

Deutsche Bank



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31 January 2011

Cc Susan M. Cospers
Director of Technical Application and Implementation Activities
Financial Accounting Standards Board
401 Merritt 7
P.O. Box 5116
Norwalk, CT 06856-5116
File Reference No. 1890-100

REQUEST FOR VIEWS: EFFECTIVE DATES AND TRANSITION METHODS

Dear Ms Lloyd,

Deutsche Bank (the Bank) appreciates the opportunity to provide feedback on the IASB Request for Views (RFV): Effective Dates and Transition Methods. In this letter we outline our key messages in response to the RFV. Appendix 1 provides our more detailed responses to the specific questions posed by the International Accounting Standards Board (IASB).

Key Messages:

- We prefer a single date approach for the new financial instrument accounting standards as well as other significant standards (IFRS 9, Fair Value Measurement, Offsetting, Insurance, Leasing, Consolidation and Revenue Recognition) so long as there is sufficient time for all of the changes to be adopted together.
- We estimate that the scale of the change required is significantly more involved than for our conversion from US GAAP to IFRS in 2007, which required approximately a 3 year project to implement. To implement the changes brought about by the new IFRS standards will involve the following items:
 - Building understanding of new standards;
 - Policy development, interpretation and application;
 - Internal training especially Finance and Front Office;
 - Changes to the chart of accounts and disclosure collection forms;
 - System changes for new accounting and disclosure requirements
 - Changes to financial statements and development of transition report;
 - Education of analysts;
 - Determine impact on subsidiaries;
 - Determine new deltas to other reporting regimes including National GAAP, Regulatory and Tax;
 - Collection of additional comparatives for SEC reporting;
 - Monitoring EU adoption process.
- Therefore we suggest an effective date of 1.1.2015 for single date adoption of new standards. This will provide sufficient time to analyse portfolios and build systems to implement the new accounting requirements and significantly increased disclosures. We support one year of comparative information with a 2015 adoption date. This is consistent with our conversion to IFRS in 2007.
- We believe that any changes to Financial Statement Presentation should be preceded by a stable IFRS platform of at least 2 years. We believe that it would increase complexity and reduce transparency for users if the significant changes to the core financial statements as proposed in the Financial Statement Presentation project are implemented at the same time as those arising from the other new IFRS standards.
- With an effective date of 1.1.2015 we believe the transition rules of IFRS 9 for financial assets would need to be amended. Under the current guidance the

comparative period cannot be produced until after the effective date since any sales in the comparative period need to be reported under IAS 39 in the comparative period. This is very complicated and potentially confusing to users. If the effective date is 1.1.2015 we would support IFRS 9 being applied from the start of the comparative period.

- We are not opposed to early adoption of any/all standards but believe that consideration needs to be given to the comparability of financial statements for users.

I hope you find these comments helpful. Should you have any questions or wish to discuss these matters further, please contact me on either +44(207)54-50978 or via email to cynthia.mustafa@db.com.

Yours sincerely,

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

Cynthia Mustafa
Managing Director
Global Head, Accounting Policy and Advisory Group

APPENDIX 1: RESPONSES TO QUESTIONS

Question 1

Please describe the entity (or the individual) responding to this Request for Views. For example:

(a) Please state whether you are primarily a preparer of financial statements, an auditor, or an investor, creditor or other user of financial statements (including regulators and standard-setters). Please also say whether you prepare, use or audit financial information prepared in accordance with IFRSs, US GAAP or both.

(b) If you are a preparer of financial statements, please describe your primary business or businesses, their size (in terms of number of employees or other relevant measure), and whether you have securities registered on a securities exchange.

(c) If you are an auditor, please indicate the size of your firm and whether your practice focuses primarily on public entities, private entities or both.

(d) If you are an investor, creditor or other user of financial statements, please describe your job function (buy side/ sell side/ regulator/ credit analyst/ lending officer/ standard-setter), your investment perspective (long, short, equity or fixed income), and the industries or sectors you specialise in, if any.

(e) Please describe the degree to which each of the proposed new IFRSs is likely to affect you and the factors driving that effect (for example, preparers of financial statements might explain the frequency or materiality of the transactions to their business and investors and creditors might explain the significance of the transactions to the particular industries or sectors they follow).

