

**MEMORANDUM OF UNDERSTANDING CONCERNING
CONSULTATION, COOPERATION AND THE EXCHANGE OF INFORMATION
RELATED TO MARKET OVERSIGHT AND THE SUPERVISION OF
FINANCIAL SERVICES FIRMS**

In view of the growing globalization of the world's financial markets and the increase in cross-border operations and activities of financial services firms, including large complex financial conglomerates, the United States Securities and Exchange Commission ("SEC") and the German Bundesanstalt für Finanzdienstleistungsaufsicht ("BaFin") (collectively, the "Authorities") have reached this Memorandum of Understanding ("MOU") setting forth a framework for consultation, cooperation and the exchange of information regarding the oversight of markets and the supervision of financial services firms. The SEC and the BaFin express, through this MOU, their willingness to cooperate with each other in the interest of fulfilling their respective regulatory mandates, particularly in the areas of investor protection, fostering market integrity, and maintaining confidence and systemic stability.

ARTICLE ONE: DEFINITIONS

For purposes of this MOU:

1. "Authority" means the SEC or the BaFin.
 - a) "Requested Authority" means the Authority to whom a request is made under this MOU; and
 - b) "Requesting Authority" means the Authority making a request under this MOU.

2. **"Firm" means :**
 - a) a Person subject to the oversight of one or both of the Authorities, who conducts investment, securities, asset management, securities processing, insurance, or banking business (collectively "financial services business") in both the United States and Germany, and who has its global headquarters in the United States or Germany;
or
 - b) a Related Entity; or
 - c) a Dually Regulated Entity.

3. **"Person" means a natural person, unincorporated association, partnership, trust, investment company or corporation.**

4. **"Related Entity" means legal entities or sub-groups of a Firm, including affiliates, branches or subsidiaries, regulated by one or both Authorities.**

5. **"Dually Regulated Entity" means a Person that conducts financial services business and is authorized by or registered with both Authorities.**

6. **"Affiliated Market" means a market in the United States and a market in Germany, affiliated through a common ownership structure located in either jurisdiction or in a third jurisdiction.**
 - a) For the United States, "Market" means a national securities exchange registered under Section 6 of the Securities and Exchange Act of 1934 ("US Market");
 - b) For Germany, "Market" means a multilateral system for buying and selling interests in financial instruments, which is authorised in Germany and functions regularly and in accordance with the

provisions of Title III of the European Markets in Financial Instruments Directive (2004/39/EC) ("German Market").

7. "Books and Records" means documents, books and records of, and other information about, a Firm.
8. "On-Site Visit" means any routine, sweep, or for-cause regulatory visit to, or inspection of the books, records, and premises of, a Firm.
9. "Host Authority" means the Authority in whose jurisdiction a Firm is located.
10. "Inspecting Authority" means the Authority performing an On-Site Visit.
11. "Emergency Situation" means the occurrence of an event that could materially impair the financial or operational condition of a Firm or Market.
12. "Governmental Entity" means:
 - a) The US Treasury Department or the US Federal Reserve Board, if the Requesting Authority is the SEC; and
 - b) The Deutsche Bundesbank or the Exchange Supervisory Authorities of the German federal states, if the Requesting Authority is the BaFin.

ARTICLE TWO: GENERAL PROVISIONS

13. This MOU is a statement of intent to consult, cooperate and exchange information in connection with the oversight of Firms that conduct financial services business in the United States and Germany, in a manner consistent with, and permitted by, the laws and requirements that govern

the Authorities. It is anticipated that cooperation would be primarily achieved through ongoing, informal, oral consultations, supplemented by more in-depth, ad hoc cooperation. The provisions of this MOU are not intended to discourage or hinder such informal and oral communication.

