

Deutsche Bank



Mr. Hans Hoogervorst
Chairman
International Accounting Standards Board (IASB)
1st Floor
30 Cannon Street
London EC4M 6XH
United Kingdom

Deutsche Bank AG London
Winchester House
1 Great Winchester Street
London EC2N 2DB
Tel. +44 20 7545 8000

Mr Russell Golden
Chairman
Financial Accounting Standards Board (FASB)
401 Merritt 7
PO Box 5116
Norwalk, Connecticut 06856-5116

19 November 2013

Re: Effective Date of IFRS 9-Financial instruments

Dear Messrs Hoogervorst and Golden,

Deutsche Bank ("the Bank") would like to reiterate the message previously communicated in our comment letter on 'ED/2013/3 Financial Instruments: Expected credit losses' (March 2013) that the earliest effective date we could implement the final standard in a robust manner is 01 January 2017. We also send this letter to the FASB to make a request to adopt this same effective date as the IASB because having staggered implementation dates for the new approaches and disclosures will create operational challenges for us as we also have US GAAP reporting subsidiaries. This letter explains why an effective date earlier than 01 January 2017 would impede the bank from providing high quality and accurate information to the reader of the accounts.

Robust estimations of expected credit losses and credit risk

While the proposals contained in the exposure draft affords preparers some ability to leverage existing risk management practices, the proposals will still require significant adjustments to risk models, systems and processes. Sufficient lead time will therefore be required to properly implement such changes. Any system changes must be appropriately tested, run in parallel to old systems, and the outputs generated need to be compared to other quantitative and qualitative information elsewhere in the bank over a period of time to identify any trends that may not be consistent with expectations. We would consider at least one year parallel running to be required for any new systems.

The implementation of changes to existing systems is also constrained by the fact that the current systems are already used to produce information for current reporting obligations. So, the changes cannot be incorporated throughout the year but rather, there are specific time windows where the work can be undertaken.

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If we assume that the standard is issued in Q2 2014, we believe that it will take us at least 18 months to build, enhance and test our systems. It will then take at least 4 quarters of parallel running to understand the system output and at the same time, we will be in a better position to educate our users. This timetable therefore views a transition date of 01 January 2017 as being essential; any earlier date would be unachievable.

Certain key elements of the proposals are still subject to change

The scope of the new impairment standard is wider than the current standard as certain new balances such as lease receivables and Fair value through Other Comprehensive Income instruments will be added to the scope of the new standard.

There are also certain moving parts in the 'Financial instruments-classification and measurement' standard in terms of whether a third category will be introduced and the final resolution may have an impact on the impairment standard.

As the redeliberations on the impairment project are likely to continue in the first quarter of next year, with a final standard expected at the end of the first half of 2014, we consider it risky to pre-empt the conclusions and build the required infrastructure accordingly. For example, implementing changes to systems until the mechanism to transfer loans from one year to lifetime losses and the disclosure requirements have been fully clarified risks wasting efforts and resources. Since the banking industry as a whole is facing increasing system development cost pressures in light of the imposition of a suite of new disclosure requirements, we are reluctant to commission system builds in advance of the publication of the final standard.

Other regulatory and financial reporting projects

The interpretation of the new requirements as well as the implementation of the new standards will require input from specialist credit risk managers, accountants and IT developers. Throughout the bank, these specialist resources are already being deployed on other competing regulatory and financial reporting enhancement projects such as FinRep/Corep, FSB Data Gap initiatives, CRR/CRD4 (Liquidity and leverage ratio, Risk Data Aggregation and Reporting). This pool of specialist resources is finite and using an implementation date of earlier than 01 January 2017 would put extensive pressure on this pool and may prevent the appropriate due diligence process from taking place for the new impairment standard.

Dual reporting requirement (US GAAP and IFRS) for the group and meeting user needs

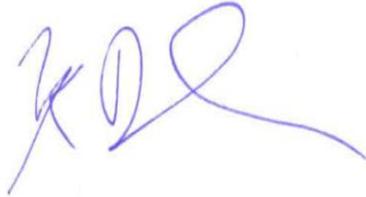
Since the IASB and the FASB are likely to diverge on the impairment model that each is going to adopt, international institutions like Deutsche Bank will need to implement both approaches. We will need to adopt the FASB requirements in the standalone financial statements of our US subsidiaries. Therefore, the project implementation time needs to reflect the system development requirements for both sets of diverging standards and their effective dates should coincide. If the effective dates are different, it will be even more complex operationally to meet the requirements.

Recommendation and Conclusion

Because of the reasons mentioned in the sections above and coupled with the need explained in his paragraph, we believe that any implementation date before 01 January 2017 would be difficult to meet.

We hope you find these comments helpful and we would appreciate your attention on the points raised in this letter. Should you have any questions or wish to discuss these matters further, please contact Karin Dohm on +49(69)910-31183 or via email to karin.dohm@db.com or Maria Nordgren on +44(207)547-5363 or via email to maria.nordgren@db.com.

Yours sincerely,



Karin Dohm
Managing Director
Chief Accounting Officer
Deutsche Bank AG



Maria Nordgren
Global Technical Director
Deutsche Bank AG