



Deutsche Bank AG (Australia)

Research Regulatory Disclosures



1. Introduction

Deutsche Bank AG ABN 13 064 165 162 (“**Deutsche Bank**” or “**we**” or “**our**”) is the holder of an Australian financial services licence no. 238153 and as such has obligations under the Corporations Act 2001(Cth).

As part of these obligations, Deutsche Bank is required to meet licensing and conduct standards. ASIC has released two regulatory guides (RG’s) for licensees who are research providers, to assist them in applying relevant standards in their research processes.

RG79¹ focuses on key phases of the research process to improve the:

- quality, methodology and transparency of research report production and distribution;
- management of conflicts of interest by research report providers; and
- the ability of users of research reports to understand and compare the research services of different research providers.

RG 264² supplements RG79 and focuses on managing conflicts of interest and inside information when providing sell-side research.

We have a number of internal policies and procedures that are designed to maintain the integrity and independence of the research we provide. This information document sets out a summary of some of these measures as well as an explanation of the approach we take when producing research in our role as research report provider. It supplements the [Deutsche Bank Conflict of Interest Policy](#), and is supplemented by disclosures included on the Deutsche Bank Research Internet page, where a facility entitled “[Disclosures Lookup](#)” is available for you to view company research report disclosures. More detailed and commercially based information is available to Deutsche Bank clients by subscription.

Please contact your relevant Deutsche Securities’ representative if you have any questions about any particular aspect of this document.

2. Scope

This information document applies when we are providing research reports in relation to an investment product for distribution in Australia. In Australia, our business model is that users and prospective users of our research reports (i.e. our client group) are wholesale clients³ and not retail clients or members of the general public.

Research Reports include an opinion, express or implicit, about a named or readily identifiable product. As economic research does not include this, it is excluded for the purposes of this information.

¹ RG 79 Research report providers: Improving the quality of investment research Dec 2012

² RG 264: Sell-side research Dec 2017

³ “Wholesale Client” as defined in subsection 761G(4) of the Corporations Act.



3. Research quality, methodology and transparency

The following section sets out in broad terms the scope and expertise of our research analysts and aspects of our research coverage, methodologies and ratings approach.

3.1 Scope and expertise of research service

Our analysts have up to 20 years industry experience and tertiary qualifications in business, commerce, finance, engineering, accounting, law and actuarial studies, with some analysts recognised as Chartered Financial Analysts, Chartered Accountants or Actuaries.

3.2 Coverage, methodology and ratings

As referred to above, a search facility to identify those companies on which we issue research reports is accessible through our "Disclosures lookup" web-page. A list of all financial products covered is available via the subscription section of the Markets Research web page.

Coverage decisions are generally based on many factors, including market conditions, analyst availability and research client interest on a needs basis. Research management is ultimately responsible for our research coverage decisions.

A research ratings key is provided on each research report for reference. Depending on the type of research report, ratings spreads will also be provided in the body of our research reports. This information is also available on our Disclosures lookup web-page or via the Markets Research web page. A three year history of target prices is shown on most reports, with additional historical detail also available via the web pages mentioned above.

3.2.1 Equities reports and ratings

We use a variety of methodologies to arrive at a valuation including discounted cash flow and other valuation multiples methodologies. With the exception of our SOLAR reports (see further below), a 12-month target price is generally presented in our research reports for all equities under coverage⁴. Depending on the type and nature of any relevant research report, the target price methodology will commonly be stated on the front page of the report, with further analysis, metrics and our investment thesis (including the company's outlook, valuation and relevant risks) set out in the body of the research report.

SOLAR stands for "Shorter-term Opportunities within Long-term Analyst Recommendations". These ideas, which may only be communicated in limited circumstances, look to identify opportunities for investors to realise investment returns over time frames that differ from the 12-month long term recommendation horizon. SOLAR

⁴ There may be times when we refrain from including a price target on our research reports.



opportunities remain valid until demoted by issuance of a separate posting to our SOLAR website.

