



Mr. Stig ENEVOLDSEN,
Chairman of EFRAG-TEG
EFRAG
Av. des Arts, 41

Brussels, 25th October 2006
MR/B16/06-268

B – 1040 BRUSSELS

E-MAIL

Re: EFRAG Draft Comment Letter on IASB ED reg. IFRIC 20 – *Customer Loyalty Programmes*

Dear Mr Enevoldsen,

The European Association of Cooperative Banks (EACB)¹ is pleased to provide EFRAG with comments regarding its draft Comment Letter on the IASB Exposure Draft on IFRIC 20 – *Customer Loyalty Programmes*.

On principle, we share the views set out in EFRAG's draft comment letter. In detail we have the following comments:

The EFRAG draft letter rejects the consensus proposed by the IFRIC to treat all credits awarded by an entity under consumer loyalty programmes as separately identifiable components of revenue arising out of the sales transaction in which they were granted according to IAS 18.13. The EFRAG supports to apply IAS 18.19 instead. Under this cost/provision approach the entity's obligation to provide free or discounted goods and services under customer loyalty programmes is recognised as an expense at the time of the initial sale and measured in accordance with IAS 37.

In addition, we also do reject the general application of IAS 18.13 as proposed by IFRIC D20. The value of the credits awarded under customer loyalty programmes is in most cases very low compared with the sales transaction as a whole. Under these circumstances it would be misleading to account for these credits as separately identifiable components of a sales transaction. In some cases more valuable credits may be awarded. In those exceptional cases

¹ The European Association of Co-operative Banks represents over 4.500 co-operative credit institutions active in all the EU Member states and serving over 100 Million customers. Its member organisations are decentralised national networks of small-sized Co-operative banks' networks, which have a strong presence on a local or regional level. They account for a large part of the SME and private household credit market (17%) and thus play a crucial role within the Internal Market.



it might be justifiable to apply IAS 18.13 and recognise a separate component of revenue as outlined as one possible view in BC 7 of IFRIC D20.

From the point of view as a preparer of financial reports we would like to emphasise that the cost/provision approach is a lot easier to apply in practise and produces at least equally relevant and reliable information compared to the deferred revenue approach proposed in D20. Therefore we support the position of EFRAG presented in its draft letter.

Of course, we remain at your disposal for any further questions regarding our position,

Yours sincerely,

Volker HEEGEMANN
Senior Adviser

Marcel ROY
Adviser