

**FINANCIAL INDUSTRY REGULATORY AUTHORITY
LETTER OF ACCEPTANCE, WAIVER AND CONSENT
NO. 2010023559301**

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

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

Pursuant to FINRA Rule 9216 of FINRA's Code of Procedure, Deutsche Bank Securities Inc. ("DBSI" 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. DBSI 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

DBSI is an indirect, wholly owned subsidiary of the parent company, Deutsche Bank AG ("DBAG"), a global securities and banking company operating in 76 countries with its headquarters in Germany. The Firm, whose principal place of business is located in New York, NY, is a FINRA member broker-dealer whose primary activities include trade execution for domestic and international clients, securities brokerage services to private clients and institutions, correspondent clearing services to broker-dealers, capital raising, market making, fixed income trading, equity sales and trading, equity market research, and investment banking.

RELEVANT DISCIPLINARY HISTORY

DBSI has the following prior recent disciplinary history:

In April 2013, the Firm entered into an AWC in which it consented to a \$275,000 fine and a censure for failing to establish and enforce adequate written supervisory procedures regarding dividend related yield enhancement on total return swap transactions that involved U.S. equities. The Firm failed to establish

written supervisory procedures for the transactions themselves, the review of these transactions, or for documenting supervision that occurred. Although the Firm conducted reviews, it relied on incomplete data that did not provide enough information to ensure a comprehensive review. The Firm also failed to document any supervisory reviews.

In July 2010, FINRA and DBSI entered into an AWC in which the Firm agreed to a \$7,500,000 fine and censure for negligently underreporting in offering documents the delinquency rates of mortgage loans underlying subprime residential mortgage backed securities transactions as well as the percentage of underlying loans that were delinquent at the time of the securitizations, and for underreporting the historical delinquency data of these mortgage loans on its publicly accessible website.

In February 2010, FINRA and DBSI entered into an AWC in which the Firm agreed to a \$575,000 fine and censure for violating Regulation SHO's locate requirement by allowing certain client short sale orders to proceed for execution without conducting sufficient follow-up to ensure that a valid locate had been previously obtained and documented; Regulation SHO's provisions concerning certain long sale orders accepted from clients; Securities Exchange Act of 1934 Rule 17a-3(a)(1) and NASD Rule 3110(a)'s requirement to make and keep daily records of all receipts and disbursement of cash, debits and credits, and NASD Rule 3010 for its failure to establish, maintain and enforce a supervisory system with respect to the requirements of Regulation SHO, among other rules.

OVERVIEW

This matter concerns a number of financial and operational deficiencies during the period 2009 to 2012 involving DBSI, primarily related to its enhanced lending prime brokerage business ("Enhanced Lending"). The Enhanced Lending Business involves mostly hedge fund customers. The violations in question, involving lack of required transparency in the Firm's books and records and inaccurate computation of the Firm's Customer Reserve requirement, originally surfaced during FINRA's Risk Oversight & Operational Regulation Department's ("ROOR's") 2009 Financial/Operational and Sales Practice ("FINOP") examination of DBSI (the "2009 Examination"). Certain of the issues were also the focus of additional attention in the 2011 and 2012 Examinations.

DBSI's March 31, 2009 FOCUS report reflected a liability on its balance sheet totaling approximately \$9.4 billion, which was payable to the Firm's London bank affiliate, Deutsche Bank AG London ("DBL") for "non-customer securities accounts." The \$9.4 billion total balance was an aggregation of numerous DBL accounts, including sub-account balances originating out of Enhanced Lending business and non-securities related balances, which were rolled into one balance as a line item on the Firm's FOCUS report. The Firm's records lacked sufficient transparency so that during the 2009 Examination, neither the Firm nor FINRA examiners were able to readily determine the source of each of the sub-balances making up the total balance, and unable to readily determine which DBL subaccounts originated out of DBL proprietary trading activity and which DBL subaccounts originated out of Enhanced Lending activity.

Accordingly, DBSI violated Section 17(a) of the Securities Exchange Act of 1934 (the "SEA"), SEA Rules 17a-3, 17a-4, and 17a-5 thereunder, NASD Rule 3110 and FINRA Rule 2010 by failing to maintain books and records that were sufficiently transparent to ensure the accuracy of the data on DBSI's FOCUS report.

