

**FINANCIAL INDUSTRY REGULATORY AUTHORITY
LETTER OF ACCEPTANCE, WAIVER AND CONSENT
NO. 2008013992601**

TO: Department of Enforcement ("Enforcement")
Financial Industry Regulatory Authority ("FINRA")¹

RE: Dresdner Kleinwort Securities LLC, Respondent
CRD No. 41957

Pursuant to FINRA Rule 9216 of FINRA's Code of Procedure, Respondent Dresdner Kleinwort Securities LLC ("Dresdner" or "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 Dresdner alleging violations based on the same factual findings described herein.

I.

ACCEPTANCE AND CONSENT

- A. Dresdner 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 is a wholly owned subsidiary of Commerzbank AG. The Firm offers full service brokerage to domestic and international customers. The Firm's business lines at the time included Capital Markets, Corporate Finance, and proprietary trading in equities and fixed income. The Firm has approximately 113 registered individuals.

RELEVANT DISCIPLINARY HISTORY

Dresdner has no prior relevant disciplinary history.

¹ In July 2007, the NASD, Inc. became FINRA.

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SUMMARY

This matter involves the Firm's failures to (i) appropriately calculate the weekly customer reserve fund computation as required under Section 15(c) of the Securities Exchange Act of 1934 ("Exchange Act") and Rule 15c3-3 thereunder, during several weeks from January 1, 2007 through March 23, 2007; (ii) have appropriate supervisory systems and procedures to ensure that the reserve fund computation was accurately calculated, in violation of NASD Rule 3010 (b); and (iii) deliver threshold securities by the thirteenth settlement date as required by Rule 203 of Regulation SHO ("Reg. SHO").

VIOLATIVE CONDUCT BY RESPONDENT

Violations of Exchange Act Rule 15c3-3 Customer Protection Rule

1. Rule 15c3-3 requires that broker-dealers promptly obtain and thereafter maintain possession or control of all 'fully paid' and 'excess margin' securities carried for the accounts of customers. The purpose of the Rule is to ensure that customers' funds held by a broker-dealer and the cash raised via lending and other means are either maintained in secure areas of the broker-dealer's business related to servicing its customers or in a reserve bank account.

2. During the relevant period, the Firm made calculation errors in its weekly customer reserve formula computation. The Firm's calculations for the weekly customer reserve were inaccurate as a result of a series of errors some of which increased, and others decreased, the net reserve requirement. A review of the weekly customer reserve formula computations for the period January 1, 2007 to March 23, 2007 disclosed that the Firm's review procedures and internal controls necessary to ensure an accurate customer reserve formula computation were not adequate, in violation of NASD Rule 3010(b), which requires members to "establish, maintain, and enforce written procedures to supervise the types of business in which it engages ... that are reasonably designed to achieve compliance with applicable securities laws and regulations, and with the applicable Rules of NASD".

3. For example, in its January 31, 2007 weekly computation, the Firm understated customer credits by \$3,867,285. This occurred because the Firm (i) did not appropriately assess an out of balance amount of \$3,483,208 which existed between the Firm's two computerized general ledger systems, (ii) did not include certain customer trial balances in its customer credit balance, and (iii) failed to include aged euro dividends of 296,493 Euros (\$384,077) as credits in its reserve formula computation, as required.

4. The Firm also incorrectly calculated its customer reserve requirement for March 2007. As a result of this inaccurate calculation, the Firm overall had to increase total credits by \$125,428,270 and decrease aggregate debits by \$2,233,642, which resulted in an \$11,272,878 hindsight deficiency as of March 2007.

5. After the FINRA examiners alerted the Firm to the hindsight deficiency, the Firm made the required disclosure of the Exchange Act Rule 15c3-3 deficiency to the

Securities and Exchange Commission and other regulators as required by the Exchange Act Rule 17a-11.

