



BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM
WASHINGTON, DC 20551

February 14, 2018

Salvatore P. Palazzolo
Managing Director and Senior Counsel
Deutsche Bank AG
60 Wall Street
New York, New York 10005

Dear Mr. Palazzolo:

This responds to the request by Deutsche Bank AG (“Deutsche Bank”), Frankfurt, Germany, dated February 2, 2018, that the Board permit Deutsche Bank to establish a second intermediate holding company (“IHC”) to hold its U.S. asset management business pursuant to Regulation YY.¹

Regulation YY requires a foreign banking organization (“FBO”) with U.S. non-branch assets of \$50 billion or more to establish an IHC and hold its ownership interests in all U.S. subsidiaries under the IHC.² The Board may permit an FBO to establish multiple IHCs.³ Regulation YY provides that, in determining whether an FBO should be permitted to form multiple IHCs, the Board will consider whether circumstances warrant an exception based on the FBO’s activities, scope of operations, structure, or similar considerations.⁴ In the event the Board permits an FBO to establish more than one IHC, Regulation YY provides that even if one or more of those IHCs does not independently meet the \$50 billion threshold, the Board will generally treat the IHC as though it met or exceeded the threshold.⁵

¹ 12 CFR part 252.

² 12 CFR 252.153(a) and (b).

³ 12 CFR 252.153(c)(1).

⁴ 12 CFR 252.153(c)(2).

⁵ 12 CFR 252.153(c)(4)(ii).

In 2016, Deutsche Bank established an IHC, DB USA Corp. (“DB USA”), to comply with Regulation YY. Deutsche Bank has requested that the Board permit it to establish a second IHC that would hold its U.S. asset management business (“IHC II”) in order to further the restructuring and partial sale of its global asset management business. Deutsche Bank intends to transfer its global asset management business, including IHC II, to a separate German holding company (“German AM Holdco”). Following the transfer of all relevant legal entities under German AM Holdco, Deutsche Bank would conduct an initial public offering (“IPO”) of 25 percent of the shares of German AM Holdco and would retain a 75 percent interest in the entity.

Deutsche Bank represents that the reorganization would contribute to Deutsche Bank’s standing commitment to its home-country regulator to improve its separability options and recoverability by rationalizing the structure of its core business lines. Specifically, the firm is transferring all asset management activities to dedicated asset management entities and moving these entities underneath a single asset-management holding company. In addition, the firm is moving infrastructure directly related to and used solely by Deutsche Bank’s asset management business to its asset-management group companies and is identifying and documenting the shared services Deutsche Bank provides to its asset management business. The legal-entity restructuring and the identification and documentation of shared-services linkages is expected to enhance the separability of the asset management business line in a global recovery or resolution scenario.

IHC II would engage in no activities and hold no assets other than Deutsche Bank’s ownership interests in its U.S. subsidiaries engaged in asset management activities in the United States.⁶ IHC II would have approximately \$[REDACTED] billion in assets under management. Deutsche Bank anticipates that it will operate DB USA and IHC II largely independently. IHC II’s management and strategy will be aligned with Deutsche Bank’s global asset-management business. DB USA and IHC II will each have its own dedicated governance and risk management framework (with personnel overlap, information sharing, and coordination).

After consideration of all relevant facts, including Deutsche Bank’s activities, scope of operations, structure, and similar considerations, the Board has approved Deutsche Bank’s request to establish a second IHC to hold its U.S. asset

⁶ Asset management represents approximately [REDACTED] percent DB USA’s total revenues, [REDACTED] percent of DB USA’s risk-weighted assets, and [REDACTED] percent of DB USA’s total assets.

management business pursuant to Regulation YY. The Board continues to believe that an intermediate holding company structure is valuable to provide for a consistent application of capital, liquidity, and other prudential requirements and consistent supervision across the U.S. operations of an FBO, in order to address risks to U.S. financial stability posed by these firms. In this instance, the Board believes that these goals can be achieved with a two-IHC structure and that such a structure would have supervisory benefits.

Specifically, IHC II is part of the larger restructuring and partial public offering of Deutsche Bank's asset management business and would improve Deutsche Bank's immediate cash position. It would also facilitate Deutsche Bank's sale to the public of a portion of the firm's asset management business and the full divestiture of the asset management business, if needed in a global recovery or resolution scenario.

Furthermore, IHC II would engage in no activities and hold no assets other than Deutsche Bank's ownership interests in its U.S. subsidiaries engaged in asset management activities in the United States.

