

By E-mail to: [regs.comments@federalreserve.gov](mailto:regs.comments@federalreserve.gov)

March 17, 2008

Ms. Jennifer J. Johnson,  
Secretary  
Board of Governors of the Federal Reserve System,  
20th Street and Constitution Avenue, NW  
Washington, DC 20551

**Re: Potential Use of International Financial Reporting Standards in  
Regulatory Reports (OMB Control Numbers 7100-0032 and 7100-  
0273)**

Dear Ms. Johnson:

Deutsche Bank (the "Bank") appreciates the opportunity to comment on the Federal Reserve Board's proposal regarding the potential use of International Financial Reporting Standards ("IFRS") to prepare the Report of Assets and Liabilities of U.S. Branches and Agencies of Foreign Banks (FFIEC 002) and the Report of Assets and Liabilities of a Non-U.S. Branch that Is Managed or Controlled by a U.S. Branch or Agency of a Foreign (Non-U.S.) Bank (FFIEC 002S) ("Call Reports"), pursuant to the notice published in 73 Fed. Reg. 2491 (Jan. 15, 2008). Although the notice requests comments on a number of detailed items in the Call Reports, Deutsche Bank is limiting its comments to the request for comments about the use of IFRS (73 Fed. Reg. at 2496).

Deutsche Bank is a global provider of a full range of corporate and investment banking and asset management products and services, as well as retail banking services to private wealth management and other clients. Deutsche Bank has registered its securities with the Securities and Exchange Commission ("SEC") pursuant to Section 12(b) of the Securities Exchange Act of 1933, and prior to January 1, 2007, prepared its financial statements in accordance with U.S. generally accepted accounting principles ("U.S. GAAP"). Since January 1, 2007, the Bank has prepared its annual financial and interim statements in accordance with IFRS.

Deutsche Bank fully supports the proposal to use IFRS in the Call Reports filed by U.S. branches and agencies of international banks. We believe that IFRS-based Call Reports will provide high-quality and transparent information to users. In fact, we urge the Federal Reserve Board and all U.S. banking agencies to permit the use of IFRS for all regulatory reports. We also encourage the Federal Reserve to establish a special working group of international banks to create a transition plan and address potential implementation issues.

In principle, Deutsche Bank agrees with the comments of the Institute of International Bankers (the "IIB") in its letter dated March 12, 2008, that (i) U.S. branches and agencies of international banks should be afforded the option to use IFRS in their Call Reports and other regulatory reports as soon as reasonably possible, and (ii) that maintaining separate systems, books and records necessary to file regulatory reports under U.S. GAAP imposes unnecessary financial and other burdens on international banks required to make such filings.

Since January 1, 2007, the Bank has prepared its annual financial and interim statements in accordance with IFRS (see the 2006 Transitional Report posted on Deutsche Bank's website:

[http://www.db.com/ir/en/download/Transition\\_Report\\_EN\\_2006\\_IFRS.pdf](http://www.db.com/ir/en/download/Transition_Report_EN_2006_IFRS.pdf)).

The financial impact of the conversion from U.S. GAAP to IFRS was minimal, i.e., Deutsche Bank's net income attributable to own shareholders (i.e., excluding minority interest) under IFRS was € 6,070 million for the year ended December 31, 2006, an increase of € 84 million compared with € 5,986 million under U.S. GAAP. Shareholders' equity under IFRS was € 32,666 million, a decrease of € 142 million as at December 31, 2006, compared to U.S. GAAP.

As a European regulated entity, Deutsche Bank is required to prepare its financial statements under IFRS as endorsed by the EU ("EU IFRS"). Deutsche Bank is currently able to state without qualification that its IFRS-based financial statements comply with guidance published by both the IASB and the EU. Deutsche Bank's experience in transitioning to IFRS from U.S. GAAP since the SEC eliminated the U.S. GAAP reconciliation requirements on November 15, 2007, makes us particularly well-suited to comment on the proposal.

We fully support the proposal to accept from foreign private issuers Call Reports prepared in accordance with IFRS as published by the IASB ("IASB IFRS") without reconciliation to U.S. GAAP.

The recent efforts towards convergence by the IASB and the FASB have resulted in substantially similar sets of accounting standards and we do not believe that users of Call Reports or other subsidiary regulatory reports would make different decisions for the same entity if the entity had prepared its report under IFRS or U.S. GAAP. We are further encouraged by the IASB and FASB commitment towards convergence and the progress to date, and expect that future projects towards convergence will achieve further convergence in the near-term.

