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ANALYZING CHALLENGES FACED BY DEUTSCHE BANK: A COMPREHENSIVE EXAMINATION

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Zokirov Diyorbek Botir Ugli

Student, Inha University, Incheon, South Korea The Department Of International Business And Trade,
Uzbekistan

ABSTRACT

The article aims to shed light on the recent predicaments faced by Deutsche Bank, offering insights into the underlying factors contributing to its current state. It examines various challenges such as legal and regulatory issues, financial performance, and reputational concerns, with an emphasis on understanding their implications for the bank's stability and reputation.

KEYWORDS

Deutsche Bank, challenges, banking sector, legal and regulatory issues, financial performance, governance, risk management.

INTRODUCTION

Deutsche Bank, established in 1870, is a prominent institution in the European banking sector and holds the position of being the largest lender and bank in Germany. The bank operates across multiple segments, including retail banking, corporate banking, global transaction banking, asset and wealth

management, effectively catering to a diverse clientele. However, recent years have presented a series of challenges that have significantly impacted the bank's stability and reputation. This comprehensive analysis aims to delve into the causal factors behind these issues.

One key aspect to consider is Deutsche Bank's pursuit of a high-risk business strategy heavily reliant on investment banking, derivatives trading, and structured finance. While this strategy initially yielded success, it exposed the bank to substantial risks that became evident during the 2008 financial crisis. Although a high-risk business strategy can offer potentially high rewards, it can also prove perilous and give rise to various risks, including financial losses, reputational damage, and even bankruptcy.

In recent years, Deutsche Bank has encountered legal and regulatory issues, such as fines for money laundering, sanctions violations, and benchmark interest rate manipulation. These problems have inflicted significant damage on the bank's reputation and eroded investor confidence. Critics have highlighted poor risk management practices, particularly concerning complex financial instruments, and insufficient controls against financial crimes like money laundering. Inadequate risk management can result in unforeseen losses, financial instability, and reputational harm.

Some argue that Deutsche Bank's toxic corporate culture, which prioritizes short-term profits over long-term stability, has contributed to its failures and scandals. Furthermore, the bank has experienced frequent leadership changes, including a revolving door of CEOs and senior executives, leading to a lack of strategic direction and overall instability.

Tim Smart, a senior editor at U.S. News & World Report, has highlighted that Deutsche Bank has witnessed a decline in its shares across global exchanges, accompanied by a significant increase in the cost of insuring its bonds against default. This development serves as another indication of a potential global banking crisis looming on the horizon. Smart attributes the bank's challenges to weaknesses exposed by the rapid interest rate hikes implemented by central banks worldwide and concerns over a potential global economic slowdown. Additionally, he emphasizes that Deutsche Bank's mismanagement of deposits has led to a liquidity crunch, posing a threat to its solvency.

Reporters Robert Schmidt and Jesse Hamilton from Bloomberg News have revealed that the Federal Reserve has privately communicated to Deutsche Bank about deficiencies in its compliance programs. This communication serves as an indication of the bank's failure to adhere to several previous agreements with U.S. regulators. According to Schmidt and Hamilton, the Fed's annual regulatory assessment highlighted Deutsche Bank's failure to improve its risk management practices, despite being under confidential agreements with the central bank to address these issues. They also disclosed that the bank's leadership was preparing for potential sanctions, including the possibility of substantial fines.

In a report by DW News, a German public broadcaster, it has been revealed that Deutsche Bank has been embroiled in a series of scandals over the years. These scandals range from involvement in money laundering and tax evasion to market manipulation and fraud. The bank's reputation has suffered due to its association with questionable transactions involving clients such as Jeffrey Epstein, Danske Bank, and Wirecard. Additionally, Deutsche Bank's governance has faced criticism from shareholders and regulators due to a lack of transparency and accountability.

CONCLUSION

In conclusion, Deutsche Bank, once a prominent institution in the European banking sector, has faced numerous challenges that have significantly impacted its stability and reputation. The bank's high-risk business strategy, heavily reliant on investment banking and derivatives trading, initially brought success but ultimately exposed it to substantial risks during the 2008 financial crisis. Legal and regulatory issues, including fines for money laundering and violations, along with a lack of effective risk management practices, have further eroded Deutsche Bank's standing and investor confidence. The bank's corporate culture, emphasizing short-term profits and a revolving door of leadership changes, has added to its instability. These factors, coupled with the bank's slow adoption of technology and lack of strategic focus, have contributed to its decline. Addressing these challenges and focusing on enhancing risk

management, governance, and customer-centricity will be crucial for Deutsche Bank to regain stability and pave the way for a successful future.

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