

or spread is earned for the DBTCA program.

The Applicant represents that Plan sponsors and/or Plan investment managers will receive information regarding the amounts of Idle Cash remaining, account activity, and the rates paid on the Idle Cash through monthly reports. Plan sponsors and Plan investment managers may also receive such information through DBTCA's proprietary on-line system (provided that they arrange for this service).

8. The Applicant represents that Deutsche Bank is supervised by the Deutsche Bundesbank and the BAFin.¹² The Deutsche Bundesbank is the central bank of the Federal Republic of Germany and part of the European System of Central Banks (the ESCB). The Applicant represents that the Deutsche Bundesbank is primarily focused on maintaining the stability of the "Euro"¹³ and the execution of domestic and international payments. In addition, the Applicant states that the Deutsche Bundesbank also participates in the supervision of credit institutions and financial services institutions.

The BAFin is the German Federal Banking Supervisory Authority, an independent federal institution responsible to the German Ministry of Finance. The BAFin supervises the operations of banks, banking groups, financial holding groups and branches of foreign banks in Germany and has the authority to: (a) Issue and withdraw banking licenses; (b) issue regulations on the capital and liquidity requirements of banks; (c) request information and conduct investigations; and (d) intervene in cases of inadequate capital or liquidity, or in cases of endangered deposits or risk of bankruptcy by means of temporarily prohibiting certain banking transactions.

Specifically, the BAFin ensures that Deutsche Bank has procedures for monitoring and controlling its worldwide activities through various statutory and regulatory standards such as: Requirements for adequate internal controls, oversight, administration and financial resources. The BAFin further reviews compliance with these limitations on operations and internal control requirements through an annual audit performed by the year-end auditor

and through special audits as ordered by the supervisory authorities. The BAFin obtains information on the condition of Deutsche Bank and its branches by requiring the submission of periodic, consolidated financial reports, and through a mandatory annual report prepared by an independent auditor.¹⁴

Deutsche Bank represents that the annual audit includes foreign branches and subsidiaries. The auditor is required to give positive assurance regarding whether the institution has fulfilled its duties under the German Banking Act. This requires, Deutsche Bank notes, the auditor to comment on the asset quality and the internal control environment of each part of the institution, including subsidiaries, in detail. The BAFin also receives information regarding capital adequacy, country risk exposure and foreign exchange exposures from Deutsche Bank. German banking law mandates penalties to ensure correct reporting to the BAFin. The auditors of Deutsche Bank face penalties for gross violation of their auditing duties.

The BAFin supervises all branches of Deutsche Bank, wherever located, subjecting them to announced and unannounced on-site audits and all other supervisory controls applicable to German banks. Deutsche Bank represents that in its branches located in a member state of the European Economic Area (the EEA), such audits are carried out consistent with the applicable European Directives, and with respect to branches outside the EEA, consistent with the applicable international agreements, memoranda of understanding or other arrangements with the relevant foreign supervisory authorities. Deutsche Bank subsidiaries are consolidated with Deutsche Bank for purposes of the capital ratios that the bank is required to meet on a group-wide basis. Supervision extends to the adequacy of equity capital of banking and financial holding groups and compliance with the regulation regarding large loans granted by such groups.

9. Deposits in branches of Deutsche Bank are insured. In this regard,

Deutsche Bank represents that there are two deposit insurance programs that currently cover Deutsche Bank and its foreign branches. The first is the European Union deposit insurance system, which insures deposits up to the lesser of 90% of the deposit or 20,000 euros. This statutory deposit protection system is maintained by the German Bank Institution for Indemnification, the *Entschädigungseinrichtung deutscher Banken* (the EdB), which is maintained by the Association of German Banks, the *Bundesverband Deutscher Banken*, and is subject to supervision by the BAFin.

The second deposit insurance program is the Deposit Protection Fund, the *Einlagensicherungsfonds*, maintained by the Association of German Banks. This fund, the participation in which is voluntary, safeguards liabilities in excess of the thresholds guaranteed by the European Union program, up to a protection ceiling for each creditor of 30% of the liable capital of the bank.¹⁵ This program is funded by the premiums paid by participating German banks and deposit-taking trust companies. The fund relies on the Auditing Association of German Banks, which audits banks and makes recommendations that are required to be implemented.

Deposits in subsidiaries of Deutsche Bank are not insured through the German deposit insurance system. However, the Applicant represents that investments by Plans in the deposits of a subsidiary of Deutsche Bank will be backed by the full faith and credit of Deutsche Bank.

10. The Applicant proposes certain safeguards applicable to both the retroactive and prospective portions of this proposed exemption. In this regard, the Applicant states that the investment by a Plan in the deposits of Deutsche Bank will be limited. With respect to the retroactive portion of the exemption, if granted, in situations where Deutsche Bank AG, or any of its affiliates that are banks or registered investment advisors, acts as an investment manager on behalf of a Plan, the amount of such Plan's assets invested in the deposits of Deutsche Bank does not average, over any six month period, more than 5% of the total amount of the assets managed by such investment manager. With respect to the prospective portion of the exemption, if granted, the percentage limitation described above shall equal one percent. In all cases, the Applicant states, the interest earned on the deposits described herein will be

¹² Deutsche Bank AG, New York Branch, is regulated by the New York State Banking Department. In addition, certain activities of the U.S. affiliates of Deutsche Bank are regulated by the Federal Reserve Bank of New York.

¹³ The term "Euro" means the single European currency adopted by eleven Member States of the European Union, which are: Austria, Belgium, Finland, France, Germany, Ireland, Italy, Luxembourg, the Netherlands, Portugal, and Spain.

¹⁴ Deutsche Bank notes that the audits of their financials are done in accordance with the auditing standards established by the International Federation of Accountants (IFAC), which is an organization of national accountancy bodies, including the American Institute of Certified Public Accountants (AICPA), to develop and harmonize worldwide auditing standards. The financial statements are prepared in accordance with standards established by the International Accounting Standards Committee (IASC), which is a body formed to achieve uniformity in accounting principles used in financial statement reporting. The international equivalents to the U.S.'s AICPA and the Financial Accounting Standards Board (FASB) are the IFAC and the IASC, respectively.

¹⁵ Liable Capital means the core capital and additional capital.