



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

June 5, 2017

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

Dear Mr. Palazzolo:

Deutsche Bank Aktiengesellschaft (together with its subsidiaries and affiliates, “DB”), Frankfurt, Germany, a foreign bank as defined in section 3101(7) of the International Banking Act,<sup>1</sup> has requested the Board’s approval under section 13 of the Bank Holding Company Act (“BHC Act”)<sup>2</sup> for an extension of the period during which DB must conform its ownership interests in the illiquid funds described herein.

Section 619 of the Dodd-Frank Wall Street Reform and Consumer Protection Act added a new section 13 to the BHC Act that generally prohibits banking entities from acquiring or retaining an ownership interest in, sponsoring, or having certain relationships with a hedge fund or private equity fund (together, a “covered fund”).<sup>3</sup> These prohibitions are subject to a number of statutory exemptions, restrictions, and definitions.

The restrictions and prohibitions of section 13 of the BHC Act became effective on July 21, 2012; however, the statute provided banking entities a grace period, until July 21, 2014, to conform their activities and investments to

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<sup>1</sup> 12 U.S.C. § 3101(7).

<sup>2</sup> 12 U.S.C. § 1851.

<sup>3</sup> See id. A banking entity is defined by statute as any insured depository institution, any company affiliated with an insured depository institution, as well as any foreign bank that has a branch or agency in the United States, with certain limited exceptions.

the requirements of the statute and implementing regulations.<sup>4</sup> Using authority the statute granted exclusively to the Board, the Board previously extended the two-year conformance period for three additional one-year periods, until July 21, 2017, to allow banking entities to conform investments in and relationships with covered funds that were in place on December 31, 2013.

Section 13 of the BHC Act provides that the Board may, upon the application of a banking entity, grant an extended transition period for firms to conform investments in illiquid funds for up to five additional years, which would conclude no later than July 21, 2022.<sup>5</sup> Under the BHC Act, an illiquid fund is a covered fund that, as of May 1, 2010, was principally invested in, or was invested and contractually committed to principally invest in, illiquid assets,<sup>6</sup> and makes all investments pursuant to, and consistent with, an investment strategy to principally invest in illiquid assets.<sup>7</sup>

DB, a banking entity under section 13 of the BHC Act, has requested the Board's approval for an extension of the period during which DB must conform its ownership interest in the illiquid funds listed in the attached appendix.

The Board's rule governing extensions of the conformance period lists a number of factors that the Board may consider in determining whether to grant a request by a banking entity for an extended transition period to conform its interests in illiquid funds.<sup>8</sup> Among the factors the Board may consider are the nature of and contractual terms governing the illiquid fund investments, the types of assets held by the illiquid funds, the date on which the illiquid funds are expected to wind up their respective activities or liquidate, the risks that divesting or maintaining ownership of the illiquid funds would pose to the institution or to financial stability, and the firm's prior efforts to bring its activities into conformance with section 13 of the BHC Act.

DB has certified to the Board that each fund for which an extension has been requested meets the definition of "illiquid fund" in section 13 of the BHC Act and the Board's rule. In the aggregate, the fund investments for which DB has requested an extension represent a de minimis percentage of the firm's total assets. As a result, the proposed extension of the compliance period in this case would not

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<sup>4</sup> 12 U.S.C. § 1851(c).

<sup>5</sup> See 12 U.S.C. § 1851(c)(3) (permitting an extension of the conformance period for certain investments in illiquid funds) and § 1851(h)(7) (defining "illiquid fund" for purposes of section 13 of the BHC Act).

<sup>6</sup> 12 U.S.C. § 1851(h)(7)(A)(1). See also 12 CFR 225.180(g); 12 CFR 225.180(i)(1).

<sup>7</sup> 12 U.S.C. § 1851(h)(7)(A)(2). See also 12 CFR 225.180(i)(3).

<sup>8</sup> See 12 CFR 225.181(d).

appear to pose a significant or material risk to the firm or to the financial stability of the United States.

DB has made progress to date to conform its covered fund investments to the requirements of section 13 of the BHC Act and has explained its plans to completely conform these investments, including its covered investments in illiquid funds, to section 13.

Based on the relevant statutory and regulatory factors, and on a review of these and all other facts presented, the Board grants DB's request for an extended transition period, with respect to the funds described in this letter, until the earlier of (i) July 21, 2022, or (ii) the date by which each fund matures by its terms or is otherwise conformed to section 13 of the BHC Act. This decision is based on the specific facts and representations in your request and in communications with Board staff, and any change in the facts or representations should be communicated immediately to Board staff and could result in a different conclusion. The Board's approval of the request is specifically conditioned on compliance by DB with all of the conditions imposed herein and on the commitments made to the Board in connection with the request. The Board's approval is limited solely to granting the extension described in this letter and does not confirm any interpretations or strategies that may be described or implied in the materials provided by DB.

Sincerely yours,

Ann E. Misback (signed)

Ann E. Misback  
Secretary of the Board

**Appendix**

