



10 February 2015

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Dear Sir/Madam,

Deutsche Bank response on EBA Draft Guidelines on Product Oversight and Governance arrangements for retail banking products

Deutsche Bank appreciates EBA's efforts to develop detailed guidelines for product oversight and governance (POG) for retail banking products.

We recognise the importance of establishing internal arrangements for the design, marketing and life cycle maintenance of products, which ensure that products are designed to meet the interests and objectives of our customers.

We agree with EBA that customers' needs and interests must be considered from the outset when bringing products to the market. Indeed today we measure our customers' satisfaction on a regular basis, and maintaining long-term client relationships is one of our principal objectives.

The draft guidelines as set out in this consultation document will contribute to further align standards in retail banking across the EU. For several years, we have implemented product review processes and are currently implementing a Systematic Product Lifecycle Review for all the products we actively sell.

It is important to apply the new guidelines in a proportionate manner to ensure there are particular benefits to consumers without any unnecessary cost increases through new obligations. A distinction should be made between simple products, covering basic financial needs for all customers (very broad target market) and more sophisticated customers (more limited target market or niche market). For instance, regular product assessments should have to be carried out at greater intervals for basic financial services than for more complex products.

Enclosed you will find our more detailed comments on specific points in the consultative document and we trust you find these helpful. Please let us know if we can provide further information.

Yours sincerely,

A handwritten signature in dark ink, appearing to read 'Daniel Trinder'.

Daniel Trinder
Global Head of Regulatory Policy
Deutsche Bank



Annex I – Answers to questions posed in the consultation paper

General questions

Question 1: Do you agree with the proposed approach of capturing the entire product life cycle by covering distributors as well as manufacturers?

We basically agree with the proposed approach, which corresponds with our standard practice in our retail product and sales organization. For several years, DB has been carrying out product reviews and is currently implementing a Systematic Product Lifecycle Review for all the products it actively sells, including both self-manufactured products and distribution products. In addition to operational risk management (ORM), further control and supervisory functions are also involved (Legal, Compliance, etc.) in this process. This will further enhance monitoring and control of the overall product lifecycle.

Our product organization is well-linked with the sales distribution channels, and detailed information and updates are exchanged on a regular and on an ad hoc basis if changes occur (e.g. some fees are no longer applicable or a product receives additional features). Significant changes will also be reviewed and approved via our New Product Approval process.

The documentation and monitoring obligations foreseen in these guidelines should be applied in a proportionate manner according to the risk level of the products. Most of the targeted products represent a low risk for the consumer. If proportionality of the documentation and monitoring obligations is not considered, the production costs may increase without bringing any material benefits for consumers. Ultimately, this may also be detrimental to product innovation and may reduce the competition via reducing new products/innovations within the market.

Most of the products mentioned in the consultation paper have been available for a very long time and cover customers' basic financial needs. These products are well-known by consumers; their features are standardized and commonly used in the retail banking market. They do not present any complex product characteristics (e.g. credit/debit cards or a simple payment account), which would require further specific regulations on product design, features, risk and information requirements to enhance consumer protection beyond the already existing rules, which have recently been updated (e.g. consumer loans are covered in Germany by the "Verbraucherdarlehensrecht" (Consumer Credit law) implemented since 2010; payments, in the context of the SEPA project, are regulated and standardized on a domestic and European level through several recent directives and guidelines such as the PSD and the EPC Rulebooks).

Question 2: Do you agree with the delineation of the two sets of requirements for manufacturers and distributors?

Basically, we agree with the suggested delineation of requirements, although the responsibilities of the products manufacturer and distributor are linked. In case of a new product development or enhancement, both sides are involved and collaborate closely.

However, the manufacturer can only identify the target market on an abstract basis. The knowledge of the actual customer base is usually with the distributors. As a result, the final definition of the target market is up to the distributor and any involvement of the manufacturer can only be limited to a general perspective and a product assessment on an abstract basis, i.e. without taking into account any potential customer's individual specifics.

Question 3: Are there any additional requirements that you would suggest adding to either of the two sets of requirements? If so, why?

No further additions.



Specific questions regarding Guidelines for manufacturers (Title II)

Question 4: Do you agree with Guideline 1 on establishment, proportionality, review and documentation?

We agree, especially with Guideline 1.5 which states that governance arrangements should be proportionate to the level of complexity of the product. This is important to avoid disproportionate oversight and governance measures inadvertently leading to some products being unattractive. We disagree that the criteria of complexity of the product lines, distribution methods and distribution chains should be considered in this context. By definition they are very difficult to define and measure in conjunction with the nature of the manufacturer's business.