The lack of transparency in the Firm's books and records with regard to the \$9.4 billion payable created a situation where, at any given time, the Firm was not able to readily monitor the accounts included in the payable, including DBL accounts originating out of the Enhanced Lending business. FINRA examiners were also unable to readily obtain sufficient information about such accounts. The ability to obtain immediate, readily understandable account transparency is a critical aspect of regulators' ability to oversee broker-dealers and to protect customer assets.

In addition, during the 2009 Examination, FINRA examiners observed that DBSI incorrectly classified certain Enhanced Lending stock loans made to DBL as intercompany payables/receivables, as opposed to securities lending transactions, on DBSI's balance sheets and FOCUS reports. On April 7, 2010, DBSI reclassified \$31 billion in what the Firm had accounted for as intercompany receivables as stock loans and required DBL to deliver collateral at 102% of the principal value of such stock loans. The reclassification and collateralization of the stock loans at 102% resulted in a house margin call on DBL. On April 21, 2010, the Firm issued formal written notification of the margin call to FINRA and the SEC pursuant to SEA Rule 17(a)(11) (the "Rule 17(a)(11) Letter"). In the letter the Firm reported that it had calculated a \$2.7 billion regulatory margin call and had requested \$6.7 billion to cover the house margin requirement. In 2013, the Firm advised FINRA that those numbers were incorrect, and that there had been a house margin call of \$3.1 billion. Thus, the Firm violated Section 17(a) of the SEA and Rules 17a-3, 17a-4, 17a-5 promulgated thereunder, NASD Rule 3110 and FINRA Rule 2010 by failing to maintain accurate books and records.

Further, in March 2010, DBSI inaccurately computed its Customer Reserve Formula by including a debit to which it was not entitled for margin deposits with respect to securities that were pledged to the Options Clearing Corporation (the "OCC"). Also, the Firm did not include in the computation any offsetting credit relating to the debit. DBSI was treating OCC margin deposits from both its customers and DBL, a non-customer, as deductions for its Customer Reserve Formula requirements. Although the OCC treated all these deposits as customer deposits, the Firm was only entitled to claim a debit for OCC margin deposits unrelated to DBL positions. By incorrectly including a debit and also excluding the associated credit, the Firm obtained a benefit in the Customer Reserve Formula computation. The Firm self-reported its incorrect Customer Reserve Formula computation to FINRA examiners in April 2010. The correction of the Firm's computation resulted in hindsight deficiencies ranging from \$700 million to \$1.6 billion during the period between March 5, 2010 and March 26, 2010. The Firm thus violated SEA Rule 15c3-3 (reserve formula requirement). In addition, the Firm violated Section 17(a) of the SEA, SEA Rules 17a-3, 17a-4, 17a-5, NASD Rule 3110 and FINRA Rule 2010 by filing an inaccurate FOCUS Report and failing to maintain accurate books and records.

In addition, in computing the \$9.4 billion payable balance referred to above, DBSI

improperly netted non-securities related transactions with securities-related transactions, reducing the Firm's reported liabilities and increasing its reported net capital by approximately \$239 million. By engaging in such improper netting, DBSI violated SEA Rule 15c3-1, as interpreted. See SEA Interpretation 15c3-1(c)(2)(iv)(C)/073. DBSI also violated Section 17(a) of the SEA and Rules 17a-3, 17a-4, 17a-5 by failing to keep and maintain accurate books and records and by filing an inaccurate FOCUS Report.

The above deficiencies occurred, in part, as the result of DBSI's failure to establish, maintain and enforce a supervisory system, including supervisory procedures, reasonably designed to detect and prevent the violative conduct described above. As a result, DBSI violated Rule 3010 and FINRA Rule 2010.

In addition to the foregoing, between 2009 and 2012, DBSI did not establish and maintain adequate written supervisory policies and procedures for its independent price verification process to sufficiently document management reporting for certain of its residential mortgage-backed securities ("RMBS") and commercial mortgage-backed security ("CMBS") inventory positions. The Firm thus violated NASD Rule 3010 and FINRA Rule 2010.

