



EFRAG
Françoise Flores
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Deutsche Bank AG
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22 February 2013

Dear Françoise

RE: Consultation on the transition from IAS 39 to IFRS 9 for macro-hedging practices

Deutsche Bank (DB) appreciates the opportunity to provide our comments on EFRAG's consultation on the transition from IAS 39 to IFRS 9 for macro-hedging practices issued by EFRAG on 22 January 2012.

In its letter EFRAG proposes that IASB should grandfather the current hedging requirements applicable to open portfolios in a similar way as it has provided provisions to grandfather the current requirements relating to portfolio hedge of interest rate risk.

It appears that by referring to "requirements applicable to open portfolios", EFRAG's main intention is to preserve the current macro cash flow hedge accounting practices. However, we would like to make clear that micro hedge accounting requirements are also applied for open portfolios, as well as for closed portfolio. We consider that for open portfolios where micro hedge accounting requirements are being applied, the solution offered by IFRS 9 Review Draft (RD) has some significant merits over the current IAS 39 rules.

As an example at Deutsche Bank we apply hedge accounting requirements contained in paragraph IAS 39.83 to retail deposits and mortgages in Germany, both of which are open portfolios. Similarly we also apply a one-to-one hedge accounting model to our debt issuance program, which again represents an open portfolio. Based on our high level impact assessment of the RD, we are of the view that the provisions of the RD would provide us a better solution in respect of the above mentioned hedge programs e.g. it would significantly eliminate the operational complexities associated with homogeneity testing and effectiveness testing. It will also provide better alignment with the risk management by eliminating the need to de-designate and re-designate, which is something we currently undertake each time the underlying hedged position changes.

Therefore, although the underlying portfolios, in the examples mentioned above, are open portfolios, we would prefer to apply the requirements of IFRS 9 rather than continuing to apply the requirements of existing IAS 39.



In relation to the open portfolios where entities are applying macro cash flow hedge accounting models, we would like to note the following:

1. IAS 39 does not contain any specific rules relating to macro cash flow hedge accounting. The paragraphs F6.2 and F6.3 of the Implementation Guidance illustrate one way in which requirements of IAS 39 relating to cash flow hedging could be applied in macro situations.
2. There is a significant diversity as to how the cash flow hedge accounting requirements of IAS 39 are currently applied to macro situations in practice. The model used by one bank may vary significantly from that used by a peer bank for similar situations.
3. Certain auditors have insisted on demonstrating compliance with the general hedge accounting requirements of IAS 39, even in situations where entities have relied on the paragraphs F6.2 and F6.3 of IAS 39. Specifically in our case, based on an initial impact assessment, we believe that our own macro cash flow hedge accounting program would continue to be applicable under the RD, even without the specific inclusion of the IGCs.
4. In theory, it can be argued that since the IASB copied all the relevant existing paragraphs from IAS 39 to IFRS 9, the IGs that relate to this section today should equally be available in the future.

Therefore, from our perspective whilst we would prefer to see the examples relevant to macro cash flow hedging in section F of the Implementation Guidance of IAS 39 carried over to IFRS 9 in some form, we do not regard its deletion as a critical issue.

We hope you find our comments useful and relevant and we would be glad to work with you in the deliberation of these and other points to arrive at a final framework. Should you wish to discuss any of the comments or responses in this letter, please do not hesitate to contact Karin Dohm by email (karin.dohm@db.com) or phone (+49-69910-31183).

Yours Sincerely

A handwritten signature in black ink, appearing to read 'K Dohm', with a long horizontal flourish extending to the right.

Karin Dohm
Managing Director
Chief Accounting Officer
Deutsche Bank AG