

# Comments

## Draft Report by Philippe MAYSTADT

**Should IFRS Standards Be More European?** Mission to reinforce the EU's contribution to international accounting standards

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## **Comments**

The German Banking Industry Committee (GBIC) 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 financial group, and the Verband deutscher Pfandbriefbanken (vdp), for the Pfandbrief banks. Collectively, they represent more than 2,000 banks.

We have been following developments in the area of international accounting for many years and would like to take the opportunity to provide you with our views on some of the ideas and proposals outlined in your report.

### **Single accounting language**

For internationally active banks, comparability at a global level is very important. We therefore share the misgivings expressed in the report about amending IFRS within the EU. Introducing an option to modify IFRS will run against the concept of a worldwide accounting language and may result in less open markets, less transparency, less comparability, possible mistrust of the financial statements issued by EU companies and added costs for European entities which are active on global markets.

In our view, strengthening the European voice in the international standard-setting process would be a much better way of ensuring European interests are adequately reflected. The report sets out three options for achieving this aim. We strongly agree with the first option.

### **Transforming EFRAG**

We support the basic principle of the first option: EFRAG would remain a private organisation and the Commission would still be in charge of taking decisions on the strategic/political issues involved in the accounting debate.

#### Independence of EFRAG TEG

We believe EFRAG TEG should remain responsible for the technical assessment of standards and therefore consist of independent accounting experts. Within TEG we see no room for voting rights for European organisations like the ECB, EBA or ESMA. Among other things, this would make discussions too political and the size of the group unmanageable. We could nevertheless imagine opening the general assembly to European institutions. Another body should be established alongside EFRAG TEG to consider political and economic aspects (e.g. financial stability).

#### High-level board

The report suggests replacing the current Supervisory Board with a high-level board to approve the comment letters addressed to the IASB and adopt opinions prepared by TEG. In principle, we agree with the idea of such a board. However, it is important that EFRAG TEG remains independent.

In general, we believe that EBA, ECB and ESMA have their own specific tasks and objectives (e.g. financial stability, prudential supervision, enforcement). We prefer to make a clear distinction between these tasks and accounting standard-setting. Nevertheless, it may be useful to find a way of involving these organisations in the standard-setting process to some extent. To this end, it might be worth considering giving EBA, ECB and ESMA a seat in the EFRAG general assembly.

#### Funding

Funding should be broadly based, proportional and stable. It should have public sponsorship and there should be public accountability in the budget process. We believe that the idea of compulsory levies paid by listed companies may be a good solution. Since robust and stable accounting rules are a public good, we could also envisage 100% funding by the EU or other public authorities.

Regardless of which method of funding is chosen, the EFRAG budget should be carefully planned and strictly controlled. It should be made transparent how much money is spent on which of EFRAG's tasks.

#### **Transferring the attributions of EFRAG to ESMA**

We strongly disagree with the proposal to integrate EFRAG into ESMA. In our view, standard-setting and enforcement are two different tasks (see above) and should be clearly separated. Setting and interpreting IFRS is the job of the IASB and the IFRS Interpretations Committee, whilst enforcement is aimed at ensuring that the standards are applied uniformly. We see a conflict of interest in combining the two.

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