14. This MOU does not create any legally binding obligations, confer any rights, or supersede domestic laws. This MOU does not confer upon any Person the right or ability directly or indirectly to obtain, suppress, or exclude any information or to challenge the execution of a request for assistance under this MOU.
15. This MOU does not limit an Authority to taking solely those measures described herein in fulfillment of its supervisory functions. In particular, this MOU does not affect any right of any Authority to communicate with, conduct an On-Site Visit of, or obtain information or documents from, any Person subject to its jurisdiction that is located in the territory of the other Authority.
16. This MOU is intended to complement, but does not alter the terms and conditions of the following existing arrangements concerning cooperation in securities matters: (i) the *Memorandum of Understanding on Mutual Assistance and the Exchange of Information* between the SEC and the BaFin (formerly Bundesaufsichtsamt für den Wertpapierhandel) signed on October 17, 1997, which covers primarily information-sharing in the context of enforcement investigations; and (ii) the *IOSCO Multilateral Memorandum of Understanding Concerning Consultation and Cooperation and the Exchange of Information*, to which the SEC and BaFin are signatories, which also covers information-sharing in the context of enforcement investigations.

17. The Authorities intend in particular, and to the maximum extent possible, that the cooperation and information sharing arrangements under this MOU should be implemented in a manner which is compatible with the obligations and commitments which an Authority may have toward a securities, insurance, asset management, banking or other regulatory authority or agency in a member state of the European Economic Area.
18. The Authorities intend periodically to review the functioning and effectiveness of cooperation arrangements between the BaFin and SEC with a view, inter alia, to expanding or altering the scope or operation of this MOU should that be judged necessary.
19. To facilitate cooperation under this MOU, the Authorities hereby designate contact persons as set forth in Appendix A.

**ARTICLE THREE: SCOPE OF SUPERVISORY CONSULTATION,
COOPERATION AND EXCHANGE OF INFORMATION RELATED TO FIRMS,
RELATED ENTITIES OR DUALY REGULATED ENTITIES**

20. The Authorities recognize the importance of close communication concerning the global operations of Firms, and intend to consult regularly regarding general supervisory developments and issues relevant to the operations, activities and regulation of such Firms.
21. To the extent practicable and as appropriate in the particular circumstances, including the status of efforts to address any difficulties experienced by a Firm, each Authority endeavors to inform the other Authority in advance of:

- a) pending regulatory changes that may have a significant impact on the operations, activities, or reputation of a Firm, in the other jurisdiction; and
- b) any material event that could adversely impact each other's markets or the stability of a Firm, in the other jurisdiction. Such events include known changes in the operating environment, operations, management, or systems and controls.

The above is without prejudice to any arrangements relating to specific prudential issues.

22. To the extent necessary to supplement periodic and ad hoc oral consultations, upon written request, each Authority intends to provide to the other Authority the fullest possible cooperation in assisting with the oversight of a Firm, and ensuring compliance with the laws or regulations of the Requesting Authority. It is anticipated that such requests will relate to information that is not otherwise available to the Requesting Authority. The assistance covered by this Paragraph includes, as appropriate to each entity, providing:

- a) Information based upon documents held in the files of the Requested Authority relevant to the Requesting Authority's oversight of the operations or activities of a Firm. The Requested Authority will provide maximum assistance in interpreting such information. Such information includes, without limitation:
 - i. Information relevant to the financial and operational condition of a Firm, including, for example, capital structure, liquidity and funding profiles, and internal controls procedures.
 - ii. Relevant regulatory information, including, for example: interim and annual financial statements; information drawn from

regulatory reports and filings; early warning notices that a Firm is required to submit to an Authority; and information drawn from examination reports as may be deemed appropriate or relevant by the Requested Authority.

- b) The Requesting Authority may (unusually) ask to see copies of regulatory reports, filings or other information held in the files of the Requested Authority or other information located in the Requested Authority's jurisdiction that may be relevant to the Requesting Authority's oversight of a Firm. It will be incumbent on the Requesting Authority to specify why direct access is required to information in this form.

- 23. With respect to asset management, the Authorities agree that they will provide each other, upon request, copies of inspection reports of Dually Regulated Entities that are involved in asset management, including investment advisers, investment fund managers, fund administrators, fund trustees, investment companies and investment funds.

