

Regional Office in Bavaria

Organisation and tasks

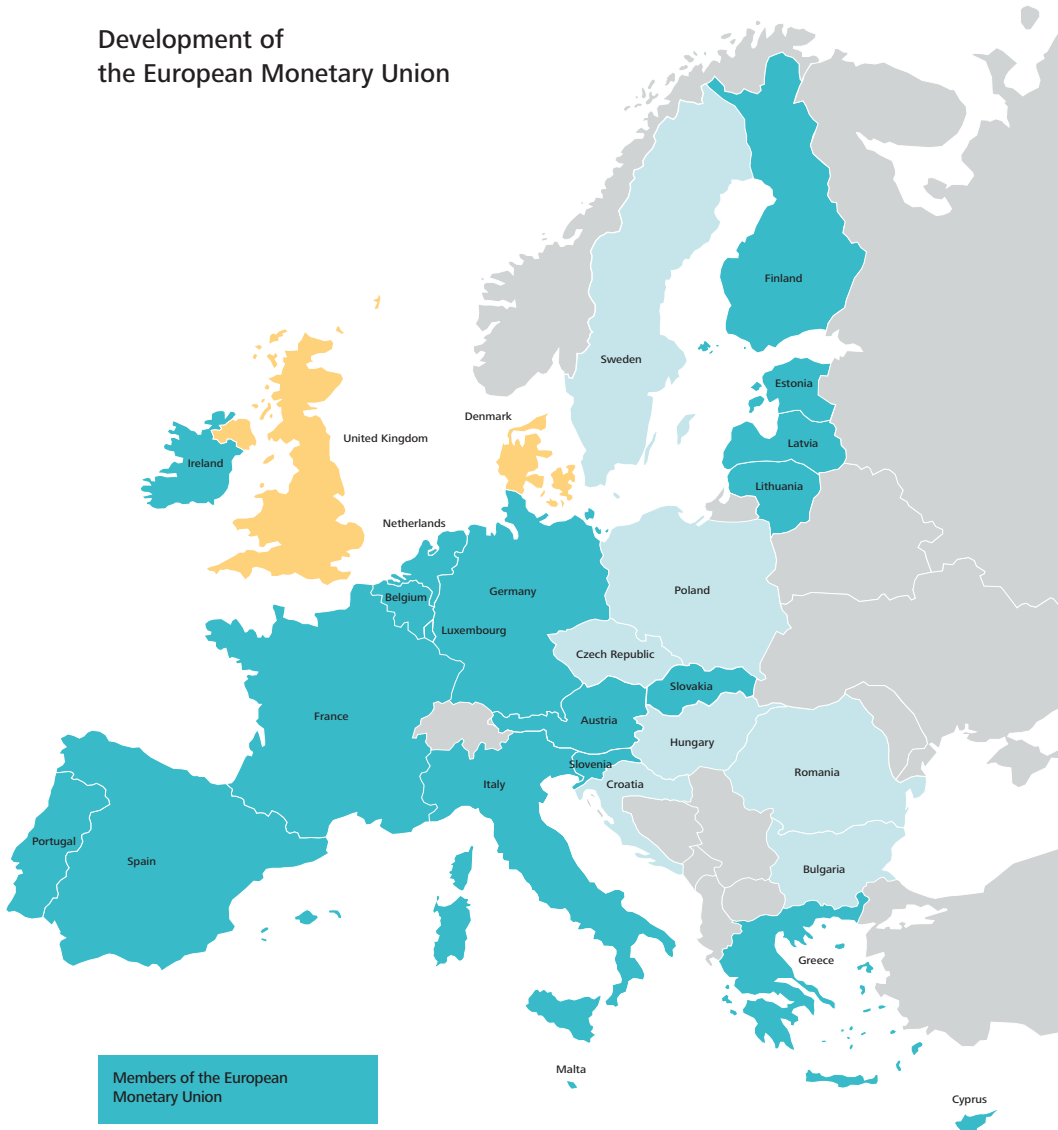


Deutsche Bundesbank: the central bank of the Federal Republic of Germany

The **Deutsche Bundesbank** is the Central Bank of the Federal Republic of Germany. Since the establishment of the European Monetary Union (EMU), the Deutsche Bundesbank, as part of the Eurosystem, has, together with the other euro-area central banks and the European Central Bank, been responsible for safeguarding price stability. To this end, the Bundesbank is involved in the Eurosystem's monetary policy decision-making process and is responsible for implementing these decisions in Germany. In addition to this primary objective, the Bundesbank makes important contributions in four other core business areas: it helps to maintain a stable financial and monetary system, safeguards the functional viability of German credit and financial services institutions through its involvement in banking supervision, ensures the smooth execution of cashless payments, and guarantees a stable supply of cash to the economy.

