

**FINANCIAL INDUSTRY REGULATORY AUTHORITY
LETTER OF ACCEPTANCE, WAIVER AND CONSENT**

NO. 20050018280-01

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REGISTRATION & DISCLOSURE
NACB REGISTRATION
MARKET REGULATION

TO: Department of Market Regulation
Financial Industry Regulatory Authority ("FINRA")

RE: Deutsche Bank Securities Inc., Respondent
Broker-Dealer
CRD No. 2525

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

I.

ACCEPTANCE AND CONSENT

- A. The firm hereby accepts and consents, without admitting or denying the findings, and solely for the purposes of this proceeding and any other proceeding brought by or on behalf of FINRA, or to which FINRA 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 FINRA:

BACKGROUND

The firm has been a member of FINRA, formerly known as NASD, since March of 1940, and its registration remains in effect.

RELEVANT PRIOR DISCIPLINARY HISTORY

- On February 6, 2006, an AWC became final in which the firm was censured and fined \$15,000 for violations of NASD Rules 2110, 3010, and 6620;
- On September 9, 2005, an AWC became final in which the firm was censured and fined \$15,000 for violations of NASD Rules 2110, 3010, and 6230;
- On August 25, 2004, an AWC became final in which the firm was censured and fined \$10,000 for violations of NASD Rule 4632 and SEC Rule 10b-10;

- On August 19, 2004, an AWC became final in which the firm was censured and fined \$15,000 for violations of NASD Rules 2110, 3010, and 6955; and
- On December 31, 2003, an AWC became final in which the firm was censured and fined \$9,000 for violations of NASD Rules 2110, 4632, and 6620.

SUMMARY

In connection with Matter No. 20050018280, the Department of Market Regulation staff (the "staff") conducted a review of the firm's clearing fails in Markland Technologies, Inc. ("MRKL") during the period January 21, 2005 through June 27, 2005.

In connection with Matter No. 20060046136, the staff conducted a review of the firm's compliance with the rules applicable to the Order Audit Trail System ("OATS") during the period October 1, 2005 through December 31, 2005.

In connection with Matter No. 20060048345, the staff conducted a review of the firm's compliance with the rules applicable to OATS during the period July 1, 2005 through December 31, 2005.

In connection with Matter No. 20060055552, the staff conducted a review of the firm's compliance with the Trade Reporting Rules during the period January 1, 2006 through April 30, 2006.

In connection with Matter No. 20060063769, the staff conducted a review of the firm's compliance with NASD rules applicable to trade reporting during the period May 1, 2006 through August 31, 2006.

In connection with Matter No. 20060064974, the staff conducted a review of the firm's compliance with the Trade Reporting Rules during the period May 1, 2006 through August 31, 2006.

FACTS AND VIOLATIVE CONDUCT

20050018280

1. The firm had a fail to deliver position in MRKL, a threshold security, at a registered clearing agency for thirteen consecutive settlement days as of May 26, 2005, and failed to immediately thereafter close out the fail to deliver position by purchasing securities of like kind and quantity. The firm continued to have a fail to deliver position, which it failed to close out as required, in MRKL at the registered clearing agency for ten consecutive settlement days thereafter through June 27, 2005. The conduct described in this paragraph constitutes separate and distinct violations of SEC Rule 203(b)(3).

20060046136

2. During the period October 1, 2005 through December 31, 2005, the firm reported to OATS 13,594 Route or Combined Order/Route Reports that the OATS system was unable to link to the related order routed to SuperMontage due to inaccurate, incomplete or improperly formatted data. These unmatched Route Reports represented seven percent of all match-eligible Route or Combined Order/Route Reports (194,149) submitted by the firm to OATS during the review period. The conduct described in this paragraph constitutes separate and distinct violations of NASD Marketplace Rule 6955(a).