FACTS AND VIOLATIVE CONDUCT

Deutsche Bank AG and certain of its affiliates (together, the "DB Group") have a business line known as U.S. Global Prime Finance that maintains prime broker platforms, primarily for providing settlement and credit to hedge funds. The DB Group offers to customers traditional prime brokerage within the United States (pursuant to Regulation T), portfolio margining and Enhanced Lending.

Under Enhanced Lending, the Firm arranges for DBL to lend to customers (mostly hedge funds) (1) cash to finance securities purchases and (2) securities to close out the customer's short securities positions, under terms more favorable to customers than those available under Regulation T. The extension of credit, however, must comply with relevant margin requirements.

The DB Group entities involved in providing customers with Enhanced Lending services are:

- Deutsche Bank Securities Inc. (i.e., DBSI): the FINRA regulated broker-dealer prime broker responsible for clearing and settling trades, custodial services, record keeping and providing trade confirmations.
- Deutsche Bank AG New York (i.e., DBNY): a DBAG branch located in New York that acts as the custodian for the Enhanced Lending customers' assets.
- Deutsche Bank AG London (i.e., DBL): a DBAG branch located in London. DBL is not supervised or examined by U.S. Federal or State regulators, and it conducts securities activities in the U.S. exempt from U.S. registration pursuant to Rule 15a-6 under the Securities Exchange Act. DBL is the lender of cash and

securities to customers for purchases and sales.

Enhanced Lending is similar to traditional prime brokerage arrangements in terms of the range of services it offers. As part of the Enhanced Lending relationship, customers borrow shares from DBL to close out their short positions on the books and records of DBSI. Under the Federal Reserve System's amended margin requirements, DBSI customers derived benefits by being able to borrow securities from DBL and posting less collateral to DBL in connection with such securities loans than they would otherwise have had to post in connection with the short position on DBSI's books and records.

DBSI prime broker customers that participated in the DB Group's Enhanced Lending services entered into contractual agreements with the various DB Group entities. Specifically, qualified and approved customers executed a Prime Broker Margin Agreement with DBSI (the "PBMA"), and Margin Lending, Securities Lending, Custody Account and Sweep Account Agreement with DBNY and DBL (the "Margin Lending Agreement" and, together with the PBMA, the "Prime Brokerage Agreements"). Under the Margin Lending Agreement, customers were able to borrow securities for their short sale transactions from DBL. All customer cash, including short sale proceeds (other than cash needed to satisfy the customer's minimum net equity at DBSI), were swept to a deposit account at DBL. Further, the Prime Brokerage Agreements granted DBL the right, without notice to the customer, to pledge, re-hypothecate,¹ or otherwise transfer or use any amount of the margin in the customer's accounts at DBAG. As of March 2009, the Firm had nearly 200 financial adviser customers (primarily managers of hedge funds) using the Enhanced Lending program, together encompassing approximately 1,600 accounts.

Lack of Transparency

DBSI's March 31, 2009 FOCUS report reflected a liability on DBSI's balance sheet totaling approximately \$9.4 billion, payable to DBL, for "non-customer securities accounts." The \$9.4 billion balance was comprised of hundreds of DBL subaccount balances, many labeled omnibus, including subaccounts that originated out of the Enhanced Lending Prime Brokerage business and non-securities related balances. These subaccount balances were combined into one balance as a line item (Payable to Non-Customers – Securities Accounts) on the FOCUS report. The Firm's books and records relating to the above accounts lacked the transparency necessary to enable either FINRA examiners or the Firm to readily identify the sources of the payable or of each of the balances. The examiners and the Firm were also unable to readily determine which subaccounts originated out of DBL proprietary trading activity and which subaccounts originated out of Enhanced Lending activity. Under these circumstances, the Firm's books and records lacked the transparency necessary to

¹ Re-hypothecation occurs when the collateral (ex., cash, securities) posted by a prime brokerage customer to its prime broker is used as collateral also by the prime broker for its own purposes, for example, to lend to other hedge funds or post as collateral for itself for another purpose.

establish the accuracy of the \$9.4 billion payable reflected on the Firm's FOCUS Report. The ability to obtain immediate, readily understandable account transparency is critical to FINRA's ability to oversee broker-dealers and to protect customer assets.

