



LETTER OF COMMENT NO. 16

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Mr. Russell G. Golden  
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**Proposed FASB Staff Position FAS 157-c, Measuring Liabilities under FASB Statement No. 157**

Dear Mr. Golden,

Deutsche Bank (the Bank) appreciates the opportunity to provide comments on the proposed FASB Staff Position FAS 157-c, Measuring Liabilities under FASB Statement No. 157 (the FSP).

While we believe there are areas of the FSP which could be further clarified by the Board (discussed below), the Bank is supportive of the guidance in the FSP relating to the measurement of nonperformance risk in the fair value of financial liabilities. It is also an area of convergence between International Financial Reporting Standards and US GAAP, as the IASB is currently developing its standard on Fair Value Measurement.

There have been lengthy debates, most recently due to the credit turmoil in the later half of 2007 regarding how to factor in the effect of non-performance risk in the measurement of financial liabilities (particularly derivative liabilities and issued debt obligations). Therefore we support the efforts of the FASB to clarify the underlying transfer principles.

The Bank believes that the guidance in paragraphs 6, 7 and 15B is consistent with the underlying principles in SFAS 157 relating to the measurement of nonperformance risk, specifically with respect to the notion that the fair value of a liability is the amount that would be paid to transfer the liability to a new obligor with the same level of nonperformance risk as that of the reporting entity.

As such, we agree with the FSP's assessment that, in the absence of the existence of a quoted price in an active market for the identical liability, the measurement of non-performance risk may be determined using inputs from recently issued similar liabilities at the measurement date.

While we are in general agreement with the FSP, we believe that its effectiveness can be improved by clarification in the following areas:

- Scope;
- Interaction of paragraph 7 with paragraph A32 of SFAS 157 Appendix A; and

#### Scope

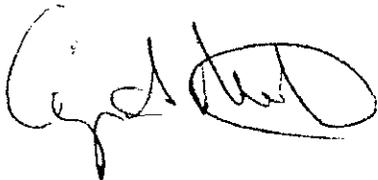
The scope paragraph as currently drafted refers to the fair value measurement of liabilities in general and not solely to the effect of nonperformance risk on the fair value of a liability. We suggest that the Board clarify that the scope of the FSP is limited to the measurement of nonperformance risk. In addition to the scope paragraph, paragraphs 6,7 and 15 could be clarified as methodologies to measure the effect of non-performance risk and not the fair value of the liability as a whole. For example, paragraph 7 and 15B could be restated as follows (amended text is underlined):

'In the absence of a quoted price for the identical liability in an active market, the reporting entity may look to recent issuances of a similar liability to determine the change in fair value related to non-performance risk. The change in current market spreads for similar liabilities reflects market participant's assumptions about changes in non-performance risk for a similar instrument. A reporting entity shall evaluate fair value inputs and prioritize observable inputs over unobservable inputs in determining the change in fair value related to nonperformance risk.'

Interaction of paragraph 7 with paragraph A32 of SFAS 157 Appendix A

Paragraph A32 of SFAS 157 illustrates the effect of nonperformance risk on the fair value of a structured note obligation at initial recognition and in subsequent periods. Subject to drafting changes to clarify the scope discussed above, the Bank believes that the guidance in paragraph 7 is consistent with that in Appendix A paragraph A32. However the Bank is unclear of whether the FASB, in the discussions leading up to the issuance of the Proposed FSP, considered paragraph A32. In any case the Bank believes the effectiveness of the FSP can be further improved were the FASB to clarify the relationship between the methodology in A32 and that described in paragraph 7 of the Proposed FSP.

If you have any comments or questions regarding these responses please contact me by email or phone; [cynthia.mustafa@db.com](mailto:cynthia.mustafa@db.com), or +44(20)754-50978.

A handwritten signature in black ink, appearing to read 'Cynthia Mustafa', written in a cursive style.