(a) We are responding as a preparer of financial statements. Deutsche Bank Group financial information has been prepared under IFRS from 1.1.2007. Previously we reported under US GAAP and we have several significant US subsidiaries which apply US GAAP as their local GAAP. Deutsche Bank is registered with the SEC as a foreign private issuer.

(b) Deutsche Bank is the largest bank in Germany, and one of the largest financial institutions in Europe and the world as measured by total assets of €1,501 billion as of 31 December 2009. As of that date, we employed 77,053 people on a full-time equivalent basis and operated in 72 countries out of 1,964 branches worldwide. We offer a wide variety of investment, financial and related products and services to private individuals, corporate entities and institutional clients around the world.

Our equity shares are listed on Deutsche Börse and the New York Stock Exchange

(c) N/A

(d) N/A

(e) The extent to which each standard is likely to affect Deutsche Bank is summarised in the table below. The column 'Affect on DB' below has been rated High/Medium/Low based on the significance of the volume of transactions to our business which are in the scope of the respective accounting standard:

Accounting Standard	Affect on DB	Reason
IFRS 9 Phase 1: Financial Instrument Classification and Measurement	High	Significant financial instrument volume
IFRS 9 Phase 2: Impairment	High	Significant financial instrument volume and amortised cost portfolio
IFRS 9 Phase 3: Hedge accounting	High	Wide application of hedge accounting
Fair value measurement	High	Significant financial instruments held at FV
Revenue Recognition	High	Significant volume of transactions with multiple deliverables
Derecognition disclosures	High	Significant volumes of transfers with continuing involvement
Consolidation	High	Significant volumes of transactions with operating and structured entities
Financial statement presentation	High	System requirements to change general ledger
Offsetting	Medium	Significant financial instrument volume. Derivative assets of €820 bn as at 30.9.10.
Insurance Contracts	Medium	While DB has a relatively small insurance

		business there are several businesses which have written financial guarantees.
Leases	Medium	Significant volume of leasing transactions (as lessee) over real estate. Small, high volume leases.
Pensions	Low	
Presentation of items in OCI	Low	
Joint ventures	Low	
Financial instruments with characteristics of equity	Low	
Deferred tax	Low	
Investment companies	Low	

Question 2

Focusing only on those projects included in the table in paragraph 18 above:

(a) Which of the proposals are likely to require more time to learn about the proposal, train personnel, plan for, and implement or otherwise adapt?

(b) What are the types of costs you expect to incur in planning for and adapting to the new requirements and what are the primary drivers of those costs? What is the relative significance of each cost component?

Our views are summarised in the table and further detail is provided in the narrative that follows. It should be noted that the basis for effort and costs associated with implementation are based upon the proposals as drafted or discussed by the IASB to date, which may change once the standards are finalised.

Overall we consider the suite of changes to be significantly more involved in terms of cost and time required to implement as compared to our conversion from US GAAP to IFRS in 2007. For example we consider the changes from current IFRS to the new proposals for areas such as financial instrument classification and measurement, impairment, hedge accounting, insurance and consolidation to be more significant than the changes from US GAAP to IFRS in 2007:

Accounting Standard	Time to implement	Types of costs
IFRS 9 Phase 1: Financial Instrument Classification and Measurement	High	Training, review and classification of transactions. Managing interaction with other changes
IFRS 9 Phase 2: Impairment	High	System build for expected loss model and collection of new disclosures
Leases	High	Review of small notional, high volume leases. System to account for new assets and liabilities and collection of new disclosures.
Fair value measurement	High	Systems to generate new disclosures & collection on a more frequent basis. Review of valuation methodologies.
Financial statement presentation	High	System requirements to change ledger
Consolidation	High	Review of transactions with each counterparty. Systems to generate new disclosures. Collection of data.
Derecognition disclosures	High	Systems to generate new disclosures. Training on transfers involving continuing involvement. Identification of transactions with continuing involvement.
IFRS 9 Phase 3: Hedge accounting	Medium	Training, review of hedge programs, system development and collection of new disclosures
Insurance Contracts	Medium	
Revenue Recognition	Low	Collecting new disclosures. Review of contracts and revenue recognition.
Offsetting	Low	Collecting new disclosures. Reviewing current offsetting practice to determine whether impacted by new standard.
Presentation of items in OCI	Low	
Joint ventures	Low	
Financial instruments with	Low	

characteristics of equity		
Pensions	Low	
Deferred tax	Low	
Investment companies	Low	

