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Berlin, 13 December 2011

EFRAG's Assessment of IFRS 13 *Fair Value Measurement*

Dear Françoise,

The German Accounting Standards Board (GASB) appreciates the opportunity to comment on EFRAG's Assessment of IFRS 13 *Fair Value Measurement*.

We agree with EFRAG's technical assessment of the amended standard regarding the technical criteria for endorsement; that is we support the positive endorsement advice to the European Commission regarding the adoption of IFRS 13.

This view is mostly supported by the answers that we received from a survey that the GASB carried out with selected companies in Germany. For this purpose we sent your questionnaire to the DAX 30 companies and several associations covering additional companies of different size and in different segments like industry, banking, or insurance. We received responses from nine preparers as a result of the survey, most of whom fully support the EFRAG's technical assessment regarding the amendments.

The GASB, as a standard setter, has not itself evaluated the costs and benefits that are likely to arise for preparers and users through the implementation of the amended standard. However, most respondents to the survey agree with EFRAG's assessment of the costs and benefits that could arise; this means they also support EFRAG's conclusion that the benefits to be derived from applying the amendments will exceed the costs involved.

For your convenience, we have attached those responses on our survey which do not fully agree with EFRAG's assessments.

If you have any further questions, please do not hesitate to contact me.

Yours sincerely,

Liesel Knorr

President

**DRAFT ENDORSEMENT ADVICE AND EFFECTS STUDY REPORT ON
IFRS 13 FAIR VALUE MEASUREMENT**

INVITATION TO COMMENT ON EFRAG'S ASSESSMENTS

**Comments should be sent to commentletters@efrag.org or
uploaded via our website by 18 December 2011**

EFRAG has been asked by the European Commission to provide it with advice and supporting material on IFRS 13 *Fair Value Measurement* (IFRS 13). In order to do that, EFRAG has been carrying out an assessment of IFRS 13 against the technical criteria for endorsement set out in Regulation (EC) No 1606/2002 and has also been assessing the costs and benefits that would arise from its implementation in the European Union (the EU) and European Economic Area.

A summary of IFRS 13 is set out in Appendix 1.

Note to constituents

IFRS 13 *Fair Value Measurement* includes consequential amendments to IFRS 9 *Financial Instruments*, which has not yet been endorsed in the EU. Those consequential amendments are not addressed in this Draft Endorsement Advice and will be considered together with the related requirements in IFRS 9.

Before finalising its two assessments, EFRAG would welcome your views on the issues set out below. Please note that all responses received will be placed on the public record, unless the respondent requests confidentiality. In the interest of transparency EFRAG will wish to discuss the responses it receives in a public meeting, so we would prefer to be able to publish all the responses received.

EFRAG initial assessments summarised in this questionnaire will be amended to reflect EFRAG's decisions on Appendix 2 and 3.

1 Please provide the following details about yourself:

- (a) Your name or, if you are responding on behalf of an organisation or company, its name:

German Accounting Standards Board (GASB)

- (b) Are you a:

Preparer User Other (please specify)

National Standard Setter

- (c) Please provide a short description of your activity:

See above

(d) Country where you are located:

Germany

(e) Contact details including e-mail address:

Liesel Knorr – c/o DRSC e.V.

Zimmerstrasse 30; 10969 Berlin

knorr@drsc.de

2 EFRAG’s initial assessment of IFRS 13 is that it meets the technical criteria for endorsement. In other words, it is not contrary to the principle of true and fair view and it meets the criteria of understandability, relevance, reliability and comparability. EFRAG’s reasoning is set out in Appendix 2.

(a) Do you agree with this assessment?

Yes

No

If you do not, please explain why you do not agree and what you believe the implications of this should be for EFRAG’s endorsement advice.

(b) Are there any issues that are not mentioned in Appendix 2 that you believe EFRAG should take into account in its technical evaluation of IFRS 13? If there are, what are those issues and why do you believe they are relevant to the evaluation?

None.

(Two of our constituents commented on this issue while agreeing with EFRAG's assessment.)

