

**FINANCIAL INDUSTRY REGULATORY AUTHORITY
LETTER OF ACCEPTANCE, WAIVER AND CONSENT
NO. 20090161645-01**

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

RE: Deutsche Bank Securities Inc., Respondent
BD No. 2525

Pursuant to FINRA Rule 9216 of FINRA's Code of Procedure, Deutsche Bank Securities Inc. ("Deutsche Bank" 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 the Firm alleging violations based on the same factual findings described herein.

I.

ACCEPTANCE AND CONSENT

- A. Deutsche Bank 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

Deutsche Bank has been a FINRA member firm since March 16, 1940. It is a full service broker-dealer.

RELEVANT DISCIPLINARY HISTORY

Deutsche Bank has the following relevant disciplinary history:

- In 2008, FINRA issued an AWC in which Deutsche Bank consented to findings that it failed to record the time of order receipt on the order memoranda in 58 of a sample of 60 corporate debt transactions effected by the Firm during April 2 and 3, 2007. The sanctions included a censure and a \$7,500 fine.

- In 2007, Deutsche Bank paid a \$2,000 fine to the Chicago Board of Trade to settle allegations that Deutsche Bank failed to enter order entry times stamps on 21 customer orders from June 1, 2006 through June 8, 2006.
- In 2007, NASD issued an AWC in which Deutsche Bank consented to findings that, among other things, the Firm failed to provide written notification to customers disclosing its correct capacity on 16 occasions and the correct average price on one occasion. The sanctions in connection with that finding included censure and a \$10,000 fine.
- In 2005, NASD issued an AWC in which Deutsche Bank consented to findings that, among other things, the Firm failed to provide written notification to its customers on seven occasions that transaction were executed at average price, and failed to provide written notification to its customers on 13 occasions disclosing the correct capacity in which it was acting. The sanctions in connection with that finding included a censure and a \$5,000 fine.
- In 2004, NASD issued an AWC in which Deutsche Bank consented to findings that, among other things, the Firm failed to create records of customer orders received by salespeople who worked on the Firm's high yield and distressed bond desks, did not require traders or salespeople to record actual execution times, and trade entry time was recorded as execution time. The sanctions for the books and records violation included a censure, \$1.5 million fine, and an undertaking to revise the written supervisory procedures regarding books and records.
- In 2004, NASD issued an AWC in which Deutsche Bank consented to findings that, among other things, the Firm failed on 19 occasions to provide written notification to customers that transactions were executed at an average price and on three occasions incorrectly documented the average price disclosure. In connection with that violation, the Firm was censured and fined \$5,000.
- In 2003, Deutsche Bank agreed to a \$1,500 fine by the Chicago Board of Trade for failing to keypunch into the trade entry system:
 - in the "time stamp in" field, the updated order entry time for a cancel/replace order (12 instances);
 - the correct order type (5 instances);
 - the correct confirmation time (4 instances); and
 - the correct order entry time (1 instance).
- In 2001, Deutsche Bank settled allegations by the New York Stock Exchange that it, *inter alia*, failed to include terms of the order on tickets transmitted to

the floor of the Exchange. The Firm also failed to maintain a memorandum of orders that contained the accurate time of entry for each order and a designation that certain orders were discretionary. For that and several other violations, the Firm paid a fine totaling \$100,000.

OVERVIEW

Deutsche Bank failed to adequately record certain required times on order memoranda for negotiated corporate debt principal transactions with institutional customers in violation of SEC Rule 17a-3, NASD Conduct Rule 3110 and FINRA Rule 2010. The Firm also failed to adequately record certain required times on order memoranda for negotiated municipal debt principal transactions with institutional customers in violation of MSRB Rule G-8.

In 22% of a random sample of confirmations to institutional customers regarding TRACE-eligible corporate debt transactions, the Firm did not provide yield information or provided inaccurate yield information in violation of SEC Rule 10b-10 and FINRA Rule 2010.

By failing to enforce the Firm's written procedures with respect to order memoranda in connection with corporate debt transactions, the Firm violated NASD Rule 3010 and FINRA Rule 2010. By failing to enforce the Firm's written procedures with respect to order memoranda in connection with municipal debt transactions, the Firm violated MSRB Rule G-27.

By failing to enforce the Firm's written procedures to ensure accurate yield information was included on certain confirmations, the Firm violated NASD Rule 3010 and FINRA Rule 2010.

FACTS AND VIOLATIVE CONDUCT

1. **Order Memoranda**
 - a. During the period May 11, 2009 through at least January 15, 2010, Deutsche Bank did not clearly or separately identify on order memoranda for thousands of negotiated corporate debt principal transactions with institutional customers, the time of receipt of the order and the time of execution of the trade. Instead, the Firm recorded only one time for purposes of compliance with SEC Rule 17a-3. By reason of the foregoing, the Firm violated SEC Rule 17a-3, NASD Conduct Rule 3110 and FINRA Rule 2010.
 - b. During the same time period, the Firm did not clearly or separately identify on order memoranda for thousands of negotiated municipal debt principal

transactions with institutional customers, the time of receipt of the order and time of execution of the trade. Instead, the Firm recorded only one time for purposes of compliance with MSRB Rule G-8. By reason of the foregoing, the Firm violated MSRB Rule G-8.

2. Confirmations

Out of a random sample of 199 (or approximately 7% of the) transactions in TRACE-eligible corporate debt transactions with institutional customers for the periods May 11 to 15, 2009 and January 11 to 15, 2010, 44 confirmations (or 22% of the sample) were deficient:

- 13 confirmations did not disclose the required yield (e.g., yield to maturity, current yield or yield to call information); and
- 31 confirmations contained inaccurate yield information.

By reason of the foregoing, the Firm violated SEC Rule 10b-10 and FINRA Rule 2010.

3. Enforcement of Written Procedures

From July 21, 2009 through at least January 15, 2010, the Firm's written procedures required that order memoranda record times of order receipt, entry and execution even if the times were the same. By failing to enforce those procedures with respect to negotiated corporate debt transactions with institutional customers, the Firm violated NASD Rule 3010 and FINRA Rule 2010. By failing to enforce those procedures with respect to negotiated municipal debt transactions with institutional customers, the Firm violated MSRB Rule G-27.

Additionally, at all relevant times, the Firm's written procedures required that confirmations to customers include relevant yield information. By failing to enforce those procedures to ensure accurate yield information was included on certain confirmations, as set forth above, the Firm violated NASD Rule 3010 and FINRA Rule 2010.

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

- A censure; and
- A fine of \$75,000 (\$20,000 of which pertains to violations of MSRB Rules G-8 and G-27).

The Firm agrees to pay the monetary sanctions upon notice that this AWC has been accepted and that such payments are 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 sanctions imposed in this matter.

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

II.

WAIVER OF PROCEDURAL RIGHTS

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

- A. To have a Complaint issued specifying the allegations against the Firm;
- 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, Deutsche Bank 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 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

Deutsche Bank 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. 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 undersigned, on behalf of the Firm, certifies that a person duly authorized to act on its behalf has read and understands all of the provisions of this AWC and have been given a full opportunity to ask questions about it; that the Firm agrees 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.

Deutsche Bank Securities Inc., Respondent

11/20/12 / 11/21/12
Date

By: Robert E. Nue / [Signature]
Name: Robert E. Nue / Dean Kulkin
Title: Managing Director / Managing Director

Reviewed by:

[Signature]
Bruce H. Newman, Esq.
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Accepted by FINRA:

December 31, 2012
Date

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

[Signature]
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