

Mr
Roger Marshall
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European Financial Reporting Advisory Group
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Date
26.11.2015

EFRAG's 2015 proactive agenda consultation

Dear Mr Marshall

On behalf of the German Insurance Association (GDV) we welcome the opportunity to comment on the document "EFRAG's 2015 proactive agenda consultation", as issued by EFRAG on the 1 October 2015 for public consultation. As a matter of fact, we believe that EFRAG should continue to be focused on activities of importance for the European Union with the objective to influence the related IASB's standard setting activities. We appreciate and fully support the considerable efforts of EFRAG to stimulate debates related to important IASB's projects (e.g. regarding the search for alternatives to the highly problematic impairment only approach for goodwill accounting or with regard to the significant relevance of the other comprehensive income (OCI) presentation for meaningful IFRS financial statements). We fully support the related efforts of EFRAG to undertake joint activities with European or non-European standard setting bodies where reasonable with respect to the general constraints on resources.

In general, we have the strong view that IASB, when setting priorities for their standard setting and maintaining activities, should also take into account the valid needs and concerns of reporting entities as the most affected party in the process. Therefore, the needs of investors and other users of financial statements should not be the only driver for related activities of EFRAG. We believe that the importance of particular projects for preparers should be equivalently considered in the respective standard setting processes. For example, the currently ongoing discussions (triggered by the IASB's Post-implementation Review of IFRS 3 Business Combinations) on the practicability and unintended consequences of the impairment only approach for goodwill accounting provide a clearly substantiated evidence for our valid request.

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For that reason we like to mention the Discussion Paper “Should Goodwill still not be amortised?, Accounting and disclosure for Goodwill”, prepared jointly by EFRAG, ASBJ and OIC, as a very useful contribution to the discussion. The GDV has provided detailed comments on it with the letter of 23 September 2014. And we believe that EFRAG was successful in triggering the related discussions and efforts at the IASB level on that issue.

With regard to proposed new EFRAG proactive projects, and irrespective of the currently ongoing endorsement procedure on IFRS 9 Financial Instruments, we fully support that EFRAG is going to address a particularly significant issue in its research programme as the “impairment model for equity investments”-project (paragraph 22 (a)). We firmly believe that the OCI presentation should be accompanied by the possibility for recycling of OCI amounts into profit or loss as a matter of principle. Therefore, it is conceptually absolutely inappropriate to prohibit recycling on FVOCI equities in IFRS 9 when the related gains or losses on these investments are realised. We have the strong view that recycling of realised gains and losses from OCI to profit or loss is indispensable to achieve proper and faithful accounting results in line with underlying investment strategy of reporting entities. Furthermore, we fully disagree with the earnings management argument. We believe that accounting should meaningfully reflect the effects of economic decisions and that the standard setting activity of the IASB should not be based on the objective to prohibit any potential misuse. In general, the prohibition of recycling on FVOCI equities is suitable to disadvantage the related long-term investments and creates an implicit preference for full fair value accounting. We encourage EFRAG to dedicate sufficient resources to this project being of significant relevance for Europe and for the related efforts of the European Commission to foster long-term financing of European economy.

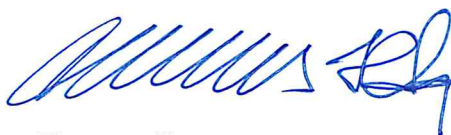
Finally, we agree with the tentative view that it is of utmost importance for EFRAG to remain an independent contributor to IASB’s projects (paragraph 17), especially because of the prominent role EFRAG plays in the EU’s endorsement process as advisory body of the Commission.

If you would like to discuss our comments further, please do not hesitate to contact us.

Yours sincerely,



Dr. Axel Wehling
(Member of the Executive Board)



Thomas Ilka
(Member of the Executive Board)