
Dear Mr. Kuhaneck:

Deutsche Bank AG (“the Bank”) appreciates the opportunity to comment on the Financial Accounting Standard Board’s (“the Board”) Proposed Accounting Standards Update: Reference Rate Reform (Topic 848): Facilitation of the Effects of Reference Rate Reform on Financial Reporting (“the Proposed ASU”).

In the United States, the Bank participates in the Alternative Reference Rate Committee (“ARRC”), the Securities Industry and Financial Markets Association (“SIFMA”), and International Swaps and Derivatives Association’s North American Accounting Committee (“ISDA NAAC”). The ARRC is a banking industry committee convened by the Federal Reserve Board whose focus has been to identify a suitable alternative to LIBOR and to create and implement a paced transition timeline for the rate to begin trading. SIFMA and ISDA NAAC are banking industry groups which have been active in the drafting and development of the Proposed ASU.

The Bank is an active member of the ARRC, SIFMA, and ISDA NAAC and has participated in and is supportive of the joint ARRC and SIFMA comment letter as well as the ISDA NAAC comment letter written in response to the Proposed ASU. Please see these letters, including the detailed responses to the Questions for Respondents, which also reflects the Bank’s view.

We would like to emphasize our views on the following issues which are the most relevant to the Bank:

- The Bank suggests amending the scope of the contract modification relief to include any fixed rate as a permissible replacement rate. A bilaterally negotiated fixed rate is suggested as a replacement rate in the ARRC’s voluntary consultation on fall back rates. It is clear that the Board’s intent of the Proposed ASU is to facilitate reference rate reform
and as such, we don’t believe that a contract that complies the ARRC’s consultation should be scoped out of the Board’s contract modification relief.

- The Bank requests that the Board clarify the scope of contract modification relief in the event that contract modifications which are defined as related and unrelated occur simultaneously. We would like clarification of whether it is the Board’s intent that the relief be applied only to the related terms while performing a modification analysis to the unrelated terms or that the unrelated term changes preclude the application of relief to related changes. It is the Bank’s preference that unrelated changes should not preclude application of the relief as we believe that is the most operational application.

- While the Bank understands and supports the FASB’s purpose for creating a list of contract modifications that would not be in the scope of the relief, we believe it is necessary to allow a facts and circumstances assessment for any contract modifications on the list that may actually be related to replacement of the reference rate. As such, we suggest clarification in ASC 848-20-15-6 that the listed items be presumed to be unrelated to a rate change, but that presumption could be overcome. For example, it may be reasonable for parties to agree to add a prepayment feature to a debt instrument in the event that it provides the parties with the ability to terminate the arrangement if certain elements of transition do not develop as currently expected (e.g., term rates do not fully develop). In such case, an entity should be able to overcome the conclusion that the inclusion of a prepayment feature is unrelated to reference rate reform and deem the contract modification to be within the scope of the proposed relief.

- The Bank believes that it would be helpful to include specific hedge accounting guidance for accounting for the change in cross currency basis in a cross currency swap in a hedge relationship after a contract modification or rate change has occurred. We also believe it is necessary to extend the hedge accounting relief and guidance to net investment hedges.

- Although we understand the Board’s view that the proposed sunset date can be extended as needed, the Bank believes that the December 31, 2022 expiration date for the relief may not be responsive to the actual timeline that global Reference rate replacement projects will experience. Reference rate replacement in other jurisdictions are not as far along as the U.S. project and as such there is a likelihood that those projects will extend past December 31, 2022. It is also possible that the United States’ project will extend past that date. We would encourage the Board to incorporate a principle-based approach in the transition guidance in lieu of an explicit sunset date, as this approach would eliminate the Board’s need to monitor global project progress and extend the sunset date as needed. A principle-based approach would also conform more closely to the International Accounting Standard Board’s Phase 1 relief expiration and expected approach for Phase 2 which has not yet been issued.

We would like to acknowledge our great appreciation to the Board for its extensive outreach, its thoughtful policy approach and the speed by which it has addressed this unique situation. We appreciate these efforts and want to acknowledge this effort as it will mitigate the impact on the capital markets as we transfer to a new a reference rate.
We would further note that an objective of the Federal Reserve Bank is to foster the establishment of a replacement rate that can be used in the market as an alternative to LIBOR, as part of its goal to ensure the smooth and efficient functioning of public markets. Accordingly, we see the proposed ASU as an opportunity for the FASB to contribute to the achievement of a worthwhile goal that has the potential for positive impact on the global economy.

We hope you find these comments helpful. Should you have any questions or wish to discuss these matters further, please contact Lisa Bomba at +44(20)754-71080 or via email to lisa.bomba@db.com or Michael Fehrman on +1(212)250-2660 or via email to michael.fehrman@db.com.

Yours sincerely,

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Appendix

Responses to FASB’s Questions for Respondents which are most applicable to Deutsche Bank

As mentioned in our cover letter, the Bank is an active member of the ARRC, SIFMA, and ISDA NAAC and has participated in and is supportive of the joint ARRC and SIFMA comment letter as well as the ISDA NAAC comment letter. Please consider those detailed responses in conjunction with our responses below.

General

Question 1—Costs and Complexities: Are the amendments in this proposed Update operable and auditable? If not, which proposed amendment(s) pose operability or auditability issues and why?

We appreciate the Board’s responsiveness to this unique industry issue and believe the relief is operable with the inclusion of the suggested edits.

Question 2—Additional Issues: Are there additional accounting issues or optional expedients related to reference rate reform that the Board should consider? Please be as specific as possible and explain why those issues require consideration.

We believe the Board should consider adding relief related to net investment hedges and the cross currency basis for cross currency swaps.

Contract Modifications

Question 3—Expedients: Do you agree with the proposed expedients for the accounting for contract modifications? If not, please explain which proposed amendment(s) you disagree with and why.

We agree with the proposed expedients for the accounting for contract modifications but believe that further edits are needed to make the relief operable in practice.

Question 4—Election Level: Do you agree that the optional expedients for contract modifications should be applied at the relevant Topic, Subtopic, or Industry Subtopic level? If not, what alternative do you suggest and why?

Yes, we agree the optional expedients for contract modifications should be applied at the Subtopic level.
**Transition and Termination Date**

**Question 12**—Transition: Do you agree that the proposed optional expedients should be applied on a prospective basis upon election? If not, what alternative do you suggest and why?

Yes, we agree that the proposed optional expedients should be applied on a prospective basis upon election.

**Question 13**—Termination Date: Do you agree that the proposed amendments should not apply to contract modifications made and hedging relationships entered into or evaluated after December 31, 2022? If not, when should the proposed amendments expire and why?

Although we do not oppose the Board’s proposal that the amendments should expire, we believe that a principles based approach to termination of relief should apply.