

**FINANCIAL INDUSTRY REGULATORY AUTHORITY
LETTER OF ACCEPTANCE, WAIVER AND CONSENT
NO. 2008013864402**

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

RE: Deutsche Bank Securities Inc., Respondent [CRD No. 2525]
Adrienne Tubridy, Respondent [CRD No. 1570968]

Pursuant to FINRA Rule 9216 of FINRA's Code of Procedure, Respondents submit 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 Respondents alleging violations based on the same factual findings described herein.

I.

ACCEPTANCE AND CONSENT

A. Respondents hereby accept and consent, 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

Deutsche Bank Securities, Inc. ("Deutsche Bank" or "the Firm") is a FINRA registered firm that was incorporated in 1970 and is currently registered to conduct business as a broker-dealer serving retail customers. Deutsche Bank's main office is located at 60 Wall Street in New York and it has several branch offices located throughout the United States, including a branch office at One International Place in Boston, Massachusetts (previously located at 225 Franklin Street).

Adrienne Tubridy currently works as a Branch Administrative Manager at the Deutsche Bank branch office in Boston. Tubridy has worked for Deutsche Bank or predecessor firms since 1988 and currently holds the following licenses: Series 7, Series 8, Series 63, and Series 65. Tubridy, currently registered and working in the securities industry, is subject to FINRA's jurisdiction.

RELEVANT DISCIPLINARY HISTORY

The firm previously has been disciplined for violations of Rules pertaining to supervisory procedures, including the following:

1. On December 18, 2007 FINRA issued a Letter of Acceptance, Waiver and Consent (AWC No. 20060067543-01) where the firm was censured and fined \$150,000 for violations of NASD Rules 2110, 3010, and 3310. FINRA found that the firm's supervisory system was not reasonably designed to achieve compliance with advertising rules, as the firm did not determine whether advertised aggregate trade volumes accurately reflected the executed trade volumes in certain securities.
2. On December 20, 2006 a NYSE Hearing Board issued a decision (HBD No. 06-217) where the firm was censured and fined \$950,000 for, among other violations, failing to adequately supervise conflict of interest disclosures in published research reports.
3. On December 18, 2006 a NYSE Hearing Board issued a decision (HBD No. 06-157) where the firm was censured and fined \$442,954 for violating NYSE Rule 342. The Hearing Board ruled that the firm failed to reasonably supervise a registered representative and failed to establish and maintain appropriate procedures for supervision and control effective to detect and prevent the registered representative's deceptive trading of mutual funds.

OVERVIEW

Between January 2005 and May 2008 ("the relevant time period"), Deutsche Bank registered representatives improperly "shadowed," or "mirrored," the confidential trading strategies of third party investment advisers. Although the firm had adopted a written policy in October 2006 prohibiting the practice of shadowing, it failed to ensure appropriate monitoring for compliance. At least five firm brokers were involved with shadowing activity, two of whom shadowed trades on a frequent basis over the course of several years in the Boston branch office. This conduct occurred while Respondent Tubridy was the Administrative Manager for the Boston branch office. As a supervisor in the Boston branch, Tubridy's responsibilities included reviewing the daily trading activity for that office. Yet Tubridy failed to follow up on red flags that indicated trades were being shadowed by registered representatives in the Boston branch.

Firm registered representatives shadowed third party investment advisers' trades without permission from the advisers, in violation of many of the contracts the firm had entered into with the third party investment advisers, and without paying the advisers for replicating their trading strategies. The firm had not implemented appropriate procedures to detect and prevent shadowing, and Respondent Tubridy failed to adequately supervise the trading activity at the Boston branch office. Respondents thereby violated NASD Rules 3010 and 2110.

FACTS AND VIOLATIVE CONDUCT

During the relevant time period of January 2005 to May 2008, Deutsche Bank held contractual agreements with third party investment advisers who provided financial services to firm customers through the firm's Adviser Select program. This was a program that allowed Deutsche Bank customers to access financial services from third party investment advisers for a fee. In the Adviser Select accounts, firm customers granted discretionary trading authority to the third party advisers.