Question 5: Do you agree with Guideline 2 on manufacturers' internal control functions?

We agree with these guidelines. Our internal control functions are integrated into our internal product approval, control processes and systems (partially in the New Product Assessment process), and staff involved in product design are required to undertake training. In addition to these internal control functions, various external competent authorities/policy-making bodies, or consumer protection association findings are assessed as to whether additional measures need to be taken.

Question 6: Do you agree with Guideline 3 on the target market?

In general, we agree with these guidelines. However, it is the distributors who are best placed to further specify the suggested target market according to the customer's individual circumstances (e.g. their willingness to bear risks, their level of knowledge or of understanding, creditworthiness). A distinction should be made between simple/basic and more complex products.

The recently adopted Payments Accounts Directive, for example, aims at giving a broad range of consumers access to payment accounts and related basic services. For many of the products mentioned in these guidelines, a definition of a well-defined target market per product would thus not be necessary, as they represent basic banking products, which all consumers should receive access to. In these cases, a further customer classification would not lead to increased customer benefits – but may rather increase the complexity and/or limit the product offer for the consumer.

For more complex products, e.g. mortgages, in some cases it may make sense to define different target markets. In addition to offering standardised retail mortgages which we offer to the majority of our customers, we also offer more bespoke mortgage products for niche markets that are defined in our internal guidelines and are monitored more closely overtime.

Question 7: Do you agree with Guideline 4 on product testing?

Before offering new products in our portfolio, we test the product testing (incl. respective documentation) is common practice. It is in our own economic interest to offer only products that are based on proper consumer demand and a comprehensive market and risk analysis. In some cases, product testing is done via scenario testing or piloting the products.

That said, many of the mentioned products in these guidelines are not complex and have already been well-established in the market for a long time. In these cases, new developments are mainly focused on enhancements of product features and technical updates (such as the possibility to make free ATM withdrawals in non-EU countries). Hence, a wide range of scenarios assessing how the product would affect consumers might not be necessary to further reduce any risks for consumers. As mentioned previously, it is important requested for additional requirements should be proportional.



Question 8: Do you agree with Guideline 5 on product monitoring

It is in the bank's own interest and responsibility to perform continuous market research and monitor consumer behaviour. In addition we are required to assess whether new regulatory developments impact our product offering. Furthermore, external institutions like the Federal Statistical Office or the Bundesbank in Germany conduct and provide comprehensive market analysis, which helps us in assessing market developments and changing consumer behaviour patterns.

Any monitoring also needs to be clearly defined with regard to data protection obligations concerning customer data. The respective monitoring responsibilities should be clearly shared between both manufacturers and distributors.

Question 9: Do you agree with Guideline 6 on remedial action?

Our internal monitoring and quality/complaint management allow us to identify problems or negative developments related to our products at an early stage. In case of any problems or issues regarding our products and related processes, our sales channels will be informed immediately. The manufacturer and the distributor will liaise to identify and remediate any problems.

Question 10: Do you agree with Guideline 7 on the selection of distribution channels?

We agree in principle. However, ultimately the choice of the distribution channel should rest with the consumer. Based on their preferences and needs, the consumer should be able to choose between branches, agencies, online or telephone distribution channels. A pre-selection of distribution channels is not necessary for most of the products addressed in these guidelines and would restrict consumers' convenience (please also see our response to Q2).

Question 11: Do you agree with Guideline 8 on information for distributors?

We agree and consider it as a matter of course to provide all relevant product information to our sales organisation. Our information sharing process between product management and sales departments is well established.

Specific questions regarding Guidelines for distributors (Title III)

Question 12: Do you agree with Guideline 1 on establishment, proportionality, review and documentation?

We agree. We already have well established processes regarding review and documentation on the manufacturer side (please see also our response to Question 4) and these are well-linked with our distributors.

Question 13: Do you agree with Guideline 2 on the distributor's internal control functions?

We agree. The internal product oversight and governance control functions are already integrated into our internal product approval and control processes and systems.

Question 14: Do you agree with Guideline 3 on the knowledge of the target market?

We agree. The final decision of the target market should be with the distributor (please also refer to our response to question 6). However, the ultimate decision to purchase a product should rest with the



customer. Some flexibility is required to allow customers who are not part of the target market to access product offerings, according to their specific needs and individual circumstances.

Question 15: Do you agree with Guideline 4 on information?

We agree. All information provided to customers has to be checked and approved by control functions, and distributor channels should receive proper information about product features and main characteristics. We recognise the importance of manufacturers and distributors being well interconnected and exchanging on a regular basis any issues around product developments.