As IFRS changes there are various costs involved and time required to implement new standards. Typical steps involved include:

- Time to understand the new standard.
- Policy development and development of application guidance relating to the new standard.
- Training of personnel throughout the organization especially in Finance and Front Office.
- Determining impact upon chart of accounts and making changes to the chart of accounts.
- Development of accounting schemas to show the accounting entries over the product lifecycle.
- Creation of forms to collect new disclosure requirements.
- Incorporating changes to accounting entries and disclosures into new systems.
- Amending the financial reports for new presentation, disclosure and analysis.
- Education of analysts to understand the accounting changes and new disclosures.
- Development of transition report to explain impact upon opening balance sheet and comparatives.
- Collection of deltas to current IFRS (dual reporting) during comparative period(s).
- Determining impact on subsidiaries if they report under a different version of IFRS (SME or Local).
- Determining new deltas to other reporting regimes (National GAAPs, Regulatory Reporting and Taxation).
- Collection of additional comparatives for SEC reporting requirements.
- Monitoring EU adoption process.

Question 3

Do you foresee other effects on the broader financial reporting system arising from these new IFRSs? For example, will the new financial reporting requirements conflict with other regulatory or tax reporting requirements? Will they give rise to a need for changes in auditing standards?

Competing Resource Requirements

The proposed suite of IFRS changes come at a time of constrained resources due to other changes requiring implementation:

- Regulatory reporting regime is changing as the requirements of Basle 2.5 and 3 come into effect.
- German GAAP is changing requiring new deltas to be booked from IFRS. Further there are no plans to converge with IFRS in the near future which make it likely that we will need to maintain another set of records.

SEC

Since we are SEC registered as a Foreign Private Issuer, Deutsche Bank needs to comply with SEC requirements. The SEC requires additional comparative information to that required by IFRS (2 year balance sheet, 3 year P&L, 5 year other data). Without dispensation from adjusting the additional comparative information for changes in new standards the cost and time to implement is significantly increased as historical information will need to be converted.

EU Adoption

Sufficient time needs to be provided between the issue date of IFRSs and their effective date to allow for review by the EU and adoption as well as time for preparers to implement the changes. If the EU were to not adopt a standard as issued by the IASB then there would be additional costs to Deutsche Bank since we would need to dual report under IFRS as issued by the IASB (for the SEC) and IASB as endorsed by the EU (for European listing). Dual reporting would involve a substantial cost to maintain two sets of records and disclosures and we are strongly opposed to this.

Question 4

Do you agree with the transition method as proposed for each project, when considered in the context of a broad implementation plan covering all the new requirements? If not, what changes would you recommend, and why? In particular, please explain the primary advantages of your recommended changes and their effect on the cost of adapting to the new reporting requirements.

Comparatives

There is significant additional cost and effort required to provide comparative information. Comparatives for new standards are of limited value to investors since the firm is not primary reporting under the new standards in the comparative period so they are not always representative of what would have been the outcome if it were its primary GAAP.

If the effective dates for the new standards are 1.1.2015 then we believe that preparers have sufficient time to produce comparatives. If the effective dates are earlier then we request additional relief from providing comparative information. Specifically if adoption is required in 2014 or earlier we request extension of the transition relief to not require comparatives.

Specific Issues with Transition Requirements

IFRS 9

Under the transition requirements for IFRS 9 during the comparative period the opening balance sheet is not static since if there are sales during the comparative period then the opening balance sheet needs to show these assets classified and measured under IAS 39 rules. This is exceptionally onerous since the opening balance sheet and quarterly comparatives cannot be finalised until after the effective date.

If comparatives are required we would prefer to have a static opening balance sheet perhaps by making the date of assessment the beginning of the comparative period.

Question 5

In thinking about an overall implementation plan covering all of the standards that are the subject of this Request for Views:

(a) Do you prefer the single date approach or the sequential approach? Why? What are the advantages and disadvantages of your preferred approach? How would your preferred approach minimise the cost of implementation or bring other benefits? Please describe the sources of those benefits (for example, economies of scale, minimising disruption, or other synergistic benefits).

(b) Under a single date approach and assuming the projects noted in the introduction are completed by June 2011, what should the mandatory effective date be and why?

(c) Under the sequential approach, how should the new IFRSs be sequenced (or grouped) and what should the mandatory effective dates for each group be? Please explain the primary factors that drive your recommended adoption sequence, such as the impact of interdependencies among the new IFRSs.