Rules 17a-3 and 17a-4, promulgated under Section 17(a) of the SEA, require that a broker-dealer keep accurate books and records, including, among others, asset and liability ledgers, customer account ledgers and securities records and preserve them for a specified amount of time. SEA Rule 17a-5 requires the filing of accurate FOCUS Reports by broker-dealers. NASD Rule 3110(a) requires that each member make and preserve accurate books, accounts, and records. FINRA Rule 2010, as well as its predecessor rule, NASD Rule 2110, provides that "[a] member, in the conduct of his business, shall observe high standards of commercial honor and just and equitable principles of trade."

By reason of its conduct as described above, DBSI violated Section 17(a) of the SEA and SEA Rules 17a-3, 17a-4 and 17a-5, NASD Rule 3110 and FINRA Rule 2010 by failing to maintain books and records that were accurate and sufficiently transparent to ensure the accuracy of the data on DBSI's FOCUS report.

Modifications to the Enhanced Lending Process

During the 2011 Examination of the Firm, DBSI agreed to implement a new automated settlement process with DBL, relating to the Enhanced Lending program. When FINRA subsequently became aware that implementation of the automated solution had been delayed, it instructed the Firm to begin carrying out the new settlement procedure on a manual basis, and the Firm did so. The Firm's new, automated settlement process was put into effect June 15, 2012.

Stock Loans

When an Enhanced Lending customer sold short U.S. securities in its DBSI prime brokerage account, DBL would borrow securities from DBSI on settlement date and then loan these securities to the customer in order to satisfy its delivery obligations to DBSI. DBSI would, in turn, receive the securities into the customer's account, eliminating the customer short position while at the same time establishing an intercompany short position with DBL. At the end of each month, the stock loans in question were netted with other transactions and reported as an intercompany accounts receivable or payable.

DBSI did not accurately reflect on its books and records a stock loan to DBL in instances where DBL obtained securities from DBSI to facilitate the loan to an Enhanced Lending customer, instead recording these transactions as intercompany receivables. For FOCUS purposes, the account was classified as an intercompany account and for SEC Rule 15c3-3 purposes, it was classified as a stock loan account. Specifically, prior to April 7, 2010, DBSI recorded DBL's obligation to return these securities in a non-customer intercompany securities account (the "Securities Lending

Account”).

During the course of the 2009 Examination, FINRA Staff questioned the propriety of classifying the Securities Lending Account as an inter-company balance and DBSI concluded that its prior classification of the Securities Lending Account as such was incorrect. On April 7, 2010, DBSI reclassified approximately \$31 billion in securities loaned to DBL as stock loan transactions rather than as a net inter-company receivable and required DBL to deliver collateral at 102% of the principal of such loans. The reclassification and collateralization of the Securities Lending Account at 102% resulted in a margin call on DBL. In a Rule 17(a)(11) letter, DBSI advised FINRA and the SEC that this resulted in the Firm calculating a \$2.7 billion regulatory margin call and in its requesting \$6.7 billion to cover the house margin requirement. However, in 2013, the Firm advised FINRA of an overestimation with respect to its Rule 17(a)(11) letter, in that the reclassification actually resulted in a house margin call in the amount of \$3.1 billion.

The Firm violated Section 17(a) of the SEA and Rules 17a-3, 17a-4, 17a-5 and NASD Rule 3110 and FINRA Rule 2010 by failing to maintain accurate books and records, including the Firm’s FOCUS Report.

Customer Reserve Calculation

Rule 15c3-3 promulgated under the SEA requires a broker-dealer to periodically compute the amount of funds obtained from customers or through the use of customer securities (credits) and compare it to the total amount it has extended to finance customer transactions (debits). To the extent that credits exceed debits, the broker-dealer is required to have on deposit at least an equal amount of cash or qualified securities in a Special Reserve Bank Account for the Exclusive Benefit of Customers. The Rule provides a formula to enable a broker-dealer to determine how much money it needs to keep on reserve. If it is later determined that a firm’s computation of its reserve requirement is incorrect, the amount by which its reserve requirement is understated is known as a “hindsight deficiency.” The Rule serves to protect any required deposit in a secured location from creditors of the broker-dealer in the event of an insolvency.

