



Deutsche Bank AG London
Winchester House
1 Great Winchester Street
London EC2N 2DB
Tel. +44 20 7545 8000

Ms. Susan M. Cospers
Technical Director
File Reference No. 2011-200
File Reference No. 2011-210
Financial Accounting Standards Board
401 Merritt 7,
PO Box 5116
Norwalk, CT 06856-5116
U.S.A.
director@fasb.org

07 February 2012

File Reference No. 2011-200, Proposed Accounting Standards Update: Financial Services- Investment Companies (Topic 946) Amendments to the Scope, Measurement, and Disclosure Requirements and Disclosure Requirements, File Reference No. 2011-210, Proposed Accounting Standards Update: Real Estate Investment Property Entities (Topic 973)

Dear Ms. Cospers:

Deutsche Bank appreciates the opportunity to provide comments on the Proposed Accounting Standards Update: Financial Services- Investment Companies (Topic 946) Amendments to the Scope, Measurement, and Disclosure Requirements ("Proposed ASU 946") and the Proposed Accounting Standards Update: Real Estate Investment Property Entities (Topic 973) ("Proposed ASU 973").

We understand that the amendments in Proposed ASU Topic 946 represent the result of joint efforts of International Accounting Standard Board (IASB) and Financial Accounting Standard Board (FASB) to develop consistent criteria for an entity to be an investment company. We welcome Boards' continued efforts to develop consistent or converged standards with the aim to achieve financial reporting under a single set of a high quality globally accepted accounting standards.

We are writing one comment letter for the Proposed ASUs. For the Proposed ASU Topic 946, we have attached our comment letter to the IASB on its Exposure Draft "Investment Entities" since the key messages expressed in that comment letter address similar issues that we have for the Proposed ASU Topic 946. In particular, these are related to our support for a principle-based accounting model of investment companies and recommendation for fully retaining investment company accounting at the parent level in all circumstances. Accordingly we support the efforts of the FASB and IASB (collectively,



the “Boards”) to develop consistent global accounting criteria for determining whether an entity is an investment entity.

We do not support the Proposed ASU Topic 973; our specific concerns are as follows:

- We believe that it is imperative that the FASB and IASB Boards align their opinions on a consistent basis globally in regard to what constitutes Investment Companies/Entities and Investment Property Entities and how these entities should report their investment holdings. As noted in our letter to the IASB, we support a principle-based accounting framework for investment entities where the underlying business model is holding investments substantially for capital appreciation, investment income, or both, whether these investments are financial instruments or real estate properties. The specific criteria, as currently proposed in the Proposed ASU 973, should be set forth only as indicators, rather than determinative factors. In this sense, it is our view that a separate standard for Investment Property Entities is unnecessary and would only create confusion for users of financial statements. Hence we recommend the Board consider issuing one, high quality standard for investment entities, including investment property entities.
- Further, we note that introducing a separate concept of Investment Property Entity creates another divergence with IFRS. We understand that International Accounting Standards (IAS) 40, “Investment Property” addresses investment properties at the asset level which are held by entities that may not be considered as investment entities and the Board reasoned not to adopt the IAS 40 optional approach because of concerns over comparability; however, we believe that when accounting for all investment entities is applied under a principle based model, Board’s concern would be significantly relieved and the optional approach under IAS 40 can be applied to these other investment properties held by non investment entities. Doing so would encourage globally consistent reporting of investment entities, which, in our view, would demonstrate another step towards convergence and reduction of complexity.
- Alternatively, if the Board does not agree with our recommendation to adopt IAS 40 approach, we would urge the Board to consider consolidating the Proposed ASU Topic 973 with the Investment Entities standard in the Proposed ASU Topic 946. Those properties that are held by non-investment entities should be measured under other applicable standards in US GAAP.

We hope you find our comments useful and relevant, and look forward to continue working with you in the future. Should you want to discuss in more detail the contents of the letter, please do not hesitate to contact Cynthia Mustafa at the following email address cynthia.mustafa@db.com and phone number 020 754 50978.



