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Dear Ms. Saintmard

EFRAG's draft comment letter on IASB DP Fair Value Measurements

We welcome the opportunity to comment on EFRAG's draft comment letter on the IASB's Discussion Paper Fair Value Measurements.

In general we have similar problems as EFRAG to reach an opinion on many aspects of the discussion paper at this early stage. SFAS 157 has a narrower scope than the total of situations in which fair values are required by IFRS. As there is no certainty about the final scope of application of the new definition of fair value yet, it is currently only possible to express preliminary views. With that in mind we think that EFRAG's draft comment letter is a valuable contribution to the discussion process that we generally support. Therefore, we concentrate on EFRAG's questions to respondents that concern us the most in our specific business environment.

EFRAG especially asks respondents to comment on question 6 of the discussion paper: when an existing IFRS requires them to apply a fair value measurement, are they applying the current market-based exit value described in this paper? And, if they are not, what measure are they applying and why do they think it is appropriate?

As a credit institution DZ BANK mainly uses fair values in order to measure financial instruments under IAS 39. We arrive at these fair values in most cases as described in A2.24 of the EFRAG draft letter.

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Even if markets are very liquid and easy to access we tend to use mid-market prices, rather than current exit prices. This is due to our observation that the use of bid and ask prices requires a lot more work and effort in practice without leading to much more accurate overall results. DZ BANK considers a purely market-based exit value notion as not very practice-orientated; especially with regard to our debt instruments that we primarily issue for the German co-operative banking sector. The prices that co-operative banks have to pay may differ from hypothetical market prices. The price differences reflect the full supply of co-operative banks with a wide range of financial products by DZ BANK in its capacity as a central bank. Such prices are to a certain extent entity specific and they are entry prices rather than exit prices. For these reasons we prefer the wider definition of fair value in IAS 39.

EFRAG particularly asks respondents to comment on question 10 of the discussion paper: when an existing IFRS requires them to apply a fair value measurement for liabilities, are they applying the transfer measurement objective as described in this paper? And, if they are not, what measure are they applying and why do they think it is appropriate?

The liabilities that DZ BANK issues for the German co-operative banking sector are ordinarily not transferred to a third party, but settled by DZ BANK. The assumption of a transfer of such liabilities is not appropriate, since a market for transfers to third parties often does not even exist. In this situation the only appropriate measurement objective is the settlement measurement objective. Therefore, we confirm the view set out in A2.40 of the EFRAG's draft comment letter.

Question 24: DZ BANK considers the disclosure requirements of SFAS 157 as too extensive. Such requirements would cause a lot of extra work for preparers without providing much benefit for the users beyond the large amount of information already required by IFRS 7.

Yours sincerely

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