As a European-based bank, Deutsche Bank is required by EU law to prepare its group accounts in compliance with the EU IFRS version. Although the EU endorsement process is necessary to incorporate the IASB IFRS version into European law, there are a few differences between the IASB and EU IFRS versions<sup>1</sup>. One of the differences allows for an election; Deutsche Bank has declined to take advantage of the election,

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<sup>1</sup> For example, the EU IFRS version permits institutions to "carve out" IAS 39 with respect to hedge accounting for certain financial instruments from their financial statements. Also, the IASB has recently issued "IFRS 8: Operating Segments" which has not been endorsed yet by the EU. If these differences are not converged in the future, U.S. branches and agencies of European banks may need to compile two sets of information about operating segments to comply with both sets of requirements, but Deutsche Bank does not believe this would be much less burdensome than the parallel recordkeeping required to report under IFRS and U.S. GAAP and would not constitute a material impediment to using IFRS for U.S. reporting purposes.

avoiding any difference in its results under the IASB IFRS and the EU IFRS, in furtherance of its commitment to the establishment of a single set of global accounting standards.

Deutsche Bank believes that it is essential that the U.S. banking agencies and the SEC play a significant role in establishing a single set of high-quality accounting standards. If the proposal to use IFRS in the Call Reports filed by U.S. branches and agencies of international banks is adopted, we encourage the Federal Reserve Board to provide feedback and comments to the IASB and the International Financial Reporting Interpretations Committee (“IFRIC”) early in the standard-setting and interpretation-forming process. We encourage the Federal Reserve Board to suggest issues that the IASB and IFRIC should address and to provide comments on exposure drafts of standards and interpretations. We discourage the establishment of a separate U.S. interpretation of IFRS. The aim should be a single source of IFRS interpretations to be applied worldwide.

If the proposal is adopted and there is no requirement to produce U.S. GAAP based Call Reports for year-end filings, there is little benefit in requiring interim U.S. GAAP Call Reports for the year in which the adopted proposal becomes effective. If such relief is not granted, we request that U.S. branches and agencies of European banks be exempted from applying any new U.S. GAAP standards in the Call Reports included in interim filings in the year of adoption. We note that there is significant cost and effort in adopting any new U.S. GAAP requirements.

In addition, Deutsche Bank offers the following comments in response to the specific questions raised in the Federal Register notice.

- *The ability of respondents to prepare the FFIEC 002 and FFIEC 002s based on IFRS as issued by the International Accounting Standards Board.*

Deutsche Bank has recently made the transition from being a primary U.S. GAAP filer to being a primary IFRS reporter. During this transition we encountered a number of differences between U.S. GAAP and IFRS. We believe it is noteworthy that these differences did not have a material impact on the Bank’s results, and there was no apparent impact of the change in reporting on our share price or our ability to raise funds in the capital markets. There is no reason to believe that allowing the use of IFRS in regulatory reporting would have an impact on how the users of regulatory reports would make decisions.

We have been encouraged by the efforts of the Financial Accounting Standards Board (“FASB”) and International Accounting Standards Board (“IASB”) towards convergence and we fully support efforts of continued convergence towards a single set of high-quality accounting standards, applied globally. Full convergence may never occur, but that is not necessary to permit banks to file IFRS-based regulatory reports.

- *The degree to which respondents would need the agencies to provide specific reporting instructions to supplement IFRS to accurately prepare the FFIEC 002 and FFIEC 002s.*

IFRS has developed over a number of years, and while application has increased in the European Union (“EU”) recently, a number of large institutions have been applying IFRS

for several years. During this period, interpretations and application guidance has been developed, aiding the transition of companies to IFRS. We expect interpretations and application guidance to continue to develop and evolve as it would for any principles-based set of accounting standards. As it relates to the preparation of IFRS-based regulatory reports, we believe the U.S. agencies will need to provide specific reporting instructions where there are differences between the classification in a bank's financial statements and those in its regulatory reports, but this is no different from the current practice under U.S. GAAP.

- *The amount of time respondents would need to prepare their systems, personnel, and processes to transition from the current GAAP-based FFIEC 002 and FFIEC 002S to IFRS-based reports.*

Deutsche Bank has recently converted from being a primary U.S. GAAP filer to preparing financial statements with IFRS as primary generally accepted accounting principles ("GAAP"). From that experience, we believe that the amount of time required to prepare our systems, personnel and processes to transition from U.S. GAAP to IFRS-based Call Reports should be less than 12 months.

If you have any comments or questions regarding these responses, please contact Robert Broughton (e-mail: [robert.broughton@db.com](mailto:robert.broughton@db.com); phone: 201-593 3282) or Anthony Esposito (e-mail: [anthony.esposito@db.com](mailto:anthony.esposito@db.com); phone: 212-250 2660).

Yours sincerely,

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