



2nd set of questions received from the TAX3 Committee at European Parliament (Response due 4th Feb 2019)



Block 1	Response
<p>Given the requirement to monitor transactions regarding money laundering, terrorist financing and other criminal offences, did Deutsche Bank include the publicly known risks stemming from Argenta Limited and Belize in its bank-internal monitoring systems? If yes, why didn't Deutsche Bank refrain from doing business with this dubious counterparty?</p>	<p>In line with regulatory requirements, Deutsche Bank is monitoring transactions for potential money laundering attempts. In 2007, Deutsche Bank has implemented an industry wide de-facto standard using a major provider's product called Mantas. The monitoring is conducted on scenario clusters and includes a monitoring of e.g. customers of respondent banks on the basis of internal as well as external watch lists from e.g. FATF and BaFin recognized vendors.</p> <p>Furthermore, in this context it is relevant to understand the capacity Deutsche Bank acts in and its role in a payment transaction chain. When acting as Correspondent Bank, Deutsche Bank's customer / counterparty is the respective Respondent Bank it maintains an account relationship with. As part of its regulatory requirements, a Correspondent Bank is required to properly identify and conduct a due diligence on its customer / counterpart, i.e. the Respondent Bank.</p> <p>The customers of a Respondent Bank have a relationship with the Respondent Bank, but not with the Correspondent Bank. Accordingly, the Respondent Banks are, within their relationship with its customers required to conduct a respective customer due diligence.</p> <p>The bank is conducting an independent Special Investigation of its relationship with Danske Bank. I cannot comment on the particular facts, findings, or circumstances of the investigation, as the investigation is ongoing and disclosure of such information would be premature.</p>



Block 2	Response
<p>Given the legal requirement to monitor high transaction volumes regarding money laundering risks, did Deutsche Bank qualify the six-digit payments from Argenta Limited as suspicious and inquire their purpose? If yes, why didn't Deutsche Bank file a suspicious transactions report?</p>	<p>Please understand that we are precluded by law from discussing any reports or lack thereof of suspicious activity.</p> <p>Deutsche Bank's role as a correspondent bank is not to monitor client volumes of the correspondent bank for atypical behaviour as these are not our clients. The respondent bank has the information of expected volumes as part of Know your Customer (KYC), and monitors account activity of its clients. The correspondent bank does not have access to that data.</p> <p>The bank is conducting an independent Special Investigation of its relationship with Danske Bank. We cannot comment on the particular facts, findings, or circumstances of the investigation, as the investigation is ongoing and disclosure of such information would be premature.</p>



Block 3	Response
<p>When did Deutsche Bank's bank-internal monitoring systems first strike at an Estonian Danske transaction and at what warning level did the bank feel compelled to hold serious talks with Danske and ultimately cancel the business relationship?</p>	<p>As we do with all correspondent banking relationships, we regularly monitored transactions involving Danske Estonia. Please understand, we are precluded by law from discussing any reports or lack thereof, of suspicious activity.</p> <p>Deutsche Bank terminated its U.S. dollar and Euro correspondent banking relationship with Danske Estonia in October 2015 after increasing concerns from our monitoring activities.</p> <p>The Bank is conducting an independent Special Investigation of its relationship with Danske Bank. We cannot comment on the particular facts, findings, or circumstances of the investigation, as the investigation is ongoing and disclosure of such information would be premature.</p>



Block 4	Response
<p>Why didn't Deutsche Bank regard payments between the two EU Member States Estonia and Germany via its non-EU correspondent bank branches as unusual course and file a suspicious transactions report?</p>	<p>It is not unusual, that (i) an Ordering Party is paying a Beneficiary in USD and (ii) that the related payment transaction executed by the Ordering Bank to the Beneficiary Bank, both located outside the US, is cleared by the Correspondent Bank(s) in the U.S.</p> <p>Payment transactions denominated in a foreign currency are usually cleared in the respective home country of that currency. This is in particular the case for USD clearing where usually the Correspondent Banks (both for an Ordering Bank and a Beneficiary Bank) book the payment transaction in their U.S. based USD booking hubs. Also, the USD clearing systems (Chips, Fedwire) are based in the U.S.</p> <p>On a global level, USD are the currency used most often in Correspondent Banking (39.56% per SWIFT data). This is a reflection of the importance of the USD as a global invoicing currency for Trade (e.g. commodities).</p>



