

**FINANCIAL INDUSTRY REGULATORY AUTHORITY
LETTER OF ACCEPTANCE, WAIVER AND CONSENT
NO. 2010023096302**

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

RE: Deutsche Bank Securities Inc., Respondent
Member Firm
CRD No. 2525

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

I.

ACCEPTANCE AND CONSENT

- A. Respondent 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 Securities Inc. ("DBSI" or the "Firm") has been a member of FINRA since March 16, 1940. The Firm provides advisory, financial, securities research, investment banking, and investment services to corporate and private clients. The Firm employs approximately 3,800 registered individuals.

The Private Client Services division of DBSI (the "PCS Division") constitutes the Firm's retail brokerage business in the United States. Through 16 offices and approximately 240 registered representatives who provide wealth management and brokerage services ("Client Advisors"), the PCS Division serves high net worth individuals and families, trusts and foundations, and selected institutional investors in the United States.

DBSI's main office is located at 60 Wall Street in New York. The PCS Division's offices are located in various states, and include a branch office in

Boston, Massachusetts.

RELEVANT DISCIPLINARY HISTORY

In June 2011, FINRA issued an AWC against DBSI in which the Firm agreed, without admitting or denying the findings, to a \$350,000 fine and a censure for failing to establish, maintain and/or enforce a supervisory system and written procedures reasonably designed to detect and prevent its brokers from wrongfully “shadowing” the confidential trading strategies of third-party investment advisers. By shadowing trades, two brokers in the office avoided paying \$186,820 to third-party investment advisers.

In July 2009, FINRA issued an AWC against DBSI in which the Firm agreed, without admitting or denying the findings, to a \$100,000 fine, a censure and restitution in the amount of no more than \$52,000 to 59 customers for failing to establish supervisory procedures for the outsourcing of communications with its customers about the sale of securities.

OVERVIEW

DBSI failed to establish and maintain a supervisory system and establish, maintain and enforce written supervisory procedures reasonably designed to supervise the activities of its Client Advisors. Specifically, the Firm lacked an effective system for responding to certain “red flags” of potential misconduct by those representatives. In addition, DBSI failed to develop and enforce reasonably-designed written procedures for the review of electronic correspondence in the PCS Division. This conduct violated NASD Conduct Rules 3010 and 2110 and FINRA Rule 2010.

FACTS AND VIOLATIVE CONDUCT

A. Boston Branch Representative MJ

In August 2008, MJ joined DBSI as a Client Advisor. In about January 2009, MJ borrowed approximately \$220,000 from SE, a customer he brought to the Firm. The loan was secured by a promissory note. Under the terms of the note, MJ agreed to repay the \$220,000 by March 6, 2009. On April 25, 2009, MJ wrote two checks to the customer drawn from his personal account at another financial institution. One was for \$150,000 and the other was for \$70,000. Those checks, however, did not clear and were returned by MJ’s bank for insufficient funds. MJ paid back some portion of the loan during 2010, but \$40,000 was not repaid. MJ did not disclose this loan to the Firm. The Firm had a policy prohibiting representatives from borrowing money from customers without prior written approval from the Firm, unless the client was an immediate family member or a

financial institution regularly in the business of providing loans, neither of which applied to the loan from SE. The Firm also required employees to certify annually whether they had borrowed money from a client, and, on or about June 2, 2009, MJ falsely certified to the Firm that he had not done so. By improperly borrowing money from a customer of the Firm, MJ violated NASD Conduct Rule 2370 and FINRA Rule 2010.

From approximately January 2009 through March 2009, MJ also charged approximately \$60,000 worth of personal expenses using a corporate credit card that had been provided to him by the Firm for business expenses. The charges included sports tickets, personal airline travel, hotels, restaurants, haircuts and parking fees. The Firm's policies prohibited using the corporate credit card for personal expenses. Moreover, MJ bounced a \$30,000 check written to the credit card issuer in March 2009 and another in April 2009. MJ failed to pay the outstanding charges until October 2009. In addition, from February 2009 through July 2009, MJ bounced 27 other checks (including the ones he wrote to customer SE) written from his personal checking account held at another financial institution in the amount of approximately \$860,000. MJ wrote these checks knowing that he did not have the funds in his account to cover them. By improperly using his corporate credit card for personal expenses and writing checks against his personal checking account that he knew he did not have the funds to cover, MJ violated FINRA Rule 2010.

