
Dear Sir/Madam,

Thank you for the opportunity to comment on your Exposure Draft ED/2011/1 Offsetting Financial Assets and Financial Liabilities. The Volkswagen Group is one of the world’s leading automobile manufacturers and the biggest carmaker in Europe. The group currently operates 62 production plants in fifteen European countries and a further six countries in the Americas, Asia and Africa. Around the world, more than 420,000 employees produce about 26,000 vehicles or are involved in vehicle-related services each working day. The Volkswagen Group sells its vehicles in more than 153 countries. With our 100%-owned subsidiary Volkswagen Financial Services AG we are also the largest automobile financial services provider in Europe. On behalf of Volkswagen AG, Wolfsburg, we are pleased to provide you with the requested comments to the proposed Exposure Draft in response to your invitation to comment.

We appreciate theIASB’s efforts to match the regulations regarding offsetting to those of theFASB. In our opinion, the amount of changes regarding the requirements for offsetting is manageable, since the new regulations are largely consistent to those that have been applied to date. However the formal requirements, i.e. disclosures, are unnecessary in many respects and do not meet an acceptable benefit-cost ratio.

Concerning the questions we present the following key statements:

- We consider the proposed amendments concerning the requirements for offsetting to be realizable.
- In some cases regulations for simplification are necessary (e.g. for the operation of a clearing house in an organized capital market).
- The disclosures require a fundamental adjustment. Particularly it is not necessary to make any disclosures when an entity choses gross presentation for the financial statement (i.e. no offsetting).
Below we address the issues which are of special relevance to us:

Q1: Offsettings criteria: unconditional right and intention to settle net or simultaneously
We agree to the changes that achieve a principle for offsetting financial assets and financial liabilities. We consider the proposed requirements for offsetting are realizable. We believe that there will be no substantial impacts concerning this matter.

Q2: Unconditional right of set-off must be enforceable in all circumstances
In order to keep the implementation practical, the IASB should review, if simplifying regulations for specific cases may be applied. For example an entity uses a clearing house in an organized capital market (as described in Appendix C9).

Q3: Multilateral set-off arrangements
We agree to the proposals that offsetting for both bilateral and multilateral set-off arrangements require to meet the offsetting criteria.

Q4: Disclosures
We do not agree to the proposals. We do not see significant reasons for making any disclosures if the criteria for offsetting are met, but the entity does not intend to settle net or simultaneously (in particular paragraph 12 (c)). This would mean disproportional extra efforts and expenses, since every financial instrument would need to be screened for the conditional right to offset. In this context, we do not see a lack of information for the addressees as the statement of financial condition shows the gross amount of those financial assets and financial liabilities. The marginal additional information that certain liabilities contain a lower risk because they could be offset with receivables does not justify the excessive effort for preparing such information. In our view, it is sufficient to disclose the set-off amounts (possibly completed by a brief statement concerning actual risks). Every single additional note would be absolutely exaggerated and does not lead to a better transparency.

We request the IASB to revise and readjust the regulations.

Q5 Effective Date and transition
We think that a prospective application is satisfactory. Given that the regulations for disclosures will be readjusted, we believe that an implementation will be possible in the short run (e.g. one to two years after endorsement).

Best Regards,

Dr. Ingrun-Ulla Bartölke