Bundesverband deutscher Banken

Mr Fabrice Demarigny
Secretary General
Committee of European Securities Regulators (CESR)
11-13 avenue de Friedland

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18 November 2003
H 3.9 - Sü/To

Consultation paper: European regulation on the application of IFRS in 2005 - Draft Recommendation for additional guidance regarding the transition to IFRS

Dear Mr Demarigny,

Thank you for the opportunity to respond to the Draft Recommendation for additional guidance regarding the transition to IFRS. We share CESR's view that the 2005 changeover to IAS/IFRS accounting rules represents a major challenge, not just for the companies making the transition, but for other capital market participants such as investors and analysts as well. There is therefore clearly a need to have in place arrangements to ensure that the transition will be smooth and the financial statements published during this phase comparable.

In our view, however, this need is met in full by IFRS 1 "First-time adoption of international financial reporting standards". We do not believe it is necessary to establish additional rules alongside or beyond the IFRS. It would serve no useful purpose to set up any bodies duplicating the work of the IASB, the acknowledged standard setter in the field of international accounting. On the contrary, all issues associated with the application of IAS/IFRS should be discussed within the IASB standard-setting process and regulated exclusively in IAS/IFRS.

We should like to make the following points regarding the proposed disclosure requirements:

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Publication of 2003 and 2004 financial statements

We believe it would be premature to require companies to give a detailed description of their transitional arrangements in the 2003 and 2004 financial statements. At this stage, it should be sufficient for a company to state its intention to make the transition and indicate the timing of the changeover. Users of the financial statements would probably find explanations of anticipated future differences in individual items more confusing than helpful. Furthermore, it is not the job of financial statements to act as a textbook explaining general differences between accounting systems.

2005 interim information

When a company presents its annual financial statements in accordance with IAS/IFRS for the first time, the main qualitative and quantitative differences between the new and previous accounting methods will be explained in the notes or in the management report. The changeover to IAS/IFRS will thus be transparent and understandable to users. If IAS/IFRS are used for the first time in an interim report, users will not be provided with this depth of useful information. It would therefore be highly preferable for companies to make the changeover to IAS/IFRS in their annual financial statements, not in an interim report. We would therefore advocate presenting 2005 quarterly and half-year reports on the basis of the previously used accounting rules.

Publication of 2005 financial statements

We agree that the scope and content of the quantitative comparative information should be in conformity with IFRS 1. This information should be presented in the notes or in the management report.

Comparative information presented for the corresponding preceding period(s)

We welcome the recommendation that, if national rules require the presentation of financial statements over three successive periods, it should not be necessary to restate 2003 in accordance with IFRS.

We would be happy to supply further information if required.

Yours sincerely,

Burkhardt Schütte

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