B. Supervisory Deficiencies

From approximately April 2009 through May 2010, DBSI failed to establish and maintain a supervisory system and to establish, maintain and enforce written supervisory procedures reasonably designed to supervise the activities of Client Advisors. Specifically, the Firm lacked an effective system for responding to certain "red flags" of potential misconduct by Client Advisors. As a result, although red flags of MJ's misconduct were noted by Firm supervisors and communicated to other principals, and discussed to a limited degree with MJ, DBSI failed to detect his ongoing misconduct or provide for reasonable supervision of MJ.

By April 2009, the Firm was aware of concerns about MJ's financial situation and his use of a corporate credit card for personal expenses, such as for tickets to sporting events. For example, by April 2009, DBSI knew that MJ had placed approximately \$60,000 of personal expenses on his corporate credit card, including \$30,000 worth of tickets to professional basketball games. The Firm also knew that MJ had failed to pay those charges and, in fact, had bounced two personal checks to the credit card company, drawn on his account at another financial institution. By June 2009, the Firm knew that he also had bounced a personal check that he had written to another DBSI Client Advisor. Moreover,

during the entire relevant period (April 2009 through May 2010), MJ was generating little revenue at the Firm. MJ's direct supervisor had raised all of these issues to her management, as well as to individuals in the Firm's Branch Supervisory Office and Human Resources Department.

The Firm, however, took insufficient action regarding MJ's conduct with respect to bouncing checks, and as a result, his misconduct continued. In addition, DBSI took insufficient supervisory steps to ensure that MJ was not violating other FINRA rules or harming Firm customers. For example, and as further discussed below, virtually all of MJ's misconduct could have been revealed by a review of his DBSI e-mails or by obtaining and reviewing his checking account statements.

By failing to establish and maintain a supervisory system and establish, maintain and enforce written supervisory procedures reasonably designed to supervise the activities of its registered representatives, DBSI violated NASD Conduct Rule 3010 and FINRA Rule 2010.

C. Inadequate Review of Electronic Correspondence

From approximately April 2008 through May 2010, DBSI failed to develop and enforce reasonably-designed written procedures for the review of electronic correspondence in the PCS Division. DBSI used a lexicon-based search system to flag electronic messages for supervisory review. This system was designed to capture e-mails related to certain topics, such as customer complaints or violations of gift and gratuity rules. The lexicon, however, failed to include any search terms to detect communications concerning loans, liens, personal bankruptcies, delinquent payments, bounced checks or other indications that a registered representative might be experiencing financial difficulties and/or violating certain applicable laws, regulations and rules. As a result of DBSI's failure to include such search terms in the lexicon, the Firm did not review numerous MJ e-mails that contained evidence of red flags regarding his misconduct. For example, MJ's e-mails contained several discussions of "bounced checks" and checks that had been returned because of "insufficient funds." There also were e-mails referring to MJ's large outstanding balances and an account that was "**SERIOUSLY** past due" (emphasis in original). There was also an e-mail from customer SE asking him "where are we with the loan?" By failing to develop and enforce reasonably-designed written procedures for the review of electronic correspondence, DBSI violated NASD Conduct Rules 2110 (for conduct before December 15, 2008) and 3010(d) and FINRA Rule 2010 (for conduct after December 14, 2008).

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

- a censure; and

- a \$100,000 fine.