3 EFRAG is also assessing the costs that are likely to arise for preparers and for users on implementation of IFRS 13 in the EU, both in year one and in subsequent years. Some initial work has been carried out, and the responses to this Invitation to Comment will be used to complete the assessment.

The results of the initial assessment of costs are set out in paragraphs 3-10 of Appendix 3. To summarise, EFRAG’s initial assessment is that costs to be incurred by preparers in implementing and applying IFRS 13 are not expected to be significant. IFRS 13 is likely to be neutral in terms of costs for users.

Do you agree with this assessment?

Yes

No

If you do not, please explain why you do not and (if possible) explain broadly what you believe the costs involved will be?

We as a national standard setter are not in a position to
comment on this issue.

- 4 In addition, EFRAG is assessing the benefits that are likely to be derived from IFRS 13. The results of the initial assessment of benefits are set out in paragraphs 11-12 of Appendix 3. To summarise, EFRAG’s initial assessment is that IFRS 13 will facilitate preparers in applying and users in better understanding the fair value measurements applied in financial statements and will help to improve consistency in the application of fair value measurement.

Do you agree with this assessment?

Yes No

If you do not agree with this assessment, please provide your arguments and indicate how this should affect EFRAG’s endorsement advice?

We as a national standard setter are not in a position to
comment on this issue.

- 5 EFRAG’s initial assessment is that the benefits to be derived from implementing IFRS 13 in the EU as described in paragraph 4 above are likely to outweigh the costs involved as described in paragraph 3 above.

Do you agree with this assessment?

Yes No

If you do not agree with this assessment, please provide your arguments and indicate how this should affect EFRAG’s endorsement advice?

We as a national standard setter are not in a position to
comment on this issue.

- 6 EFRAG is not aware of any other factors that should be taken into account in reaching a decision as to what endorsement advice it should give the European Commission on IFRS 13.

Do you agree that there are no other factors?

Yes No

If you do not agree, please provide your arguments and indicate how this should affect EFRAG’s endorsement advice?

(Two of our constituents disagreed, with only one of them
providing arguments.)

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- (a) Your name or, if you are responding on behalf of an organisation or company, its name:

Allianz Group

- (b) Are you a:

X Preparer User Other (please specify)

(c) Please provide a short description of your activity:

As an international financial services provider Allianz offers its more than 76 million customers products and services in the areas insurance, asset management and banking.

(d) Country where you are located:

Allianz operates as an international financial services provider on almost every continent.

(e) Contact details including e-mail address:

Dr. Dietmar Isert

E-mail dietmar.isert@allianz.com

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(a) Do you agree with this assessment?

X Yes

If you do not, please explain why you do not agree and what you believe the implications of this should be for EFRAG’s endorsement advice.

(b) Are there any issues that are not mentioned in Appendix 2 that you believe EFRAG should take into account in its technical evaluation of IFRS 13? If there are, what are those issues and why do you believe they are relevant to the evaluation?

No issues identified that EFRAG should take into account.

- 3 EFRAG is also assessing the costs that are likely to arise for preparers and for users on implementation of IFRS 13 in the EU, both in year one and in subsequent years. Some initial work has been carried out, and the responses to this Invitation to Comment will be used to complete the assessment.

The results of the initial assessment of costs are set out in paragraphs **Error! Reference source not found.** – **Error! Reference source not found.** of Appendix 3. To summarise, EFRAG’s initial assessment is that costs to be incurred by preparers in implementing and applying IFRS 13 are not expected to be significant. IFRS 13 is likely to be neutral in terms of costs for users.

Do you agree with this assessment?

X Yes

If you do not, please explain why you do not and (if possible) explain broadly what you believe the costs involved will be?

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Do you agree with this assessment?

X Yes

If you do not agree with this assessment, please provide your arguments and indicate how this should affect EFRAG’s endorsement advice?

- 5 EFRAG’s initial assessment is that the benefits to be derived from implementing IFRS 13 in the EU as described in paragraph 4 above are likely to outweigh the costs involved as described in paragraph 3 above.

IFRS 13 Fair Value Measurement – Invitation to Comment on EFRAG’s Initial Assessments

Do you agree with this assessment?