IHC II will be treated as though it meets or exceeds the \$50 billion threshold for purposes of Regulation YY.⁷ Accordingly, IHC II will be subject to the requirements in subpart O of Regulation YY, including capital planning, liquidity risk management, and related stress testing; risk management; and associated reporting and disclosure requirements.⁸ Furthermore, the Board will continue to expect Deutsche Bank to maintain an effective U.S. risk management framework over Deutsche Bank's U.S. operations, including both IHCs and the U.S. branch, and for Deutsche Bank's U.S. risk committee and U.S. chief risk officer to exercise effective oversight over IHC II. Deutsche Bank's entire U.S. operations will continue to be supervised under the Board's Large Institution Supervision Coordinating Committee (LISCC) program, which focuses on the largest, most systemically important financial institutions.

The Board's expectations for IHC II will be tailored to the risk profile and activities of that IHC. For instance, IHC II's capital and liquidity stress testing should be designed to capture the risks posed by its specific asset management activities, and as such, IHC II may employ appropriate modeling approaches tailored to those activities

⁷ 12 CFR 252.153(c)(4)(ii).

⁸ 12 CFR 252.153-158. Deutsche Bank has also submitted a request, dated February 8, 2018, for (1) an extension, until the reporting period ending September 30, 2018, to report on its FR 2052a separately for IHC II as a material entity and (2) an extension, until the reporting period ending June 30, 2018, for IHC II to file its initial FR Y-14Q and until the reporting period ending December 31, 2018, for IHC II to file its initial FR Y-14A.

that may differ from approaches employed by an IHC focused on capital markets activities.⁹ Similarly, the Board would expect that IHC II's collateral-monitoring processes and cash flow projections would reflect IHC II's liquidity profile.

As a condition of permitting Deutsche Bank to establish IHC II¹⁰ and to maintain comparability between Deutsche Bank and other large U.S. and foreign financial institutions operating in the United States and to help ensure safe and sound operation of IHC II, the Board has required Deutsche Bank to enter into the commitments listed in Attachment A. Under the commitments, IHC II will engage in no activities and hold no assets other than Deutsche Bank's ownership interests in its U.S. subsidiaries engaged in asset-management activities in the United States. In addition, IHC II will be subject to the liquidity coverage ratio requirements of Regulation WW¹¹ and the total loss-absorbing capacity ("TLAC") requirements for covered IHCs of Regulation YY.¹² Further, for purposes of compliance with the standards set forth in Regulation Q,¹³ IHC II will be deemed to be an advanced approaches Board-regulated institution and will therefore be subject to requirements such as the minimum supplementary leverage ratio, the requirement to reflect most elements of accumulated other comprehensive income in common equity tier 1 capital, and the countercyclical capital buffer. IHC II will also be subject to the reporting and disclosure requirements relating to all of the foregoing standards. Consistent with Regulation YY, IHC II will not be required to calculate risk-weighted assets pursuant to subpart E of Regulation Q unless it opts to do so. Finally, Deutsche Bank will ensure that it maintains an effective U.S. risk management framework over its U.S. operations and will ensure that its U.S. risk committee and U.S. chief risk officer exercise effective oversight over IHC II.

⁹ See 12 CFR 252.157(a)(6); SR Letter 15-18, "Federal Reserve Supervisory Assessment of Capital Planning and Positions for LISCC Firms and Large and Complex Firms." (April 4, 2011) at www.federalreserve.gov/bankinforeg/srletters/sr1518.htm.

¹⁰ 12 CFR 252.153(c)(4)(i).

¹¹ 12 CFR part 249.

¹² 12 CFR 252, subpart P.

¹³ 12 CFR part 217.

The commitments also include the requirement that any limitations on capital distributions applicable to either DB USA or IHC II under Regulation Q,¹⁴ the capital plan rule,¹⁵ or the TLAC requirements for covered IHCs of Regulation YY¹⁶ would apply to both IHCs.¹⁷ Specifically, if one IHC were subject to a maximum payout ratio limitation under either Regulation Q or the TLAC requirements for covered IHCs of Regulation YY,¹⁸ both IHCs would be subject to the maximum payout-ratio limitation associated with that IHC's capital or TLAC position.¹⁹ If the Board were to object to the capital plan of one IHC on qualitative or quantitative grounds under the capital plan rule, distribution limitations would apply to both IHCs.

