DGRV

Deutscher Genossenschafts- und Raiffeisenverband e.V.

EIN GEWINN FÜR ALLE

Die Genossenschaften

EFRAG
Mr Roger Marshall
Acting President
35 Square de Meeûs
B-1000 Brussels

Policy Issues
WP Dieter Gahlen
T. +49 30 726220-943
F. +49 30 726220-985
gahlen@dgrv.de

23 March 2016
ga/ts

Dear Mr Marshall

EFRAG SDS

Statement of Cash Flows – Issues for Financial Institutions

We are pleased to comment on EFRAG's Discussion Paper mentioned above. The DGRV – German Cooperative and Raiffeisen Confederation represents both the umbrella organisation and auditing organization of the German cooperative sector with over 19 million members in about 5.700 mostly small and medium sized cooperative entities including about 1.000 banks.

We agree with EFRAG's observation that there are claims which point out that the statement of cash flows according to current conventions (IAS 7) has limited relevance for financial institutions. This applies particularly to banks. In our view replacing the statement of cash flows for the identified entities with other requirements would be an alternative worth of consideration.

Please find our comments on the questions raised in the Discussion Paper in the appendix to this letter. We focus our comments on the banking business. If you would like to further discuss our comments, please do not hesitate to contact us.

Yours sincerely

DGRV – German Cooperative and Raiffeisen Confederation

Dr. Eckhard Ott i. V. Dieter Gahlen

Question 1 - Usefulness of the statement of cash flows

The DP discusses the claim that, for some entities, the statement of cash flows in its current format has limited relevance. Do you think the claim is legitimate? If so, do you think that paragraph 3.12 appropriately identifies these entities?

We agree that the statement of cash flows according to current conventions (IAS 7) has limited relevance for banks. The limits concern not alone the requirement to disaggregate cash flows into operating, investing and financing. Above all, presenting the change in cash and cash equivalents is not very meaningful. We think that paragraph 3.12 appropriately identifies these entities and thus that the statement of cash flows is not the most appropriate way to provide relevant information on those entities.

Question 2 - Possible alternatives

Chapter 3 discusses two alternatives: replacing the statement of cash flows for the identified entities with other requirements, or retain it with targeted improvements. Do you support any of these two proposals? If not, do you have other suggestions?

We prefer the first alternative that suggests replacing the statement of cash flows for the identified entities with other requirements.

Question 3 - Replacing the statement of cash flows

Assuming the statement is replaced by the identified entities, do you support the introduction of the new disclosures discussed in paragraphs 3.14 to 3.37? If not, what other requirements would you suggest to replace the statement of cash flows with?

We support alternative 1 that suggests replacing the statement of cash flows with ratios designed to monitor liquidity and liquidity risk by banking authorities.

Question 4 - Targeted improvements

Assuming that the statement is retained for the identified entities, do you support the targeted improvements in paragraphs 3.38 to 3.47?

If the statement of cash flows is retained for the identified entities, the best way to improve the information value of banks' cash flow statements is to remove the categories within the statement.

Question 5 - Separate financial statements

The DP discusses general issues with the statement of cash flows for the identified entities. Do you think that there are other issues specific to their separate financial statements? If so, what are they?

All aspects regarding liquidity and liquidity risk would have to be discussed for separate financial statements first, before addressing other issues specific to the consolidated financial statements.