In addition, Respondent agrees to comply with the following undertakings within the time period specified (unless otherwise extended by FINRA staff following a written request by the Firm):

- Respondent's lexicon-based search system for electronic message review must include search terms reasonably designed to detect its Client Advisors' communications concerning loans from customers, liens, personal bankruptcies, delinquent payments, bounced checks or other indications that a Client Advisor might be experiencing significant financial difficulties and/or violating applicable rules, laws and regulations relating to those difficulties. Moreover, within 120 calendar days of the issuance of this AWC, an officer of DBSI will certify to FINRA in writing that the Firm has added such terms to its lexicon-based search system, and reviewed its supervisory system and procedures with respect to its review of electronic correspondence and with respect to responding to "red flags" of potential misconduct by its Client Advisors relating to such personal financial difficulties.
- The certification, along with the current procedures, must be submitted to Department of Enforcement staff at FINRA's Boston District Office. Although FINRA staff may review the revised procedures, said review shall in no way constitute an approval of the revised procedures. The failure of FINRA staff to alert Respondent to any deficiencies in the revised procedures shall not preclude FINRA from instituting a subsequent disciplinary action as a result of deficiencies in the revised procedures.
- Respondent will then use its revised lexicon-based search system to review all of the incoming and outgoing electronic correspondence of its Client Advisors since January 1, 2012. Within 120 calendar days of the issuance of this AWC, Respondent will report the results of that review, including a summary of any previously unreported required disclosure items or any other findings of violations of NASD or FINRA rules that become apparent as a result of that review, to Department of Enforcement staff at FINRA's Boston District Office.

Respondent agrees to pay the monetary sanction upon notice that this AWC has been accepted and that such payment is due and payable. Respondent has submitted an Election of Payment form showing the method by which it proposes to pay the fine imposed.

Respondent 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

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

- A. To have a Complaint issued specifying the allegations against it;
- 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, Respondent 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.

Respondent 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

Respondent understands that:

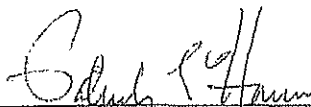
- A. Submission of this AWC is voluntary and will not resolve this matter unless and until it has been reviewed and accepted by the NAC, a Review Subcommittee of the NAC, or the Office of Disciplinary Affairs (“ODA”), pursuant to FINRA Rule 9216;
- B. If this AWC is not accepted, its submission will not be used as evidence to prove any of the allegations against it;
- C. If accepted:
 - 1. this AWC will become part of Respondent’s permanent disciplinary record and may be considered in any future actions brought by FINRA or any other regulator against it;
 - 2. this AWC will be made available through FINRA’s public disclosure program in response to public inquiries about its 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. Respondent 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. Respondent 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 Respondent’s right to take legal or factual positions in litigation or other legal proceedings in which FINRA is not a party; and
- D. Respondent may attach a Corrective Action Statement to this AWC that is a statement of demonstrable corrective steps taken to prevent future misconduct. Respondent 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 Respondent, certifies that a person duly authorized to act on its behalf has read and understands all of the provisions of this AWC and has been given a full opportunity to ask questions about it; that Respondent 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.

Deutsche Bank Securities Inc.

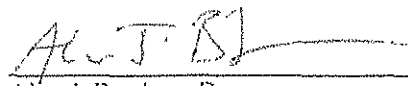
July 31, 2012
Date (mm/dd/yyyy)

By: 
Name: PATRICK HARRIS
Title: MANAGING DIRECTOR

Date (mm/dd/yyyy)

By: _____
Name: _____
Title: _____

Reviewed by:


Alan J. Brudner, Esq.
Counsel for Respondent
Paul Hastings LLP
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New York, NY 10022
Tel: (212) 318-6262

Deutsche Bank Securities Inc.

By:

Name: Thomas M. Bowers
Title: Head Private Wealth Management

By:

Name: _____
Title: _____

Alan J. Brudner, Esq.
Counsel for Respondent
Paul Hastings LLP
75 East 55th Street
New York, NY 10022
Tel: (212) 318-6262

Accepted by FINRA:

8/10/2012
Date

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

Bonnie S. McGuire

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