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20 September 2012

Ms. Susan M. Cosper Technical Director File Reference No. EITF-12D Financial Accounting Standards Board 401 Merritt 7, PO Box 5116 Norwalk, CT 06856-5116 U.S.A. director@fasb.org

File Reference No. EITF-12D, Proposed Accounting Standards Update: Obligations Resulting from Joint and Several Liability Arrangements (Topic 405-20)

Dear Ms. Cosper:

Deutsche Bank (DB) appreciates the opportunity to provide comments on the Proposed Accounting Standards Update: Obligations Resulting from Joint and Several Liability Arrangements (Topic 405-20) (the "Proposed ASU 405-20" or "proposed guidance").

We understand that the amendments in Proposed ASU 405-20 are to provide guidance for the recognition, measurement, and disclosure of obligations resulting from joint and several liability arrangements for which the total amount under the arrangement is fixed at the reporting date.

In this letter we outline our key messages in response to Proposed ASU 405-20. **Appendix 1** provides our more detailed responses to the specific questions posed by the Financial Accounting Standards Board (FASB or the "Board").

## **Key Messages**:

Since current US GAAP does not provide sufficient guidance for the recognition, measurement, and
disclosure of obligations resulting from arrangements within the scope of the Proposed ASU 405-20,
we believe the new amendments would improve financial reporting for users of financial statements
by increasing comparability among the financial statements of entities with obligations within the
scope of Proposed ASU 405-20 and reduce overall diversity in practice.

- We are pleased to see that the underlying recognition and measurement approach in the Proposed ASU 405-20 for joint and several liabilities is generally consistent (from a principles perspective) with the recognition and measurement approach in the International Accounting Standard No. 37, Provisions, Contingent Liabilities and Contingent Assets (IAS 37).
- If our primary role in a joint and several liability arrangement is that of a guarantor in accordance with Topic 460, then we should also be able to apply the modified retrospective transition guidance and have the same ability to elect to use "hindsight" for the comparative periods as described in paragraphs BC12 to BC14 of Proposed ASU 405-20. This is currently not reflected in the amended guidance under Proposed ASU 405-20. Therefore, we urge the Board to consider adding this guidance in the future in order to streamline the transition for both types of obligations (whether the entity's primary role is that of a guarantor or not).

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 me at the following email address <a href="mailto:karin.dohm@db.com">karin.dohm@db.com</a> and phone number at 49 69 910 31183.

Yours sincerely,

Karin Dohm

**Managing Director** 

Chief Accounting Officer - Global Head of Accounting Policy and Advisory Group

Deutsche Bank AG

## Appendix 1

**Question 1:** Do you agree with the types of obligations resulting from joint and several liability arrangements that are included in the scope of this proposed Update (that is, the total amount under the arrangement is fixed at the reporting date and not otherwise covered by existing U.S. GAAP)? Are there other forms of joint and several liability arrangements that should be included in the scope of this proposed Update? If certain arrangements should be excluded or included, please explain why.

We agree with the types of obligations resulting from these arrangements that are included in this proposed guidance. We are not aware of any other types of obligations that should be included in this proposed guidance.

**Question 2:** Do you agree that the scope of this proposed Update should include all entities that have joint and several liability arrangements within the scope of the proposed Update, including entities that are under common control, related parties, and unrelated parties? If not, please explain why.

We agree with the scope of entities included in this proposed guidance.

**Question 3:** Are you aware of joint and several liability arrangements among unrelated parties? If yes, please describe such arrangements and describe why those arrangements should be included or excluded from the scope of this proposed Update.

We find the existence of these joint and several liability arrangements to be a relatively rare occurrence.

**Question 4:** Under this proposed Update, if the primary role of a reporting entity in the joint and several liability arrangement is that of a guarantor, then it should account for the obligation under Topic 460. This proposed Update includes some guidance on when the primary role is that of a guarantor. Is that guidance sufficient to distinguish between joint and several liability arrangements that should be accounted for under Topic 460 and those that should be accounted for under Subtopic 450-20? If not, please explain what additional guidance the Task Force should consider including to assist preparers in distinguishing between the two.

We believe the guidance is sufficient to determine if an entity's primary role is that of a guarantor (apply Topic 460) or not (apply Topic 450-20 for contingent liabilities).

**Question 5:** Do you agree that obligations resulting from joint and several liability arrangements that are included in the scope of this proposed Update should be measured as a loss contingency in accordance with Subtopic 450-20? If not, please explain why.

We agree that certain obligations (where the entity's primary role is **NOT** that of a guarantor) should be accounted for under Topic 450-20.

**Question 6:** Do you agree with the disclosure requirements for obligations resulting from joint and several liability arrangements that would be included in the scope of this proposed Update? If not, please explain why.

We agree with the new disclosures required relating to obligations within the scope of this proposed guidance.

**Question 7:** Do you agree that the guidance in this proposed Update should be applied retrospectively to all prior periods presented for obligations resulting from joint and several liability arrangements that exist at the beginning of an entity's fiscal year of adoption? If not, please explain why. Also, do you think the transition guidance should be the same for obligations in which the primary role of the reporting entity is that of a guarantor and that are to be accounted for under Topic 460? If not, please explain why. Do you agree that an entity may elect to use hindsight for the comparative period(s) if it changed its accounting as a result of adopting this proposed Update? If not, please explain why.

We agree with the transition guidance in the Proposed ASU 405-20 but believe it should be expanded. If our primary role in a joint and several liability arrangement is that of a guarantor in accordance with Topic 460, then we should also be able to apply the modified retrospective transition guidance and have the same ability to elect to use "hindsight" for the comparative periods as described in paragraphs BC12 to BC14 of this proposed guidance. This is currently not reflected in the proposed guidance and we urge the Board to consider adding this guidance in the future in order to streamline the transition and ease the amount of work we would have to perform on adoption date of both types of obligations (whether the entity's primary role is that of a guarantor or not).

**Question 8:** The proposed amendments would apply to public and nonpublic entities. Should any of the proposed amendments be different for nonpublic entities? If yes, please identify those proposed amendments and describe how and why you think they should be different.

We believe the proposed guidance should be the same regardless of entity types (public or non-public).

**Question 9:** Do you agree that an entity should be permitted to early adopt the proposed amendments? If not, please explain why.

We agree that an entity should be permitted to early adopt the proposed guidance.

**Question 10:** For preparers, how much time is needed to implement the proposed amendments? Please explain.

We do not believe a significant amount of time is needed to implement the proposed guidance.