For the reasons stated above and based on all the facts and representations set forth in Deutsche Bank's request and in related correspondence, the Board has approved Deutsche Bank's request to establish IHC II to hold its U.S. asset management business. The Board also has granted Deutsche Bank's request for (1) an extension, until the reporting period ending September 30, 2018, to report on its FR 2052a separately for IHC II as a material entity and (2) an extension, until the reporting period ending June 30, 2018, for IHC II to file its initial FR Y-14Q and until the reporting period ending December 31, 2018, for IHC II to file its initial FR Y-14A. Any change in the facts presented could result in a different conclusion and should be reported immediately to supervisory staff at the Federal Reserve Bank of New York. For purposes of this action, the commitments constitute conditions imposed in writing in connection with the findings

¹⁴ 12 CFR 217.11.

¹⁵ 12 CFR 225.8.

¹⁶ 12 CFR 252.165.

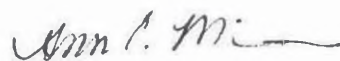
¹⁷ In the 2018 Comprehensive Capital Analysis and Review (CCAR), the Board will not reflect the formation of the second IHC in supervisory projections; however, it will review and approve or deny the planned capital distributions of IHC II. Similarly, DB USA's projections should not reflect formation of IHC II, but its capital plan must describe the planned capital distributions of IHC II assuming that formation. In CCAR 2019, IHC II will be required to submit a separate capital plan.

¹⁸ 12 CFR 217.11, table 1; 12 CFR 252.165, table 1.

¹⁹ If both IHCs were subject to a maximum payout ratio limitation, both IHCs would be subject to the lowest of the two maximum payout ratio limitations.

and decisions herein and, as such, may be enforced in proceedings under applicable law.²⁰ This action should not be construed as granting relief from any other conditions, commitments, or requirements to which Deutsche Bank and its U.S. entities may be subject.

Very truly yours,



Ann E. Misback
Secretary of the Board

cc: Nicolas Moreau, Global Head of Deutsche Asset Management, and member of the Deutsche Bank Management Board
Robert Kendall, Head of Deutsche Asset Management Americas

²⁰ 12 U.S.C. § 1818(b).

Attachment A
Commitments by Deutsche Bank AG
to the Board of Governors of the Federal Reserve System

In connection with the request, dated February 2, 2018, to the Board of Governors of the Federal Reserve System (the “Board”) for the Board’s approval under section 252.153(c) of the Board’s Regulation YY to establish a second U.S. intermediate holding company (“IHC II”), Deutsche Bank AG (“Deutsche Bank”) makes the following commitments to the Board.

1. IHC II will engage in no activities and hold no assets other than Deutsche Bank’s ownership interests in its U.S. subsidiaries engaged in asset management activities in the United States.
2. IHC II will be subject to the liquidity coverage ratio requirements of Regulation WW (12 CFR part 249) and the total loss-absorbing capacity requirements for covered IHCs of Regulation YY (12 CFR 252, subpart P). For purposes of compliance with the standards set forth in Regulation Q (12 CFR part 217), IHC II will be deemed to be an advanced-approaches Board-regulated institution but will not be required to calculate risk-weighted assets according to subpart E of Regulation Q unless it opts to do so. IHC II will also be subject to the associated reporting and disclosure requirements relating to all of the foregoing standards.
3. Deutsche Bank will ensure that it maintains an effective U.S. risk management framework over its U.S. operations, including both of its IHCs and its U.S. branch, and will ensure that its U.S. risk committee and U.S. chief risk officer exercise effective oversight over IHC II.
4. Deutsche Bank will include IHC II in its FR 2052a reporting of its consolidated U.S. operations. For the FR 2052a, Deutsche Bank will begin reporting for IHC II separately as a material entity (1) monthly for the reporting period that ends June 30, 2018, with data submission by T+10, and (2) daily for the reporting period that ends September 30, 2018, with data submission by T+2.
5. For the 2018 Comprehensive Capital Analysis and Review, IHC II will not be required to submit a separate capital plan. DB USA Corp.’s capital plan should not reflect formation of IHC II, but its capital plan must describe the planned

capital distributions of IHC II assuming that formation. IHC II will be required to submit its initial FR Y-14Q for the reporting period that ends June 30, 2018, and to submit its initial FR Y-14A for the reporting period that ends December 31, 2018.

6. The most stringent of any limitations on capital distributions applicable to either DB USA or IHC II under Regulation Q (12 CFR part 217), the capital plan rule (12 CFR 225.8), or the total loss-absorbing capacity requirements for covered IHCs of Regulation YY (12 CFR 252.165) would apply to both IHCs.

Deutsche Bank agrees that the foregoing commitments are deemed to be conditions imposed in writing by the Board in connection with its findings and decisions on Deutsche Bank's request and, as such, may be enforced in proceedings under applicable law.