAG’s reasoning is set out in Appendix 2.

(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.

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

No

3 EFRAG is also assessing the costs that are likely to arise for preparers and for users on implementation of the Amendments 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.

4 The results of the initial assessment of costs are set out in paragraphs 2 to 15 of Appendix 3. Overall, EFRAG’s initial assessment is that the one-off costs will be significant for those entities that have a large volume of derivative activities, while the ongoing costs are on balance insignificant. The Amendments are likely to result in insignificant costs for users.

Amendments to IAS 32 and IFRS 7 – Invitation to Comment on EFRAG’s Initial Assessments

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?

- 5 In addition, EFRAG is assessing the benefits that are likely to be derived from the Amendments. The results of the initial assessment of benefits are set out in paragraphs 16 to 18 of Appendix 3. To summarise, EFRAG’s initial assessment is that the Amendments will allow users to assess better the (potential) effect of netting arrangements, including rights of set-off on the entity’s financial position and will help preparers in applying and improving the consistency in the application of the offsetting criteria.

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?

From our point of view the benefit obtained from these additional disclosures is limited. The criteria for netting are set out clearly already today in IAS 32 so that we think, following these criteria already gives a true and fair view on the financial position of an entity on the face of the balance sheet. Where netting is unconditional, positions are shown net in the balance sheet anyway. We do not see an additional value from providing information on potential nettings which are not enforceable enough to permit netting on the balance sheet.

Furthermore the disclosure requirements currently given under IFRS 7 are already quite extensive so that we are afraid that a further extension might be more confusing than helpful.

This amendment to IFRS 7 is nothing but another compromise on the attempt of conversion between IFRS and US-GAAP which leads to additional workload and higher complexity without really reaching the aim.

- 6 EFRAG’s initial assessment is that the benefits to be derived from implementing the Amendments in the EU as described in paragraph 4 above are likely to outweigh the costs involved as described in paragraph 3 above.

Amendments to IAS 32 and IFRS 7 – Invitation to Comment on EFRAG’s Initial Assessments

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?

As already mentioned by EFRAG under point 4 the one-off costs for preparers who deal with a large volume of derivative transactions can be quite significant. Taking this together with the fact that from our point of view the additional value provided is quite limited, we doubt that the benefits outweigh the costs involved for implementation.

- 7 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 the Amendments.

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?