X Yes

If you do not agree with this assessment, please provide your arguments and indicate how this should affect EFRAG’s endorsement advice?

- 6 EFRAG is not aware of any other factors that should be taken into account in reaching a decision as to what endorsement advice it should give the European Commission on IFRS 13.

Do you agree that there are no other factors?

X No

If you do not agree, please provide your arguments and indicate how this should affect EFRAG’s endorsement advice?

Generally, we agree with the proposed disclosure requirements. However, we believe the description of the valuation processes for level 3 assets is too operational burdensome and with only limited benefits to the users of the financial statements.

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1 Please provide the following details about yourself:

- (a) Your name or, if you are responding on behalf of an organisation or company, its name:

Roser, Daniela and Funk, Martin on behalf of BASF

- (b) Are you a:

Preparer User Other (please specify)

(c) Please provide a short description of your activity:

Group Accounting

(d) Country where you are located:

Germany

(e) Contact details including e-mail address:

Daniela Roser: Daniela.Roser@basf.com, +49 621 60 46965

Martin Funk: Martin.Funk@basf.com, +49 621 60 41598

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(a) Do you agree with this assessment?

Yes No

If you do not, please explain why you do not agree and what you believe the implications of this should be for EFRAG’s endorsement advice.

(b) Are there any issues that are not mentioned in Appendix 2 that you believe EFRAG should take into account in its technical evaluation of IFRS 13? If there are, what are those issues and why do you believe they are relevant to the evaluation?

Understandability: Following the valuation requirements of IFRS 13 the fair value has to be derived taking different scenarios into consideration. From our point of view this considerably increases complexity in preparing as well as using the information. Especially the fact that the own credit risk has to be considered leads to adverse valuation effects.

3 EFRAG is also assessing the costs that are likely to arise for preparers and for users on implementation of IFRS 13 in the EU, both in year one and in subsequent

IFRS 13 Fair Value Measurement – Invitation to Comment on EFRAG’s Initial Assessments

years. Some initial work has been carried out, and the responses to this Invitation to Comment will be used to complete the assessment.

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Do you agree with this assessment?

Yes No

If you do not, please explain why you do not and (if possible) explain broadly what you believe the costs involved will be?

From a general point of view the valuation requirements set out in IFRS 13 only state more precisely what was already required under IAS 39. Nevertheless we think, that this specification makes it necessary to include additional parameters like e.g. the own credit risk into the standard valuation processes in our systems. This will lead to significant adjustments in our valuation and reporting systems. Furthermore we expect additional effort in obtaining the respective market parameters as well as in adjusting the interfaces.

- 4 In addition, EFRAG is assessing the benefits that are likely to be derived from IFRS 13. The results of the initial assessment of benefits are set out in paragraphs 11 – 12 of Appendix 3. To summarise, EFRAG’s initial assessment is that IFRS 13 will facilitate preparers in applying and users in better understanding the fair value measurements applied in financial statements and will help to improve consistency in the application of fair value measurement.

Do you agree with this assessment?

Yes No

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Do you agree with this assessment?

Yes No

If you do not agree with this assessment, please provide your arguments and indicate how this should affect EFRAG’s endorsement advice?

IFRS 13 requires additional disclosures. The disclosure requirements currently given under IFRS 7 are already quite extensive so that we are afraid that a further extension might be more confusing than helpful (see also our comment to 2b)

Although IFRS 13 gives more details on how to determine the fair value, some aspects are quite theoretical and difficult to implement.

- 6 EFRAG is not aware of any other factors that should be taken into account in reaching a decision as to what endorsement advice it should give the European Commission on IFRS 13.

Do you agree that there are no other factors?

Yes No

If you do not agree, please provide your arguments and indicate how this should affect EFRAG’s endorsement advice?

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xxx

- (b) Are you a:

Preparer User Other (please specify)

Please provide a short description of your activity:

N/A

(c) Country where you are located:

Germany

(d) Contact details including e-mail address:

xxx

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(a) Do you agree with this assessment?

Yes No

If you do not, please explain why you do not agree and what you believe the implications of this should be for EFRAG’s endorsement advice.

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Do you agree with this assessment?

