



PERSPECTIVES 2025

Verband der Auslandsbanken
in Deutschland e.V.

Association of Foreign Banks in Germany





NDSDSBANKEN
OF FOREIGN BANKS
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Tobias Vogel
Chair, Association of Foreign Banks
in Germany e.V.
Chief Executive Officer and Head of Wealth
Management Europe, UBS Europe SE

Dear Readers,

It is my pleasure to present to you the annual brochure of the Association of Foreign Banks in Germany (VAB) for the year 2025. Not only does this brochure provide an overview of the key events and developments from the past year, but also offers insights into the challenges and opportunities that await us in the current year 2025 and beyond. Amidst an increasingly dynamic and complex regulatory environment, the competitiveness of international banks and the financial centre of Germany will continue to shape the agenda of the association.

Challenging Year 2024

The year 2024 was marked by numerous challenges for the banking sector in Germany. We are still feeling the effects of the Ukraine war and the associated geopolitical uncertainties. The outcome of the U.S. elections, which has led to a new government under the leadership of Donald Trump, will bring about further significant changes that will also affect Germany. The discussions surrounding higher U.S. import tariffs, the demands for increased defense spending, and the ideas regarding a new relationship between Western countries and China are just a few of the issues that will weigh on the German state and the German economy.

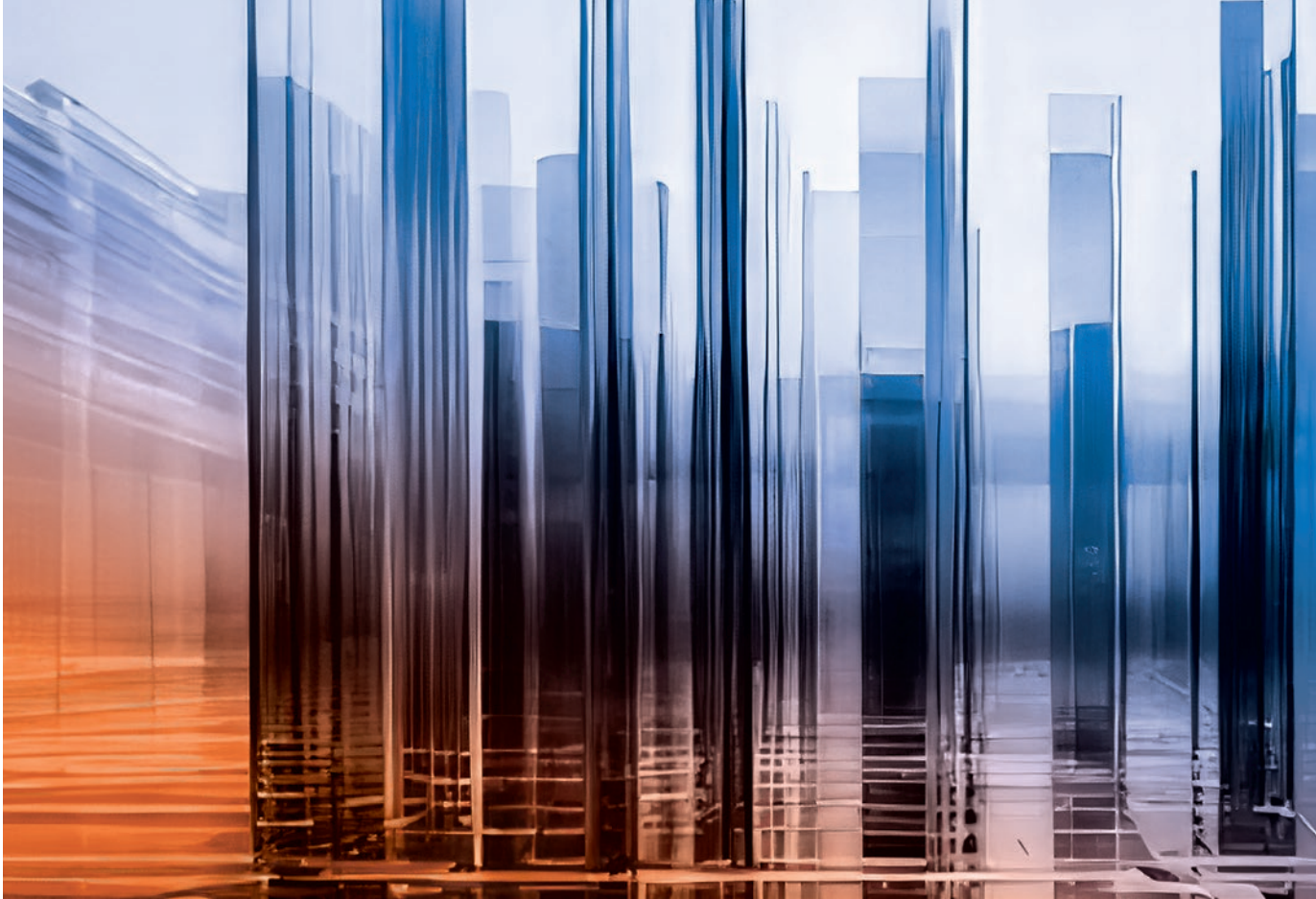
Nevertheless, the year 2024 also demonstrated that the financial sector is resilient and capable of adapting and seizing opportunities. In particular, the international banks in Germany have made a significant contribution to stabilising the economy through their global networks and extensive expertise. They have been instrumental in financing transformation processes through their international networks

and capital flows. Additionally, despite the collapse of the coalition government in Berlin, federal policymakers have passed several important laws for industry, demonstrating that the significance of the financial sector for Germany is recognised as part of the reform agenda.

Looking Ahead to 2025: A Year of Transformation and Opportunities

In 2025, alongside the aforementioned political uncertainties, long-term challenges such as the energy transition, demographic change, and digital transformation will continue to require extensive efforts that the newly elected federal government in early 2025 must orchestrate. The transformation of the German economy towards greater sustainability and digitalisation will entail a significant capital requirement in the coming years. In particular, the restructuring of industry for climate neutrality, as well as investments in modern infrastructure and digital technologies, will necessitate long-term and strategic financing. In this context, banks are an indispensable partner, especially international institutions that can provide the necessary access to global capital. The international networking and expertise of foreign banks are valuable assets for the financial sector in Germany, as they can channel global financial flows into the German market, thereby contributing to the financing of innovations and transformations.

However, for Germany to continue playing a leading role as a financial centre, urgent structural reforms must be addressed. The German financial market is in international competition, and this competition is becoming increasingly intense. Numerous countries, particularly in Europe, have recognised the importance of a well-developed financial market for their economies and are implementing tailored measures to mobilise capital and remain attractive as investment and employment locations. The challenge for Germany lies in further developing existing potential and directing capital flows into the market, rather than allowing them to migrate to other European financial centres. Compared to other leading economies, such as the USA or the UK, we are still not well positioned in many areas. As a result, the German financial and capital market does not yet play the role that it could and should, given Germany's economic size and significance.



Finally, it's Time to Focus on the "Game Changers"

Compromises at the lowest common denominator are no longer sufficient; instead, the 'game changers' must be addressed – even if they are not popular. It is not only the supervisory framework that needs attention, but also tax, labor law, and structural reforms that can enhance the attractiveness of the German market. An important aspect is the appeal of the German market for private and institutional investors, an increased market breadth and depth, and a strong and well-functioning capital market infrastructure with attractive stock corporation, stock exchange and capital gains tax laws for issuers and investors.

A strengthened integration of the capital market into retirement provision through targeted tax incentives for private retirement accounts could generate a significant volume of capital for investments in the German market in the long term. This capital would be available for financing innovations and companies. At the same time, the aging population could benefit from the economic strength of these companies in their retirement planning.

From the perspective of the Association, banking supervision plays a role in supporting banks and the financial sector in Germany, rather than merely controlling them. The fundamental idea of imposing the right level of requirements for each bank is an important principle of supervisory practice. Additionally, internationally active banks should also benefit from the anticipated relaxations to ensure fair

competition. From the political side, it is essential that the regulations for providing cross-border banking services, as newly established in the CRD VI directive, are not implemented more stringently than necessary.

Visible Financial Policy

As international banks in Germany, we wish for a federal government that actively engages in a visible financial policy on an international level. VAB and the key representatives of the industry are ready to work together with the government to develop a medium-to-long-term development plan for the financial centre of Germany. This is essential for ensuring that Germany maintains its position as a leading financial hub in Europe and the world in the long term. The Association of Foreign Banks will continue to represent the interests of its members in the interest of Germany in 2025 as well.

I wish you much enjoyment and enriching insights while reading, and I thank the VAB team and my fellow board members for the work reflected in this yearbook.



Michael Theurer
Board member, Deutsche Bundesbank

Dear Readers,

As we leave behind the eventful year of 2024, marked by both national and international upheavals, we brace ourselves for 2025. This year promises significant challenges across society, politics, the economy, and particularly the banking sector.

In Germany, a pivotal federal election will shape economic policy. Pressing societal projects like infrastructure modernisation, educational investments, bureaucracy reduction, digitalisation, and achieving climate neutrality demand our attention. Globally, the shifting multipolar order continues to reshape our certainties and expectations.

Geopolitics has also reached banking regulation. The new US administration intends to implement Basel III – the so-called Basel III Endgame – in a significantly watered-down form, which has also initiated debate in the European Union (EU) about the finalisation of Basel III. However, from both a competition policy and banking supervision perspective, we must not lose sight of the fact that the reasons for revising the global minimum standards still apply unabated. After all, it was inadequate (global) regulation that made the 2008 financial crisis possible in the first place. Regarding the attitude at that time underlying regulation, one of the most influential scholarly analyses noted that “[t]his time is different”, meaning that, once any given crisis is sufficiently far back in the past, pressure to make rules more lax or to apply them more leniently wins the day once again.

Thanks to the strengthened rules in response to the financial crisis, the financial system was able to withstand the turbulence of the pandemic and Russia’s war against Ukraine. But we should not draw the wrong conclusion that this time is really different and that we can water down the completion of the Basel reforms. We must also finish the final lap of the reforms in the EU and in Germany. The finalisation of Basel III and the banking package is a major step forward that will contribute to the stability of banks and the financial system. Retrogressing from our previous progress in implementation would be a mistake that could cost us dearly – even if other countries were to weaken their standards. We need financial markets that sustainably support the real economy. Therefore, we should now implement the reforms rigorously and undiluted. Moreover, the level of capital requirements for large banks in the EU and the US is very similar, irrespective of the final implementation of Basel III in the USA, where an output floor already exists.

If I could express a wish for the year 2025, it would be that the discussions around the finalisation of Basel III are conducted responsibly and that we do not cherry-pick facts. Firstly, the minimum capital requirements had to be improved in light of the financial crisis; secondly, the Basel Committee paid close attention to ensuring that the minimum capital requirements did not increase too much when calibrating the rules; and thirdly, European lawmakers, in particular, created very comfortable transition periods/arrangements with sufficient flexibility and time for adjustment when implementing Basel III into EU law.

The Bundesbank and the German supervisory authorities greatly value the close, constructive exchange, and it would be best utilised if we direct it towards the major future challenges, including digitalisation.

The lower profitability of European banks compared to their transatlantic counterparts can be particularly explained by their failure to consistently exploit the opportunities of digitalisation for both cost reduction and product development.

Digitalisation offers many opportunities to reduce the compliance burden for banks without lowering supervisory standards. We must seize these opportunities and are grateful for any suggestions from banks on how we can achieve better results together.

However: digital transformation can only be a significant success factor for the competitiveness of the German financial sector if digital operational resilience is continuously ensured. Therefore, the year 2025 will be dedicated to the implementation of the Digital Operational Resilience Act (DORA). DORA brings aspects such as the outsourcing of IT services even more into the supervisory focus, and we will intensify our supervision of IT risks and IT third-party risks – not only in the classic supervisory domains of ongoing supervision but also in audits of financial companies and IT third-party service providers.

In response to DORA, we as supervisors are expanding our capacities and competencies in this important area. We are also investing in digitalisation. Suptech (supervisory technology) and big data will increasingly shape our supervisory work and make us even better; I am convinced of that.

In geopolitically and macroeconomically turbulent times, the German economy and financial centre rely on the global expertise and orientation of foreign banks. An open economy like Germany, integrated into international value chains, benefits from a robust financial system that is equally open and internationally competitive.

For this reason, the Federal Republic of Germany – and particularly the City of Frankfurt am Main – have made significant efforts to attract foreign banks following Brexit.

However, foreign banks have been important players in the financial centre long before Brexit. As you noted in the 2024 yearbook, the size and success of foreign banks in Germany are the results of a presence established over many decades in the German market. Foreign banks account for approximately 22 percent of the total assets of all banking groups, making up a significant portion of the total assets of the entire German banking sector.

I am very grateful for this commitment and am convinced that it will continue in the future. The close exchange between the institutions and the Association of Foreign Banks and the German supervisory authorities will continue to serve as a discussion forum and catalyst for this.

I look forward to continuing to work together with you in 2025.



VAB as a Platform for International Banks



Dr Andreas Prechtel
Managing Director, Association of
Foreign Banks in Germany e.V.

International Banks: Strong Partners for Germany's Economy, Investors, and Bank Customers

International banks play a central role in the German financial market, yet their importance is often underestimated in public perception. While only a few big names are well-known, the true scale and often complex structure of these banks – even for businesses benefiting from their specialised services – often remain hidden. Behind the branches operating in Germany are some of the world's most powerful financial institutions, which possess deep expertise and enormous capital strength.

The banks organised within VAB (Association of Foreign Banks in Germany) come from over 30 countries and are present at key financial centres in Germany, such as Frankfurt am Main, Düsseldorf, Hamburg, and Munich. With more than 30,000 highly skilled employees – primarily German professionals with international experience – they make a substantial contribution to Germany's economic strength. They pay taxes and fees, have been firmly established in Germany for decades, and enrich particularly the financial hub of Frankfurt, which is not only the largest but also the most international financial centre in the country.

International Networks as Growth Drivers

The strength of VAB members lies not in their “foreign” character, but in their international focus. These banks deliberately opened branches in Germany to support the local and global businesses of their predominantly German clients. They benefit from the resources and networks of their international financial groups, which enable them to offer innovative and competitive services.

VAB members are preferred partners for German companies with international business relations, as well as for foreign companies operating in Germany or working with German clients. Their activities include:

- **Trade Finance and Factoring**
- **Project Finance** for German companies abroad or foreign companies in Germany
- **Mergers & Acquisitions**
- **Direct Banking and Mortgage Business**
- **Securities Issuance and Trading**
- **Asset Management** as well as
- **Securities Settlement and Custody**

The international anchorage, the global know-how of their workforce, and access to group-wide resources and capital distinguish VAB members from most German institutions. They specifically bring this strength into the discussion and further development of the German banking and capital markets. VAB, as their dedicated representative body, formulates constructive positions and proposals for fair and forward-looking regulatory frameworks to both the political and administrative spheres. Thanks to close cooperation with ministries, authorities, and promoters of the financial centre, VAB makes a significant contribution to the development and maintenance of the competitiveness of the German financial centre. Further details on the VAB's successes in these areas can be found elsewhere in this yearbook.



Tailored Services and Strong Representation

VAB offers its members a service and network package tailored to the needs of international banks. These services include:

- **High-level seminars** for experts of member institutions, regulation, supervision, and consulting
- **Working groups** on current topics specifically addressing employees of member institutions
- **Individual training sessions and webinars**
- **Bilingual, up-to-date reports** and **monthly newsletters** with practical information on legal, tax, and organisational changes
- **Publications** on key topics such as compliance, tax, and reporting

Additionally, networking events such as Management Forums as after-work events, the VAB Summer Party and the Annual General Meeting provide important opportunities for exchange.

A Strong Team at Your Side

The VAB team supports member institutions and their executives, as well as political and regulatory contacts, as a competent and experienced partner. With short communication channels and deep expertise, VAB ensures effective consulting and representation, giving international banks in Germany a strong voice.



VAB SUMMER PARTY 2024

International Banking Community Encounters

Against the picturesque backdrop of a late summer evening, the VAB Summer Festival 2024 took again place at the "Frankfurter Botschaft" in Westhafen. Around 150 invited guests – including executives from VAB member institutions, representatives from federal and state politics, the City of Frankfurt, the European Central Bank (ECB), and the Bundesbank, as well as decision-makers from business, media, law firms, and consultancy firms – came together as part of the "VAB Community."

Opening Remarks by the New Chairman Tobias Vogel

The new Chairman of the VAB Board, Tobias Vogel (CEO of UBS Europe SE), welcomed the guests with a clear focus on the topics on the VAB's financial centre agenda. His pointed remarks to politicians and supervisors underlined the importance of constructive dialogue, but also the expectations of international banks on politicians to finally tackle the 'game changers' and not just look for the lowest common denominators that do not bring the necessary progress for the development of the German economy and the financial industry. He thanked the member institutions for their continuous support and the VAB team for the successful organisation of the evening.

Keynote Speech by Former Hessian Minister-President Prof. Dr h.c. mult. Roland Koch

Professor Koch took up this topic in his keynote speech and emphasised the contribution of international banks to Germany and Hesse as a business location. He thanked VAB for the concrete proposals it had put forward, which could provide real assistance to politicians in their search for answers to the current challenges facing the German economy. To this end, he recommended that VAB continue to seek the proximity of the democratic political parties in this regard in



order to have these issues taken into account in their political programs. Strengthening the competitiveness of the Frankfurt financial centre as the only internationally recognised financial centre in Germany requires that all key forces from politics, business, science and society at the state and federal government join forces not only keep international banks and financial players in the city, but also to attract new market participants. Only then will Frankfurt be able to play a role as a financial centre that is commensurate with the size and international orientation of the German economy.

**Remarks by Hessian Minister of Finance
Prof. Dr Alexander Lorz**

Professor Lorz also addressed the guests with a brief speech, emphasising the vital importance of banks and financial institutions to the State of Hesse and the City of Frankfurt. He highlighted not only the tax revenue they generate but also the enrichment brought to the city and region through the presence of international companies, their domestic and foreign professionals, and their families.

The State of Hesse benefits economically and culturally from this vibrant international community and has made it a key focus of its policy efforts. Minister Lorz also expressed his enthusiasm for engaging in personal exchanges with guests throughout the evening, noting that the VAB Summer Festival offers a perfect opportunity to meet many leading representatives of international banks.