The following table sets out our equities ratings scale:

Buy:	Based on a current 12 month view of total share holder return (TSR = % change in share price from the current price to our projected target price plus projected dividend yield), we recommend that investors buy the security.
Sell:	Based on a current 12 month view of total share holder return, we recommend that investors sell the security.
Hold:	We take a neutral view on the stock 12 months out and, based on this time horizon, do not recommend Buy or Sell
In some circumstances, we may also have the following ratings:	
Not Rated:	There is no investment rating and target price for this security.
Suspended:	The investment rating and price target, if any, for this security, have been suspended. The previous investment rating and price target (if any) are no longer in effect for this security and should not be relied upon.
N/A:	Deutsche Bank may choose not to set or maintain a target price of certain issuers under coverage with a Hold rating. Typically, this can occur for "Hold" rated stocks having a market cap smaller than most other companies in its sector or region.

3.2.2 Credit reports and ratings

When rating a bond or credit default swap (“CDS”), we follow the methodologies used by Standard and Poor’s (“S&P”)⁵ and Moody’s⁶ to rate an entity’s credit. Our ratings may nevertheless differ from these credit ratings agencies’ as the ratings we apply will reflect our own views on the relevant issuers and/or their respective industries.

The key criterion we apply to coverage decisions is an issuer’s inclusion in the Markit iTraxx Australia index⁷, which is comprised of 25 equally-weighted CDS on investment grade rated Australian entities. There are also some additional credit products that may be covered as these were previously included in the iTraxx index, or because the reference entity may have a high amount of debt outstanding.

⁵Further information about S&P can be found here: <http://www.standardandpoors.com/home/en/au>

⁶Further information about Moody’s can be found here: https://www.moody.com/Pages/default_au.aspx

⁷Further information about the Markit iTraxx Australia index can be found here: <http://www.markit.com/en/products/data/indices/credit-and-loan-indices/credit-and-loan-indices.page?>



The following table sets out information about our selection of the Reference Credit Instruction (“RCI”), our credit ratings scale and Credit Opinion:

Reference Credit Instrument (“RCI”):	The RCI for each issuer is selected by our analysts as the most appropriate valuation benchmark (whether this is a bond or CDS), and is detailed in our research reports. The RCI is subject to change, at the discretion of the analyst. Recommendations on other credit instruments of an issuer may differ from the recommendation on the RCI due to an assessment of value relative to the RCI, which can take into account other factors such as differing debt covenant language; coupon steps; liquidity; and maturity.
CreditBuy (“C-B”):	The total return of the RCI is expected to outperform the credit spread of bonds/ CDS of other issuers operating in similar sectors or rating categories over the next 6 months.
CreditHold (“C-H”):	The credit spread of the RCI is expected to perform in line with the credit spread of bonds/CDS of other issuers operating in similar sectors or rating categories over the next 6 months.
CreditSell (“C-S”):	The credit spread of the RCI is expected to underperform the credit spread of bonds/CDS of other issuers operating in similar sectors or rating categories over the next 6 months.
CreditNoRec (“C-NR”):	We have not assigned a recommendation to this entity. Any references to valuation are based on an entity’s credit rating.
DB Credit Opinion Definition :	The DB Credit Opinion follows the same scale as S&P’s credit ratings, ranging from AAA for the highest credit quality to C for the lowest credit quality. It reflects our opinion on the creditworthiness of an entity. We derive our Credit Opinion from fundamental credit analysis of the entity; comparable analysis; benchmarking against rating agencies; and qualitative judgement.

3.2.3 Fixed interest and foreign exchange reports and ratings

Recommendations contained in our fixed interest and foreign exchange research reports are not based on any standard ratings scale. Views, forecasts and recommendations will be based on fundamental inputs including key economic and market data and market conditions, with our analyst’s rationale generally included for any relevant recommendation. The extent of coverage will be based on market conditions, available staff and research client interest on a needs basis.

3.3 Preparation of research reports

All research reports are prepared in accordance with global procedures designed to ensure our minimum required standards are met. On completion and prior to publication, our draft research reports are reviewed by our supervisory analysts who are responsible for confirming our research reports meet our standards and regulatory requirements, including that they are clear, fair and not misleading and our recommendations are based on



reasonable grounds. Also prior to publication, the primary research analyst is required to certify that:

- the views expressed in the report accurately reflect his or her personal views about the subject, issuers and the securities of those issuers;
- they have not been influenced by corporate advisory, the issuing company or its advisers; and
- that they will not receive any compensation for providing a specific recommendation or view in the report.

