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Wayne Upton
Chairman of the
IFRS Interpretations Committee
30 Cannon Street
London EC4M 6XH

Berlin, 3 September 2012

United Kingdom

Dear Wayne,

IAS 19 *Employee Benefits* — Actuarial assumptions: discount rate

On behalf of the Accounting Standards Committee of Germany (ASCG) I am writing to comment on the tentative agenda decision of the IFRS Interpretations Committee (IFRS IC) published in the July 2013 *IFRIC Update*, not to take onto its agenda our request for guidance on the determination of the rate used to discount post-employment benefit obligations. In particular, whether corporate bonds with an internationally recognised rating lower than 'AA' can be considered to be high quality corporate bonds (HQCB)

We note IFRS IC's view that this issue is too broad to be addressed in an efficient manner. Nevertheless, we think it is important to provide guidance and clarifications on this issue. The determination of the rate used to discount post-employment benefit obligations is a crucial issue especially for preparers and investors but also for auditors and accounting enforcers with a high impact on financial statements. Therefore, we would ask the IFRS IC to reconsider its tentative agenda decision.

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Dr. h.c. Liesel Knorr (Präsidentin), NN (Vizepräsident)



In its tentative agenda decision the IFRS IC states that ‘high quality’ reflects an absolute concept of credit quality, the policy for determining the discount rate should be applied consistently over time, the method for determining the discount rate does not change significantly from period to period, a reduction in the number of HQCB should not result in a change of an entity’s policy for determining the discount rate (as long as the relevant market remains deep), and according to prevailing practice, listed corporate bonds have been considered to be HQCB if they receive one of the two highest ratings given by a recognised rating agency (e.g. ‘AAA’ and ‘AA’). Bringing all these facts together, the IFRS IC states that corporate bonds with a rating of ‘AA’ and ‘AAA’ are to be considered as HQCB. If this is the IFRS IC’s position, then we ask the IFRS IC to state it explicitly in the agenda decision.

Otherwise, we have serious concerns that the unclear wording could result in divergent practice in determining the discount rate. Especially, entities formulating their accounting policy for determining the discount rate for the first time (e.g. first-time IFRS adopters) could consider ‘A’ rated corporate bonds as HQCB. This would be in line with the statement in the tentative agenda decision but would allow the first-time IFRS adopters to apply a different accounting policy in comparison to the entities with policies set up before the agenda decision was published.

Although the guidance resulting from an agenda decision is important for investors, preparers, auditors and accounting enforcers, it does not have the same authoritative status as an interpretation and it is not subject to the full due process. Therefore, we would encourage the IFRS IC to take this issue onto its agenda and to develop an interpretation. If the IFRS IC would confirm its opinion, not to take the issue onto its agenda, then we would recommend that the IFRS IC asks the IASB to develop a narrow scope amendment of IAS 19. This is because we consider additional guidance on this issue to be of paramount importance.

Furthermore, we would like to point out that the tentative agenda decision does not address the issue whether government bonds have to be ‘high quality’ when they are used to determine the discount rate. We would be concerned if this issue is neither further discussed by the IFRS IC nor by the IASB. We believe this is also an important issue and hence, we would ask the IFRS IC to proceed to work on this issue. If



the IFRS IC concludes that this issue is also too broad to be addressed in an efficient manner, we would recommend that the IASB develops a narrow scope amendment of IAS 19 with regard to this issue.

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

Yours sincerely,

Liesel Knorr

President