



10 August 2012

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CP-2012-7@eba.europa.eu

Dear Mr. Farkas,

Re: EBA/CP/2012/07

DB Response to EBA consultation paper on Draft Regulatory Technical Standards on the concept of Gain on Sale associated with future margin income in a securitisation context

Deutsche Bank welcomes the opportunity to comment on the Regulatory Technical Standards on the concept of Gain on Sale associated with future margin income in a securitisation context in the Capital Requirements Regulation (CRR). We broadly agree with the proposals set out in the consultation paper, however there are a number of areas where we believe that more clarity is required to reduce the risk of misinterpretation and to avoid distortions in the implementation across the EU.

Our comments and response to the questions are set out in the attached Annex.

We appreciate the opportunity to submit our views on the draft Regulatory Technical Standards. Please do not hesitate to contact us should you have questions or if we can provide further detail.

Yours sincerely,

A handwritten signature in blue ink, appearing to read 'A. Procter', with a long horizontal stroke extending to the right.

Andrew Procter
Global Head of Government and
Regulatory Affairs



Detailed comments on CP questions

Q1: In your view does future margin income being correspond to future excess spread defined in Article 237 of in the draft CRR as “finance charge collections and other fee income received in respect of the securitised exposures net of costs and expenses”?

Do you consider alternative definitions for future margin income as more appropriate? Please provide the reasoning behind your responses to the above questions and details of the alternative(s) you would propose

The consultation paper suggests that an institution shall exclude from own funds any increase in equity that arises from International Financial Reporting Standards (IFRS) that is associated with the ‘future margin income’ that results in a gain on sale under the applicable IFRS rules. However, we believe that the term ‘future margin income’ is currently not sufficiently clearly defined in the paper as drafted. Page 9 only states that future margin income is the expectation to receive the total or part of the ‘future excess spread’ as defined in Article 237 CRR.

To this end it would be beneficial if specific examples be included in the guidelines/explanatory notes accompanying the RTS, to illustrate the application of the concept of Gain on Sale associated with future margin income.

Q2: In your view does Article 9 above capture and further specify the concept of gain of sale? Do you agree that all relevant concepts have been included? Are there any irrelevant concepts included?

Please provide the reasoning behind your responses to the above and details of alternative(s) you would propose.

Please see the response to question 1. We believe the concept of gain on sale and future margin income require further clarity.

For example, we would suggest it be clarified in the RTS that Art. 9 applies only for situations where the gain on sale is revocable (i.e. where the credit institution as originator is still exposed to securitisation risk in so far still exposed to the risk of losses of the underlying assets).

Q3: In your view does Article 9 result in any incremental costs or benefits?

In the absence of the above clarifications it is difficult to estimate the incremental costs or benefits.