



February 1, 2005

By e-mail to: regs.comments@federalreserve.gov

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

Re: Proposed Revisions to Annual Report of Foreign Banking Organizations on Form FR Y-7 (OMB Control No. 7100-0125)

Dear Ms. Johnson:

Deutsche Bank AG, Frankfurt, Germany (“Deutsche Bank”), appreciates this opportunity to comment on the Proposal (the “Proposal”) to revise the Annual Report of Foreign Banking Organizations (“FBOs”) on Form FR Y-7 (the “FR Y-7”).¹ Deutsche Bank endorses the comments to the Proposal submitted on January 28, 2005, by the Institute of International Bankers (the “Institute”), including, specifically, the following:

- The Board should continue to permit tiered FBOs to elect whether a single FR Y-7 should be filed by the top-tier FBO, or whether separate reports should be filed by each FBO.
- The Board should not adopt the proposed requirement that the FR Y-7 be signed by a person who is both a director and officer of the FBO.
- The Board should not adopt the proposed change of standards for confidentiality requests that would mandate disclosure of the identification of 10% shareholders of an FBO unless there is “a well-defined present threat to the liberty or personal security of individuals”.
- The Board should clarify that there is no requirement to report information about non-U.S. companies in which a FBO invests pursuant to Section 211.23(f)(5)(i) of Regulation K (12 C.F.R. § 211.23(f)(5)(i)).

¹ 69 *Fed. Reg.* 62,269 (Oct. 25, 2004). In response to a request from representatives of the Institute of International Bankers for an extension of time to submit comments, Board staff indicated that it would consider comments submitted by the end of January to have been submitted timely, and, accordingly, we trust that these comments will be considered by the Board before it finalizes the Proposal.

- The Board should make any changes to the FR Y-7 effective December 31, 2005, rather than, as proposed, making them retroactive to December 31, 2004.
- The Board should expand the existing exemption from FR Y-7 reporting requirements for Special Purpose Vehicles (“SPVs”) to include not only special purpose leasing companies, but any entity that is holding only a single asset (e.g., a loan or swap).

Although the Institute’s comment letter provided extensive and convincing reasons for each of the foregoing positions, some of them are so important to Deutsche Bank that they warrant further elaboration.

Requirement that a Director/Officer Sign the Report

Currently, any officer with knowledge about the preparation of the FR Y-7 may sign the report. The Proposal would, if adopted, require the report to be signed, with a certification of accuracy, by a person who is both a member of the FBO’s board of directors and a senior officer. This would be burdensome for Deutsche Bank for all the reasons set forth in the Institute’s letter.

We note that Citigroup, a U.S. bank holding company, represents in its 2003 Annual Report that it does business in more than 100 countries. Based on its 2003 Proxy Statement, Citigroup has only five directors that are also senior officers. This is similar to the situation at Deutsche Bank, which has only four members of its Vorstand (Board of Managing Directors). If 100 other countries required a report similar to the FR Y-7 to be signed by a director who is also a senior officer, a disproportionate amount of these individuals’ time would be devoted to reviewing the accuracy of the reports on legal entities, leaving less time for ensuring that the enterprise runs profitably, safely, and in conformance with laws and policies more directly related to the financial and operating condition of the firm. Thus, while it may be appropriate for a home country regulator to impose such a signature requirement, host country regulators should refrain from doing so.

Expansion of Reporting Requirement for Investments Held Pursuant to 12 C.F.R. § 211.23(f)(5)

As pointed out in the Institute’s comment letter, the Board recognized in 2000 that it was very burdensome for FBOs to provide detailed information regarding investments held under Section 211.23(f)(5) of Regulation K, and that the value of additional detailed information does not justify the burden of producing it.

As we understand the new provision, the FR Y-7 would require a FBO to report “intercompany ownership and control relationships and percentage ownership (of voting or nonvoting equity or other interests) by each direct holder” for (i) investments of 5 to 25% of a class of voting securities and under 25% of total equity in non-U.S. companies held under Section 211.23(f)(5)(i); and (ii) investments of 25% or more of a class of voting securities and/or total equity in non-U.S. operating companies held pursuant to Section 211.23(f)(5)(iii).

However, the actual language of the provision is ambiguous, and could be read to require information about subsidiaries of non-U.S. companies held under Section 211.23(f)(5)(i), in which the FBO holds less than a 25% voting or equity interest. Compliance with such a requirement would be very burdensome, and likely impossible in some cases.

It should be noted that some non-U.S. companies in which Deutsche Bank has held investments under Section 2(h)(2) hold more than 150 U.S. subsidiaries. It is clear that the Board did not anticipate the burdens that would be imposed by the proposed changes to the FR Y-7, if only by the fact that for purposes of the Paperwork Reduction Act the Proposal estimates that it takes an average of only 3.5 hours to complete the form. The increased reporting burden for investments held under Section 211.23(f)(5) – plus the increased burden that would be suffered by FBOs having to report for lower-tier FBOs that currently file their own report on the FR Y-7 if that change to the form is also adopted – would make the 3.5 hour estimate off by orders of magnitude. Accordingly, it is critical that the reports on companies held under Section 211.23(f)(5)(i) be limited to information only about the FBO's investment in the non-banking company, and not about companies held by that company.

Effective Date of the Revision

It requires substantial resources to revise systems to conform to new reporting requirements. We implore the Board to delay effectiveness of the revised FR Y-7, particularly if the Board adopts the Proposal substantially in its current form. This would give FBOs the time necessary to make required changes to reporting systems and technology.

Deutsche Bank again expresses its appreciation for the opportunity to comment on the proposed changes to the FR Y-7. Please contact the undersigned if it would be helpful for Deutsche Bank to provide additional information regarding any of the matters discussed in this letter.

Sincerely,

Michael L. Kadish
Director and Senior Counsel

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