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Re: DB Response to Consultation on Major Shareholdings (Part 2)

Dear Sir, Madam,

In response to your consultation on extending major shareholding notifications to instruments of similar economic effect to holding shares and entitlements to acquire shares we have made an internal impact assessment of the proposed rules. As this assessment includes business specific information, we request you not to publish this part. For our detailed answers to the rest of the consultation paper we refer you to part 1 of our letter.

Q10 – Which kinds of costs and benefits do you associate with CESR's proposed approach?

In general, we note that the proposed rules would not necessarily lead to extra disclosures. However, we are likely to see a significant increase in actual monitoring activities leading up to having to make a disclosure.

Since November 2009 only 2 disclosures for the UK have been due to significant changes in CFD positions (we normally make ~5 disclosures a week for the UK). An impact analysis for 15 CESR jurisdictions across three specific dates during a 3 month period suggests that a similar pattern would be seen across the rest of the EEA:

	# of Issuers where Deutsche Bank has holdings in economic instruments			# of economic instruments for those issuers where DB has economic position			# of Issuers where DB's long economic exposure in economic instruments is over 1%		
Jurisdiction	Jan-10	Feb-10	Mar-10	Jan-10	Feb-10	Mar-10	Jan-10	Feb-10	Mar-10
Austria	30	29	30	65	73	83	3	2	2
Belgium	21	19	21	125	98	97	1	0	0
Czech Republic	0	0	0	0	0	0	0	0	0
Denmark	34	32	33	57	50	52	0	0	0
France	123	124	120	1535	1676	1718	9	5	5
Germany	133	130	129	5363	6116	6365	1	5	10
Greece	7	9	10	8	15	12	0	0	0
Ireland	19	16	17	77	68	70	0	0	0
Italy	74	71	82	499	518	517	0	0	0
Luxembourg	15	16	17	62	68	63	0	0	0
Netherlands	49	50	51	350	389	400	3	2	4
Poland	1	2	1	3	7	4	0	0	0
Portugal	14	14	12	24	28	24	1	1	1
Spain	55	52	57	263	296	327	2	2	3
Sweden	75	73	76	157	168	174	1	1	2

Our analysis shows that although there will be an impact across a range of jurisdictions, the number of issuers in which there will be a significant change is limited. This would mirror the experience when similar proposals of the FSA around CfD's were introduced. The extent of the impact will not necessarily be reflected by increased disclosure numbers. However, it is important to note that due to the vastly increased scope of issuers and instruments effected, a permanently increased monitoring effort will be required.

A significant effort would be required for DB to implement the proposed changes across all 29 countries. Implementation would require a lead time of at least 6 months (this is a very narrow estimation). In order to fully meet the requirements of the proposed regime, DB would need to do the following:

- Re-design all of our country-level reporting (this includes re-building tactical tools)

- Re-write procedures for our onshore and offshore teams. We would require a training period for our offshore operations
- Increase market data coverage - it is not currently clear whether the market data we would require is actually available.
- Potentially an increase the size of the monitoring team would be needed.

We emphasise that any increase of cost in this particular area should not be seen in isolation. We have also had to make a significant investment as a result of new disclosure rules for short selling and other regulatory initiatives are likely.

Q11 – How high do you expect these costs and benefits to be?

- Potential cost impacts arise from the additional work load to set up systems to meet the proposed obligations and the retraining and reviewing of current processes which will be required to ensure these obligations can be met.

  Based on previous systems upgrades the cost of system improvements would range from €20-50k. There would also be a requirement to upgrade all the legal advice currently used in this area. We estimate this will cost considerably more than €100k for external legal advice.

  Further, within the Reporting Team there would be a requirement to review, up-date and rewrite all processes and procedure documents across all 29 jurisdictions. For one person such a task would take around 3-6 months.

  From a reporting perspective the initial analysis suggests that the impact will be principally around systems. We need to ensure we are able to monitor a much enhanced range of financial instruments: As suggested above almost a million new instruments will need to be included in reporting across 29 jurisdictions.

- The initial impact study does not show an equivalent, and therefore proportional, impact on the number of reportable positions. Therefore the full impact and costs will not be mirrored by an increased number of disclosures. This reflects our experience of the CfD regime in the UK (where only 2 disclosures triggered by CfD positions in last 4 months, but constant monitoring has had to take place).

- We conclude that the costs set out above would not necessarily lead to a significantly greater number of disclosures. Therefore, we feel it is not evident that implementing these regulations would provide the additional transparency envisaged by CESR.

We trust these comments are helpful. Please do not hesitate to contact us should you have any questions.

Yours sincerely,

Tillie Rijk
Regulatory Affairs Department