Networking in a Relaxed Atmosphere

The evening culminated in an informal exchange in relaxed “beach club” atmosphere with sunset over the river Main. Guests enjoyed an excellent buffet and refreshing drinks, taking advantage of the occasion to connect and discuss the challenges ahead.





REVIEW AND OUTLOOK I

Great Successes Achieved
in Tax Law

Digital Change in the
Withholding Tax Landscape

Current Developments in
Value Added Tax (VAT)

Tackling Financial Crime
in the Banking Sector

Great Successes Achieved Together with Members in Tax Law Despite Difficult Circumstances



Markus Erb
Authorised Representative and
Director Tax and Economic Affairs

Despite difficult circumstances, VAB has achieved a lot together with its members in terms of taxation in 2024. Not only were many valuable discussions between VAB and its members with the tax authorities in 2024 able to provide members with a number of practical answers, for example with regard to the taxation of capital gains, but a number of the association's petitions were also fulfilled.

In 2024, VAB submitted twelve official statements and a large number of other enquiries by email to the responsible offices in the tax authorities regarding various tax law plans, projects and issues. VAB can point to the following successes in its ongoing work in the tax area in 2024:

- Abolition of loss offsetting restrictions for forward transactions and total losses in accordance with § 20 para. 6 sentences 5 and 6 Income Tax Act in the 2024 Annual Tax Act with pragmatic transitional provisions 2024–2025
- Postponement of the notification procedure of the Federal Central Tax Office – BZSt (so called “MiKaDiv”) in the 2024 Annual Tax Act from 2025 to 2027 (previously the date had already been postponed to 2026 by decree of the Federal Ministry of Finance)
- Adaptation of § 8 to § 10 of the Tax Havens Defence Act in the 2024 Annual Tax Act by including the exception for bearer bonds (with regard to the definition of financing relationships)

- No reporting obligation for national tax arrangements (as German gold plating)
- Equity regulation for applications for reimbursement of capital gains tax in accordance with § 50c Income Tax Act within the scope of the mass data interface of the so called “DIP.KaFE” procedure and thus timely submission of applications for 2020 possible until the end of June 2025 under certain conditions
- Commitment from the tax authorities for a small-scale reporting solution for the corrected tax certificate via an “ELSTER” solution
- Transitional regulation in the BMF letter of 9 December 2024 on the bank key (input tax deduction at credit institutions) until the end of 2025
- Prompt monitoring of the revision of the decree by the Federal Ministry of Finance letter on § 45b Income Tax Act (“MiKaDiv” and FASTER) by banking practitioners

Furthermore, VAB tax department not only organised three exciting seminars focusing on capital gains tax, digitalisation in the tax area and tax audits, as well as a number of online and on-site working groups, but also produced three interesting podcasts with expert advisory boards. Since the summer of 2024, VAB has been active on LinkedIn regarding tax law and has already published more than 40 posts there.

The summer reception of the VAB tax department “Tax & Drinks” took place on 23 July 2024 at the Ruby Louise Hotel in Frankfurt am Main, also thanks to the kind support of RAQUEST GmbH. At the beginning of 2025, a New Year's reception for those interested in taxation took place for the first time in the Association's network, supported by Divizend GmbH.

Currently, 18 VAB Expert Panel members support the Association's work in tax law alongside the banking practitioners from the member institutions. Only together can VAB master the multitude of known and emerging tax topics and projects in the interests of its members in 2025. VAB, together with all the supporters of the Association, will continue to do everything in its power to be a competent, reliable, and active voice for all members, without neglecting the personal support of each individual member.



Between Postponement and Time Pressure: Digital Change in the Withholding Tax Landscape



Ulrich Vogl
Co-Founder and CTO, RAQUEST GmbH

Tax Regulations and Digitalisation: Challenges for Financial Institutions in 2024

The year 2024 was once again characterised by intensive project work for VAB members and their service providers to implement the new tax regulations. In particular, the digitalisation initiatives of the Authorities led to far-reaching adjustments in banking IT systems. The AbzStEntModG (Withholding Tax Relief Modernisation Act) had kept many institutions busy in advance, while seemingly simpler procedures such as CESOP, designed to report specific cross-border payments, also required considerable resources last year due to high technical requirements.

For VAB member companies, as well as RAQUEST, provider of software solutions for digitalised withholding tax management, this meant a phase of intensive development work.

MiKaDiv and DIP.KaFE: Digital Reporting and Application in Germany

The implementation of MiKaDiv in Germany (Reporting Procedure for Capital Gains and Dividends) involved working at full speed on new reporting systems. The postponement of the MiKaDiv's introduction to 2027 initially brought relief, as the original time frame was extremely tight. However, this delay now comes with extensive content changes, primarily to align the procedure with the reporting requirements of the upcoming EU FASTER Directive. It remains to be seen how much additional implementation time will effectively be available. In 2024, as part of the project work on the AbzStEntModG, another particular focus of our joint work with VAB was the implementation of the new Reclaim Procedure for Withholding Taxes via the DIP.KaFE mass application interface of the Federal Central Tax Office (BZSt). The implementation of the new solution proceeded under high pressure.

The challenge: a complex procedure, coupled with demanding new technology and a tight timeframe.

Despite an early development start and conservative planning, the risk of statutory limitations could not be completely ruled out. As the interface was not yet stably available from the authorities' side in December, the VAB's intervention secured a goodwill arrangement until the end of June 2025.

FASTER Directive as Key to Harmonising the EU Withholding Tax System

Even before the BZSt's digitalisation projects were completed, work continued immediately at the EU level. Looking ahead to 2025, financial institutions will be confronted with another major challenge: the FASTER implementation.

Following the expected adoption of the directive in 2024, the elaboration of details and standards must begin immediately.

Although the mandatory start of the procedure is only planned for 2030, experience from similar large-scale projects shows that five years of lead time and preparation are by no means too generous. Even though the EU commendably involves the financial and IT industry closely in the development through two working groups, banks need their own efforts to evaluate the significance and impact on their own data, processes, and systems. Banks are strongly advised to begin researching and evaluating FASTER as early as 2025.

The FASTER Directive has the potential to solve the central problems of the fragmented withholding tax landscape in the EU in the long term – provided the right course is set correctly now.

Innovative Solutions for Tomorrow's Withholding Tax Challenges

RAQUEST fully commits to the FASTER initiative with its solutions for efficient withholding tax management.

For 2025, RAQUEST plans to further intensify its engagement with the FASTER Directive in collaboration with VAB and its members, aiming to prepare financial institutions early for the upcoming changes.

Financial institutions can optimally prepare for withholding tax challenges by utilising comprehensive software solutions that automate the withholding tax processing and management, while supporting all common tax relief procedures.



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Current Developments in Value Added Tax (VAT)



Dr Tanja Walter-Yadegardjam
VAB Expert Panel Value Added Tax
Partner at Freshfields PartG mbB

For banks, the past year 2024 has brought some clarifications from a German VAT perspective, in particular through letters from the German Federal Ministry of Finance (BMF).

For instance, the issue of input VAT apportionment in accordance with Section 15 (4) UStG, which is particularly relevant for banks, has become the subject of two BMF letters. Such apportionment of input VAT amounts is required if an entrepreneur uses the input services both for supplies/services that entitle the input VAT deduction and for supplies/services that exclude the input VAT deduction. Due to the tax exemption of many banking and financial services (Section 4 No. 8 UStG), the question of input VAT apportionment and the determination of an appropriate apportionment key arises in particular for domestic and foreign banks.

BMF Letter on Input VAT Deduction for Credit Institutions

In a recent letter dated 9 December 2024, the BMF has once again issued binding guidelines regarding the apportionment of input VAT amounts for credit institutions. A partially comparable letter from 2005 was only applicable to taxable events that were realised by 31 December 2008.

Segmentation as a Way of Allocation

In the opinion of the tax authorities, for the purpose of allocating the input services received by the business to the output services, organisationally separable sub-units of a credit institution can be considered by means of segmentation. A separate input VAT key must then be created for each segment in a further step. The key factor for recognising a segment is whether and to what extent it carries out definable activities. Examples of possible segments mentioned in the BMF letter are tax group entities, foreign permanent establishments and business divisions (e.g. investment banking, private client business, corporate client business). In order to achieve an appropriate result, segmentation must aim to summarise largely similar output services.

Allocation Key: Margin Beats Turnover

The allocation of input VAT subsequent to segmentation must be carried out according to the so-called economic method. Under this method, it is examined to what extent input services subject to input VAT are consumed in the provision of output turnover. In comparison to a turnover-based allocation, the margin can represent a more precise economic allocation for the input VAT allocation, particularly for service areas of the banking business where turnover is largely determined by input services that are not subject to input VAT, because only the margin is available to cover the operating costs of a credit institution. According to the letter, the balance of customer interest and refinancing interest in the case of lending business, the net trading margin in the case of trading business and, in the case of securities transactions, the total commission less the fees for purchased advance services and forwarded commissions as a margin is an appropriate allocation measure. When determining the respective segment key, the special characteristics of the individual case (e.g. size of the credit institution, business models, inhomogeneous business areas, loan size structure) must be taken into account appropriately.

Different Allocation Methods also Possible

Other methods of allocation are still permissible but must take sufficient account of the special features of the banking sector and also lead to an appropriate result. Due to the complexity and inhomogeneity of individual service areas, a precise assessment of the individual case is essential, particularly in the case of credit institutions.

Documentation Obligation for Credit Institutions

The BMF advises credit institutions to document the chosen input VAT allocation system to prove that it is appropriate. In addition to the result of the analysis, this should also include a consideration of its selection and implementation.

Cross-border Corporate Structures in the Banking Sector

Furthermore, the BMF letter addresses the application of these requirements to cross-border corporate structures. According to the ECJ, a head office and a permanent establishment located in two different Member States are only exceptionally not to be regarded as a single taxable person if proof is provided that the permanent establishment is to be regarded as an independent bank for VAT purposes. This is particularly the case if it bears the economic risk of its activity. Where there is only one taxable person, the deduction of input VAT is governed by the regulations of the state in whose territory the input services are received (territoriality principle). Therefore, for the purposes of assessing input VAT on input services received in Germany, foreign dependent permanent establishments are to be regarded as separate, definable sub-units for which separate allocation keys are to be determined on a regular basis using the segmentation method.

BMF Letter on Input VAT Apportionment According to the Ratio of Turnover Provides Legal Certainty when Applying Total and Partial Turnover Keys

In connection with the questions on input VAT apportionment, the BMF letter dated 13 February 2024 on the application of the total turnover key must also be observed. Under German law, the total turnover key is to be treated as subordinate, as it is only permissible if no other more precise economic allocation is possible. Due to the more specific letter on input VAT deduction for credit institutions, the allocation according to the total turnover key is of less importance for the allocation of input VAT for banks, but the principles of determination, particularly with regard to the turnover to be included and not to be included, can be applied accordingly to other, more precise turnover keys. These so-called partial turnover keys can play a role, for example, in the context of the residual key or business activities that are not typical for banks.

ECJ Confirms Non-taxability of Internal Transactions of a VAT Group

One further pleasing development was the confirmation of previous German legal practice by the ECJ decision of 11 July 2024, according to which (domestic) internal transactions are not taxable in a VAT group, irrespective of the recipient's right to deduct input VAT. This is because the formation of a VAT group means that there is only one entrepreneur / taxable person under material law, both internally and externally. Banks with usually tax-exempt output services can now rely on the fact that there are no VAT-liable transactions within their VAT group if, for example, the group parent obtains outsourced services from group entities belonging to the VAT group.

BMF Announces Letter on Skandia America and Danske Bank

In the new year of 2025, the BMF is also expected to issue a long-awaited statement on the two ECJ judgements in the Skandia America case of 17 September 2014 and the Danske Bank case of 11 March 2021. In these rulings, the ECJ interpreted European VAT law to the effect that services provided by a head office to a branch and vice versa are VATable if they are located in different countries and either the head office or the branch is part of a VAT group (VAT group). While the two judgements have so far been implemented differently in many member states, the German tax authorities have not yet issued a binding interpretation that would provide legal certainty, particularly in the banking sector. In its letter dated 9 December 2024, the BMF has now announced that it will address the impact of these two rulings on German administrative practice in a separate letter. However, it remains to be seen how soon this will take place and how clearly the BMF will position itself on individual issues.

FRESHFIELDS

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Tackling Financial Crime in the Banking Sector



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PartG mbB

The financial industry is under scrutiny. Prosecutors are targeting the sector because financial crime is also evolving. In addition to tax evasion, money laundering and insider offences, digital phenomena are becoming increasingly important. Stricter laws, specialised and internationally connected authorities and the public expectation to consistently combat financial crime will continue to challenge the industry in 2025.

Financial Crime

Several legislative initiatives targeted financial crime in 2024. North Rhine-Westphalia established a state office to prosecute serious cases of money laundering and tax evasion from 15 January 2025. At federal level, an authority is planned to combat international financial crime with a connection to Germany. Investigators are to analyse suspicious financial flows according to the “follow the money” principle to prevent and sanction illegal activities in connection with financial transactions. Planned registers such as a real estate transaction register with digital access and an expanded transparency register will affect banks' auditing and due diligence obligations. What will remain after the end of the coalition government is uncertain, but the fight against financial crime will continue as the framework conditions require it.

Money Laundering

It is estimated that 100 billion euros are laundered in Germany every year. Money laundering includes all activities that inject dirty money into the economic cycle to conceal its illegal origin. Since 2021, any worldwide criminal offence, even if it was permitted abroad, is punishable under German law.

Banking as a Hazardous Activity

Banks play a central role for money launderers. Their authorised services make them attractive to criminals. Even the appearance of a lack of diligence or inadequate monitoring is dangerous. Typical triggers for investigations are

- **Failure to report suspicious transactions**
Omitted or delayed reports to the Financial Intelligence Unit (FIU) can trigger investigations.
- **Missing or insufficient identification**
Deficiencies in the implementation of KYC requirements for identifying beneficial owners can be punished as an administrative offence or criminal offence.
- **Active support**

If investigating authorities have the impression that employees of the bank have knowingly encouraged or facilitated criminal behaviour by clients, they may allege criminal liability for aiding and abetting or complicity.

Tax Evasion

Accusations of aiding and abetting or complicity through to the formation of a criminal organisation (Section 129 of the German Criminal Code) are a particular threat in the case of tax offences. Numerous national and international banks and their employees are still experiencing this in the many pending cum-ex proceedings. Tax evasion (Section 370 of the German Fiscal Code) is still one of the most common financial offences. Banks are targeted when they assist clients in circumventing tax laws by offering products or advice that facilitate to conceal assets. Typical trigger points for investigations in this area include

• Capital Gains Tax

Following the so-called cum-ex transactions, more and more so-called cum-cum transactions are coming into focus. From the perspective of financial and investigative authorities, processes in which a non-resident transfers his shares to a resident taxpayer to avoid or reduce capital gains tax are critical.

• Offshore Structures

The tax authorities continue to take a fundamentally critical view of offshore accounts and offshore companies. Anything that is suitable for concealing investment income can quickly become dangerous for banks and their employees.

Initiation of Investigations

The legal standard for initiating a criminal investigation is low. It is sufficient that facts make a criminal offence appear possible. Investigators are allowed to take criminal experience into account. Once it has initiated formal investigations, a prosecutor's office can inspect the products and conduct of a bank for years. This has serious disadvantages for those affected in a highly regulated environment. Anyone who must regularly inform the regulator or supervisory authority about pending criminal proceedings is in an uncomfortable position. Those who want to change careers and must report on pending investigations have a harder time than their competitors. The personal burden of living under a sword of Damocles for years is considerable. And potential penalties are severe.

Penalties for Employees

Offences such as tax evasion and money laundering can be punished with a prison sentence of up to five years even in standard cases. However, most cases are regarded particularly serious. In the case of tax evasion, for example, a case is deemed particularly serious if taxes of more than 50,000 EUR have been evaded. And this increases the penalty to up to ten years. The same applies to cases in which offences such as tax evasion or money laundering are committed as a member of a gang. This may not sound like the financial industry at first, but it is a particularly popular argumentation applied by prosecutors in this sector. According to the current legal understanding, a gang already exists if at least three employees of a legally operating company (a bank) join forces and commit criminal offences. It is regarded as sufficient if criminal conduct is accepted as a secondary consequence of the actual objective (e.g. to generate turnover). In cum/ex proceedings, for example, this makes it possible to treat many people across several countries and banks as gang members. This in turn means that the actions of an employee of a bank based in Germany are attributed to an employee of another bank working in Dubai and vice versa.

In addition to criminal law risks, there is also the danger of being liable for damages with private assets. Insurance policies often do not offer complete protection here.

Sanctions for Banks

It can also be expensive for banks. Fines of up to 10,000,000 EUR per case can be imposed for criminal offences committed by executive bodies or senior employees. There are graduated penalties for administrative offences, but even here it can be expensive. It is often impossible to quantify the reputational damage, which can lead to loss of customers and make it more difficult to recruit good employees in competition. Added to this are the consultancy costs that regularly arise in the defence against criminal accusations.

Prevention and Protection

Effective internal mechanisms to protect against negligence are indispensable. If they are lacking, a public prosecutor will see this as an indication of a breach of duty on the part of the management. In the event of investigations and criminal charges, a swift and professional defence can have a decisive influence on the outcome.

