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European Commission  
DG for the Internal Market and Services  
Mr. David Wright  
B - 1049 Bruxelles/Brussels  
Belgium

*Dear David,*

Deutsche Bank highly appreciates the opportunity to express its views and promotes the European Commission's commitment to open and transparent consultation. In particular we recall the statement by the Commission that it will "deploy the most open, transparent, **evidence-based** policy making based on a dual commitment to open consultation and impact assessments" (our emphasis). With regard to the elaboration of the report that the Commission shall give to the European Parliament following Article 65 (1) of the MiFID and any contemplations on potential regulatory initiatives on this field, Deutsche Bank would like the Commission to consider the following aspects:

- We agree with the Commission's notion that a one-to-one transfer of MiFID transparency to non-equity markets is not appropriate. Structures and pricing processes differ completely between equity and non-equity markets.
- In general Deutsche Bank advocates market-led solutions and, where necessary, regulatory action governed by the principles of Better Regulation. External intervention may impair the operation of efficiently functioning and rapidly growing markets. Following the Better Regulation approach regulatory measures for increased transparency in markets other than equity markets could only be justified when all of the following circumstances apply for a specific market segment:
  1. A proven market failure exists.
  2. The market is unable or unwilling to establish an optimal level of transparency.
  3. The failure can demonstrably be removed by regulatory intervention.
  4. A positive cost-benefit analysis can be presented.

- So far there is no evidence that a substantial failure in the markets under consideration exists. Asymmetric information which occurs in a market is not evidence for market failure per se.
- It can be observed that competition in the markets has enhanced liquidity and has lead to a transparency level that is demanded and deemed adequate by the market participants. We do not see a market need for additional, externally imposed transparency requirements.
- The opposite of the intended effect is likely to occur when externally forced transparency obligations are implemented, e.g.:
  1. Less competition.
  2. Decrease of liquidity and price quality.
  3. Undesired changes of grown market structures.
- The translation of experiences in the US market, in particular considering the TRACE system, is critical for several reasons:
  1. Different market structures.
  2. Relevant European markets have a higher transparency level than the respective US markets had before TRACE introduction.
  3. The spread reduction observed in the US markets after TRACE implementation could be recognized simultaneously in the European markets without TRACE.
- With regard to financial fraud prevention we do not believe that price transparency is the appropriate tool.

Deutsche Bank would also like to reiterate that it supports the work of the European Commission in its efforts to secure the most efficient and competitive financial markets for the EU and is willing to discuss key issues and provide expert input to Commission staff at any time.

Sincerely yours,



Dr. Stephan Schuster