

NASD
LETTER OF ACCEPTANCE, WAIVER AND CONSENT
DEPARTMENT OF MARKET REGULATION

20041000088-01

TO: Department of Market Regulation
NASD

RE: Deutsche Bank Securities, Inc., Respondent
Broker/Dealer
CRD Number 2525

Pursuant to Rule 9216 of NASD Code of Procedure, Deutsche Bank Securities, Inc. ("DBAB") submits this Letter of Acceptance, Waiver and Consent ("AWC") for the purpose of proposing a settlement of the alleged rule violations described in Part II below. This AWC is submitted on the condition that, if accepted, NASD will not bring any future actions against DBAB alleging violations based on the same factual findings.

DBAB understands that:

1. Submission of this AWC is voluntary and will not resolve this matter unless and until it has been reviewed and accepted by NASD's Department of Market Regulation and National Adjudicatory Council ("NAC") Review Subcommittee or Office of Disciplinary Affairs, pursuant to NASD Rule 9216;
2. If this AWC is not accepted, its submission will not be used as evidence to prove any of the allegations against DBAB; and
3. If accepted:
 - a. this AWC will become part of DBAB's permanent disciplinary record and may be considered in any future actions brought by NASD or any other regulator against the firm;
 - b. this AWC will be made available through NASD's public disclosure program in response to public inquiries about DBAB's disciplinary record;
 - c. NASD may make a public announcement concerning this agreement and the subject matter thereof in accordance with NASD Rule 8310 and IM-8310-2; and

- d. DBAB may not take any action or make or permit to be made any public statement, including in regulatory filings or otherwise, denying, directly or indirectly, any finding in this AWC or create the impression that the AWC is without factual basis. Nothing in this provision affects DBAB's testimonial obligations or right to take legal or factual positions in litigation or other legal proceedings in which NASD is not a party.

DBAB also understands that its experience in the securities industry and disciplinary history may be factors that will be considered in deciding whether to accept this AWC. That experience and relevant history are as follows:

DBAB and its predecessors have been members of NASD since March 1940, and the firm's registration remains in effect. DBAB has the following relevant disciplinary history:

- On September 9, 2005, an AWC became final in which DBAB was censured and fined \$15,000 for violations of NASD Rules 3370 and 6130 and SEC Rule 10b-10.

I.

WAIVER OF PROCEDURAL RIGHTS

DBAB specifically and voluntarily waives the following rights granted under NASD's Code of Procedure:

- A. To have a Formal Complaint issued specifying the allegations against DBAB;
- B. To be notified of the Formal Complaint and have the opportunity to answer the allegations in writing;
- C. To defend against the allegations in a disciplinary hearing before a hearing panel, to have a written record of the hearing made and to have a written decision issued; and
- D. To appeal any such decision to the NAC and then to the U.S. Securities and Exchange Commission and a U.S. Court of Appeals.

Further, DBAB specifically and voluntarily waives any right to claim bias or prejudgment of the General Counsel, the NAC, or any member of the NAC, in connection with such person's or body's participation in discussions regarding the terms and conditions of this AWC, or other consideration of this AWC, including acceptance or rejection of this AWC.

DBAB further specifically and voluntarily waives any right to claim that a person violated the ex parte prohibitions of Rule 9143 or the separation of functions prohibitions of Rule 9144, in connection with such person's or body's participation in discussions regarding the terms and

conditions of this AWC, or other consideration of this AWC, including its acceptance or rejection.

II.

ACCEPTANCE AND CONSENT

In connection with Matter Nos. 20041000088 and 20041000100, the staff of the Department of Market Regulation (the "staff") conducted reviews of DBAB's compliance with NASD Conduct Rule 3370 during the periods March 19, 2004 through July 14, 2004 and May 10, 2004 through August 6, 2004, respectively. The staff also reviewed the firm's supervisory system and written supervisory procedures with respect to short sales.

In connection with Matter No. 20060058677, the staff conducted a review of DBAB's compliance with the Municipal Securities Rulemaking Board ("MSRB") rules applicable to trade reporting in the Real-time Transaction Reporting System ("RTRS") during the period April 1, 2006 through June 30, 2006.

- A. DBAB hereby accepts and consents, without admitting or denying the findings, solely for the purposes of this proceeding and any other proceeding brought by or on behalf of NASD, or to which NASD is a party, prior to a hearing and without an adjudication of any issue of law or fact, to the entry of the following findings by NASD:

20041000088

1. During the period March 19, 2004 through July 14, 2004, DBAB accepted 523 customer short sale orders from multiple accounts and, for each order, failed to make/annotate an affirmative determination that the firm would receive delivery of the security on behalf of the customer or that the firm could borrow the security on behalf of the customer for delivery by settlement date.
2. The conduct described in paragraph one constitutes separate and distinct violations of NASD Conduct Rule 3370.
3. During the review period the firm failed to enforce its written supervisory procedures which specified that the designated supervisor was responsible for reviewing daily all exceptions generated for instances in which the Securities Lending Department did not have a corresponding locate or the number of shares exceeded the locate.
4. The conduct described in paragraph three constitutes a violation of NASD Conduct Rules 2110 and 3010.

20041000100

5. During the period May 10, 2004 through August 6, 2004, DBAB accepted 206 customer short sale orders from a single account and, for each order, failed to make/annotate an affirmative determination that the firm would receive delivery of the security on behalf of the customer or that the firm could borrow the security on behalf of the customer for delivery by settlement date.
6. The conduct described in paragraph five constitutes separate and distinct violations of NASD Conduct Rule 3370.

20060058677

7. DBAB failed to report to MSRB 102 customer transactions in municipal securities within 15 minutes of the time of execution. These late transactions constituted more than four percent of all transactions in municipal securities that DBAB reported to MSRB (2,337) during the period April 1, 2006 through June 30, 2006.
8. The conduct described in paragraph seven constitutes separate and distinct violations of MSRB Rule G-14.

B. DBAB also consents to the imposition, at a maximum, of the following sanctions:

A censure and a fine of \$45,000 (comprised of a \$30,000 fine for the affirmative determination violations and a \$5,000 fine for the supervision violations in connection with 20041000088 and 20041000100, and a \$10,000 fine for the MSRB reporting violations in connection with 20060058677).

The sanctions imposed herein shall be effective on a date set by NASD staff.

III.

OTHER MATTERS

- A. DBAB understands that it may attach a Corrective Action Statement to this AWC, which is a statement by the Respondent of demonstrable corrective steps taken to prevent future misconduct. Respondent may not deny the findings or make any statement that is inconsistent with the AWC in this Statement. This Statement does not constitute factual or legal findings by NASD nor does it reflect the views of NASD or its staff.
- B. DBAB agrees to pay any monetary sanctions imposed on it upon notice that this AWC has been accepted and that such payments are due and payable, and have attached the election of payment form showing the method by which it proposes to pay any fine imposed.
- C. DBAB specifically and voluntarily waives any right to claim that DBAB is unable to pay, now or at any time hereafter, any monetary sanction imposed in this matter.

Deutsche Bank Securities, Inc.

By: Robert K. [Signature]
Name: Robert K. [Signature]
Title: Managing Director

Counsel for Respondent

3/9/07

Date


Cameron K. Funkhouser
Senior Vice President
Market Regulation

20041000088 (incl. 20041000100& 20060058677)