**A D I C K
L I N K E**

**Steuerstrafrecht
Wirtschaftsstrafrecht
Unternehmensstrafrecht**

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VAB MEMBER INSTITUTIONS





Africa

Egypt (1), Morocco (2)

Asia

Bahrain (1), China (5), India (2),
Iran (5), Japan (11), Jordan (1),
Korea (4), Taiwan (2), Vietnam (1)

Australia

Australia (3)

Europe


Belgium (1), Denmark (1), France (41),
Greece (1), Great Britain (15),
Ireland (1), Italy (3), Liechtenstein (1),
Luxembourg (2), Netherlands (9),
Norway (1), Austria (9), Poland (1),
Sweden (2), Switzerland (12),
Spain (4), Türkiye (7), Cyprus (1)

North America

Bermuda (3), USA (32)

South America

Brazil (1)

 Allocation according to the country of
origin of institution or group of institutions.
As of 01.01.2025

Africa

Egypt

- Misr Bank – Europe GmbH

Morocco

- Attijariwafa Bank Europe Niederlassung Frankfurt
- Chaabi Bank Zweigniederlassung Deutschland

Asia

Bahrain

- Arab Banking Corporation SA

China

- Agricultural Bank of China Ltd., Frankfurt Branch
- Bank of China Limited Zweigniederlassung Frankfurt am Main
- Bank of Communications Co., Ltd., Frankfurt Branch
- China Construction Bank Corporation, Niederlassung Frankfurt
- Industrial and Commercial Bank of China Limited Frankfurt Branch

India

- ICICI Bank UK PLC Germany Branch
- State Bank of India Zweigniederlassung Frankfurt am Main

Iran

- Bank Melli Iran
- Bank Sepah-Iran Filiale Frankfurt
- Europäisch-Iranische Handelsbank AG
- Middle East Bank, Munich Branch
- Saman Bank Niederlassung Frankfurt

Japan

- Daiwa Capital Markets Deutschland GmbH
- Instinet Germany GmbH
- Mizuho Bank, Ltd. Filiale Düsseldorf
- Mizuho Securities Europe GmbH
- MUFG Bank (Europe) N.V. Germany Branch
- MUFG Europe Lease (Deutschland) GmbH i.L.
- MUFG Securities EMEA plc
- Nomura Asset Management Europe KVG mbH
- Nomura Financial Products Europe GmbH
- SMBC Bank EU AG
- Sumitomo Mitsui Banking Corporation Filiale Düsseldorf

Jordan

- Europe Arab Bank SA

Korea

- KEB Hana Bank (Deutschland) AG
- SHINHAN Bank Europe GmbH
- The Korea Development Bank Frankfurt Branch
- Woori Bank Europe GmbH

Taiwan

- Bank of Taiwan Frankfurt Representative Office
- First Commercial Bank, Ltd. Frankfurt Branch

Vietnam

- Vietinbank Filiale Deutschland

Australia

Australia

- Australia and New Zealand Banking Group Ltd., Niederlassung Frankfurt am Main
- Westpac Europe GmbH
- Macquarie Capital France SA Niederlassung Deutschland

Europe

Belgium

- KBC Bank N.V. Niederlassung Deutschland

Denmark

- Syd Fund Management A/S

France

- Amundi Deutschland GmbH
- ARVAL Deutschland GmbH
- Bank Deutsches Kraftfahrzeuggewerbe GmbH
- BDk Leasing und Service GmbH
- BGL BNP Paribas
- BNP Paribas Asset Management
- BNP Paribas Factor GmbH
- BNP Paribas Lease Group S.A. Zweigniederlassung Deutschland
- BNP Paribas S.A. Niederlassung Deutschland
- CACEIS Bank S.A., Germany Branch
- CACEIS Fonds Service GmbH
- CIC Repräsentanz für Deutschland
- CLAAS FINANCIAL SERVICES S.A.S. Zweigniederlassung Deutschland
- CNH Industrial Capital Europe S.A.S. Zweigniederlassung Deutschland
- Coface Debitorenmanagement GmbH
- Coface Deutschland, Niederlassung der Coface S.A.
- Coface Finanz GmbH
- Coface Rating GmbH
- Consors Finanz BNP Paribas
- Crédit Agricole Corporate and Investment Bank Deutschland
- Crédit Agricole Leasing & Factoring SA – Niederlassung Deutschland
- Crédit Mutuel Leasing GmbH
- CreditPlus Bank AG
- GEFA BANK GmbH
- Hanseatic Bank GmbH & Co. KG
- IC Financial Services S.A. Zweigniederlassung Heilbronn
- JCB Finance SAS, Zweigniederlassung Deutschland
- Natixis Investment Managers S.A., Zweigniederlassung Deutschland
- NATIXIS Pfandbriefbank AG
- NATIXIS Zweigniederlassung Deutschland
- ODDO BHF Asset Management GmbH
- ODDO BHF SE
- SG Equipment Finance SA & Co. KG
- Société Générale S.A. Frankfurt am Main
- Société Générale Securities Services GmbH
- Stellantis Bank S.A., Niederlassung Deutschland
- TARGO Deutschland GmbH
- TARGO Factoring GmbH
- TARGO Leasing GmbH
- TARGOBANK AG
- Treezor SAS

Greece

- PIRAEUS BANK S.A.

Great Britain

- Barclays Bank Ireland PLC Frankfurt Branch
- Barclays Bank Ireland PLC Hamburg Branch
- CMC Markets Germany GmbH
- FNZ Bank SE
- IG Europe GmbH
- Invesco Asset Management Deutschland GmbH
- Lloyds Bank Corporate Markets Wertpapierhandelsbank GmbH
- Lynx B.V. Germany Branch
- National Westminster Bank Plc Niederlassung Deutschland
- NatWest Bank Europe GmbH
- NatWest Markets N.V. Niederlassung Deutschland
- NatWest Markets Plc Niederlassung Frankfurt
- RBC Capital Markets (Europe) GmbH
- Revolut Bank UAB Zweigniederlassung Deutschland
- Standard Chartered Bank AG

Ireland

- Bank of Ireland, Zweigniederlassung Frankfurt

Italy

- CA Auto Bank S.p.A. Niederlassung Deutschland
- Intesa Sanpaolo S.p.A. , Filiale Frankfurt am Main
- Südtiroler Sparkasse AG Niederlassung München – Cassa di Risparmio di Bolzano S.p.A.

Liechtenstein

- LGT Bank AG Zweigniederlassung Deutschland

Luxembourg

- Banking Circle S.A. – German Branch
- Fortis Lease Deutschland GmbH

Netherlands

- ABN AMRO Asset Based Finance N.V., Niederlassung Deutschland
- ABN AMRO Bank N.V. Frankfurt Branch
- De Lage Landen International B.V. Deutsche Niederlassung
- De Lage Landen Leasing GmbH
- DHB Bank N.V. Filiale Düsseldorf
- ING Bank, eine Niederlassung der ING-DiBa AG
- NIBC Bank N.V. Zweigniederlassung Frankfurt
- Rabobank Frankfurt Coöperatieve Rabobank U. A., Zweigniederlassung Frankfurt am Main
- Triodos Bank N.V. Deutschland

Norway

- DNB Bank ASA Filiale Deutschland

Austria

- activ factoring AG
- Austria Leasing Gesellschaft mbH Mitglied der Raiffeisen-Bankengruppe Österreich
- Oberbank AG Niederlassung Deutschland
- Raiffeisen Bank International AG Niederlassung Frankfurt
- Raiffeisen Kapitalanlage GmbH
- Raiffeisen-IMPULS Finance & Lease GmbH
- Raiffeisenlandesbank Oberösterreich AG
- Raiffeisenlandesbank Oberösterreich AG Zweigniederlassung Süddeutschland
- Raiffeisen-Landesbank Steiermark AG

Poland

- PKO Bank Polski S.A. Niederlassung Deutschland

Sweden

- Ikano Bank AB (publ), Zweigniederlassung Deutschland
- SEB AB Frankfurt Branch

Switzerland

- Bank Julius Bär Deutschland AG
- Bank Pictet & Cie (Europe) AG
- Bank Vontobel Europe AG
- Leonteq Securities (Europe) GmbH
- Pictet Asset Management (Europe) S.A. Niederlassung Deutschland
- SECB Swiss Euro Clearing Bank GmbH
- St. Galler Kantonalbank Deutschland AG
- Stifel Europe AG
- UBS Asset Management (Deutschland) GmbH
- UBS Europe SE
- Vontobel Financial Products GmbH
- VZ VermögensZentrum Bank AG

Spain

- Banco Bilbao Vizcaya Argentaria S.A., Niederlassung Deutschland
- Banco Santander, S.A., Filiale Frankfurt am Main
- CaixaBank, S.A., Zweigniederlassung Deutschland
- Open Bank, S.A. Zweigniederlassung Deutschland

Türkiye

- Akbank AG
- İşbank AG
- KT Bank AG
- OYAK ANKER Bank GmbH
- VakıfBank International AG, Wien, Zweigniederlassung Deutschland
- Yapi Kredi Bank Deutschland GmbH & Co. OHG
- Ziraat Bank International AG

Cyprus

- RoboMarkets Deutschland GmbH

North America

Bermuda

- FIL Finance Services GmbH
- FIL Fondsbank GmbH
- FIL Investment Services GmbH

USA

- American Express Europe S.A. (Germany branch)
- American Express International, Inc. Niederlassung Deutschland, Frankfurt a.M.
- American Express Payments Europe, Service Limited (Germany Branch)
- Bank of America Europe Designated Activity Company Zweigniederlassung Frankfurt am Main
- BNY Mellon Service Kapitalanlage-Gesellschaft mbH
- Citibank Europe plc, Germany Branch
- Citicorp Leasing (Deutschland) GmbH
- Citigroup Global Markets Europe AG
- Citigroup Global Markets Finance Corporation & Co. beschränkt haftende KG
- Evercore GmbH
- Gamma Trans Leasing Verwaltungs-GmbH
- Goldman Sachs Bank Europe SE
- Goldman Sachs International Zweigniederlassung Frankfurt
- IKB Deutsche Industriebank AG
- International Card Services B.V. Niederlassung Deutschland
- J.P. Morgan SE
- J.P. Morgan Securities plc Frankfurt Branch
- Jefferies GmbH
- JPMorgan Asset Management (Europe) S.à r.l. Frankfurt Branch
- Morgan Stanley Bank AG
- Morgan Stanley Europe SE
- Navy Federal Credit Union Military Banking Overseas Division
- Nuveen Asset Management Europe S.à.r.l., Germany
- PayPal Limited, German Branch
- Raisin Bank AG
- State Street Bank International GmbH
- State Street Global Advisors Europe Limited Zweigniederlassung Deutschland
- The Bank of New York Mellon SA/NV, Asset Servicing, Niederlassung Frankfurt am Main
- The Bank of New York Mellon, Filiale Frankfurt
- Threadneedle Management Luxembourg S.A. (Germany Branch)
- Wells Fargo Bank International UC, Niederlassung Frankfurt
- Western Union International Bank GmbH Niederlassung Frankfurt

South America

Brazil

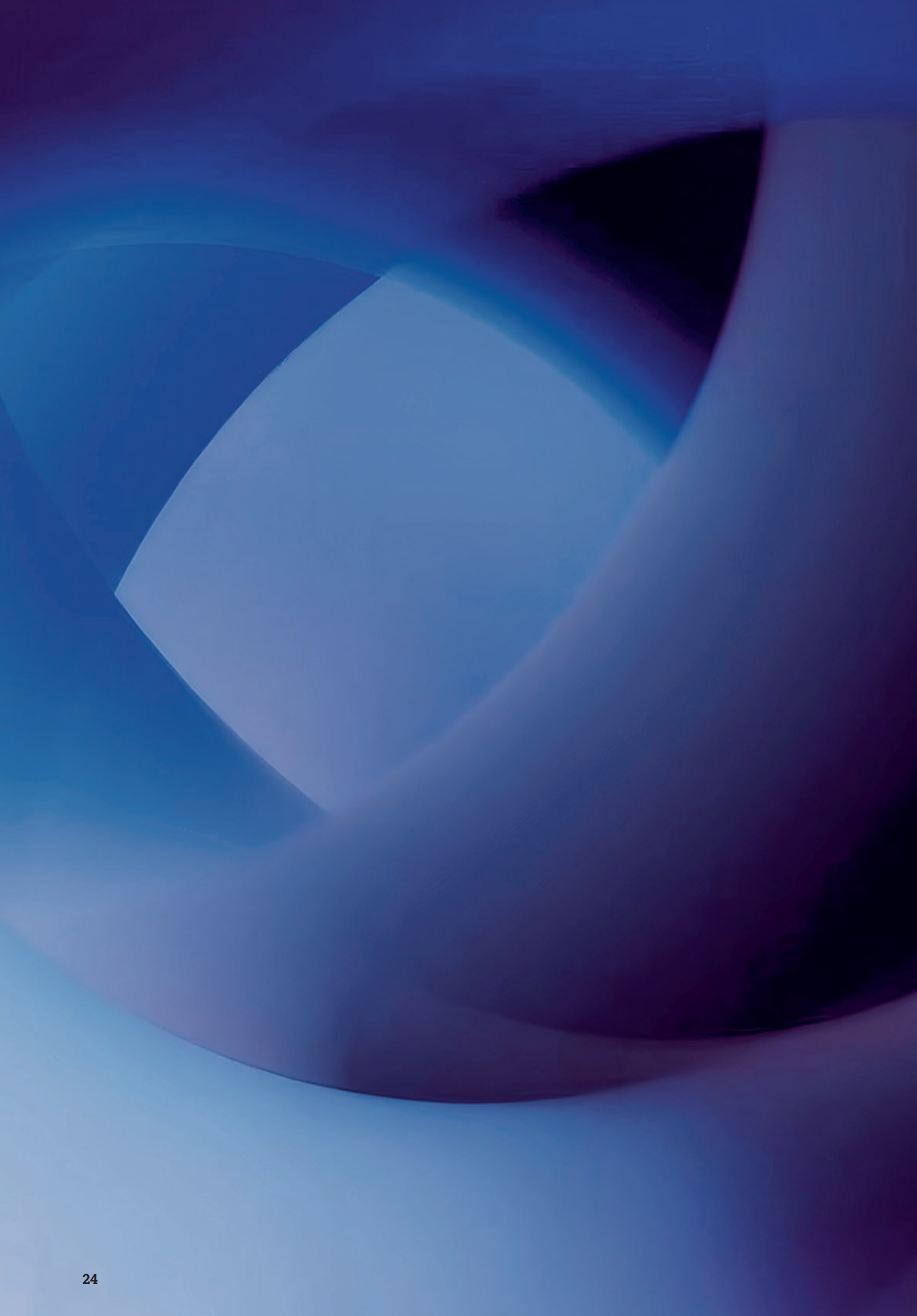
- Banco do Brasil S.A., Zweigniederlassung Frankfurt/Main

International free float

- ProCredit Bank AG
- ProCredit Holding AG & Co. KGaA



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As of 01.01.2025



REVIEW AND OUTLOOK II

“AML Package” – Money
Laundering Prevention
as a Herculean Task?

DORA: Strengthening
Digital Resilience in the
EU Financial Sector

Instant Payments 2025

“AML Package” – Money Laundering Prevention as a Herculean Task?



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Partner at Annerton Rechtsanwalts-
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The year 2024 has brought decisive innovations in the area of money laundering prevention. On 19 June 2024, the “AML package” was published in the EU Official Journal – a comprehensive package of measures designed to significantly strengthen the fight against money laundering and terrorist financing and ensure EU-wide harmonisation of regulations. In addition, the new EBA guidelines were introduced, which provide further impetus for stronger – and ideally more efficient – regulation.

A central component of the AML package is the establishment of a European Anti-Money Laundering Authority (AMLA), which will act as a coordinating force in the fight against financial crime in future. At the same time, the AML package brings with it considerable challenges, including the expansion of the remit of the anti-money laundering officer, the modification of the concept of the beneficial owner and the tightening of outsourcing requirements. The key regulatory requirements have been set out in a regulation for the first time (previously only in the form of guidelines). With this far-reaching reform package, the EU is sending out a clear signal for greater effectiveness and consistency in the prevention of money laundering, the implementation of which poses challenges for obliged entities.

Components of the AML package

The AML package comprises four sets of regulations. Together with the AML-D (Anti-Money Laundering Directive), the Money Laundering Regulation (AML-R (EU) 2024/1624) forms the core of the package. As a regulation, it applies directly in all member states and creates a uniform legal framework (“level playing field”) through its priority of application. The Regulation establishing the European Anti-Money Laundering Authority (AMLA-R (Anti-Money Laundering Authority Regulation) (EU) 2024/1620) forms the basis for the AMLA, which is based in Frankfurt am Main and monitors credit and financial institutions with a high risk profile and activities in at least six member states. The Money Transfers Regulation (Regulation (EU) 2023/1113) came into force in 2023. The 6th Anti-Money Laundering Directive (AMLD 6 (EU) 2024/1640) regulates mechanisms to combat money laundering, but is not directly applicable as a directive and must be transposed into national law by the member states.

Responsibility of the Management

The AML package introduces new definitions and enhanced requirements for the roles of compliance manager and anti-money laundering officer. Obligated entities must appoint a member of the management body in their management function as compliance manager, who is responsible for the consistency and effective implementation of internal policies, procedures and controls and the provision of sufficient resources. A new requirement is that the “compliance manager” must report to management at least once a year on the status of internal measures and keep them informed of audit results on an ongoing basis. The compliance manager must have sufficient regulatory knowledge to be able to set the strategic direction.

The Universal Jurisdiction of the Anti-money Laundering Officer

The new AML package expands the remit of the anti-money laundering officer, particularly for cross-border obliged entities and those operating within a group, and strengthens their position. Their tasks include the operational implementation of due diligence measures in day-to-day business, acting as a central point of contact for the supervisory authorities, submitting money laundering reports and monitoring compliance with financial sanctions.

The position is further strengthened with the introduction of a special dismissal procedure. The anti-money laundering officer now has the opportunity to take a different position if necessary. In the event of dismissal, obliged entities must now also state whether this is in connection with the performance of their duties. The anti-money laundering officer can provide the supervisory authority with information on this upon request or on their own initiative.

Financial Sanctions as Part of Money Laundering Prevention

The incorporation of measures for compliance with financial sanctions in the area of money laundering prevention, including the transfer of responsibility for this to the anti-money laundering officer, should be seen as a novelty. The transfer of responsibility for compliance with financial sanctions considerably expands the previous scope of duties of the anti-money laundering officer. The expansion of the anti-money laundering officer's remit requires the acquisition of new expertise. The anti-money laundering officer must be supported by the provision of appropriate resources. In addition to the risks of money laundering and terrorist financing, the risk assessment to be prepared by the anti-money laundering officer must now also include the risk of non-implementation and circumvention of financial sanctions.

Concept of the Beneficial Owner

The term "beneficial owner" has also been modified by the AML package. In the case of legal entities, beneficial owners within the meaning of Section 3 AMLA are natural persons who hold an ownership interest of at least 25%, instead of more than 25% previously, of the capital or voting rights or exercise control in a comparable manner.

The previously applicable 50% threshold for calculating indirect ownership at the second level no longer applies, which means that obliged entities will have to identify more beneficial owners and potentially more politically exposed persons in future. The abolition of the 50% threshold at the second level leads to a considerable increase in the workload for obliged entities, as they now have to identify significantly more beneficial owners.

Prohibitions on Outsourcing

The outsourcing of tasks in the area of money laundering prevention remains permitted under the AML-R, but is subject to stricter requirements compared to Section 6 (7) AMLA. In particular, key tasks such as the approval of guidelines, controls and procedures or the reporting of suspicious cases to the FIU (Financial Intelligence Unit) may no longer be outsourced. External service providers can continue to provide support, but the final decision and submission of suspicious activity reports lies exclusively with the obliged entity.