(d) Do you think another approach would be viable and preferable? If so, please describe that approach and its advantages.

(a) We prefer a single date approach for the financial instrument and most significant standards to Deutsche Bank (IFRS 9, Offsetting, Insurance, Leasing, Consolidation, Fair Value Measurement and Revenue Recognition) so long as there is sufficient time available to adopt all the standards (1.1.2015). A single date approach is more understandable for preparers and users since there is only one change which would be fully explained as opposed to a sequential approach which involves changing the comparatives multiple times, which can lead to confusion. A single date approach allows strategic system solutions to be developed to cover the changes and means that the analysis of transactions can be done once covering all the changes occurring. A sequential approach risks duplication of effort and is more complicated for system development. The less significant standards can be adopted in the usual timeline.

If a date of 1.1.2015 is not acceptable then a sequential approach will have to be considered.

We believe that there should be a stable platform of IFRS and a period of at least 2 years following the mandatory adoption of all the significant standards before changes to Financial Statement presentation should be considered. Changes to financial statement presentation should not be combined with other changes since it will be difficult to understand the separate impacts.

(b) Under a single date approach we believe 2015 would be the earliest mandatory effective date possible due to the extent of the changes and the system development required to account for instruments with new measurement bases and particularly the extensive disclosure requirements.

The requirements of the SEC to provide additional comparative information means that 2015 still requires an opening balance sheet of 1.1.12 which, even where the standards are finalised by June 2011, gives a challenging deadline. Since we do not have final standards for many of the changes an earlier date would not give the adequate lead time to properly implement and report under all of the standards.

Our recommendations are based on a final suite of IFRS changes being completed by the end of June 2011. If this does not happen then our recommended effective dates would be pushed out accordingly.

(c) If the single date approach in 2015 is not acceptable for the IASB we would suggest the following groupings of standards for the sequential approach:

Group 1:

Consolidation & Derecognition
Joint ventures
Investment companies

Group 2:

IFRS 9 Phase 1, 2 and 3
Fair value measurement
Offsetting
Insurance contracts

Group 3:

Revenue recognition
Leases

Group 4:

Financial statement presentation (after a stable period of at least 2 years)

Other standards such as pensions, presentation of items in OCI, Deferred Tax and financial instruments with characteristics of equity are expected to have minimal impact on Deutsche Bank and therefore we have no strong views on their effective dates.

We believe that Group 1 including the new consolidation standard is logically the first group which should be adopted since it would be beneficial to have the consolidation group determined prior to implementing the other standards. These standards are grouped together since the review would involve similar expertise and source information. We estimate determination of the consolidation group would take at least 12 months from the date of EU endorsement. The disclosure requirements are likely to take substantially longer to implement especially if they are similar to those in the exposure draft. The information requested in the exposure draft is not readily available and system development is likely to take several years for a strategic solution. As derecognition and consolidation are closely related, our proposal is to group derecognition and consolidation.

We cluster standards into Group 2 since for ease of implementation the standards impacting financial instruments should be addressed together.

The other significant standards changing for Deutsche Bank are Revenue recognition, leasing and financial statement presentation.

We believe that financial statement presentation should only be addressed following a period of at least 2 years post implementation of all other changes and a stable IFRS platform to allow users of financial statements to fully understand the impacts before the information is presented differently.

Question 6

Should the IASB give entities the option of adopting some or all of the new IFRSs before their mandatory effective date? Why or why not? Which ones? What restrictions, if any, should there be on early adoption (for example, are there related requirements that should be adopted at the same time)?

We are not opposed to early adoption of any/all of the standards but believe consideration needs to be given to the comparability of financial statements for users. Were the application of a standard beneficial and has limited impact an entity should not be prohibited from early adoption.

Question 7

Do you agree that the IASB and FASB should require the same effective dates and transition methods for their comparable standards? Why or why not?

Where the comparable standards are identical or equivalent then the transition methods and effective dates should be the same. This aids comparability across peers. If the IASB and FASB standards have significant differences then this is less important. Deutsche Bank supports the development of a single set of high quality accounting standards being applied internationally.

Question 8

Should the IASB permit different adoption dates and early adoption requirements for first-time adopters of IFRSs? Why, or why not? If yes, what should those different adoption requirements be, and why?

Not applicable to Deutsche Bank.