Block 5	Response
<p>Deutsche Bank is said to have executed the US dollar clearing on behalf of the Estonian branch of Danske Bank. For processing the clearing, Deutsche Bank needed information about the account holders. Why did Deutsche Bank declare that it was not informed about the account holders although it provided clearing services on behalf of the Estonian branch of Danske Bank for which information about account holders are needed?</p>	<p>Deutsche Bank has never declared that it was not informed about the account holders, as the question suggests. However, in its role as a Correspondent Bank, Deutsche Bank has only limited insights in an account holders' background, as Deutsche Bank is conducting customer due diligence on its direct customers that e.g. hold an account with Deutsche Bank.</p> <p>When acting as Correspondent Bank, Deutsche Bank, as any Correspondent Bank, maintains an account relationship with its customer the Respondent Bank. As part of its regulatory requirements, a Correspondent Bank is consequently required to properly identify and conduct a due diligence on its customer the Respondent Bank.</p> <p>A Correspondent Bank is, however, not maintaining a customer relationship with the customers of Respondent Banks and the customers of Respondent Banks do not hold an account with the Correspondent Bank.</p> <p>Customers of Respondent Banks, holding an account with the Respondent Banks, are within this customer relationship identified and subject to a customer due diligence conducted in line with regulatory requirements by the Respondent Banks.</p> <p>Furthermore, Correspondent Banks receive payment transactions via clearing systems, e.g. the Eurosystem-owned TARGET2, for their Respondent Banks. In such cases the Correspondent Bank is not maintaining a customer / account relationship with the sending bank that is a participant in the clearing system.</p>



Block 6	Response
<p>The AMLD allows European banks to apply less stringent rules to business partners located within the EU. Was Deutsche Bank's US subsidiary stricter in monitoring the transferred Danske funds than the German headquarter? If yes, what were the results of this monitoring?</p>	<p>Deutsche Bank's policy framework did not allow for the application of simplified due diligence as suggested by Art. 11 of 3 AMLD (and its transformation into the EU Member States' local laws) for credit- or financial institutions correspondent banking clients located in an EU Member State at any time. Clearly also on the Transaction Monitoring Side, no simplified due diligence was applied (neither for the accounts in Germany nor for the one in the USA).</p> <p>In this context it is worth stating that Estonia –even though having been a member state of the European Union since 2004 – has been considered as a higher risk country within Deutsche Bank globally.</p> <p>With regards to Transaction Monitoring the same industry-wide system called Mantas has been and is used in the US and Germany for the monitoring of correspondent payments. It was implemented in the US in 2006 and for Germany in 2007. The system checks for typical scenarios that apply to a correspondent bank, which includes payments in relation to high risk countries, clients or banks with regard to customers or beneficiary of payments as well as changes in behaviour.</p>



Block 7	Response
<p>Deutsche Bank undertook an internal investigation where the suspicious money was going to. How much of the money transferred flowed into customer accounts of Deutsche Bank itself? How much of the money flowed into customer accounts of American banks? Is Deutsche Bank now also internally investigating against its own employees? If so, please specify the numbers and the level in the internal hierarchy.</p>	<p>The bank is conducting an independent Special Investigation of its relationship with Danske Bank. We cannot comment on the particular facts, findings, or circumstances of the investigation, as the investigation is ongoing and disclosure of such information would be premature.</p> <p>The Bank takes its legal obligations seriously and is committed to maintaining robust controls, including in connection with the conduct of employees at all levels.</p> <p>The bank’s HR function is kept continually apprised of the investigation and would take appropriate action if there were any employees whose conduct fell short of required or expected standards of conduct.</p> <p>Please note, however, that as of today, we have not come across any misconduct.</p>



Block 8	Response
<p>Why did Deutsche Bank decide to pull out of providing correspondent banking services to Maltese partner banks? Please, specify the reasons.</p>	<p>Banks have traditionally maintained broad networks of Correspondent Banking relationships. However, this has changed during the past recent years for several reasons.</p> <p>Our own assessment led to a reduction of Correspondent Banking relationships and a concentration in activities, and over the last years Deutsche Bank has completed a significant de-risking of its Correspondent Banking client portfolio , for instance also in relation to services offered to Maltese correspondent banks. Additionally, the Correspondent Banking business at Deutsche Bank went through a comprehensive remediation program.</p> <p>Deutsche Bank has reduced its global Correspondent Banking client portfolio by around 40% (2016 to date) in total (that includes a reduction of around 60% among clients rated “high risk” in 2016).</p>



Block 9	Response
<p>According to investigations by WDR, NDR and SZ, the tax department of Deutsche Bank knew that Cum-Ex transactions were depriving the state treasury of billions in tax income.</p> <p>Why did Deutsche Bank choose to maintain its involvement in the Cum-Ex business instead of informing the Finance ministry about the ongoing theft of public property?</p>	<p>Deutsche Bank has not participated in an organised Cum/Ex market, neither as a short seller nor as a Cum/Ex buyer. However, as a major participant in the capital markets Deutsche Bank was involved in Cum/Ex transactions of its clients.</p> <p>At the relevant point in time the cum/ex tax loophole was known to all market participants and the German state treasury and Deutsche Bank had no special knowledge on the topic.</p>