Due to the stricter requirements, obligated parties should subject their existing outsourcing arrangements to a cost-benefit analysis and adapt contracts to the new requirements. It is worth noting that the performance of functions by other group companies is also considered outsourcing.

Tightening of the Updating Obligations

BaFin updated its administrative practice in its AT application and interpretation notes published on November 29, 2024 and has already adopted individual components of the AML package in this context. For example, the update cycles for customer data have been tightened: for low risk, the maximum cycle of 15 years has been shortened to a "risk-appropriate" interval, for medium risk from ten to five years and for high risk from up to two years to an annual update.

Specification by the RTS

In future, the newly created supervisory authority AMLA will specify the AML package in so-called "Regulatory Technical Standards (RTS)". These RTS are directly applicable law in the member states and must be implemented by the obligated parties. AMLA guidelines issued in the future ("Level 3 regulation") must also be observed. Although the RTS and guidelines have yet to be fleshed out, it is recommended that initial projects and gap analyses based on the existing AML legislation be carried out now.

Conclusion

In addition to the harmonisation of anti-money laundering regulations, the AML package introduces extensive requirements for obliged entities. In particular, the expanded scope of duties of the anti-money laundering officer, the extended definition of the beneficial owner and the stricter requirements for outsourcing are already forcing obliged entities to initiate internal processes.

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DORA: Strengthening Digital Resilience in the EU Financial Sector



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Director Anti-Financial Crime (AFC)
and Bank Infrastructure

The Digital Operational Resilience Act (DORA) represents a significant shift in the European Union's approach to managing Information and Communication Technology (ICT) risks in the financial sector. From a senior management perspective, understanding DORA's implications is crucial for navigating the evolving landscape of non-financial risk management.

Understanding DORA

DORA, officially known as Regulation (EU) 2022/2554, is set to come into full effect on 17 January 2025. This regulation aims to create a comprehensive and uniform framework for digital operational resilience across the EU financial sector. DORA's primary objective is to address the critical gap in EU financial regulation concerning ICT-related risks, which have become increasingly prominent in our digital age.

DORA and Non-Financial Risk

The connection between DORA and non-financial risk is profound and multifaceted. Traditionally, financial institutions have focused on allocating capital to cover potential losses from operational risks. However, this approach has proven insufficient in addressing the full spectrum of non-financial risks, particularly those related to ICT.

Expanding the Scope of Risk Management

DORA expands the scope of risk management beyond traditional financial metrics. It requires financial entities to implement robust ICT risk management frameworks, encompassing:

- Protection against ICT-related incidents
- Detection of anomalies and vulnerabilities
- Containment of potential threats
- Recovery and repair processes following incidents


This holistic approach to ICT risk management aligns closely with the broader concept of non-financial risk, emphasising the importance of operational resilience in maintaining financial stability.

Impact on Financial Institutions' Risk Management

DORA necessitates a systematic approach to identifying, assessing, and monitoring ICT risks. This requirement extends to both internal threats and those posed by third-party providers, highlighting the interconnected nature of non-financial risks in today's digital ecosystem. The thoroughly elaborated Technical Standards (Level 2 mandates of Art. 15 DORA) on DORA's risk management give further insights and guidance, but do not directly cover the general DORA requirements concerning ICT systems, protocols and tools (Art. 7), identification (Art. 8), backup policies and procedures, restoration and recovery procedures and methods (Art. 12), learning and evolving (Art. 13) and communication (Art. 14). In the light of the recent high attention to all Level 2 and Level 3 measures further concretising DORA, the general requirements should be kept in mind as well.

Investment in Cybersecurity

To comply with DORA, financial institutions will need to significantly increase their investment in cybersecurity measures. This shift in resource allocation underscores the growing importance of non-financial risk management in the overall risk strategy of financial institutions. It is the duty of the management body of the financial entity to allocate and periodically review the appropriate budget to fulfil the financial entity's digital operational resilience needs in respect of all types of resources, including relevant ICT secu-



curity awareness programs and digital operational resilience training and ICT skills for all staff (Art. 5 para. 2 sent. 2 lit g DORA).

Third-Party Risk Management

DORA places a strong emphasis on managing risks associated with third-party ICT service providers, particularly cloud service providers. This focus on the extended enterprise reflects the complex web of non-financial risks that modern financial institutions must navigate. It is part of DORA's key principles for a sound management of ICT third-party risk that financial entities may only enter into contractual arrangements with ICT third-party service providers that comply with appropriate information security standards; this general requirement is not limited to contractual arrangements that concern critical or important functions (cif) acc. to Art. 28 para. 5 DORA.

Governance and Strategy

Digital Operational Resilience Strategy

DORA introduces the concept of a Digital Operational Resilience (DOR) strategy, which differs from traditional IT strategies as known from BaFin's supervisory requirements on IT (BAIT). This new strategic focus emphasises the governance and organisation of ICT risk management, aiming to strengthen individual financial entities' digital resilience through an internal governance and control framework.

Conclusion

DORA represents a paradigm shift in how the financial sector approaches non-financial risks, particularly those related to ICT. From a senior management perspective, embracing DORA's principles goes beyond mere compliance; it offers an opportunity to build more resilient, technologically advanced, and secure financial institutions. By recognising the intrinsic link between DORA and non-financial risk management, financial leaders can position their organisations to thrive in an increasingly digital and interconnected financial ecosystem. The investments made in implementing DORA should be viewed as strategic initiatives that enhance overall operational resilience, protect against emerging threats, and ultimately contribute to long-term stability and success. As we move towards the 2025 implementation deadline, proactive engagement with DORA's requirements will be

crucial. This not only ensures compliance but also positions your institution at the forefront of operational resilience in the digital age, ready to face the challenges and opportunities that lie ahead in the ever-evolving landscape of non-financial risk.

The European legislator has avoided dual regulation through DORA and the new requirements for critical infrastructure protection (NIS2, CER) and has determined that for companies that have to implement DORA, the relevant obligations in the area of critical infrastructure protection are already fulfilled by this, such as the regulation with regard to risk management measures and the reporting obligations in the area of cybersecurity. However, as operators of critical infrastructure, the operators defined on the basis of the KRITIS regulation must continue to register as such and designate a point of contact.

Will SEPA Instant Payments be a Game Changer in 2025?



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Partner at BearingPoint GmbH

Since its launch in 2017, the SEPA Instant Credit Transfer (SCT Inst) has enabled efficient, cost-effective, and real-time cross-border payment processing in the EU. Commonly known as SEPA Instant Payments, this system allows payments to be executed instantly, 24/7, raising the speed and efficiency of euro transactions to a whole new level.

From the outset, SEPA Instant Payments aimed to become the new standard for payment transactions. However, due to its optional implementation and separate pricing models, adoption has been limited. Many banks did not offer the service, and transactions were often more expensive than conventional SEPA credit transfers.

The European Commission's decision in early 2024 to make SEPA Instant Payments mandatory in 2025 marks a pivotal moment for the EU payment landscape.

Mandatory SEPA Instant Payments in 2025

Currently, the use of SEPA Instant Payments is limited. In the first quarter of 2024, these transactions accounted for only 17.34% of all SEPA credit transfers, according to the European Central Bank. This underutilisation underscores the untapped potential of real-time payments to modernise European payment systems.

As part of a broader strategy to digitalise the financial sector and provide all SEPA-area bank customers with seamless and cost-effective access to instant payments, the European Commission introduced a regulation that took effect on April 9, 2024. The regulation sets out two critical deadlines for banks and payment service providers in countries using the euro:

- From January 9, 2025, every bank and every payment service provider must be technically capable of receiving and processing SEPA Instant Payments. From this date, there must also be mandatory price parity with conventional SEPA credit transfers.
- From October 9, 2025, every customer will also have the option of making SEPA Instant Payments. In addition, the current amount limit of €100,000 for individual payments will no longer apply. The adjustment makes SEPA Instant Payments attractive for large companies and treasurers, as larger amounts can then also be transferred in real-time.

Enhanced security mechanisms for SEPA Instant Payments To ensure payments reach the correct recipient, Verification of Payee (VoP) is being introduced as a new security mechanism. This process allows the payee's bank to verify recipient details and report the result back to the payer before the payment is executed. By providing this additional layer of verification, VoP significantly reduces the risk of fraud or misuse, offering greater security than traditional methods like two-factor authentication.

Another new feature is the ability to set custom transaction limits specifically for SEPA Instant Payments. Payers can choose to implement either a transaction limit for individual payments or a daily limit for all SEPA Instant Payments. These limits can be adjusted at any time, giving users greater control and flexibility over their payment activity.

Sanction checks in payment transactions will also see updates. Traditionally, these checks are carried out on a transaction-by-transaction basis, but this approach often requires manual review when results are unclear – something incompatible with the near-instant execution of SEPA Instant Payments. The regulation addresses this by mandating that banks and payment service providers conduct daily checks of existing account holders and update these checks immediately when sanctions lists are revised, ensuring compliance without causing delays in payment processing.

Integrating SEPA Instant Payments into Payment Processes

In 2025, the necessary conditions will be in place for SEPA Instant Payments to support transactions of any amount across all payment accounts. To ensure their long-term success, it will be essential to fully integrate SEPA Instant Payments into end-to-end business processes, enabling transactions to be executed quickly, securely, and seamlessly. This requires companies to adapt their systems to process incoming payments in real time and initiate outgoing payments as SEPA Instant Payments.

To facilitate the immediate availability of incoming payments and enable subsequent processing, the credit advice note (EBICS order type C5N) was developed. This best practice emerged from the Westhafen Instant Payments Expert Dialogue, an open forum moderated by BearingPoint in collaboration with payment transaction experts from banks, companies, and software manufacturers. Recognised for its efficiency, this practice was adopted as a national standard by the German Banking Industry (DK) and later included in the European Payments Council's (EPC) SCTInst Rulebook as a standard.

There are two prerequisites for using the credit advice note:

- The bank must support the provision of the credit advice note
- The company itself must enable the immediate processing of incoming payments in its systems

While various banks already offer credit advice, according to the companies in the Westhafen Expert Dialogue, the immediate processing of incoming payments has so far only been implemented selectively, mainly for e-commerce activities.

Outlook: A Paradigm Shift in Payment Transactions

The regulatory groundwork has been laid for 2025, paving the way for today's SEPA credit transfers to transition comprehensively into SEPA Instant Payments. This shift positions account-to-account payments via SEPA Instant Payments as a competitive alternative to current card payment methods.

However, widespread adoption depends on active participation and acceptance by all stakeholders. While consumers can easily switch from SEPA credit transfers to SEPA Instant Payments using online banking or mobile apps, companies face the challenge of investing in their systems and processes to enable real-time payment capabilities. It remains to be seen how quickly and extensively businesses will adopt SEPA Instant Payments as both payees and payers.

We are on the threshold of a paradigm shift in payment transactions that will drive a significant evolution in payment behaviour, and all stakeholders must adapt.

Looking further ahead, this move toward real-time digital payments lays the foundation for future innovations. In this context, the digital euro could emerge as a groundbreaking development, opening the door to new use cases and business opportunities.



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STATISTICS

The Importance and Role of Foreign Banks in Germany

The size and success of foreign banks in Germany are the result of decades of presence and active market engagement. Several institutions have experienced significant growth, particularly through the transfer of business operations following Brexit – most notably by establishing or transforming German entities. This success is reflected in the significant market shares that international banks have built and sustained over the years in Germany. Key sectors include trade finance, securities trading, and investment banking, where many VAB members are among the leading players.

Engagement Beyond Market Presence

The importance of international banks, however, is not solely defined by their size or absolute success. Their relevance is equally evident in their active commitment to advancing Germany’s financial centre across its many dimensions.

In 2024, VAB once again served as the voice of international banks, contributing their ideas and proposals to policy-makers and regulators. Many regulatory discussions and changes initiated at the Basel or EU level are closely followed by international banks from an early stage. This ensures that the technical perspective and expertise of these institutions are incorporated into decision-making processes – particularly when it comes to later implementation in Germany.

Success and Size as an Opportunity for Advocacy

The success and size of VAB members also play a crucial role in the association’s advocacy work. Many members have significantly strengthened their presence in Germany by building local support functions. These bring not only deep technical expertise but also an international perspective on regulation and supervision, enriching the VAB’s work.

Moreover, the scale and influence of the member institutions amplify the voice of international banks in Germany – especially in collaboration with other stakeholders and in dialogues with policymakers and public authorities.

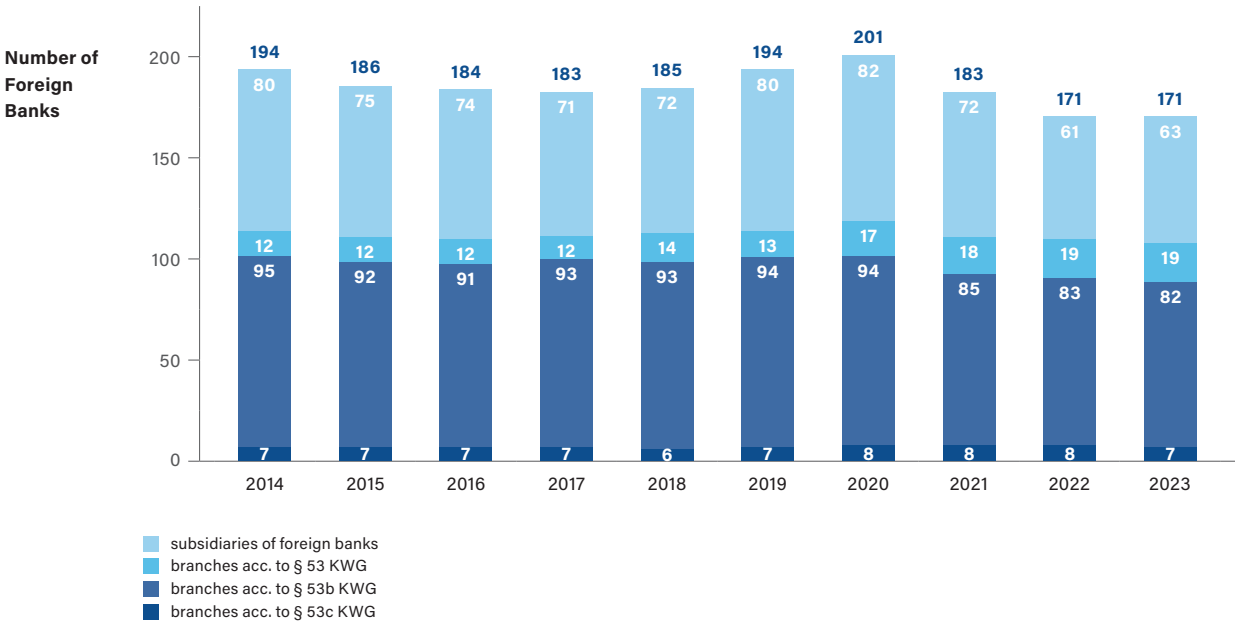
Statistics Highlighting the “Footprint” of Foreign Banks

The following pages provide a selection of statistics illustrating the significance and presence of foreign banks in Germany. These are based on publicly available data, particularly from the Bundesbank, as well as figures compiled by VAB over many years.

In Summary: Foreign banks in Germany are not only significant economic players but also driving forces behind the development of Germany as a financial centre. Their market expertise and active involvement in the Association’s work contribute to shaping the regulatory and economic landscape for the benefit of all stakeholders.

Foreign Banks in Germany

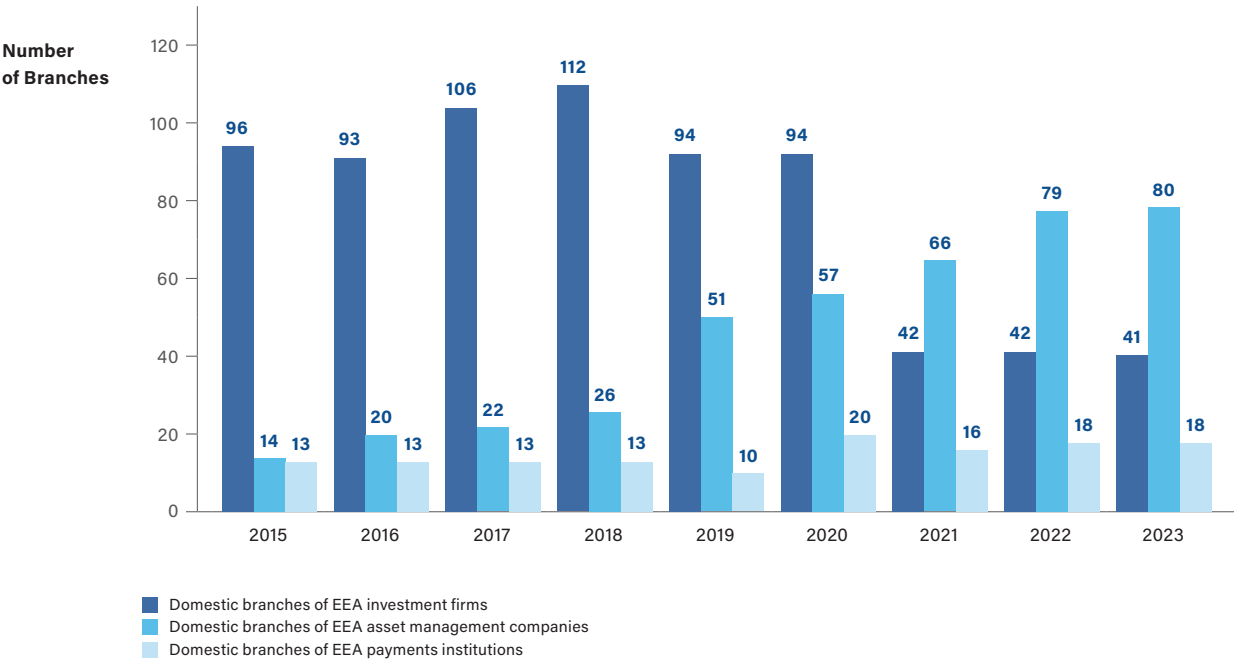
The number of foreign banks in Germany has remained stable.