Newly issued research recommendations and target prices always supersede previously published research. This is confirmed on each research report. All reports show the release date on the front page. Research reports are valid as at that date.

4. Avoiding, Controlling and Disclosing Conflicts of Interest

4.1 Types of conflicts

In the context of the provision of services to our clients, conflicts of interest may arise as a result of:

- the multi-faceted nature of the financial services we engage in;
- a relationship between us and our clients, including as a result of the provision of services to two or more clients;
- the activities of our employees and our clients; and/or
- the relationships we have with our service vendors and our clients.

Client transactions that may give rise to material conflicts of interest are recorded to enable us to identify any relevant conflict of interest and make arrangements for the adequate and ongoing management of any such conflict. Conflicts of interest may be direct or indirect and can be managed through:

- appropriate controls;
- conflict avoidance; and
- disclosure.

4.2 Structure of our Research business and controls

To maintain the independence and integrity of our research, our Corporate Banking and Securities business lines are distinct from one another. This means that our Research department is not part of and does not report to our Corporate Finance (or “**investment banking**”) department or our Market’s Sales and Trading business. Accordingly, neither Corporate Finance or Sales and Trading supervise or control the activity of our research analysts. Our research analysts report to Research management, who in turn report to senior Markets management.

We employ a number of internal controls designed to manage conflicts of interest that may arise as a result of us engaging in Corporate Finance, Sales and Trading and Research activity. Some examples of these controls (also see further examples below) include:



- the use of information barriers and other information controls designed to ensure that confidential information is only shared on a “need to know” basis and in compliance with our Chinese Wall policies and procedures; and
- measures designed to ensure that interaction that may occur between a) our Research personnel and Corporate Finance and Sales and Trading personnel and b) financial product issuers and our research analysts does not compromise the integrity and independence of our research.

4.3 Conflict disclosures

As indicated above, we make disclosures in our research reports and via our “[Disclosures Lookup](#)” web pages. This assists the users of our research to understand the conflicts of interest, or potential conflicts of interest, which could be considered to impact upon the independence of our research reports. These disclosures can be considered as either business related disclosures or research analysts’ personal disclosures.

4.3.1 Business disclosures

These will include (but are not limited to):

- the existence of any material holding we may have in any relevant financial product referred to in our research report;
- whether within the past year, we have managed or co-managed a public offering for any issuer of a financial product referred to in our research report, for which we have received fees;
- whether we have received compensation from the issuer for the provision of investment banking or financial advisory services in the past year;
- whether we expect to receive, or intend to seek compensation for the provision of any investment banking or financial advisory services from the relevant issuer in the next three months; and
- whether we act as a corporate broker or sponsor to the relevant issuer.

4.3.2 Personal disclosures

These will include (but are not limited to) disclosures where:

- our research analyst or an individual who assisted in the preparation of the research report (or a member of their household) has a financial interest in an issuer of a financial product referred to in our research report; and
- a draft of the research report was shown to the issuer for fact checking purposes (also see 4.5.7 below); and
- our research analyst is aware of any other fact or circumstance that may create a potential conflict (or the appearance of a potential conflict) relating to their work.

4.4 Conflict avoidance

At times it may be necessary for us to suspend or restrict our research coverage in the course of meeting our legal and regulatory obligations. We may also consider it necessary to suspend or restrict our research coverage where we have, or potentially have a material



conflict of interest that we consider will be best managed by restricting or suspending our research coverage.

4.5 Examples of controls and requirements

The following paragraphs contain some other examples of the policies and procedures we have in place. These enable us to identify and manage possible conflicts of interest which might affect or bring into question the integrity and independence of our research.

4.5.1 No inappropriate pressure or communications

It is our policy that no one should place undue pressure on research analysts to alter the contents of a research report or alter the timing of any research report. Similarly, it is our policy that no one may directly or indirectly retaliate, or threaten to retaliate against a research analyst because the content of a research report may adversely affect a present or prospective relationship with a client.