The Deutsche Bundesbank has responded to its changed role within the EMU and the modified business environment by profoundly adapting its organisational structure. Since 2002, the Bundesbank has been governed by a six-member Executive Board based at its Central Office in Frankfurt. Within Germany, it is represented by nine Regional Offices and their 35 subordinated branches.

Development of the European Monetary Union



Members of the European
Monetary Union

Accession to the European
Monetary Union in fulfillment of the
convergence criteria

Countries with special status:
Accession to the European Monetary
Union at their own request and in
compliance with the convergence
criteria

Regional Office in Bavaria: regional mainstay of the Deutsche Bundesbank in the State of Bavaria

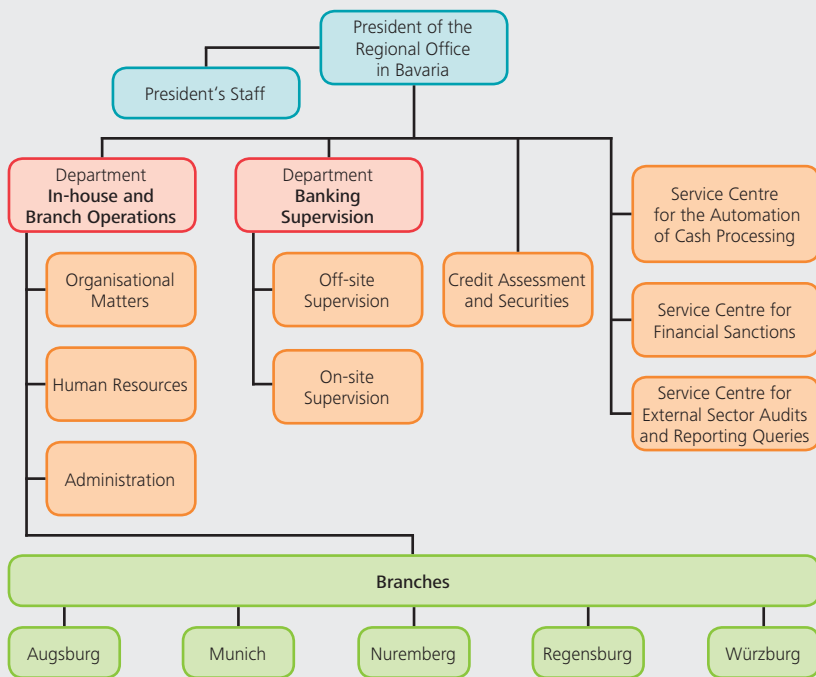
The **Regional Office in Bavaria**, which is located in Munich, together with its **five branches** in Munich, Nuremberg, Augsburg, Regensburg and Würzburg are responsible for the implementation of monetary policy in Bavaria. Both the Regional Office and the branches maintain relationships with banks, public authorities, companies and associations in Bavaria. The Regional Office is headed by a **President** who acts as a contact partner for the above-mentioned institutions and is responsible for the Bundesbank's public relations work in Bavaria. The President receives support from his staff members. Moreover, the **Regional President's Staff** are actively involved in the field of economic education by giving lectures on economic and monetary policy to teachers and students throughout Bavaria.

Banking supervision constitutes one of the most important tasks for the Bundesbank's Regional Office in Bavaria. The financial and sovereign debt crisis has highlighted the enormous fallout that excessive risk in the banking sector can have for entire economies. European policymakers have responded accordingly: On 4 November 2014, the Single Supervisory Mechanism (SSM) for banking supervision in Europe was launched. Since then, the ECB – with the close involvement of the national authorities – has been responsible for the direct supervision of the 120 largest systemically important banks in the euro area. In Germany, 22 groups of institutions are covered by this new regime, four of which are domiciled in Bavaria. These institutions are to be supervised by joint supervisory teams (JSTs) composed of supervisors from the national authorities and the ECB.

National supervisory authorities will remain responsible for supervising less significant institutions (LSIs) and financial services institutions. Within the framework of the Cooperation Agreement between the German Federal Financial Supervisory Authority (BaFin) and the Deutsche Bundesbank, the Bundesbank's Regional Offices are responsible for the ongoing monitoring of the financial enterprises to be supervised. To this end, the staff members working in the **Banking Supervision Department** analyse a wide range of information, such as

audit reports compiled by external auditors, reports and notices or ad hoc documentation requested from the institutions. They also evaluate whether the current business models are sustainable. In addition, they carry out on-site inspections to assess the adequacy of the business organisation as well as the institutions' capital adequacy and risk management methods. Representatives of the Regional Office also discuss current problems during individual supervisory meetings with the management boards of the financial institutions.

Organisational chart of the Bundesbank's Regional Office in Bavaria



Based on these findings, the banking supervisors draw up risk profiles of the institutions, which serve as a basis for ongoing supervision by the Bundesbank and BaFin. The geographical location of the Regional Office ensures that supervision is carried out at a local level and is therefore extremely efficient.