Detailed source references for these statistics can be found at: www.vab.de/overview/statistics

Number of Branches of EEA Foreign Financial Institutions (Non-Banks) in Germany

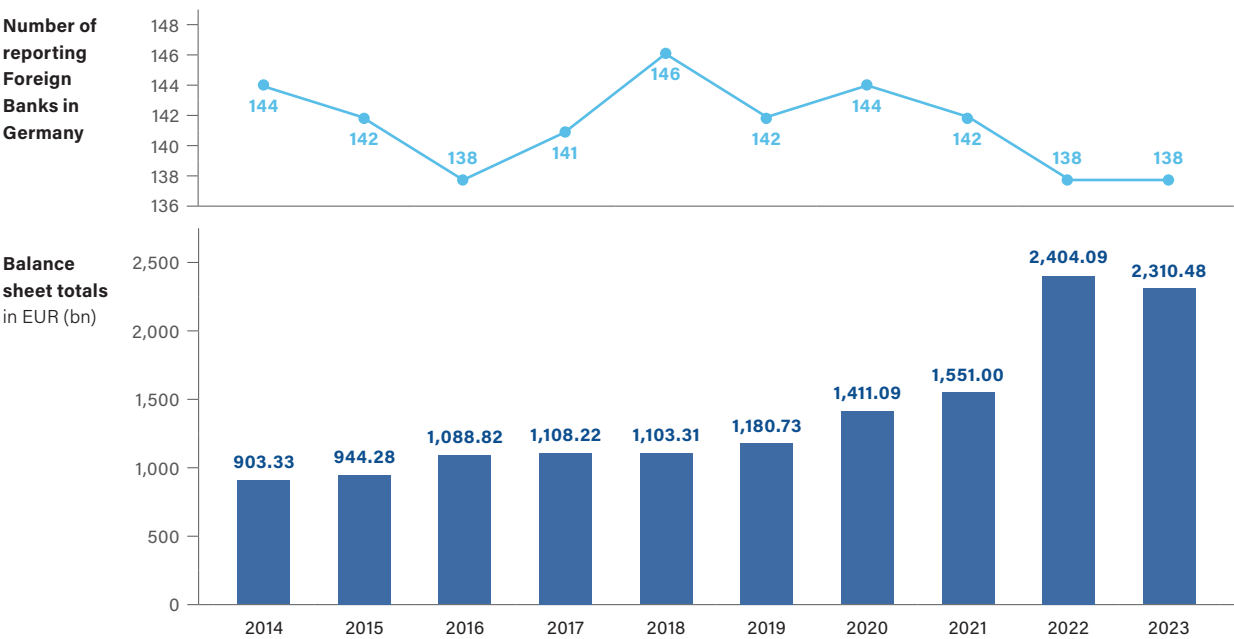
The number of domestic branches of EEA investment firms and of EEA capital management companies has stabilised at a new level since Brexit.



Detailed source references for these statistics can be found at: www.vab.de/overview/statistics

Number of BISTA Reports and Balance Sheets Totals of Foreign Banks in Germany as of Reporting Month December

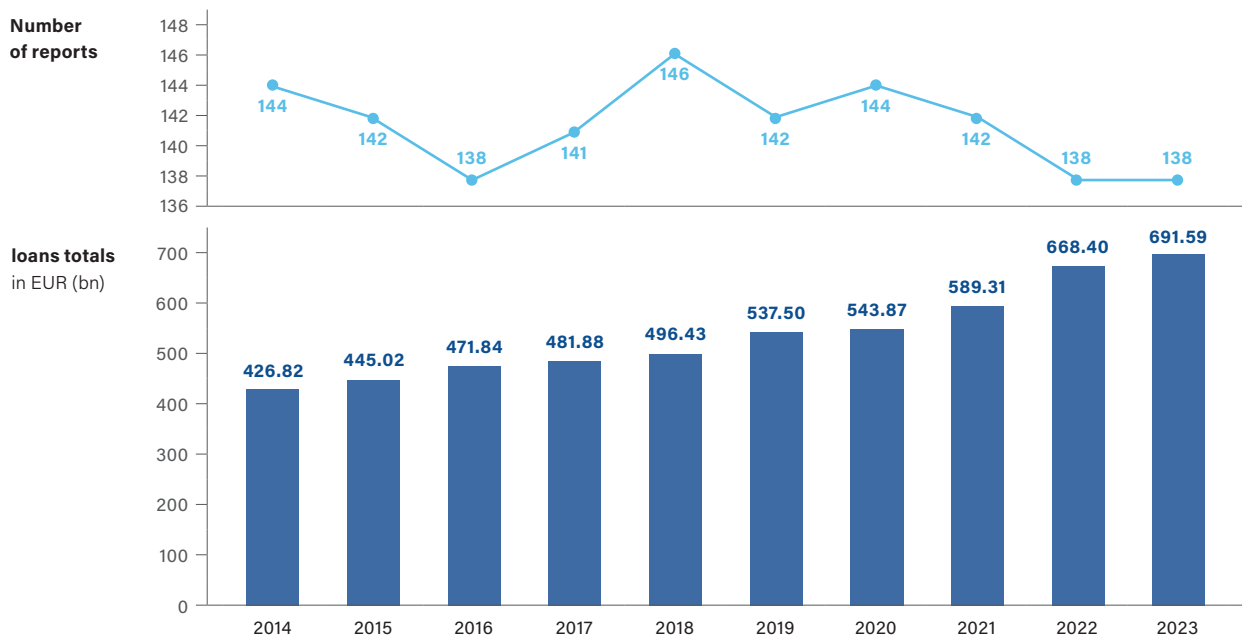
While the number of reporting foreign banks has stabilised, the balance sheet totals at the end of 2023 have fallen slightly within the range of normal fluctuations.



Detailed source references for these statistics can be found at: www.vab.de/overview/statistics

Number of BISTA Reports and Loans to Non-Banks (Non-MFIs) of Foreign Banks in Germany as of Reporting Month December

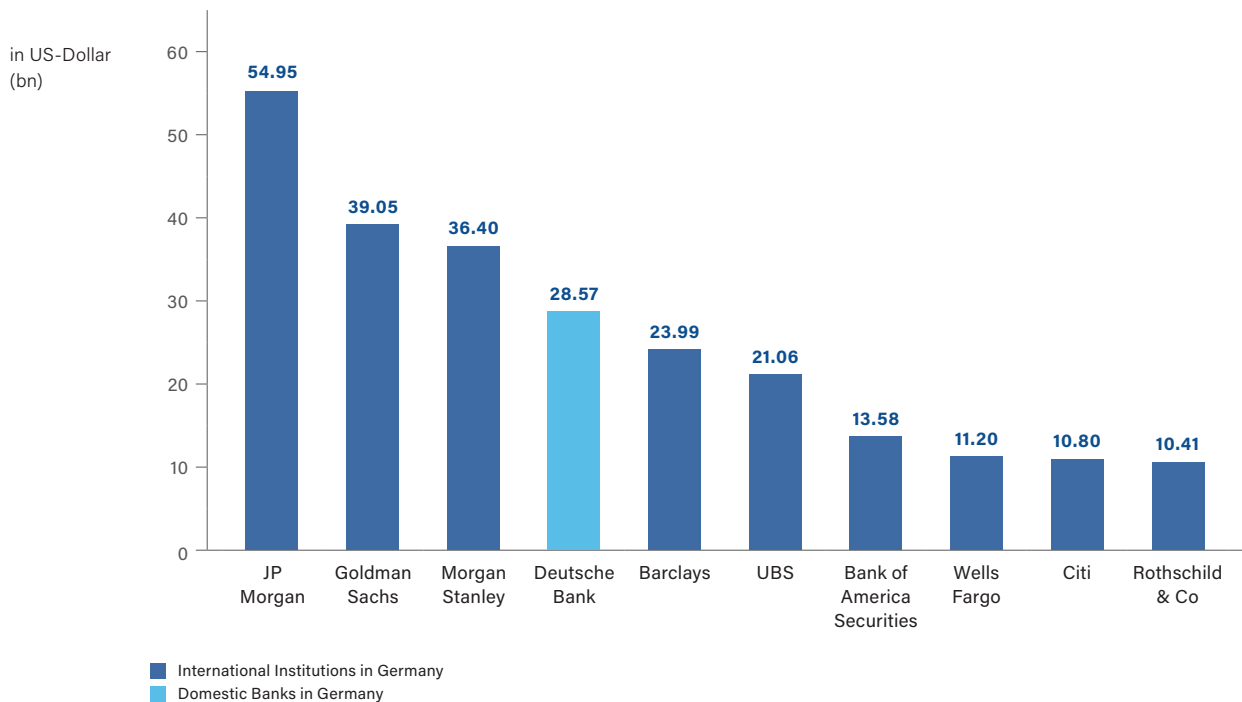
Loans from reporting foreign banks to non-banks increased again in 2023 compared to the previous year, continuing the long-term trend of credit growth.



Detailed source references for these statistics can be found at: www.vab.de/overview/statistics

M&A in Germany in 2023

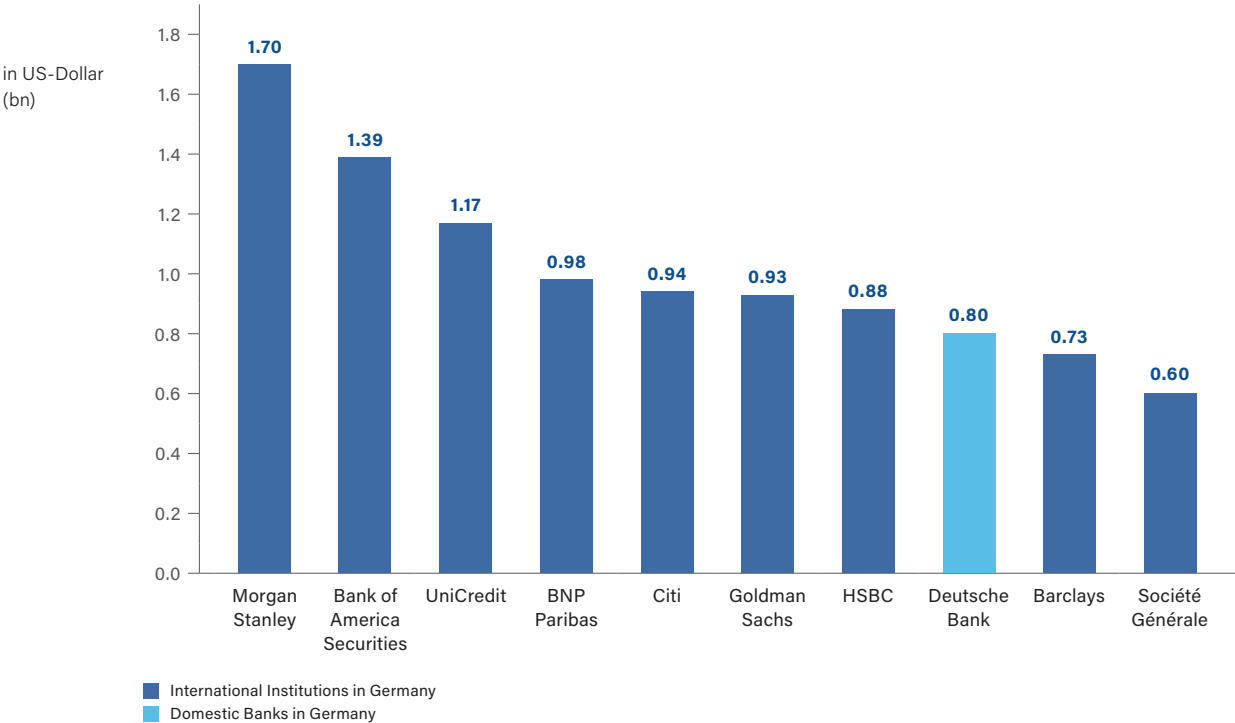
As in previous years, foreign banks clearly dominated the M&A business in 2023.



Detailed source references for these statistics can be found at: www.vab.de/overview/statistics

Volumes of Share Placings in Germany in 2023

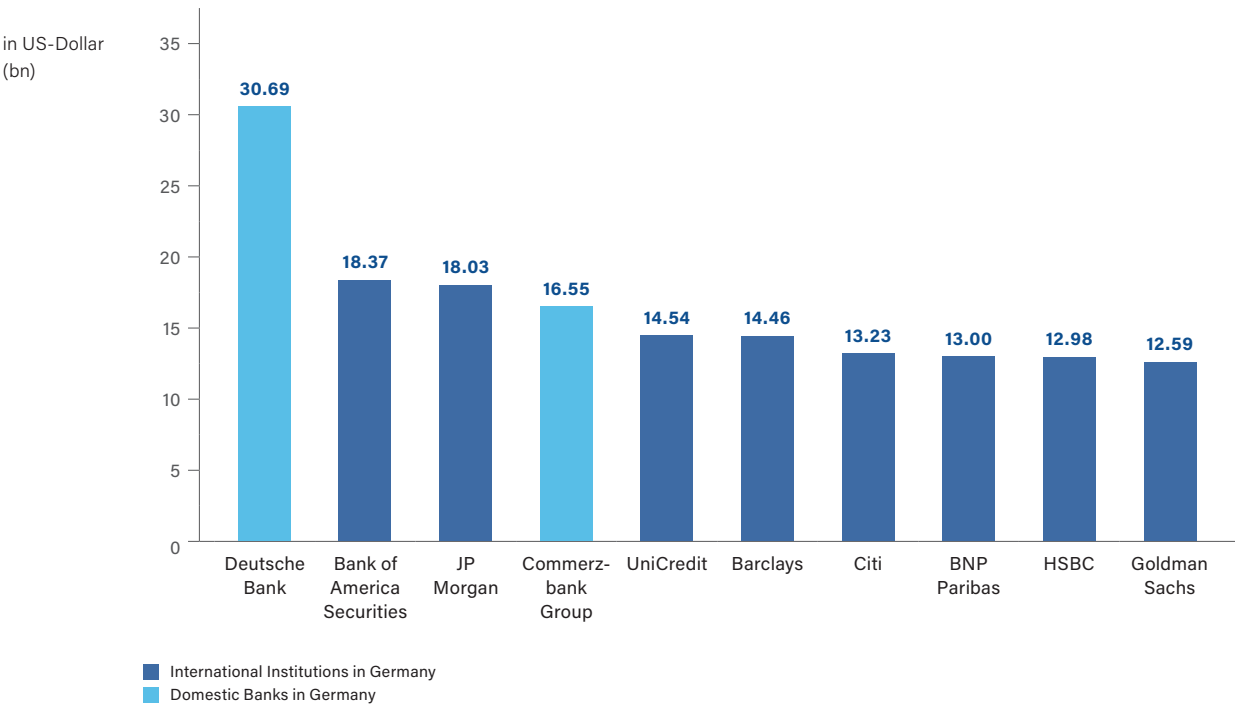
As in previous years, the share issue business is firmly in the hands of foreign banks. They occupy 9 of the top 10 places.



Detailed source references for these statistics can be found at: www.vab.de/overview/statistics

Volumes of Bond Issues in Germany in 2023

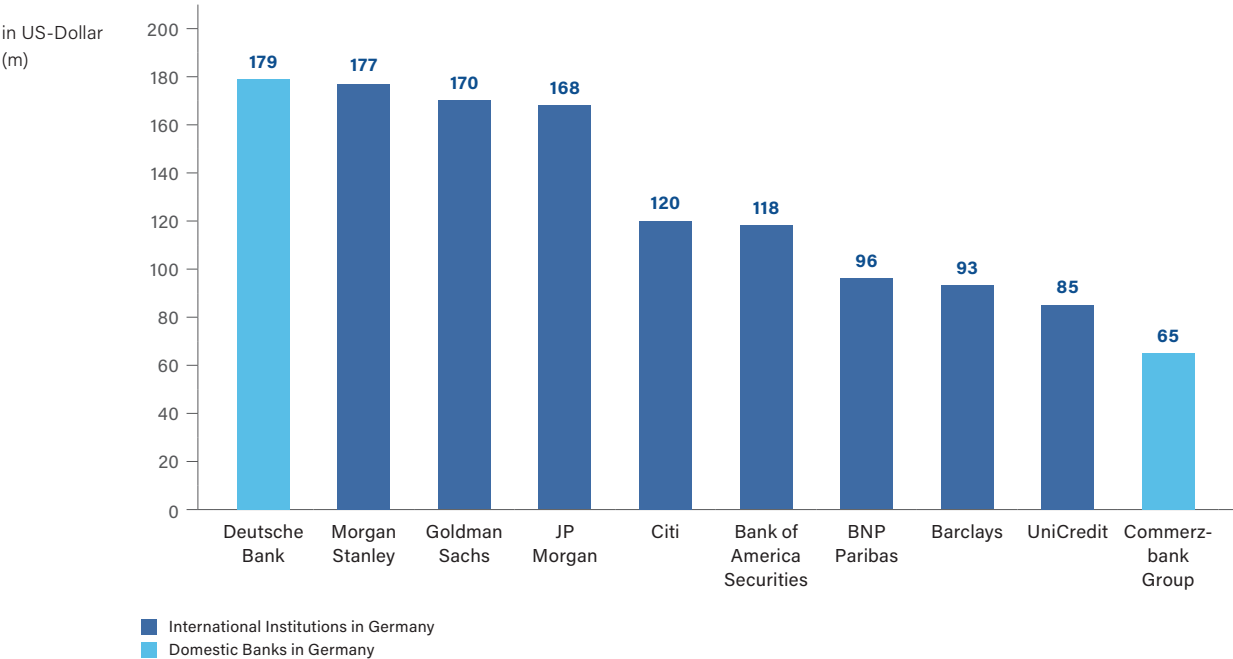
With the exception of the top position, foreign banks dominate the top 10 market participants in the bond issuing business.



