German Banking Industry Committee

Die Deutsche Kreditwirtschaft

Comments

Draft Report on IAS evaluation and the activities of the IFRS Foundation, EFRAG and the PIOB

Register of Interest Representatives
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The German Banking Industry Committee[1] is the joint committee operated by the central associations of the German banking industry. These associations are the Bundesverband der Deutschen Volksbanken und Raiffeisenbanken (BVR), for the cooperative banks, the Bundesverband deutscher Banken (BdB), for the private commercial banks, the Bundesverband Öffentlicher Banken Deutschlands (VÖB), for the public-sector banks, the Deutscher Sparkassen- und Giroverband (DSGV), for the savings banks finance group, and the Verband deutscher Pfandbriefbanken (vdp), for the Pfandbrief banks. Collectively, they represent more than 2,000 banks.

We are writing to you regarding ECON’s draft report on the evaluation of the IAS Regulation (1606/2002). We believe it made good sense, after over ten years of experience applying IFRS in Europe, for the European Commission to conduct its recent public consultation and for this reason, we also participated in the 2014 online questionnaire.

The German Banking Industry Committee (GBIC) considers IFRS accounting standards of high quality and believe they play an important role in enhancing the transparency and comparability of consolidated financial statements, thus furthering the development of a single capital market in Europe.

We strongly support the scope of the IAS Regulation. Germany has a substantial “Mittelstand” sector of small and medium-sized businesses which do not make use of the capital market. If companies do not prepare consolidated accounts or are not publicly traded, they draw up their financial statements in accordance with national accounting rules.

The main function of IFRS accounts is to provide investors in the capital market with information which will help them to make their investment decisions. For this reason, IFRS accounts contain a lot of details necessary for this purpose. Should a firm not wish to tap the capital market, however, these details are largely irrelevant. It makes no sense, in such cases, to prepare accounts using IFRS.

On the other hand, we also take the view that internationally active companies need internationally recognised accounting standards. In addition to its strong Mittelstand, Germany has a number of companies with a global presence, which would have little use for “European accounting standards”. IFRS are internationally recognised and consequently offer a robust basis for financial reporting both within the European Union and beyond.

Standard-setting at the IASB follows a strictly defined procedure requiring the involvement of all interested stakeholders from an early stage. Close adherence to this procedure ensures a transparent standard-setting process. The European endorsement process then gives the standards political and legal legitimacy in the EU. The current process is a finely balanced mechanism with the involvement of the European Parliament and the European Council. We consider it a practical means of ensuring adequate legitimacy on the one hand, while on the other avoiding too long a time lag between the adoption of a standard by the IASB and its endorsement in the EU.

We share the view that accounting standards should not be allowed to adversely affect financial stability or economic development in the European Union. In our view, however, accounting standards should be judged first and foremost on their ability to ensure a realistic presentation of the underlying business transactions: we do not believe they primarily serve macroprudential purposes.

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[1] Enrolled in EU transparency register unter the register number 52646912360-95.

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In summary, we firmly believe that the IAS Regulation has proved its worth over the last ten years. It offers a sound compromise between the differing needs of different companies in the European Union. We see no need for change.