Most of the contractual agreements between Deutsche Bank and the third party investment advisers contained a confidentiality clause that prohibited the use or dissemination of the third party advisers' proprietary information, trading strategies, business practices, etc., outside the scope of the agreement. These clauses specifically stated that Deutsche Bank employees could not use the third party advisers' portfolio recommendations for other clients. The third party investment advisers were compensated for their expertise, and their services were only to be used for the specific customers who were enrolled in the Adviser Select program. As per the contractual agreements, the firm was required to allocate a portion of the fee it charged to customers to the third party advisers for their services.

Beginning in October 2006, the firm instituted a written Policy and Procedure Manual (the "Manual") that contained policies and guidelines relating to Adviser Select accounts. Notably, the Manual prohibited the practice of shadowing Adviser Select accounts. This Manual was provided to all employees, including Respondent Tubridy.

Although Deutsche Bank addressed shadowing in its Manual, it did not implement any specific systems to detect and prevent shadowing within the firm. No exception reports were created to identify shadowing, no applicable training was conducted, and no supervisory systems were put in place to monitor accounts for the possible shadowing of Adviser Select trades.

In the firm's Boston branch office during the relevant time period, while Tubridy was responsible for performing trade reviews, at least five registered representatives serviced accounts that shadowed trades. Shadowing activity affected at least 35 accounts, 13 of which were for a single family. Two of the registered representatives shadowed trades meticulously on a daily basis. At times, hundreds of shadowed trades were executed during the course of a single day. The firm's registered representatives accomplished this by accessing their clients' Adviser Select accounts and viewing the trading activity. Then, the registered representatives placed trades identical in kind from the Adviser Select accounts into certain clients' Managed Select accounts, accounts in which the registered representatives themselves held discretionary authority. This trading activity typically occurred on a T+1 basis; the registered representatives entered the "shadowing" trades in Managed Select accounts one day after the third party advisers had entered the trades in the Adviser Select accounts.

In a particularly egregious implementation of shadowing, firm registered representatives in the Boston branch office structured the accounts of a wealthy and preferred client, the H Family, to shadow Adviser Select accounts. The H Family accounts comprised some of the largest client accounts in the branch, and 13 Managed Select accounts for H Family members had been set up to shadow Adviser Select trades on a daily basis. The shadowing activity within the H Family accounts continued for years.

Tubridy's supervision of the daily trading activity included monitoring any exception reports that were generated in the branch. Due to the sheer magnitude of shadowed trades that occurred, at times up to 200 per day, certain shadowed trades appeared on trade alerts on a regular basis, though not identified as such. Although the firm did not implement exception reports to identify shadowing per se, shadowed trades nevertheless were flagged for various other reasons, which required Tubridy's follow up. Tubridy examined and approved shadowed trades that appeared on these exception reports, and Tubridy made notations on certain trades which indicated an awareness of shadowing. For example, in one exception report next to a shadowed trade, Tubridy wrote, "Following an Adviser Select portfolio." On another report, Tubridy noted, "Portfolio modeled with the 'L' [specific third party investment adviser] all cap growth portfolio." These notations were based on information relayed to Tubridy in conversations with the registered representatives who were engaged in shadowing. Tubridy failed to follow up on this information and neglected to raise the issue with compliance or her supervisors.

Through the practice of shadowing, the firm's registered representatives circumvented the fee arrangement the firm had in place for the Adviser Select program and violated the provisions of many confidentiality agreements prohibiting the use of the third party investment advisers' proprietary information. The registered representatives used the expertise of third party investment advisers without properly paying for their services. For example, in the case of the aforementioned H Family accounts, the 13 Managed Select accounts rightfully should have been serviced as 13 Adviser Select accounts generating fees for the third party investment advisers.

During the relevant period, Deutsche Bank, and the registered representatives involved in shadowing, failed to pay a combined total of over \$200,000 to third party investment advisers.

By virtue of the foregoing, the firm failed to establish, maintain, and enforce an adequate supervisory system to detect and prevent shadowing, and Tubridy failed to recognize and follow up on red flags of shadowing. As such, Respondents violated NASD Rules 3010 and 2110.

OTHER FACTORS

Once the firm learned that shadowing had occurred, the firm, with Tubridy's assistance, conducted an extensive and immediate internal investigation across all branch offices to identify and halt any other shadowing activity. The firm's discovery, reporting, investigation, and corrective measures were taken into account by FINRA staff and are reflected in the sanction.