Detailed source references for these statistics can be found at: www.vab.de/overview/statistics

Investment Banking Fees in Germany in 2023

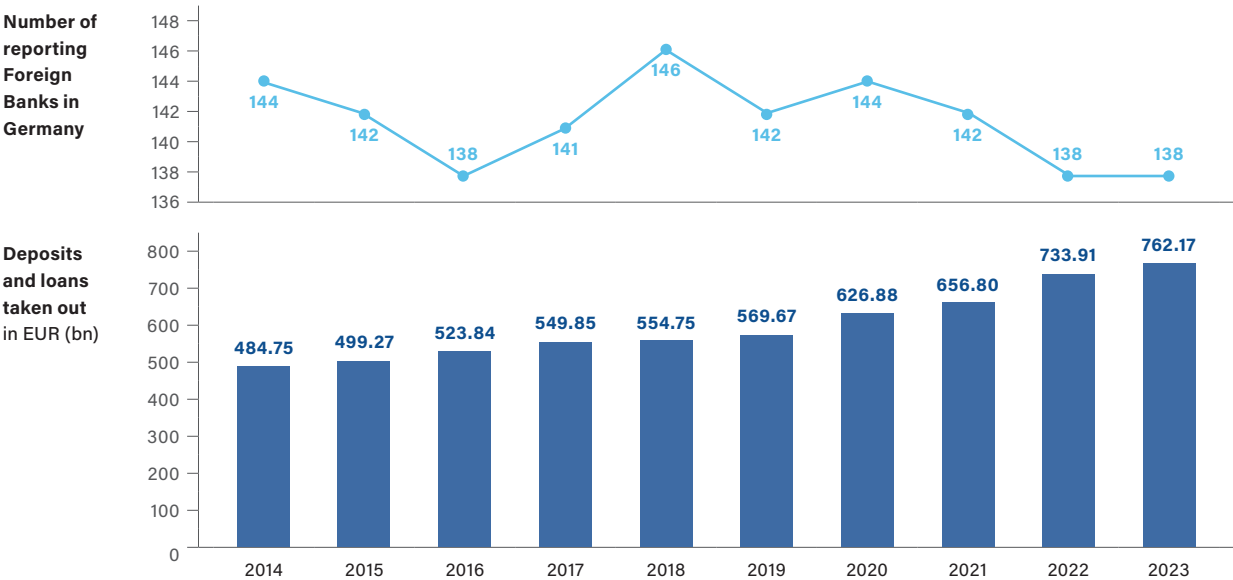
In terms of investment banking fees, there were significant changes in the top ten in 2023 compared to the previous year in favour of foreign banks, which were able to significantly increase their fee volume. Nevertheless, one German bank still just managed to take the top spot and another made it back into the top ten.



Detailed source references for these statistics can be found at: www.vab.de/overview/statistics

Number of BISTA Reports from Foreign Banks Compared with Deposits and Loans Taken out by Non-Banks as of the Reporting Month December

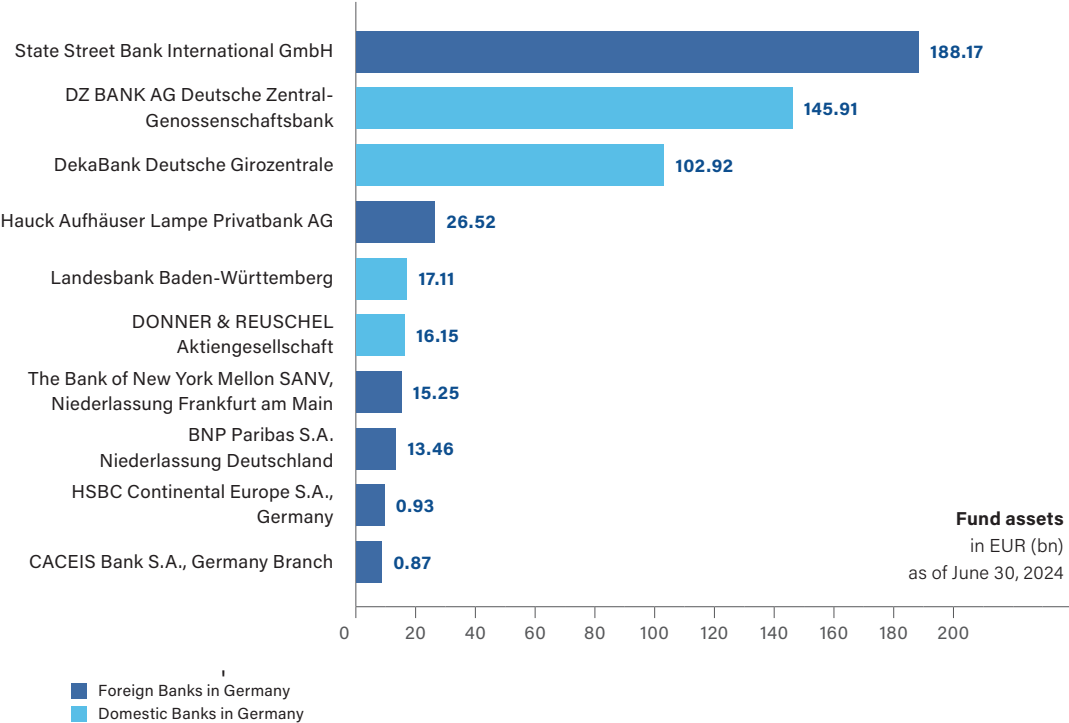
The volume of deposits and loans taken out with foreign banks continued the long-term growth trend.



Detailed source references for these statistics can be found at: www.vab.de/overview/statistics

Depositories of Securities Funds (Public Funds)

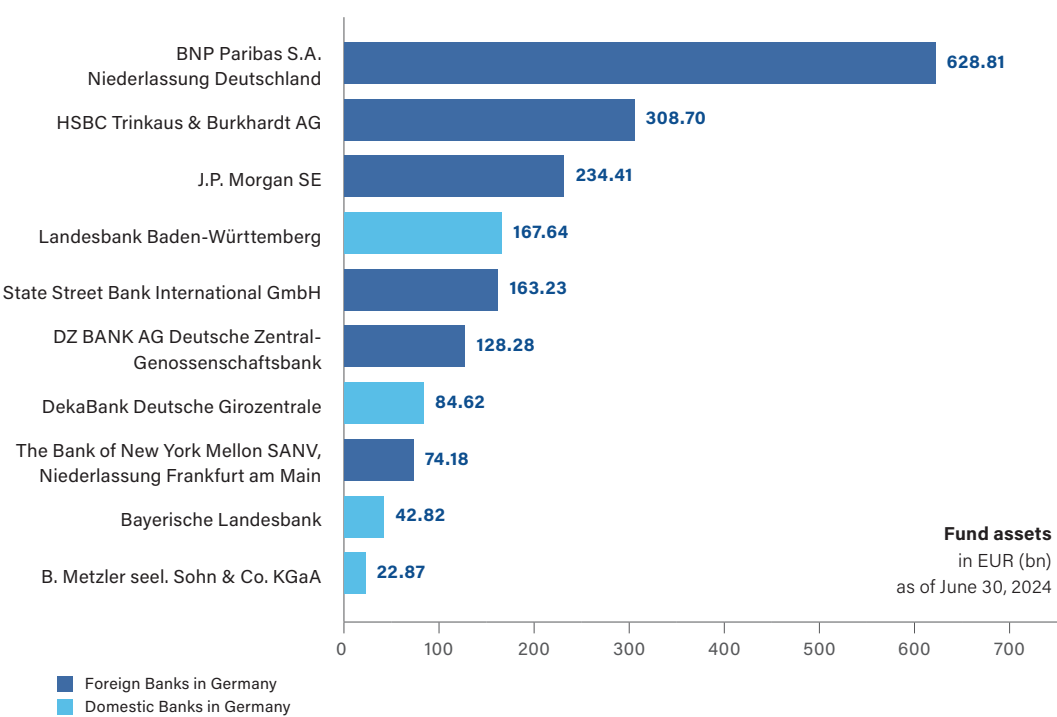
As in previous years, one foreign bank holds the top position in the custody business for mutual securities funds.



Detailed source references for these statistics can be found at: www.vab.de/overview/statistics

Depositories of Securities Funds (Special Funds)

As in previous years, foreign banks dominate the top ten in the custody business for special securities funds.



Detailed source references for these statistics can be found at: www.vab.de/overview/statistics

REVIEW AND OUTLOOK III

Reducing Bureaucracy
in the Financial Sector

Banks: CRD VI, Governance,
and ESG

Developments in
Investment Services

Accessibility Reinforcement Act

Insights – Standstill in the
Administration of Justice?

Reducing Bureaucracy in the Financial Sector – Just a Pipe Dream?



Wolfgang Vahldiek
Deputy Managing Director,
Director Legal

At the time of writing, bureaucracy reduction is on everyone's lips. Companies in Germany – and this includes banks and financial service providers – are groaning under a historically unprecedented burden of laws, ordinances, implementing and administrative regulations. Reputable economic research institutes agree that economic productivity is suffering considerably. In the so-called Draghi Report, the European Union was recognised as being excellent at creating bureaucracy and that this urgently needs to change. From Berlin, we hear from all non-populist parties that one of the central tasks of politics is to reduce the burden of bureaucracy.

So why is progress in this area so difficult? Of course, our Association can only look at this from the perspective of the international banks that operate in Germany and supply the economy here with loans and banking and financial services.

According to our observations, the term “bureaucracy reduction” is understood differently by different institutions and individuals. We would rather let the areas of action we have identified speak for themselves and name the starting points for reducing bureaucracy.

Notification and Reporting Requirements

The existence of notification and reporting obligations for companies is generally regarded as a source of bureaucracy for financial institutions and the competent authorities. A suitable means and goal of reducing bureaucracy in this area is to identify unnecessary data sources and data collections where the cost and benefit are not (or no longer) in an appropriate relationship. Notifications and reports should be limited to what is absolutely necessary. VAB's proposal in this regard would be to commission the recipient authorities with a requirements inventory and oblige them to identify one third of the reporting regulations and data volumes as the less important ones, in order to pave the way for action by the legislator.

Documentation Efforts Required by Prudential Supervision

Moreover, it is obvious to practitioners in the institutions, but unfortunately little known outside the industry, that financial supervisory law, in conjunction with the various audits by internal audit, group audit, annual audit and audits by the supervisory authorities, requires that every single work or process step required by law or administrative regulation be documented in a comprehensible manner. In addition, a documented justification is often required for how the processes and procedures are set up – in addition to a periodic review, which must of course also be documented.

Reducing the level of detail in regulation.

Hence, the first starting point for reducing bureaucracy is to reduce the level of detail in regulation. We were pleased when the President of the German Federal Financial Supervisory Authority, Mark Branson, recently criticised the excessive level of detail in an interview with the Handelsblatt newspaper.

The Inertia of Overregulation

The reduction of bureaucracy can also be tackled by reducing overregulation. As plausible as this may seem, it is difficult to implement. Every regulation enacted with originally sensible considerations also instantly creates an ecosystem of specialists who enthusiastically dedicate themselves to the new task and consequently earn their living from it, thus also developing a legitimate own interest in maintaining the

corresponding regulation. This should not be commented on cynically: The people involved are honestly convinced that their work makes sense. Add to this consumer or industry associations that defend the status quo and the challenge is clear: This ecosystem will know how to defend the regulations that nourish it with well-formulated factual arguments against all attempts to reduce bureaucracy.

Our aim: More reliance on the personal responsibility of market participants

Nonetheless, VAB is in favour of reducing regulations and placing more responsibility for the relevant issues back on the shoulders of market participants. One example is this: After the financial crisis, the capital and liquidity base of banks was significantly strengthened, and the financial system was made more resilient with measures that made perfect sense. On the other hand, curiosities have arisen, such as excessive regulations on remuneration and remuneration systems, which have contributed nothing to the financial system's stability, but rather tie up qualified staff in the institutions and also in the supervisory authorities. The shortage of specialised staff should at some point be reason enough to honestly assess which tasks are particularly productive and which are not.

Proportionality and Appropriateness

One of the problems in financial regulation that is most frequently complained about by players in the financial sector and is best substantiated by the wording of the law is that proportionality is not or not fully observed. It is worth reading the wording of Section 25a (1) sentence 1 KWG. It states (emphasis added by the author): "An institution must establish a sound business organisation which ensures compliance with legal provisions which are applicable to the institution as well as with **economic necessities**."

The business organisation should comply with sound business principles.

The part of the sentence highlighted in bold here states that a business organisation is only proper if it complies with sound business principles. This prohibits taking organisational measures that produce excessive costs without any measurable benefit. The reason is that such measures reduce the profitability of the institution and can therefore have a negative impact on its long-term chances of survival.

However, this important and truthful passage of the legal text has not been implemented in other ordinance texts or administrative regulations. Section 3 of the PrüfV already makes no mention of economic necessities, which also act as a counterweight against excessive requirements. Instead, size and business volume are used as a benchmark for determining which regulatory costs an institution can "cope with", but the costs and benefits of a measure are not considered. For example, a reorganisation of work processes that costs €1 million but only reduces risk by €100k is always inappropriate and wrong from a business perspective – regardless of the size of the institution.

Fortunately, progress is being made. In November 2024, BaFin published a fairly comprehensive communication with very specific points on how the Minimum Requirements for Risk Management (MaRisk) can be implemented in a proportionate manner, providing valuable guidance for very small and small non-complex institutions in particular, as well as for auditing practice.

Is an Outlook Even Possible?

It would therefore appear that the time has come to seriously consider reducing bureaucracy and to take action. Very specific options for action can be derived from the starting points mentioned above and others that would go beyond the scope of this report. We are currently unable to predict whether politicians will follow up their words with action. What we can do, however, is to put concrete proposals for individual measures on the table for politicians and the authorities themselves. VAB already published a position paper with 16 proposals in September 2024. We will continue to emphasise our concerns under a new government, follow up with further proposals and never stop campaigning for the reduction of bureaucracy.

Banks: CRD VI, Governance, and ESG



Woldemar Häring
VAB Expert Panel Financial Markets
and Investment Services
Partner at White & Case LLP

Basel III Finalisation: CRD VI and CRR III

On June 19, 2024, the “EU Banking Package” was published in the Official Journal of the EU. It includes significantly revised and amended provisions of the Capital Requirements Directive VI (“CRD VI”) and Capital Requirements Regulation III (“CRR III”). While CRR III will be directly applicable to large extent already as of January 1, 2025 (and in some cases from July 9, 2024), CRD VI has to be transposed into national law by January 10, 2026, and will apply in large parts from January 11, 2026.

Access of Banks from Third Countries to the EU Single Market

One of the key topics of the EU banking package is the new framework for access to the EU single market for institutions based in third countries, which will apply from January 11, 2027 (Art. 21c CRD VI). Institutions based in third countries that wish to provide core banking services, such as taking deposits, lending, financial leasing, and guarantees, must establish a branch in the respective Member State. Inter-bank services, intra-group transactions and core banking services provided within the scope of the reverse solicitation are exempt from this third-country branch requirement. Agreements concluded before July 11, 2026, are subject to grandfathering rules; however, significant changes to exist-

ing contractual arrangements (e.g. expansion of existing services) would not be covered by such exemption.

Service relationships based on agreements concluded before July 11, 2026, are subject to grandfathering rules.

The consequence of the above framework is a licensing requirement for the commencement or continuation of activities as a third-country branch, whereby a grandfathering provision is expected in Germany for the already licensed third-country branches. Depending on the classification of the branch as Class 1 or Class 2 (Art. 48a CRD VI), it will be subject to different levels of capital and liquidity requirements.

If a branch (or all EU sister branches combined) of an institution reaches a critical size and is considered systemically relevant, the supervisors may even insist on the establishment of a local firm with a fully-fledged bank license in one of the Member States (Art. 48i CRD VI).

The requirement to conduct banking business through the establishment of a branch applies only to business conducted “in” the Member State. According to BaFin’s administrative practice, services are also deemed to have been provided domestically if the service provider deliberately targets the German market from abroad. This is particularly the case if the company is tapping into new customer groups in Germany through targeted marketing.

Previously, BaFin granted cross-border institutions an exemption under Section 2 (5) (or the former Section 2 (4)) of the German Banking Act (Kreditwesengesetz – “KWG”) if the relevant conditions were met. In the future, CRD VI will no longer provide for such an exemption. It remains to be seen how the German legislator implements this. However, it seems unlikely at this stage that the previous exemption practice will be continued.

The new rules have significant implications for global banking groups which do not manage their credit risk locally, but centrally in the risk hubs abroad.

The new rules have significant implications for global banking groups which do not manage their credit risk locally, but centrally in the risk hubs abroad. Not surprisingly, the current practical discussion is focused on the scope of application of the new framework. In particular, the question is

whether the new framework applies to various forms of participation in the lending business, where a credit institution regulated in the EU grants a loan (i.e. makes the credit decision) and then transfers the transaction economically and/or legally to an institution based in a third country. By way of example, according to BaFin's established administrative practice, the legal transfer of a loan relationship from a bank to a third party does not, from the outset, constitute a credit transaction requiring a license. It remains to be seen to what extent this administrative practice can be leveraged on in the context of the new third-country branch regime.

Governance

The rules concerning the assessment of the professional suitability and reliability of managers and members of supervisory bodies are revised and largely aligned with the ECB's administrative practice and thereby emphasise the role of the internal suitability assessment (Art. 91 CRD VI).

In future, the intention to appoint key function holders must also be notified to the supervisory authority.

The rules for the appointment of the so-called key function holders have been updated as well (Art. 91a CRD VI). In future, the intention to appoint key function holders must also be notified to the supervisory authority together with the documents required for the suitability and reliability assessment. In addition to the anti-money laundering officer and compliance officer, inter alia, the appointment of the head of risk would therefore have to be notified to the supervisory authority in advance.

Risk-Weighted Assets (RWA)

There have also been far-reaching changes to the RWA requirements. The Standardised Approach for credit risk (SA-CR) has been fundamentally revised. The risk weights are now specified even more granularly. The scope of application for the Internal Ratings-Based Approach (IRBA) has been narrowed, and the parameter estimates have been limited to reduce the variability of RWA calculations. This change has prompted significant criticism in the financial industry, as it makes risk-sensitive investments considerably more difficult. In addition, CRR III and CRD VI introduce a lower limit for own funds (output floor). The output floor will apply from January 1, 2025, at 50% of RWA, with a gradual increase to 72.5% by 2030.

Introduction of a lower limit for own funds (output floor).

In future, only the Standardised Approach (SMA) will be available for calculating operational risk. This does not provide for the offsetting of pass-through items in the income statement, such as commissions to be passed on to third parties, which can significantly increase the capital requirements for the traditional MiFID distribution business.

In addition, the "Fundamental Review of the Trading Book" (FRTB) implemented as part of CRR II was to be finalised. However, its application has been postponed to January 1, 2026.

ESG

Another focus of the EU banking package are the ESG-specific changes to the previous framework. A credit institution's ESG risks must be identified across all risk types. ESG risks must be reflected in the bank's strategies (business and risk) and risk management processes. The management is obliged to develop an ESG plan and monitor its implementation within the bank (Art. 73, 74, 87a CRD VI).

Assessment Procedure

A further change concerns the introduction of an assessment procedure for significant transactions in the banking sector, which will apply in addition to the owner control procedures. While the current owner control procedure is focused on the effects of the proposed acquisition on the target institution, the new procedure focuses on the effects of the acquisition on the regulated acquirer itself.