ARTICLE FOUR: ON-SITE VISITS OF RELATED ENTITIES AND DUALY REGULATED ENTITIES

- 24. The SEC may conduct On-Site Visits of Persons located in Germany that are either (a) Related Entities that have their global headquarters in the United States or (b) Dually Regulated Entities. The BaFin, or the examiners commissioned by it, may conduct On-Site Visits of Persons located in the United States that are either (a) Related Entities that have their global headquarters in Germany or (b) Dually Regulated Entities.
- 25. The Authorities intend to comply with the following procedures before conducting an On-Site Visit:

- a) The Inspecting Authority will notify the Host Authority of its intent to conduct an On-Site Visit, by itself or by a third party commissioned by it, the intended time frame for and the scope of the On-Site Visit. If practicable, the Inspecting Authority will attempt to notify the Host Authority at least one week prior to notifying the Related Entity or Dually Regulated Entity covered by this Article.
- b) The Authorities intend to assist each other regarding On-Site Visits, including cooperation and consultation in reviewing, interpreting and analyzing the contents of public and non-public Books and Records; and obtaining information from directors and senior management of a Related Entity or Dually Regulated Entity covered by this Article.
- c) The Host Authority may, in its discretion, accompany the Inspecting Authority during the On-Site Visit and assist in the On-Site Visit.

ARTICLE FIVE: FRAMEWORK FOR COOPERATION RELATED TO AFFILIATED MARKETS

- 26. In view of the growing trend toward cross border affiliation of markets, the SEC and BaFin recognize the importance of establishing a framework for coordination and cooperation with respect to the oversight of Affiliated Markets at an early stage and to working collaboratively to fulfill our respective regulatory mandates.
- 27. In the event of an affiliation of a US Market and a German Market, the SEC and the BaFin will endeavor to enter into written practical arrangements, governing the scope and the terms and conditions for consultation, cooperation and the exchange of information related to the

oversight of the Affiliated Markets. Such arrangements once concluded and signed by the Authorities will become part of this MOU.

28. The Exchange Supervisory Authorities ("ESA") of the respective German federal states ("Bundesländer") where the exchanges are located are directly responsible for exchange supervision, with the BaFin being charged with cooperation with foreign authorities in matters relating to the supervision of securities exchanges. Accordingly, in the event of a Market affiliation, the SEC and the BaFin will consult with the relevant ESA with a view to it becoming a party to any written practical arrangements developed under this MOU related to the oversight of the Affiliated Markets.

ARTICLE SIX: EXECUTION OF REQUESTS FOR ASSISTANCE

29. To the extent possible, a request for written information pursuant to Article Three should be made in writing, and addressed to the relevant contact person in Appendix A. A request generally should specify the following:
- a) The information sought by the Requesting Authority;
 - b) A general description of the matter which is the subject of the request and the purpose for which the information is sought; and
 - c) The desired time period for reply and, where appropriate, the urgency thereof.
30. In Emergency Situations, the Authorities will endeavor to notify each other of the Emergency Situation and communicate information to the other as would be appropriate in the particular circumstances, taking into account all relevant factors, including the status of efforts to address the Emergency Situation. During Emergency Situations, requests for

information may be made in any form, including orally, provided such communication is confirmed in writing.

ARTICLE SEVEN: PERMISSIBLE USES AND CONFIDENTIALITY OF INFORMATION

31. Except for disclosures in accordance with this MOU, including permissible uses of information under this Article, each Authority intends to keep confidential to the extent permitted by law information shared under this MOU, requests made under this MOU, the contents of such requests, and any other matters arising under this MOU.
32. Subject to paragraphs 35-38 below, the Requesting Authority may use non-public information obtained under this MOU solely for conducting oversight of Firms and Markets, and seeking to ensure compliance with the laws or regulations of the Requesting Authority.
33. Except as described in Paragraph 35, in cases where an Authority seeks to onward share for supervisory purposes non-public information obtained pursuant to this MOU with a third securities, insurance, banking or other regulatory authority, including a relevant self-regulatory organization, the Requesting Authority undertakes to consult with the Requested Authority prior to providing the information to the third authority and:
 - a) provide assurances that the third authority has confirmed that it requires the non-public information for a relevant supervisory purpose related to a material affiliate of a Firm; and
 - b) obtain confirmation from the Requested Authority that the third authority has in place an information sharing arrangement with the Requested Authority related to supervisory matters, which governs

the use and confidentiality of any non-public information shared under such arrangement.

