

# **Stellungnahmen Stellungnahme DK zu "Proposed Accounting Standards Update: Financial Instruments - Credit Losses (Subtopic 825-15)"**

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30. Mai 2013

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We sincerely regret that the IASB and the FASB were unable to reach a joint position for the new impairment rules and are hence now presenting two separate proposals. While the IASB in its proposal published on March 7, 2013, is essentially keeping to the three-bucket model, the FASB already proposed lifetime loss accounting for all credits in its Current Expected Credit Loss (CECL) model which was published in 2012. The German Banking Industry Committee strictly rejects such an undifferentiated CECL impairment model.

We believe that an impairment approach should distinguish between performing and non-performing/impaired loans. This specifically means that the amount of risk provisions to be formed has to depend on credit quality. This kind of distinction is also in line with risk management practice in the banking sector.

An impairment model that differentiates the amount of credit risk provisions to be formed on the basis of credit quality also adequately reflects the "too little too late" criticism that has been expressed regarding the incurred loss model. That's because a certain level of risk provision is already formed for performing loans and would rise further as credit deterioration increases. This means that contrary to the current incurred loss model, risk provisions would be formed at an earlier point in time and to a higher extent. [...]