The new procedure applies to the acquisition of a significant shareholding (the value corresponds to at least 15% of the acquirer's eligible capital) and to mergers and demergers of institutions, irrespective of whether the (target) company is regulated.

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Developments in Investment Services – Restrictions, Inducements and Cryptos



Dr Tobias Bauerfeind, LL.M.
VAB Expert Panel Investment Firms and
Market Integrity
Senior Associate at Ashurst LLP

Overview

In terms of upcoming developments in investment services, 2024 has hardly offered any chance to take a breath from the numerous new regulatory requirements. The spirit of the “Capital Markets Union”, which has been reduced to just a catchphrase for some time, now seems to be picking up speed again.

Regulatory changes primarily related to Regulation (EU) No. 600/2014 (MiFIR) and its sibling Directive 2014/65/EU (MiFID II). The new rules are intended to strengthen investor protection and improve market transparency. While the amendments to MiFIR already came into force in spring 2024, the amendments to MiFID II must be transposed into national law by the EU Member States by September 2025 before they take effect.

One of the most practically relevant changes in MiFIR to “strengthen” investor protection concerns the ban on payment for order flow (PFOF). This puts pressure on the business models of retail and neo brokers in particular, although Germany intends to continue to allow PFOF for domestic clients until mid-2026; for EU clients, PFOF is already history.

The prohibition of payment for order flow puts pressure on the business models.

Market participants are also focussing on the EC's “Retail Investment Strategy”, which is set to amend a number of directives, including MiFID II, along with amendments to the PRIIPs Regulation. Trilogue negotiations between EC, Parliament and Council are to begin around the turn of 2024/2025, meaning that the RIS package is not expected to enter into force before the end of 2026 (usually 18 months after its publication).

With its Retail Investment Strategy, the EC wants to transform the high savings rates into capital markets participation. To achieve this, market and product transparency in particular are to be improved and identified deficiencies in distribution are to be remedied. The discussions around extending the ban on inducements in order to avoid conflicts of interest more effectively are the main source of controversy. Such a ban was initially included in the EC proposal, but was watered down during parliamentary consultations. The trilogue negotiations will decide whether the Retail Investment Strategy will become sharper than any sword or a paper tiger from a consumer perspective.

The regulatory changes are characterised by efforts to improve transparency and reduce conflicts of interest.

The Markets in Crypto-assets Regulation (MiCAR) was already adopted in 2023. The first of its broader content has been applicable since mid-2024, followed by all other provisions since 30 December 2024. In particular, a separate authorisation under MiCAR is required for crypto-assets services as of 30 December 2024. The related German Implementation Act (KMAg) has passed the legislation process as a part of the Financial Markets Digitisation Act in December 2024 and has been promulgated in the Federal Law Gazette just in time to enter into force before the end of 2024.

MiCAR establishes a new, harmonised European framework for crypto-assets. Its structure is based on existing European capital market and regulatory law. The definition of crypto-assets is not only technology-neutral but also clarifies the hierarchy of different tokens and addresses what regime is to be applied, particularly in relation to MiFID II. Although MiCAR introduces a new institutional and product framework, MiCAR appears to be a rather poor combination of MiFID II and Prospectus Regulation. It would have been equally effective – but much simpler – to just include crypto-assets into the catalogue of MiFID II financial instruments.

Payment for Order Flow (PFOF)

The newly inserted Article 39a MiFIR – which has been subject to controversy from all parties involved – prohibits PFOF for execution-only services with retail and opt-up professional clients. Germany, among others, intends to allow PFOF for domestic clients for a transitional period until mid-2026 – although it is debatable to what extent the restriction to domestic clients only is consistent with EU fundamental freedoms.

PFOF is particularly popular with retail and neo brokers receiving inducements for forwarding orders to a particular trading venue and whose business model is therefore fundamentally challenged. However, the fact that the PFOF ban refers to the forwarding of a client order to a “particular” execution venue allows for flexibility and room for interpretation.

The EU explains the ban on PFOF not on grounds of inducements, but rather on its conflict with best execution.

Although such kickbacks qualify as inducements, the PFOF ban remains unaffected by the discussions around the ban on inducements (for retail clients only) by the Retail Investment Strategy. Accordingly, the PFOF ban is motivated by the aims of best execution. The EU considers this to be a conflict of interest to the detriment of clients.

Retail Investment Strategy (RIS)

Although it is still a long way from being finalised, the RIS package has already seen a number of revisions. Sometimes referred to as “MiFID III”, its changes are primarily aimed at improving transparency and investor protection.

The main point of discussion – as was in the run-up to MiFID II – is the ban on inducements for any non-advised business included in the EC proposal. Many discussions later, the Council has meanwhile reached an agreement on strengthening the protection of retail investors and decided to remove the proposed ban on inducements for execution-only services.

Following this “backwards roll”, it remains to be seen what surprises the latest trilogue negotiations may hold in store.

There shall be no comprehensive ban on inducements for execution-only services.

MiCAR

If there is anything positive to be said about MiCAR, it is that the lengthy and sometimes quirky discussions about the hierarchy of crypto-assets in relation to other financial instruments are now obsolete. The term “crypto-asset” serves as a catch-all provision. It only covers instruments that do not otherwise qualify as financial instruments, particularly under MiFID II. If a crypto-token qualifies as a MiFID financial instrument, it is subject to the rules of MiFID II and not MiCAR.

MiCAR at least clarifies the hierarchy of crypto-assets and other (MiFID) financial instruments.

As for the rest, however, MiCAR resembles a mix and match of established capital market and regulatory law that has been put together half-heartedly and tweaked for its purported innovation. A (cost-effective) addendum to MiFID II, which is equally technology-neutral, would have been sufficient.

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The Implementation of the Accessibility Reinforcement Act – a Challenge for Financial Institutions



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On June 28, 2025, the Accessibility Reinforcement Act (BFSG) will come into force. This means that institutions only have a few months left to implement the comprehensive requirements of this regulation. Most of our member institutions affected by the BFSG already set up corresponding implementation projects many months ago to prepare their institutions as well as possible for the requirements and adapt all relevant processes. It is striking: The deeper you go into the implementation of the matter; the more questions arise. It is also a technical challenge, as there is considerable programming work to be done in the remaining time.

Background and Objectives of the Accessibility Reinforcement Act

The Accessibility Reinforcement Act is an act to implement Directive (EU) 2019/882 of the European Parliament and of the Council on accessibility requirements for products and services, the so-called European Accessibility Act. The Ordinance to the Accessibility Reinforcement Act (BFSGV) specifies the accessibility requirements for products and services that are placed on the market or provided to consumers after 28 June 2025. This legally obliges service companies, including banks and financial service providers, to design their customer portals, websites and contract documents to be accessible.

Almost 8 million people in Germany live with a severe disability, which accounts for more than 9.4 percent of the total population. Due to demographic change towards an older society on average, it is expected that these figures will continue to rise in the future.

Banks and financial service providers are required by law to make their customer portals, websites and contract documents accessible.

The Accessibility Reinforcement Act therefore aims to make services and products more accessible for people with disabilities, thereby ensuring equal, full participation in public and digital life and taking another significant step towards a more inclusive society.

The financial sector is explicitly made responsible for this, as barrier-free access is of crucial importance for participation in economic life.

The “banking services for consumers” mentioned in Section 1 (3) No. 3 BFSG are of central importance for financial institutions. This refers to the services usually referred to as “banking products” in the financial sector, such as loan agreements, etc.

Implementation Challenges

The implementation of the BFSG is quite complex, as the needs of people with disabilities are extremely diverse: Blind customers, for example, require screen reader-compatible interfaces, while deaf people rely on visual communication options. All of this is taken into account in the requirements of the BFSG and places a wealth of corresponding requirements on the technical implementation by the financial institutions, among other things.

In principle, the BFSG obliges financial institutions to make adjustments in order to make websites, application routes and customer portals technically and semantically accessible. This means, among other things, that so-called Web Content Accessibility Guideline Criteria (WCAG 2.2) must be met and people with hearing, visual and motor impairments must be able to use the website. In addition, the content requires the use of simple language, which corresponds to reference level B2.

People with hearing, visual and motor impairments must be able to use the website. The use of simple language is also required.

Documents containing product information and contracts must also be designed to be accessible, i.e. as a technically accessible PDF (readable) and formulated using simple language. The same applies to authentication and identification procedures as well as e-mails. This is only a small excerpt from the list of requirements for financial institutions. A detailed list of obligations would go far beyond the scope of this article.

Finally, we must not forget to sensitise employees in the institutions to the challenges of barrier-free services and, if necessary, to train them in the use of barrier-free systems.

All of these comprehensive adjustments to processes and services are cost-intensive and very time-consuming overall and represent a considerable burden, especially for smaller institutions.

Ambiguities in Implementation

The BFSG still leaves several questions unanswered that make it difficult to implement the legal requirements efficiently and with legal certainty. These include the question of how to deal with the forwarding of documents and communications from third parties (e.g. PRIIPs) to the customer. Do these documents also have to be made accessible? How should content be handled that is not made digitally accessible – are non-digital contents, such as letters to the customer, also covered by the BFSG?

Unanswered questions make it difficult to implement the legal requirements efficiently and with legal certainty.

What should be done if it is not possible to implement the BFSG requirements for technical reasons (for example, if it is not possible to display market values in real time on the institution's website without barriers)? It is clear that many of these questions will only be answered clearly over time through experience gained from supervisory practice or corresponding court rulings. Other questions, such as those relating to technical impossibility, can initially only be addressed in a purely preventative manner through detailed documentation of the case analysis and assessment.

Sanctions

Market surveillance authorities monitor compliance with the requirements of the BFSG by carrying out random checks at companies. To date, each federal state has its own market surveillance authority. Nevertheless, it is to be expected that several federal states could join forces or that a central market surveillance authority could be responsible for monitoring the implementation of the BFSG nationwide in the future. However, a far greater risk in the event of non-implementation of the requirements comes from individual con-

sumers or corresponding associations, who could initiate corresponding administrative proceedings by reporting a lack of or inadequate implementation of the BFSG requirements by a company.

Unfortunately, there is a risk of a developing litigation industry.

It is to be feared that a litigation industry specialising in BFSG violations will develop, which could also use AI systems to detect BFSG violations much more quickly and efficiently, especially on company websites, and initiate proceedings.

Conclusion

A whole range of institutions in our membership are obliged to implement the requirements of the BFSG. For this reason, we at VAB set up a working group on the BFSG in 2024, in which we work together with the affected members to shed light on the peculiarities of the new regulatory framework and offer a space for exchange with colleagues from other institutions who are responsible for implementation. For the final sprint in the implementation of the BFSG, it is now important to deal with the remaining uncertainties and make business policy decisions on how to deal with the ambiguities. As VAB, we will try to support our members as best we can within the framework of our working group, especially in this hot phase shortly before the Accessibility Reinforcement Act comes into force.

All in all, it remains to be said that implementing the requirements of the Accessibility Reinforcement Act is a very challenging task for financial institutions.

Insights – Standstill in the Administration of Justice? Germany at the Turn of the Year 2024/2025



Michael Magotsch
VAB Expert Panel HR, Labour Law
and Remuneration
Partner at RIMÖN FALKENFORT

November 7, 2024, marked a massive break in ongoing legislative proceedings; a commentary from an employment law perspective, illustrated by two “stranded” legislative proposals of the failed Ampel Coalition:

1. The bill of the Second Future Financing Act (ZuFinG II) by the German Federal Ministry of Finance, and
2. The bill of the Employee Data Protection Act (BeschDG) by the German Federal Ministry of Labor

November 7 will be remembered: Donald Trump wins the US elections and moves back into the White House, while the failed Ampel Coalition loses its parliamentary majority in Germany. Not good news at the turn of the year. The world is looking to Washington and Berlin is entering into an early election campaign.

Nothing new, one might think. The Ampel already got off to a bumpy start in government three years ago – keyword: implementation of the Whistleblowing Directive and delayed (and thus sanctioned by the EU in the amount of 34 million euros) adoption of the German Whistleblower Protection Act (HinSchG).

From an employment law perspective, two legislative proposals – two bills – are to be examined here that were on the verge of being adopted.

Dismissal Protection

In 2019, the Act on Tax-Related Provisions Regarding the UK Withdrawal from the EU (Brexit-StBG/Steuerbegleitgesetz) introduced a first inroad on Germany’s otherwise strict dismissal protection. The move was designed by the German government to attract UK banks to relocate to Frankfurt, rather than one of the other financial centres in the European Union.

Strict rules of the KSchG form the core of protection against dismissal.

The strict rules under the German Dismissal Act (KSChG) lie at the core of termination protection in German employment contracts. Since German law does not recognise the concept of employment “at will,” employment can only be terminated for a stipulated cause. The above-mentioned Act allowed banks located in Germany – provided they qualify as “significant institutions” – to terminate employment contracts with high-paid employees (as long as their jobs qualify them as “material risk takers” – MRT) without following the common strict requirements otherwise imposed.

German employment law generally assumes protection against dismissal, with the consequence that employment relationships continue to exist if the courts deem a dismissal to be invalid. The burden of presentation and proof for companies in dismissal protection proceedings is high. There are a few exceptions. In practice, so-called applications for termination pursuant to § 9 para. 1 sentence 2 KSChG are rarely successful and only in cases of serious misconduct by employees, usually in cases of criminal offenses. Only in the case of so-called “executive employees” do applications for termination not have to be substantiated. In such cases, this results in severance pay regulations instead of protection of continuance.

Reduced protection against dismissal for material risk takers

While the Brexit Transition Act limited the scope of the simplified termination proceedings based on § 9 para. 1 sentence 2 KSChG to significant financial institutions – namely major banks, pursuant to § 25a para. 5a, § 25n KWG – the draft bill

of the ZuFinG II broadens the scope and will include reduced dismissal protections for all MRTs in all credit institutions, investment firms, capital management companies, and the entire insurance sector. The proposed legislation aims to improve the competitiveness of Germany as a financial centre.

This reduced dismissal protection for MRTs affords companies greater leeway to implement personnel decisions more quickly and efficiently. At the same time, the new regulation may result in increased uncertainty when creating positions for potentially affected MRTs in the relevant companies. Employers in the financial sector would be wise to consider such new regulations in relevant employment contract negotiations when determining, for example, the duration of ordinary notice periods. The evolving legislative process deserves to be closely monitored.

Employee Data Protection and AI

The Federal Ministry of Labor (BMAS) aimed to provide safety measures for both employers and employees in view of the increasing digitalisation of employment relations in Germany. Will this succeed or will companies have to reckon with even more bureaucracy and new hurdles?

The EU AI Act has been in force since August 2024. Artificial intelligence (AI) and labor law only appear to concern two different worlds at first glance. Caution is required, because in practice, the application options for AI in the HR sector are diverse and treacherous. Whether in recruiting, job searches or applicant selection: Employers work with their employees' personal data daily, most of which is highly sensitive. Extreme caution is advised to avoid data protection violations, especially when using AI to process employee data. The GDPR and the General Equal Treatment Act (AGG) contain a variety of rules and regulations that must be observed.

The application options for AI in the HR sector are diverse and treacherous.

Now, with the bill of the BeschDG, a further complex set of rules was introduced that will present companies with additional administrative challenges. The approach of making the processing of sensitive employee data in the digital environment more secure is commendable. It addresses standard issues such as employee monitoring in the workplace, performance reviews, recording performance data, video surveillance, working time records, the use of documented misconduct or clear violations of contractual obligations. And as is so often the case in German labor law, it is about the co-determination rights of the works council.

In the end, the critical question must be allowed as to whether all of this will lead to better employee and data protection, or to even more administrative work and thus to further delays in nationwide digitisation. Or, to put it provocatively: does data protection in Germany mean that we will continue to lag behind in the competition with other financial centres in terms of innovation, digitisation and necessary modernisation?

The experience with the creation of additional co-determination rights for works councils, as well as the existing case law – to name just one example – on § 87 para. 1 no. 6 of the German Works Constitution Act (BetrVG), shows why we in Germany are lagging behind in almost all areas of digitalisation. The draft bill of the BeschDG will undergo many debates and – hopefully – substantive discussions on its way through the legislative process.

Conclusion

In summary, it is worth drawing a line to our initial remark regarding the transposition of the EU Whistleblowing Directive.

After the new elections, the new federal government will not only have to deal with the resumption of unfinished legislative projects but also with the ongoing implementation of existing EU directives. Finally, one example from an employment law perspective is the much-discussed EU Gender Pay Gap Directive, which must be transposed into German law by the end of June 2026.

**RIMÔN
FALKENFORT**

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SERVICE

VAB Seminars 2024

Seminar Topics for 2025

VAB Trainings

VAB Working Groups

Publications

VAB Expert Panel

Knowledge Transfer and Exchange at the Highest Level

In 2024, the Association of Foreign Banks in Germany (VAB) once again offered a diverse range of seminars for its members. A total of 20 seminars were organised, which were held in various formats – online or in-person.

Tailored Content for International Financial Institutions

The VAB seminars are specifically designed to address the needs and questions of international financial institutions operating in Germany. Notably, the high quality of the speakers that VAB is able to attract is a key highlight:

- Top-tier experts from supervisory and tax authorities as well as government ministries
- Practitioners and professionals from renowned law firms, auditing firms, consulting companies, and IT service providers

These distinguished speakers deliver up-to-date and practically relevant knowledge and are available for discussions and direct exchange with participants. Seminar handouts, thoughtful organisation, and professional support – both online and on-site – complete the offering.

Interaction and Exchange as Added Value

The seminars not only provide a platform for knowledge transfer but also promote dialogue within the industry:

- Current topics affecting many institutions are discussed – of course, while taking confidentiality and antitrust regulations into account
- Participants have the opportunity to submit suggestions for improvement and critical comments on the existing regulatory framework, which the VAB team can then address.

Additionally, VAB training sessions and informal “Management Forums” complement the seminar offer. These create space for conversations between member institutions, external experts, and VAB speakers.

Diverse Topics and Targeted Professional Development

A key focus of the seminars is to meet the professional development needs of the member institutions, especially for employees in specialised functions.

