

**FINANCIAL INDUSTRY REGULATORY AUTHORITY
LETTER OF ACCEPTANCE, WAIVER AND CONSENT
NO. 20060050644-01**

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 since March 16, 1940 and its registration remains in effect.

RELEVANT PRIOR DISCIPLINARY HISTORY

- On August 19, 2004, an AWC became final in which the firm was censured and fined \$10,000 for violations of NASD Rules 2110 and 6955(a).
- On August 26, 2004, an AWC became final in which the firm was censured and fined \$5,000 for violations of SEC Rule 10b-10.
- 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(a).
- On September 9, 2005, an AWC became final in which the firm was fined \$5,000 for violations of SEC Rule 10b-10.
- On March 12, 2007, an AWC became final in which the firm was censured and fined \$10,000 for violations of MSRB Rule G-14.

20060050644 (Inc. 20070090698,
20070113843, 20080119689, 20080120371, and 20080139154)(KMM)

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- On December 15, 2006, an AWC became final in which the firm was censured and fined \$25,000 for violations of NASD Rule 6955(a).
- On June 12, 2007, an AWC became final in which the firm was censured and fined \$10,000 for violations of SEC Rule 10b-10, and fined \$10,000 for violations of NASD Rule 6955(a).
- On September 28, 2007, an AWC became final in which the firm was censured and fined \$10,000 for violations of NASD Rule 6955(a).
- On September 28, 2007, an AWC became final in which the firm was censured and fined \$20,000 for violations of NASD Rules 2110 and 6230(a).

SUMMARY

In connection with 20060050644, the staff of the Department of Market Regulation (the "staff") conducted a sweep to determine the firm's compliance with NASD rules applicable to Order Audit Trail System ("OATS") reporting during December 2005.

In connection with 20070090698, the staff conducted a sweep to determine the firm's compliance with NASD rules applicable to trade reporting in the Trade Reporting and Compliance Engine ("TRACE") during the period from January 1, 2007 through March 31, 2007.

In connection with 20070113843, the staff conducted a sweep to determine the firm's compliance with Municipal Securities Rulemaking Board ("MSRB") rules applicable to trade reporting to the Real-time Transaction Reporting System ("RTRS") during the period from July 1, 2007 through September 30, 2007.

In connection with 20080119689, the staff conducted a sweep to determine the firm's compliance with NASD Rules applicable to timely reporting of transactions to the NASD/Nasdaq Trade Reporting Facility ("NNTRF") pursuant to NASD Rule 6130(g) during the first trimester of 2007.

In connection with 20080120371, the staff reviewed the items set forth on Exhibit #1 primarily for the trade dates January 4 and 7, 2008.

In connection with 20080139154, the staff conducted a sweep to determine the firm's compliance with NASD Rules applicable to timely reporting of transactions to the NNTRF pursuant to NASD Rule 6130(g) during the first trimester of 2008.

FACTS AND VIOLATIVE CONDUCT

20060050644

1. During December 2005, the firm transmitted to OATS 19,109 reports that contained inaccurate data. Specifically, the reports were improperly submitted

with a Reporting Exception Code of "P" when, in fact, the transactions were not intra-firm proprietary executions. These inaccurate reports constituted approximately 20 percent of all Execution or Combined Order/Execution Reports that the firm submitted to OATS in December 2005. The conduct described in this paragraph constitutes separate and distinct violations of NASD Rule 6955(a).

20070090698

2. During the period from January 1, 2007 through March 31, 2007, the firm failed to report to TRACE 1,403 transactions in TRACE-eligible securities within 15 minutes of the time of execution. These late transactions constituted approximately six percent of all transactions in TRACE-eligible securities that the firm was required to report to TRACE during the period from January 1, 2007 through March 31, 2007. The conduct described in this paragraph constitutes separate and distinct violations of NASD Rule 6230(a) and a pattern or practice of late reporting without exceptional circumstances in violation of NASD Conduct Rule 2110.

20070113843

3. During the period from July 1, 2007 through September 30, 2007, the firm failed to report information regarding 166 purchase and sale transactions effected in municipal securities to the RTRS in the manner prescribed by Rule G-14 RTRS Procedures and the RTRS Users Manual. Specifically, the firm failed to report information about such transactions within 15 minutes of Time of Trade to an RTRS Portal. These late transactions constituted approximately 19 percent of all transactions in eligible securities that the firm was required to report to the RTRS during the period from July 1, 2007 through September 30, 2007. The conduct described in this paragraph constitutes separate and distinct violations of MSRB Rule G-14.

20080119689

4. During the period from January 1, 2007 through April 30, 2007, the firm failed, by 6:30 p.m. E.T., to report 232 transactions that required a .RO, .RA or .RX modifier to the NNTRF. These late reported transactions constituted approximately three percent of transactions that required a .RO, .RA or .RX modifier and that the firm was required to report to the NNTRF during the period from January 1, 2007 through April 30, 2007. The conduct described in this paragraph constitutes separate and distinct violations of NASD Rule 6130(g).

20080120371

5. During the period from January 4-7, 2008, the firm failed on 19 occasions to provide written notification disclosing to its customer its correct capacity in the transaction; failed on seven occasions to disclose the type of compensation the firm received on the confirmation; failed on three occasions to provide written notification disclosing to its customer that the transaction was executed at an

average price; and failed on one occasion, when it acted as principal for its own account, to provide written notification disclosing to its customer that it was a market maker in such security. The conduct described in this paragraph constitutes separate and distinct violations of SEC Rule 10b-10.

20080139154

6. During the period from January 1, 2008 through April 30, 2008, the firm failed to timely report 103 transactions that required a .RO, .RA or .RX modifier to the NNTRF.¹ These late reported transactions constituted approximately four percent of transactions that required a .RO, .RA or .RX modifier and that the firm was required to report to the NNTRF during the period from January 1, 2008 through April 30, 2008. The conduct described in this paragraph constitutes separate and distinct violations of NASD Rule 6130(g).

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

A censure and a fine of \$43,000 (comprised of a \$10,000 fine for OATS violations, a \$10,000 fine for TRACE violations, a \$10,000 fine for MSRB violations, a \$10,000 fine for violations of NASD Rule 6130, and a \$3,000 fine for SEC Rule 10b-10 violations).

The firm agrees to pay the monetary sanction upon notice that this AWC has been accepted and that such payment is due and payable. The firm 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 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;

¹ During this review period, on or about March 3, 2008, the deadline for reporting trades to the NNTRF pursuant to NASD Rule 6130(g) was changed from 6:30 p.m. E.T. to 8:00 p.m. E.T. All of the 103 transactions cited as violations of NASD Rule 6130(g) in 20080139154 were reported to the NNTRF after 8:00 p.m. E.T.

- 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.

The firm certifies that it has read and understands all of the provisions of this AWC and has been given a full opportunity to ask questions about it; that it has agreed to the AWC's provisions voluntarily; and that no offer, threat, inducement, or promise of any kind, other than the terms set forth herein and the prospect of avoiding the issuance of a Complaint, has been made to induce the firm to submit it.

Jan. 7, 2009
Date

Respondent
Deutsche Bank Securities Inc.

By: Robert E. Rice
Name: Robert E. Rice
Title: Managing Director

Reviewed by:

Attorney Name:
Counsel for Respondent
Firm Name:
Address:
City/State/Zip:
Phone Number:

Accepted by FINRA:

2/4/09
Date

Signed on behalf of the
Director of ODA, by delegated authority

Thomas R. Gira
Thomas R. Gira
Executive Vice President
Department of Market Regulation