Yours sincerely,

A handwritten signature in black ink, appearing to read 'Cynthia Mustafa'.

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

Attachment:

Comment Letter re: IASB Exposure Draft: Investment Entities



Mr. Hans Hoogervorst
Chairman
International Accounting Standards Board
1st Floor
30 Cannon Street
London EC4M 6XH
United Kingdom

Deutsche Bank AG London
Winchester House
1 Great Winchester Street
London EC2N 2DB
Tel. +44 20 7545 8000

5 January 2012

Re: IASB Exposure Draft: Investment Entities

Dear Mr Hoogervorst:

Deutsche Bank ("the Bank") appreciates the opportunity to provide feedback on the Investment Entities Exposure Draft ("the ED"). Our key messages are as follows:

- We understand the accounting for investment entities has been a significant concern expressed by users as well as some preparers during the development of the consolidation standard and see this ED as the IASB's addressing their concerns. While we acknowledge this is an exception to the consolidation principles set out in IFRS 10, we have empathy for this exemption where fair value supports management's rationale for holding the investments (that is, is consistent with the underlying 'business model') and there is a clear principle for the use of the exemption.
- Specifically, as a matter of principle, where the underlying business model of the entity is to a) hold the investments for capital appreciation, investment income or both; and b) manage, evaluate and provide financial information about the investment activities to investors on a fair value basis; we support the reporting of all investments held at fair value. Therefore we believe that where the above principle applies, this should be determinative as to the use of the exemption. As such the requirement that fair value reporting may not be utilised by an entity if there is only a single investor in the fund should be removed, as it should still be appropriate where the underlying business model is holding for capital appreciation and/or investment income and where the investments are managed, reported and evaluated at fair value.
- Likewise, where the above principle is met, fair value reporting should be required, as opposed to being a management choice, and should apply regardless of whether the interest is a controlling or non-controlling interest. Requiring fair value for all such entities meeting the business model principle described above, whether a controlling or non controlling interest, at fair value, enhances comparability in financial statements amongst like entities.



- As the underlying business model for an investment entity is the same for both the entity itself and its parent company, the rationale for providing fair value information is equally applicable to both the subsidiary and the parent company and therefore should be carried through to the consolidated financial statements. We also note the IASB's proposal to prohibit the non-consolidation at the parent level diverges from that of the FASB in their Exposure Draft: Financial Services – Investment Companies (Topic 946), thus resulting in a significant difference between US GAAP and IFRS, confusing users and thereby undermining one of the principal objectives of issuing the IASB's ED, which was to achieve convergence in this area. We do not support divergence from US GAAP in this area. Therefore we strongly disagree with the ED's proposal that consolidation is required at the consolidated group level unless the ultimate parent entity also qualifies as an investment entity and recommend that the Board reconsider the decision to prohibit the consolidation exemption at the consolidated level.
- Finally users of the financial statements should be able to understand the extent and the rationale for where a reporting entity has utilised the exemption from consolidation. As such we recommend that the IASB consider requiring disclosures which explain to what extent the exemption has been used and the rationale for why the investments business model had been applied. We also observe that an entity using the exemption would still be required to comply with the disclosure requirements of IFRS 7, 12 and 13 as it relates to the investments. We believe that the IFRS 7 and 13 disclosures provide sufficient information to users about the risks associated with the investments . However we do not believe that the IFRS 12 disclosures provide decision useful information to users that is not already provided by IFRS 7 and 13. We therefore recommend that the Board reconsider the requirement to comply with the disclosures in IFRS 12 for such unconsolidated investments.

We hope you find these comments helpful. Should you have any questions or wish to discuss these matters further, please contact Cynthia Mustafa 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'.

Cynthia Mustafa

Managing Director
Global Head, Accounting Policy and Advisory Group
Deutsche Bank AG