20060048345

3. During the period July 1, 2005 through December 31, 2005, the firm submitted to OATS 1,006,831 Route or Combined Order/Route Reports that the OATS system was unable to link to the corresponding new order submitted by the destination member firm due to inaccurate, incomplete or improperly formatted data. These 1,006,831 Route or Combined Order/Route Reports represented more than four percent of all match-eligible Route or Combined Order/Route Reports (20,832,607) submitted to OATS by the firm during the review period. The conduct described in this paragraph constitutes separate and distinct violations of NASD Rule 6955(a).

20060055552

4. The firm failed, within 90 seconds after execution, to transmit to the Trade Reporting Facility ("TRF"), formerly the Nasdaq Market Center ("NMC"), 4,823 last sale reports of transactions in designated securities during the period December 1, 2005 through April 30, 2006. The conduct described in this paragraph constitutes separate and distinct violations of NASD Marketplace 4632(a).
5. The firm transmitted to the TRF, formerly the NMC, ten last sale reports of transactions in designated securities and failed to append the ".W" trade modifier to reflect prices based on average-weighting, or other special pricing formulae. The conduct described in this paragraph constitutes separate and distinct violations of NASD Marketplace Rule 4632(a)(6).

20060063769

6. The firm failed to accept or decline in the TRF, formerly the NMC, 180 transactions in Reportable Securities within twenty minutes after execution, approximately two percent of all transactions that the firm had an obligation to accept or decline in the TRF as the OEID during the period May 1, 2006 through August 31, 2006. The conduct described in this paragraph constitutes separate and distinct violations of NASD Marketplace Rule 6130(b) and a violation of NASD Conduct Rule 2110.

20060064974

7. The firm failed, within 90 seconds after execution, to transmit to the TRF, formerly the NMC, 357 last sale reports of transactions in eligible securities. These transactions constitute approximately 2.7 percent of the transactions reviewed (13,137) that the firm was required to report to the TRF during the period May 1, 2006 through August 31, 2006. The conduct described in this paragraph constitutes a pattern or practice of late reporting without exceptional circumstances in violation of NASD Conduct Rule 2110.
8. The firm failed, within 90 seconds after execution, to transmit to the TRF, formerly, the NMC, 23 last sale reports of transactions in eligible securities and failed to designate to the TRF such last sale reports as late. The conduct described in this paragraph constitutes separate and distinct violations of NASD Marketplace Rule 6420(a).

B. The firm also consents to the imposition of the following sanctions:

A censure and a fine of \$37,500 (comprised of a \$7,500 fine for the Reg. SHO violations; a \$15,000 fine for the OATS violations; and a \$15,000 fine for the trade reporting violations).

The firm agrees to pay the monetary sanction(s) upon notice that this AWC has been accepted and that such payment(s) are due and payable. It has submitted an Election of Payment form showing the method by which it proposes to pay the fine imposed.

The firm specifically and voluntarily waives any right to claim that it is unable to pay, now or at any time hereafter, the monetary sanction(s) imposed in this matter.

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

II.

WAIVER OF PROCEDURAL RIGHTS

The firm specifically and voluntarily waives the following rights granted under FINRA's Code of Procedure:

- A. To have a Formal Complaint issued specifying the allegations against the firm;
- 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 National Adjudicatory Council ("NAC") and then to the U.S. Securities and Exchange Commission and a U.S. Court of Appeals.

Further, the firm 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.

The firm further specifically and voluntarily waives any right to claim that a person violated the ex parte prohibitions of NASD Rule 9143 or the separation of functions prohibitions of NASD 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.

III.

OTHER MATTERS

The firm understands that:

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

4. The firm 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. The firm may not take any position in any proceeding brought by or on behalf of FINRA, or to which FINRA is a party, that is inconsistent with any part of this AWC. Nothing in this provision affects the firm's right to take legal or factual positions in litigation or other legal proceedings in which FINRA is not a party.
- D. The firm may attach a Corrective Action Statement to this AWC that is a statement of demonstrable corrective steps taken to prevent future misconduct. The firm understands that it may not deny the charges or make any statement that is inconsistent with the AWC in this Statement. This Statement does not constitute factual or legal findings by FINRA, nor does it reflect the views of FINRA or its staff.