Given the high density of financial institutions in Bavaria, the Regional Office makes a particularly substantial contribution towards safeguarding financial stability in Germany. Bavaria is home to almost one in four of the financial institutions in the German financial sector that are subject to supervisory oversight. The banking supervisors of the Regional Office monitor around 760 of the total 3,300 institutions across the country, some 420 of which are credit institutions and 340 are financial service institutions.

The **“Credit Assessment and Securities Division”** of the Regional Office in Bavaria is integrated into the Eurosystem’s monetary policy operations within Bavaria. When commercial banks borrow money from the Bundesbank within the framework of refinancing operations, they may inter alia submit credit claims on enterprises as collateral, provided these enterprises are deemed eligible. The team of assessors verifies whether the firms in question fulfill the Bundesbank’s high credit standards. In 2015 the Regional Office in Bavaria analysed about 4,000 companies using Bundesbank procedures. As Germany’s “fiscal agent”, the Bundesbank participates in the price and market management of Federal securities. In this context, the “Credit Assessment and Securities Division” of the Regional Office in Bavaria makes necessary interventions at the Munich Stock Exchange. Acting on behalf of the Bavarian government, the division is also responsible for investing and managing the “pension reserves fund”, into which the Bavarian government channels funds.

The **“In-house and Branch Operations Department”**, which consists of the three divisions „Organisational Matters“, „Human Resources“ and „Administration“ supports the Regional Office and its branches in all organisational, personnel and administrative issues. The department ensures that all task forces are provided with the latest operational equipment and qualified staff and that all work-flows are continually optimised. This enables the Bundesbank to consistently offer its business partners an appropriate and attractive range of services.

Service centres: performance of tasks for the Bank as a whole

In addition to the units mentioned above, the Regional Office in Bavaria also houses **three service centres**, which perform operational activities for the entire Bundesbank.

The **Service Centre for the Automation of Cash Processing** is responsible for the technical and organisational development of the automated processing of banknotes and coins within the Bundesbank. Moreover, the service centre advises and supports the branches in the event of problems or queries regarding cash processing systems and conducts regular training courses for operators of cash processing systems.

The **Service Centre for Financial Sanctions** is responsible for the national implementation of sanctions on capital and payment transactions which are inter alia imposed by the United Nations Security Council or by EU resolutions. The service centre informs the banking community about new legal sanctions, settles issues of interpretation in this context and authorises the use of “frozen” assets.

The **Service Centre for External Sector Audits and Reporting Queries** at the Regional Office in Bavaria is responsible for auditing compliance with external reporting requirements by credit institutions, financial service institutions, insurance companies and enterprises in the Federal States of Bavaria, Baden-Württemberg, Saxony and Thuringia. The Foreign Trade and Payments Act (Außenwirtschaftsgesetz) and the Foreign Trade and Payments Regulation (Außenwirtschaftsverordnung) establish the legal basis for these activities. They require that, in particular, cross-border payments in excess of a certain threshold be reported. The audits carried out by the members of the service centre are intended to ensure the accuracy of the balance of payments, especially that of the services and capital accounts, which serve as a key pillar of monetary policy decision-making. The service centre is the central point of contact for all residents of the above-mentioned federal states for general external reporting enquiries.

Branches: first port of call for all cash matters

The key task of the branches is to safeguard the supply of cash to the economy. The five **branches** subordinated to the Regional Office in Bavaria ensure that the commercial banks in Bavaria are supplied with a sufficient amount of cash at all times and in any desired denomination, which is, in turn, passed on to enterprises and households. The cash cycle continues when consumers and especially retailers pay the cash in again at the banks. The credit institutions retain some of this cash for their cash balances and ATMs and return any surplus amounts to the Bundesbank via its branches, thus completing the cash cycle. Any soiled and damaged cash is filtered out by the branches, then destroyed and replaced with new banknotes and coins. In a similar fashion, counterfeits are retained and withdrawn from circulation. The Bundesbank's Bavarian branches process an annual volume of over two billion banknotes and handle more than 15,000 tonnes of coins.

At the beginning of 2013, the Deutsche Bundesbank streamlined its customer service activities in the area of cashless payments and concentrated its resources on just a small number of locations – one branch per regional office. Since then, all cashless payment operations of the Bavarian branches have been relocated to the Munich branch, which manages the accounts for all the commercial banks in Bavaria. Via these accounts, the credit institutions have access to the Bundesbank's payment systems, which are also used for conducting the Eurosystem's refinancing operations.

As local representatives of the Bundesbank, the branch managers maintain close contacts with the banks, companies and public authorities in their respective region. As part of the Bundesbank's public relations work, its branches are involved in providing training courses on counterfeit recognition, especially to vocational schools, but also to staff working for credit institutions and in the retail trade.



- Regional Office and subordinated branch
- Other Bavarian branches



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