Yes No

If you do not, please explain why you do not and (if possible) explain broadly what you believe the costs involved will be?

This assessment may be dependent on the financial instruments held and the related “adjustments” for credit risks. Specifically for smaller entities it might be a huge administrative burden to invest in new systems to be able to account for the respective adjustments. Although one might argue that this valuation aspect is not new, a new focus will highlight it. Although the effects might be not material it might be challenging to prove this at each closing without unadjusted systems.

- 4 In addition, EFRAG is assessing the benefits that are likely to be derived from IFRS 13. The results of the initial assessment of benefits are set out in paragraphs 11 – 12 of Appendix 3. To summarise, EFRAG’s initial assessment is that IFRS 13 will facilitate preparers in applying and users in better understanding the fair value measurements applied in financial statements and will help to improve consistency in the application of fair value measurement.

Do you agree with this assessment?

Yes No

If you do not agree with this assessment, please provide your arguments and indicate how this should affect EFRAG’s endorsement advice?

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IFRS 13 Fair Value Measurement – Invitation to Comment on EFRAG’s Initial Assessments

Do you agree with this assessment?

Yes No

If you do not agree with this assessment, please provide your arguments and indicate how this should affect EFRAG’s endorsement advice?

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Do you agree that there are no other factors?

Yes No

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- (a) Your name or, if you are responding on behalf of an organisation or company, its name:

Peter Sassenfeld, Member of the Board (CFO)

HOCHTIEF AG, Opernplatz 2, 45128 Essen, Germany

- (b) Are you a:

X Preparer User Other (please specify)

(c) Please provide a short description of your activity:

HOCHTIEF is one of the leading international providers of construction-related services. We deliver integrated services covering the life cycle of infrastructure projects, real estate and facilities in all the world's major markets.

(d) Country where you are located:

Germany

(e) Contact details including e-mail address:

HOCHTIEF AG

Attn: Peter Sassenfeld

Opernplatz 2

45128 Essen, Germany

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(a) Do you agree with this assessment?

Yes No

If you do not, please explain why you do not agree and what you believe the implications of this should be for EFRAG’s endorsement advice.

(b) Are there any issues that are not mentioned in Appendix 2 that you believe EFRAG should take into account in its technical evaluation of IFRS 13? If there are, what are those issues and why do you believe they are relevant to the evaluation?

We would like to ask you to add measurement of investment property within para. 20.

We would also ask you to consider the clarification of IAS 12 “Deferred Tax: Recovery of Underlying Assets”. The amendment includes a practical solution

to the problem of subjectivity with regards to the assessment whether the economic benefits of an asset measured at fair value (as well as recovery of corresponding deferred taxes) will be realised through use or sale by introducing a presumption that recovery of the carrying amount will normally be through sale. This presumption would usually be in line with the definition of the fair value as an exit price. But if an entity expects to recover the carrying amount through use there will be a mismatch between the measurement of the asset based on an exit presumption and the valuation of deferred taxes that will be based on a tax rate for continuing use.

Introducing this practical solution and especially the possibility to override it under certain circumstances the IASB is aware that different usage assumptions may have an impact on valuation and that the exit scenario may not be one that represents the economics faithfully since it does not reflect the expected cash flows but a hypothetical scenario that the entity does not expect. Therefore we believe that there should either be a presumption of an exit scenario and the possibility to override it including appropriate disclosures or the exit scenario is set different usage patterns expected by the entity should be disclosed similar to the “highest and best use”-principle.

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Do you agree with this assessment?

X Yes No

If you do not, please explain why you do not and (if possible) explain broadly what you believe the costs involved will be?

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IFRS 13 Fair Value Measurement – Invitation to Comment on EFRAG’s Initial Assessments

Do you agree with this assessment?

X Yes No

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Do you agree with this assessment?

X Yes No

If you do not agree with this assessment, please provide your arguments and indicate how this should affect EFRAG’s endorsement advice?

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Do you agree that there are no other factors?

X Yes No

If you do not agree, please provide your arguments and indicate how this should affect EFRAG’s endorsement advice?

But please refer to our explanation within para.2.