B. Respondent Deutsche Bank consents to the imposition of the following sanctions:

1. to be censured;
2. to be fined \$350,000

In assessing the fine, financial benefits obtained by the Firm were considered.

Respondent Tubridy consents to the imposition of the following sanctions:

1. to be suspended in a supervisory capacity for ten days;
2. to be fined \$10,000;
3. an undertaking to cooperate with FINRA Department of Enforcement staff in its prosecution of any other disciplinary action related to these events by, among other things, meeting with and being interviewed by the Department of Enforcement without the need of staff to resort to FINRA Rule 8210, and testifying truthfully at any related hearing that may take place.

Respondents agree to pay the monetary sanctions upon notice that this AWC has been accepted and that such payments are due and payable. Each Respondent shall submit an Election of Payment form showing the method by which each Respondent proposes to pay the fines imposed.

Respondents specifically and voluntarily waive any right to claim that Respondents are unable to pay, now or at any time hereafter, the monetary sanctions imposed in this matter.

Respondent Tubridy understands that she is suspended from associating with any FINRA member in a supervisory capacity, and therefore becomes subject to a statutory disqualification as that term is defined in Article III, Section 4 of FINRA's By-Laws, incorporating Section 3(a)(39) of the Securities Exchange Act of 1934. Accordingly, Respondent Tubridy may not be associated with any FINRA member in a supervisory capacity, during the period of the suspension (see FINRA Rules 8310 and 8311). Furthermore, because Respondent Tubridy is subject to a statutory disqualification during the suspension, if she remains associated with a member firm in a non-suspended capacity, an application to continue that association may be required.

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

II.

WAIVER OF PROCEDURAL RIGHTS

Respondents specifically and voluntarily waive the following rights granted under FINRA's Code of Procedure:

- A. To have a Complaint issued specifying the allegations;

- B. To be notified of the 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, Respondents specifically and voluntarily waive 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.

Respondents further specifically and voluntarily waive any right to claim that a person violated the ex parte prohibitions of FINRA Rule 9143 or the separation of functions prohibitions of FINRA 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

Respondents understand 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 FINRA Rule 9216;
- B. If this AWC is not accepted, its submission will not be used as evidence to prove any of the allegations against Respondents; and
- C. If accepted:
 - 1. This AWC will become part of Respondents' permanent disciplinary records and may be considered in any future actions brought by FINRA or any other regulator against Respondents;

2. This AWC will be made available through FINRA's public disclosure program in response to public inquiries about Respondents' disciplinary records;
3. FINRA may make a public announcement concerning this agreement and the subject matter thereof in accordance with FINRA Rule 8313; and
4. Respondents 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. Respondents 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 Respondents' right to take legal or factual positions in litigation or other legal proceedings in which FINRA is not a party.

- D. Respondents may attach a Corrective Action Statement to this AWC that is a statement of demonstrable corrective steps taken to prevent future misconduct. Respondents understand that they 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.

Respondents certify that they have read and understand all of the provisions of this AWC and have been given a full opportunity to ask questions about it; that Respondents have agreed to its 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 Respondents to submit it. Furthermore, the undersigned, on behalf of Deutsche Bank, certifies that a person duly authorized to act on its behalf has read and understands all of the above provisions.

5/12/11
Date

Adrienne B. Tubridy
Respondent Adrienne Tubridy

Respondent Deutsche Bank Securities Inc.

Date

By: _____

Date

By: _____

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Date

Respondent Adrienne Tubridy

May 12, 2011

Date
May 12, 2011

Date

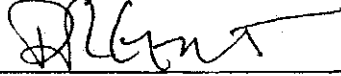
Respondent Deutsche Bank Securities Inc.

By: Joseph Polyzott
By: Robert E. Rice

5/12/2011

Date

Reviewed by:



Paul R. Eckert, Esq.

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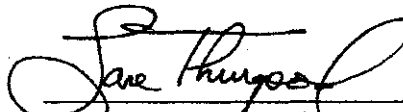
Accepted by FINRA:

June 27, 2011

Date

Signed on behalf of the

Director of ODA, by delegated authority



Susan Light, Senior Vice President and Chief Counsel

Lane Thurgood, Director

Frank Mazzarelli, Counsel

FINRA Department of Enforcement

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