6. The Firm's failures in its March 2007 calculation included the following:

- The Firm understated Customer Credits for balances on three of its general ledger systems, by \$75,298,914, \$108,292,864 and \$32,399,694, respectively because credit balances were reflected as a negative number rather than the absolute number that it represents.
- The Firm failed to include its Firm long vs. Customer short positions in the customer reserve formula computation, thus overstating customer credits by \$60,105,928.
- The Firm did not have certain customer securities in a proper location resulting in a deficit for certain CUSIPS. As a result, credits were increased by \$902,469.
- The Firm treated its London affiliate as a broker/dealer instead of a customer as required by 15c3-3, which provides that a foreign prime broker account be treated as a customer account by the International Prime Broker Custodian for purposes of SEC Rule 15c3-3. This reclassification resulted in fails to receive being reduced by \$31,410,999 and an increase of customer debits by \$8,989,243.
- The Firm excluded customer securities attributable to principal activity from the reserve formula computation. This resulted in an increase in credits of \$51,256.
- The Firm used an incorrect value for the securities borrowed vs. customer short resulting in an increase of \$1,706,319 to debits.
- The Firm overstated its fail to deliver by a net of \$10,952,739 as a result of the fail to delivers vs. customer shorts being overstated by \$4,908,904 and the reclassification of the Firm's London affiliate from broker/dealer to customer causing fails to decrease by \$6,043,835.

In light of the above, the Firm violated Exchange Act Rule 15c3-3 and NASD Rule 3010 (b).

Regulation SHO (Reg. SHO) Short Sale Rule

7. Rule 203 of Reg. SHO includes specific requirements for designated "threshold. As defined in Rule 203(c)(6) of Reg. SHO, a "threshold security" is any equity security of any issuer that is registered under Section 12 of the Exchange Act, or that is required to file reports under Section 15(d) of the Exchange Act (commonly referred to as reporting securities), where, for five consecutive settlement days: there are aggregate fails to deliver at a registered clearing agency of 10,000 shares or more per security and the level of fails is equal to at least one-half of one percent of the issue's total shares outstanding. A security ceases to be a threshold security if it does not exceed the

specified level of fails for five consecutive settlement days. Threshold securities are generally not included on "easy to borrow" lists.

8. Rule 203(b)(3) requires a participant of a registered clearing agency, such as a broker-dealer, to close out any fail-to-deliver position in a threshold security that has remained open for 13 consecutive settlement days by purchasing securities of like kind and quantity.

9. The Firm had open fails to deliver in stock symbol "NYX" (a threshold security)) outstanding for fifteen (September 25, 2006 through October 16, 2006) and twenty seven consecutive settlement days (December 28, 2006 through February 6, 2007). In both instances the Firm failed to take action to resolve the fail on the thirteenth settlement day as required by the rule.

In light of the above, the Firm violated Rule 203 of Reg. SHO.

B. Respondent also consents to the imposition of the following sanctions:

A Censure and a fine of \$60,000.

The sanctions imposed herein shall be effective on a date set by FINRA staff. Dresdner agrees to pay the monetary sanction upon notice that this AWC has been accepted and that such payment is due and payable.

Dresdner has submitted an Election of Payment form showing the method by which it proposes to pay the fine imposed.

Dresdner 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.

II.

WAIVER OF PROCEDURAL RIGHTS

Dresdner 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, Dresdner 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.

Dresdner further specifically and voluntarily waives 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

Dresdner 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 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 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 FINRA Rule 8313; and
 - 4. Dresdner 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. Dresdner 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

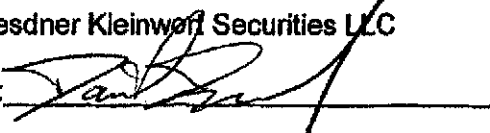
Firm's right to take legal or factual positions in litigation or other legal proceedings in which FINRA is not a party.

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

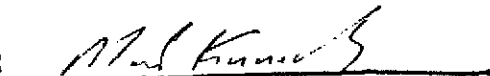
Dresdner certifies that it has read and understands all of the provisions of this AWC and has been given a full opportunity to ask questions about it; that the Firm has agreed to its provisions voluntarily; and that no offer, threat, inducement, or promise of any kind, other than the terms set forth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

Date 12-23-2009

Dresdner Kleinwort Securities LLC

By: 

~~Michael Suffaro~~ DANIEL BRUK
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By: 

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Accepted by FINRA:

February 1, 2010

Date

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

Myles L. Orosco

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