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Ref: HB/hc

22<sup>nd</sup> February 2008

Mrs Kerstin af Jochnik  
Chairman  
CEBS  
Floor 18, Tower 42  
25 Old Broad Street  
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Dear Mrs af Jochnik,

As we discussed in Stuttgart at the CEBS Advisory Committee earlier this week, the recent changes of the large exposure rules could have far reaching consequences which could go way beyond the goals they are designed for.

I would like to take the liberty to reiterate our Bank's view in writing because I feel that the following three points should be addressed:

**1. Failure to exempt interbank exposures below 1 year maturity**

This ruling would severely disadvantage the European Banks since US Banks do not have Large Exposure rules for their trading business. This would lead to the US Banks dominating the interbank derivatives market. Any regulation with such a decisive impact on a level playing field should be dealt with globally by the Basel Committee of Banking Supervision and not by a European directive.

**2. Connected Clients**

The definition of connected clients needs to be simple, measurable and unique. The current control criterion has these features, however, the proposed extension to "one-way" connectedness fails all three. An example of this illustrated in the fact that Deutsche Bank would be considered a connected client with Siemens, Bosch, and SAP, due to the memberships of natural persons in one firm's management and the other firm's supervisory board. Furthermore the German auto industry and all their suppliers would be considered an economic unit, basically linking most of Germany. This illustrates that the vagueness of such a rule would cause large scale confusion to the definition of Large Exposures.

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**3. Intragroup exposures**

We firmly believe that the Large Exposure regime is not the right tool for regulating intragroup exposure. If there is doubt that any European banking group is willing to support their subsidiary, then a letter of intent to do so is a more appropriate means to achieve a satisfactory outcome without any negative competitive impact.

Without the appropriate modification the proposed large exposure rules will be exclusively benefiting non-EU domiciled banks, particularly from the US.

I appreciate your consideration of the points stated.

Yours sincerely



Hugo Banziger