If the conditions described in (a) and (b) of this Paragraph are not met, the Requesting Authority must obtain consent from the Requested Authority prior to providing non-public information obtained under this MOU to a third authority. In considering whether to grant consent, the Requested Authority will take into account both the Requesting Authority's obligations under, and the objectives of, European Directives, with respect to requests by the Requesting Authority to onward share information to EEA members. The Requested Authority will also take into account the urgency of the request and respond in a timely manner.

34. If an Authority receives, via a third party, information related to the oversight of Firms or Markets provided by the other Authority, the first Authority will treat the information in accordance with the terms of this MOU.

35. In certain circumstances, it may become necessary for the Requesting Authority to share information obtained under this MOU with other Governmental Entities. In these circumstances and to the extent permitted by law:
 - a) The Requesting Authority intends to notify the Requested Authority.
 - b) Prior to passing on the information, the Requested Authority will receive adequate assurances concerning the Governmental Entity's use and confidential treatment of the information, including, as necessary, assurances that the information will not be shared with other parties without getting the prior consent of the Requested Authority.

c) In the case of Deutsche Bundesbank, the SEC recognizes the close working relationship between the BaFin and the Deutsche Bundesbank with regard to banking supervision, including some Firms covered in the scope of this MOU. Pursuant to Section 9 of the German Banking Act ("KWG"), any information obtained by the BaFin under this MOU and passed on to the Deutsche Bundesbank will be kept confidential, can be used only for supervisory purposes under the KWG, and cannot be shared by the Deutsche Bundesbank with other parties without getting the prior consent of the SEC. Accordingly, subject to notice in paragraph 35(a), the BaFin may pass on information received from the SEC to the Deutsche Bundesbank.

36. Before using non-public information furnished under this MOU for any purpose other than those stated in Paragraph 32, the Requesting Authority must first inform the Requested Authority of the intended use. As necessary, the Authorities will consult to discuss the reasons for any denial by the Requested Authority of such use and the circumstances under which such use might be allowed.
37. As mentioned above, this MOU is intended to complement, but not alter in any way, either the *Memorandum of Understanding on Mutual Assistance and the Exchange of Information* between the SEC and the BaFin (October 17, 1997), or the *IOSCO Multilateral Memorandum of Understanding Concerning Consultation and Cooperation and the Exchange of Information*. The Authorities recognize that while information is not to be gathered under the auspices of this MOU for enforcement purposes, subsequently the Authorities may want to use the information for law enforcement. In cases where an Authority seeks to use information obtained under this MOU for enforcement purposes, including

in conducting investigations or bringing administrative, civil or criminal proceedings, prior consent must be sought from the other Authority. Use will be subject to the terms and conditions of the arrangements referred to above concerning cooperation in enforcement matters.

38. To the extent possible, the Requesting Authority will notify the Requested Authority of any legally enforceable demand for non-public information furnished under this MOU. Prior to compliance with the demand, the Requesting Authority intends to assert all appropriate legal exemptions or privileges with respect to such information as may be available.

39. The Authorities intend that the sharing or the disclosure of non-public information, including, but not limited to, deliberative and consultative materials, pursuant to the terms of this MOU, will not constitute a waiver of privilege or confidentiality of such information.

ARTICLE EIGHT: TERMINATION

37. Cooperation in accordance with this MOU will continue until the expiration of 30 days after either Authority gives written notice to the other Authority of its intention to terminate its cooperation under the MOU. If either Authority gives such notice, cooperation will continue with respect to all requests for assistance that were made under the MOU before the effective date of notification until the Requesting Authority terminates the matter for which assistance was requested. In the event of termination of this MOU, information obtained under this MOU will continue to be treated in the manner prescribed under Article Seven.

Signed at Bonn, this 26 day of April, 2007.



Christopher Cox, Chairman
For the United States
Securities and Exchange Commission



Jochem Sanio, President
For the German Bundesanstalt für
Finanzdienstleistungsaufsicht

APPENDIX A

CONTACT OFFICERS

US Securities and Exchange Commission
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Attention:

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