Our requirement is that any material change in research view as to ratings, price targets or forecasts needs first be communicated via the publication of a new research report and not as a result of private communications. Generally, non-Research staff may not be made aware of an analyst's intention to write a specific research report, the contents of any report, or the timing of the publication.

4.5.2 Research analyst compensation

Analyst compensation is designed to promote independence and high-quality content, with a significant portion of analyst compensation based on the quality and accuracy of their research work. Compensation is not based on any direct contribution to our investment banking activity or a specific transaction, or a specific view or recommendation expressed about an issuer, financial product or investment banking transaction.

4.5.3 Analyst personal account dealing

In general terms, our policies require any personal account investment transactions to be approved by Research management and Compliance prior to any purchase or sale taking place. With regard to corporate issuers, our Analysts are prohibited from buying or selling any individual product issued by (or whose value is derived from) issuers in their coverage industry. Analysts are also discouraged from investing in a related sector. Limited exemptions may apply for new employees or in the event an issuer or our coverage responsibilities are restructured. Where approval has been obtained to hold a particular financial product, minimum holding periods apply.

4.5.4 Wall crossings

If a research analyst receives, or is to receive, non-generally available material price sensitive information, our analysts will or have to be 'wall-crossed'. This must be approved by



Research management and Compliance and means they are identified and recorded as having received this type of information. They will then be precluded from:

- providing further research on any relevant security/ies;
- personal account dealing in any relevant security/ies;
- encouraging others to deal in any relevant security/ies; and
- disclosing the information to anyone else.

4.5.5 External directorships

Research analysts must not engage in any activities that would interfere with their duties, contractual or otherwise to us, or that involve or appear to involve a conflict of interest. All external appointments require internal consideration and approval prior to commencing the role.

4.5.6 Gifts and entertainment

Staff may receive or give gifts, benefits or entertainment up to a specified value under our policy. Our requirement is that any gifts/entertainment above this specified value must generally be recorded and pre-approved by business management and Compliance. Gifts, benefits or entertainment provided to public or government officials, or other sensitive parties always require Compliance pre-approval.

4.5.7 Fact checking of research

Analysts may not share draft Research with an issuer or issuers counsel without prior express permission from Research Management, Compliance or Legal, or a Supervisory Analyst. When authorised:

- such sharing may occur only for fact checking purposes;
- valuation information² must be redacted; and
- the Analyst should remind issuers in writing that draft Research should remain confidential.

In addition, Analysts are responsible for ensuring that an appropriate disclosure is made whenever issuers review draft Research and a material subsequent change is made (for any reason) to the draft.

There are two exceptions to the above which are only applicable to Investor Education Reports "IER". Analysts may share a draft copy of an IER outside of Deutsche Bank's research team in the following situations:

- (i) for a review by the Deutsche Bank's Compliance or another control function and/or legal advisers; or
- (ii) to the issuing company and its legal advisers for fact and legal checking.

² *Valuation information (RG 264): Includes information relating to the valuation or likely valuation of a company or asset. This includes the valuation methodology and reason for its selection (including alternatives considered), the peer group comparable listed companies, appropriate valuation metrics and multiples, discount rates and growth assumptions, financial information (including forecasts) relating to the company, the indicative valuation calculations and range, the price target or recommendation.*



In these cases all valuation information is redacted prior to sharing the IER. In addition the issuing company and its legal advisors agree in writing not to share the draft IER, or opinions expressed in it, with any other party. Feedback from the issuing company or legal advisers to research is limited to factual or legal observations. Control Room Asia manages the distribution process for the unpublished redacted IER, including sending and receiving comments from the issuing company and its legal advisers.

4.5.8 Three-way meetings

Our equity research analysts and investment banking personnel are not permitted to jointly attend meetings with our corporate clients. Our analysts and investment banking personnel are permitted to jointly attend widely attended events and conferences in certain circumstances. Non equity analysts that do not analyse specific corporations can attend three-way meetings provided they are not soliciting business for investment banking personnel or promoting the activities of a product issuer.