Seminar topics for 2024 included, among others:

- Human Resources – Update 2024
- International Banks in Germany (in English)
- The Implementation of CRD VI in Germany (in English)
- Update Kapitalertragsbesteuerung
- Aktuelle Entwicklungen in der Vergütung – Überblick und Wertpapierinstitute
- Datenschutz-Update 2024

Flexible Booking System

- Up-to-date overview: All seminars, invitations, programs, and registration options can be found at → www.vab.de/seminars/?lang=en.
- Free reservation: Reserve your place early – without obligation or commitment.
- Automatic notification: Once the specific program details are confirmed, you will receive an invitation by email.

Additionally, sign up for the general seminar distribution list to stay regularly informed about upcoming events.

Take advantage of the VAB seminars to expand your expertise, exchange best practices, and benefit from the knowledge of leading experts!

Seminar Topics for 2025

Exciting seminar topics are already planned for 2025:

- **Unternehmens-Compliance für Auslandsbanken – Handreichungen für Compliance und Legal**
- **DORA: Implementierung und erste Erfahrungen aus der Praxis**
- **Update Zahlungsverkehr und Instant Payments**
- **Aktuelle Entwicklungen im Meldewesen**
- **Umsatzsteuer bei Auslandsbanken**
- **Bankenaufsicht 2026**
- **The Implementation of CRD VI in Germany (in English)**
- **International Banks in Germany (in English)**

Further seminars will follow.
You can find an up-to-date overview at:



→ <https://www.vab.de/seminars/?lang=en>

Practical Knowledge for Executives and Employees

In 2024, the Association of Foreign Banks in Germany (VAB) conducted 6 bespoke inhouse training sessions, designed for individuals or smaller groups, including senior executives, supervisory board members, and staff from member institutions.

These sessions proved particularly valuable in scenarios where new employees from abroad joined German institutions and required a rapid introduction to the German financial market. Compact, practice-oriented training programs were also offered, tailored to meet the specific needs of the institutions while staying up-to-date with the latest developments.

Building on its experience, VAB continuously develops its offerings:

- New training topics are planned to be added.
- Existing training materials have been further standardised and refined.

Flexible Formats and Customised Content

The training sessions can be delivered in either German or English and can be conducted on-site at your premises or virtually, depending on your preference.

Contact and Customised Proposals

The VAB team is always available to answer your questions or consider your suggestions. If you have specific topics in mind, we will be happy to develop a bespoke training program tailored to your needs.

Contact us via email:

→ verband@vab.de

Leverage VAB's training programs to prepare yourself and your employees for the demands of the banking industry.

Training Topics Overview

VAB training programs cover a broad spectrum of practical and relevant topics. Below is a selection of available courses:

1. **Prevention of Money Laundering and Terrorist Financing**
2. **Banking in Germany**
(for Expatriates and Executives)
3. **Corporate Governance Training for Executives**
4. **CRR and KWG: Banking Supervision in Germany** (Part I)
5. **MaRisk, ICAAP, and SREP: Banking Supervision in Germany** (Part II)

Exchange for Solutions in the Financial Sector

The Association of Foreign Banks in Germany (VAB) regularly organises working groups on a wide range of topics, as well as issue-specific ad hoc working groups. These groups consist of representatives from VAB member companies. When necessary, external experts with specialised knowledge, as well as representatives from the relevant regulatory and supervisory authorities or tax administrations, are involved. The goal is to analyse complex regulatory and tax issues through constructive exchange, develop solutions, and feed these into the decision-making processes of policy and administration, while taking into account the shared interests of VAB members.

At the following link, you will find an overview of the working groups and their topics, as well as the registration form. With the following password, you can fill out the registration form and select the working groups that are relevant to you: **AGUe-Verteiler-VAB**.



→ <https://www.vab.de/registration-for-the-working-groups-and-committees/?lang=en>

VAB expands its offering of working groups as needed to address new topics in a timely manner. Of course, we ensure that all working groups work in a competitively neutral manner and in accordance with antitrust law.

We warmly invite you to become part of this platform for the exchange of knowledge and experience, to collaboratively shape the challenges of the financial market.

Overview of Existing Working Groups

Working Groups in the Legal Affairs Division

- Asset Management
 - Compliance
 - Data Protection
 - Global Custodians/Depositories
 - Capital Markets/Stock Exchange
 - MaRisk
 - Human Resources
 - Supervisory Law
 - Investment Firms
-

Working Groups in the Financial Crime & Infrastructure Division

- Administration, Reporting and Audit (AMR)
 - CRS/FATCA
 - Anti-Money Laundering
 - IT and Information Security
 - Accounting
 - Payment Transactions
-

Working Groups in the Tax Division

- Investment Tax Law
 - Payroll Tax
 - Tax
-

Publications

Monthly Update – Overview of Current Developments in Banking

The “VAB Monthly Update” provides a comprehensive overview of the latest developments in regulatory compliance, tax law, banking operations, and reporting requirements. This online publication is released at the beginning of each month and features a user-friendly format that allows you to quickly access the topics most relevant to you. You can access the latest issues anytime on the VAB website:

→ <https://www.vab.de/general-overview-monthly-information/?lang=en>

Subscribe to the VAB Monthly Update

Want to stay informed about the latest developments? Subscribe to the Monthly Update free of charge using the following link:



→ <https://www.vab.de/anmeldung-zur-monatsinfo/?lang=en>

Exclusive Video Conferences with In-Depth explanations

As a special service for VAB members, the Association’s expert advisors host an exclusive video conference shortly after the Monthly Update is published. This format offers detailed explanations of the content, contextual analysis of developments, and an opportunity for members to ask questions and engage in discussions. VAB members will receive invitations to the video conferences upon request.

VAB Compliance Update – Efficiency and Precision for Your Compliance Department

The VAB’s “Compliance Update” is an exclusive service for VAB members, available in both German and English. This comprehensive database contains compliance-relevant legal sources such as laws, regulations, circulars, directives, and guidelines. It is updated monthly by the Association’s specialists and supports the compliance departments of member institutions in monitoring and implementing the applicable regulatory framework in line with MaRisk requirements.

Unlike general-purpose databases, the **VAB Compliance Update is specifically tailored to meet the unique needs of international banks operating in Germany**. This eliminates the time-consuming and error-prone task of searching through non-banking-specific databases, which are often overwhelmed with irrelevant information. VAB takes on this responsibility, providing only essential and relevant data, allowing you to focus on the core functions of your compliance department. This tool ensures that your institution meets the high regulatory standards in banking with both efficiency and precision.

In addition, VAB offers a technical solution in collaboration with **Focus DV GmbH**, enabling seamless data import and the fully audit-proof documentation of subsequent workflow steps.

Interested?

For more information or to subscribe to the VAB Compliance Update, please contact the VAB office via email at → verband@vab.de. Once registered, you will receive a monthly password granting access to this valuable resource.

VAB Position Papers – Your Interests in Focus

Each year, the **Association of Foreign Banks in Germany (VAB)** prepares numerous position papers addressing legislative proposals and administrative changes at both the EU and national levels. The opinions and positions of member institutions play an active role in shaping these papers.

In addition, VAB submits responses to changes and consultations initiated by supervisory authorities and tax administrations. These documents reflect the expertise and interests of its members and ensure the industry’s perspectives are represented in political and regulatory processes.

A comprehensive and up-to-date overview of all position papers is publicly accessible on the VAB website:

→ <https://www.vab.de/general-overview-position-papers/?lang=en>

VAB Handbooks – Practical Knowledge for the Banking Sector

VAB offers its members and external stakeholders a range of professional publications, delivering valuable insights into complex regulatory and tax topics.



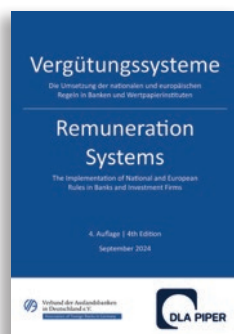
Banking Business in Germany

The 7th edition of VAB's flagship publication, **"Banking Business in Germany"**, was released in October 2023, in collaboration with PwC. This essential guide is designed for banks operating or planning to establish operations in Germany.

Additional VAB Publications

The VAB's team of experts, in collaboration with renowned partners, has developed further publications distinguished by their practical focus and diversity of topics, including:

- **"Remote Work in Foreign Banks"** in partnership with Deloitte, Flyer, August 2022
- **"VAT in Foreign Banks Operating in Germany"**, First Edition, December 2022
- **"Impact of ESG Factors and ESG Risks on Credit Institutions and Investment Firms"** in partnership with GSK Stockmann, First Edition, April 2023
- **"Remuneration Systems"** in partnership with DLA Piper, Fourth Edition, September 2024



For further information or to place an order, please contact the VAB office.

Feel free to use all of our information and communication channels – we look forward to hearing from you!



VAB on LinkedIn – Stay Informed with First-Hand Updates

We regularly inform about our events, activities, and current topics from the banking and finance world on LinkedIn:



→ <https://de.linkedin.com/company/verband-der-auslandsbanken>



VAB on YouTube

With some topics that are of interest to our members and the public, you can also find us on YouTube.



→ <https://www.youtube.com/c/AssociationofForeignBanksinGermanyVAB>

VAB Podcasts

In the **field of taxation**, we offer informative podcasts:

- **"Tax Newsflash"**: A concise overview of the latest developments in tax law.
- **"Tax is in the Air"**: In-depth discussions on specific topics such as tax compliance, enriched by practical insights from select external experts.



→ www.vab.de/podcasts-steuern

In the **field of banking regulation**, we have launched a series of podcasts featuring Dr Andrea Fechner. Dr Fechner conducts interviews with the VAB Expert Panels.



→ www.vab.de/podcasts-bankenregulierung

VAB EXPERT PANEL

In 2024, the Association has continued its innovation and change program to make the Association even fitter for the future and to operate on an equal footing with its member institutions, as well as with politicians and supervisory authorities. The aim is to take even better account of the requirements and wishes of members, to make communication more digital and to further optimise internal processes.

One of the program's strong results is the VAB Expert Panel, which was set up in February 2024. With its establishment, VAB has opened a new chapter in community building. The advisory board has now grown to over 40 experts, significantly exceeding the target for the first year. The VAB Expert Panel comprises 16 specialised topic-related panels.

The experts, consisting of external consultants are presented on the VAB website with their activity profiles and areas of expertise. This platform makes it possible to combine external expertise and the expertise of VAB members, and to enable VAB members to easily access tried and tested expert knowledge. The VAB Expert Panel strengthens the association both in its lobbying activities and in the development of professional positions.

For more information about the VAB Expert Panel, please visit our website:



→ <https://www.vab.de/verband/expertenbeiraete>

The members of the VAB Expert Panel are listed in the following, grouped by topic.

Would you like to have more information about the VAB Expert Panels? Please feel free to contact Wolfgang Vahldiek, Deputy Managing Director, Director Legal Affairs:

→ wolfgang.vahldiek@vab.de.

Banking Supervision and Governance



Dr Alexander Behrens
A&O Shearman LLP



Dr Andreas Dehio
Linklaters LLP



Dr Anna L. Izzo-Wagner, LL.M. Eur.
Annerton Rechtsanwalts-gesellschaft mbH



Dr Jens H. Kunz
Noerr Partnerschafts-gesellschaft mbB



Alexander Kregiel
msg for banking ag

ESG – Sustainable Investments



Dr Verena Ritter-Döring
Taylor Wessing Partner-schaftsgesellschaft mbB



Dr Lars Röh
lindenpartners



Woldemar Häring
White & Case LLP



Dr Caroline Herkströter
DLA Piper UK LLP



Dr Jochen Seitz
Hogan Lovells International LLP

Anti-Money Laundering and Anti-Financial Crime



Sebastian Glaab
Annerton Rechtsanwalts-gesellschaft mbH



Dr Richard Reimer
Hogan Lovells International LLP



Dr Julia Sophia Habbe
White & Case LLP



Dr Moritz Pellmann
Freshfields PartG mbB

HR, Labour Law and Remuneration



Dr Hans-Hermann Aldenhoff
Simmons & Simmons LLP



Dr Michael R. Fausel
BLUEDEX Labour Law



Dr Lars Hinrichs
Deloitte Legal Rechts-anwalts-gesellschaft mbH



Dr Hans-Peter Löw
DLA Piper UK LLP



Michael Magotsch, LL.M. (Georgetown)
RIMÓN FALKENFORT

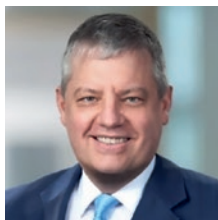
International Tax Law



Marc Roth-Lebeau
EY Tax GmbH Steuer-
beratungsgesellschaft



**Professor Dr Vassil
Tcherveniachki**
Flick Gocke
Schaumburg



Dr Jann Jetter
Morgan, Lewis &
Bockius LLP



Dr Steffen Neumann
WTS GmbH

Capital Gains Tax



Dr Sebastian Adam
Hengerler Mueller
Partnerschaft von
Rechtsanwälten mbB



Florian Lechner
A&O Shearman



Dr Mathias Link, LLM
(Columbia Univ.)
PricewaterhouseCoopers
GmbH WPG

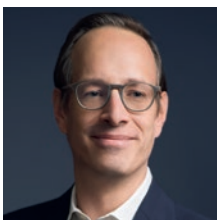


Tobias Michaelis
WTS GmbH

Credit, Syndications and Secondary Markets



Dr Simon G. Grieser
Deloitte Legal Rechtsan-
waltsengesellschaft mbH



Dr Martin Heuber
Mayer Brown LLP



Dr Markus Adick
ADICK LINKE Rechts-
anwälte PartG mbB



Dr Marcus Geuenich
Ernst & Young Law
GmbH



Martin Seevers
ADVANT Beiten

Value Added Tax



Benjamin Bergau
Grant Thornton
Wirtschaftsprüfungs-
gesellschaft AG



Nils Bleckmann
WTS GmbH



Sebastian Kratz
EY Tax GmbH Steuer-
beratungsgesellschaft



**Dr Tanja Walter-
Yadegardjam**
Freshfields PartG mbB

Transfer Pricing



Dr Ulf Andresen
DLA Piper UK LLP



Dr Christian Engelen
Flick Gocke
Schaumburg



Andreas Persch
EY Tax GmbH Steuer-
beratungsgesellschaft

Investment Firms and Market Integrity



Dr Tobias Bauerfeind
LL.M.
Ashurst LLP



Dr Hendrik Pielka
Waldeck Rechts-
anwälte PartmbB

Payments and Payment Services



Christian Bruck
BearingPoint GmbH



Dr Mario Reichel
PPI AG

VAB INNOVATION PROGRAM

Progress for Members, Policy and Supervision

As a further result of the innovation program, a professional CRM system was introduced for the first time in 2024, in addition to the VAB expert advisory board. After a familiarisation phase at the beginning of 2025, this will enable the Association's office to provide even better member support.

In addition, in 2024 the team worked with providers of networking platforms for associations on the requirements and functional design of their own digital member network. This is intended to transfer the existing electronic and written communication channels into a digital environment for mem-

bers and non-members in the medium term. Further work on this project will involve members in order to take into account their needs and opportunities for participating in a digital network in the project.

We warmly invite our members to contribute ideas and suggestions to actively shape the development of VAB. Together we will create added value for the banking landscape in Germany.

VAB BOARD

Overview of the members of the VAB Board of Directors who were elected at the Annual General Meeting on June 13, 2024.



Tobias Vogel
Chair

Chief Executive Officer,
UBS Europe SE & Head of
Wealth Management Europe
UBS Europe SE



Dr Jana Währisch
Vice Chairwoman

Chief Financial Officer
Morgan Stanley Europe SE



Guido H. Zoeller
Vice Chairman

Member of the General
Management Committee, Paris,
and Group Country Head
Germany & Austria
Société Générale S.A.



Frank Schönherr
Treasurer

Group Senior Country Officer
Germany
Crédit Agricole Corporate and
Investmentbank Deutschland



Jürgen Baudisch
CEO & Country Head
SEB Germany
SEB AB Frankfurt Branch



Dr Niklas Dieterich
Member of the Executive Board,
COO, CFO
SMBC Bank EU AG



Dr Carsten Esbach
Chief Operating Officer
Germany & Austria
BNP Paribas S.A.
Niederlassung Deutschland



Thomas Falk
Member of the Management
Board
Bank Julius Bär
Deutschland AG



Stefan Hafke
Citi Country Officer & Head
Banking Germany/Austria
Citigroup Global Markets
Europe



Eddy Henning
Member of the Management
Board/Head of Wholesale
Banking Germany/Austria
ING DiBa AG



Michael Holmes
Chief Financial Officer
Goldman Sachs
Bank Europe SE



Jessica Kaffrén
Managing Director,
Head of Outsourcing,
Operations and Technology
J.P. Morgan SE



Christopher F. Porter
Managing Director
The Bank of New York Mellon –
Frankfurt Branch



Peter Rosenberger
Managing Director
China Construction Bank
Corporation
Niederlassung Frankfurt



Nicolo Salsano
Chief Executive Officer
Standard Chartered
Bank AG



Gamze Yalçın
Chief Executive Officer
İşbank AG

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Julia Balzer
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→ julia.balzer@vab.de



Christine Ohlig
Manager
Events & Publications
→ christine.ohlig@vab.de

ART IN THE YEARBOOK



Colour creates atmosphere

“My pictures deliberately don't tell a 'story' in the classic sense but rather place the audiences in a colour spectrum that has a positive effect on them.”

Jochen Cerny

We would like to thank Jochen Cerny for providing his works for the yearbook.

With his kind permission, these have been modified in colour and reproduced in excerpts, resulting in a harmonious visual language that corresponds to the corporate design of VAB.

Colour Creates Atmosphere

Cerny's photographic art intentionally sets itself apart from classic photography. It is based on photographing objects from different perspectives and then processing them digitally. With the “CMPB technique” he developed, Colour Manipulation with Pixelsort and Blur Effect, the essence of the object is kept, but the colours create a new reality. In his compositions, Cerny works with superimpositions and consciously uses the resulting artefacts and other features of digital images as a stylistic element. His works do not tell conventional stories, they have an impact through the atmosphere they create.

About the Artist

Jochen Cerny, born in Düsseldorf, began discovering his passion for photography at an early age. He was inspired by his grandmother, a passionate amateur photographer, and his father, who worked as a marketing consultant with prestigious advertising photographers. Cerny first studied law, followed by a career as an investment banker in New York, London and Frankfurt am Main.

Art was referred to the background until a reunion with his childhood friend Andreas Gursky, one of the most important photographic artists internationally, awakened his fascination for photography. Gursky's recognition gave the decisive momentum: Cerny professionalised his passion and evolved his own artistic direction.



Jochen Cerny
Fine Art Photography
CMPB Technique
www.cerny-photography.com

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