In March 2010, DBSI miscalculated its Customer Reserve requirements by improperly including a debit to which it was not entitled, for securities that were pledged to the Options Clearing Corporation (the “OCC”) in order to meet the margin requirements for transactions effected for DBL. At the same time, the Firm excluded the associated credits.

The Firm performed the computation as described above because it considered the Enhanced Lending activity of DBL, and the credits, non-customer related. OCC defines an affiliate such as DBL as a customer unless an executed non-conforming subordination agreement is in place (which was not the case here). The Firm maintained margin deposits at the OCC with regard to DBL and other customer entities. OCC treated all these deposits as customer deposits. Pursuant to SEA Rule 15c3-3, the Firm was only entitled to include debits for OCC margin deposits unrelated to DBL positions.

The incorrect computation of the Customer Reserve Formula created hindsight

deficiencies ranging from \$700 million to \$1.6 billion for the computations prepared between March 5, 2010 and March 26, 2010. Upon DBSI's discovery of this issue, DBSI disclosed the matter to ROOR and sent the Rule 17(a)(11) Letter to FINRA and the SEC on April 21, 2010 which included this issue. Further, DBSI took immediate corrective steps to ensure the Customer Reserve Formula was conservatively funded. The Firm recomputed its Customer Reserve Formula computation as of March 31, 2010 and deposited an additional \$1.9 billion into the reserve account, thus bringing the Firm back into compliance with the rule.

By failing to prepare an accurate Customer Reserve Formula computation and to maintain the necessary assets in the Reserve Bank Account, resulting in significant hindsight deficiencies, DBSI violated SEA Rule 15c3-3. The Firm also violated Section 17(a) of the SEA, SEA Rules 17a-3, 17a-4, 17a-5, NASD Rule 3110 and FINRA Rule 2010 by failing to maintain accurate books and records and filing an inaccurate FOCUS Report.

Improper Netting

In determining the account payable balance for "non-customer securities accounts," discussed above, the Firm included DBSI intercompany balances due from DBL resulting from non-securities related transactions. Such non-securities related transactions included, among other items, receivables or payables between the two affiliates for services, sharing of office space, etc. DBSI improperly netted the non-securities related balances with securities-related balances in computing its liabilities in the accounts underlying the aforementioned payable. This netting effectively reduced the amount of liabilities that DBSI reported in its FOCUS report by approximately \$239 million, as of March 31, 2009.

Specifically, DBSI's Intercompany Netting Schedule reflected non-securities related receivables due from DBL to DBSI in the amount of \$813,527,190 and non-securities related payables from DBSI to DBL in the amount of \$574,435,842, for a net amount of \$239,091,349 owed by DBL to DBSI in non-securities related transactions.

As of March 31, 2009, DBSI's payable prior to netting for "non-customer securities accounts" was approximately \$9.62 billion. For FOCUS reporting purposes, DBSI improperly netted (or subtracted) the \$239,091,349 non-securities related receivable balance referred to above against the approximately \$9.62 billion payable for "non-customer securities accounts" and reported the aforementioned resulting payable of approximately \$9.4 billion on the relevant line (Payable to Non-Customers – Securities Accounts) in its FOCUS report. Thus, DBSI under-reported its payable figure by the amount of the \$239,091,349. This resulted in a necessary adjustment to DBSI's overall net capital figure from approximately \$5.56 billion to approximately \$5.32 billion, although no net capital deficiency resulted from this adjustment.

By netting non-securities related balances with securities-related balances in computing its liabilities, the Firm presented an inaccurate picture of the extent of its liabilities to DBL with respect to securities-related transactions. Under the net capital provisions, SEA Rule 15c3-1, a firm may not net non-securities related balances with securities-

related balances. See SEA Interpretation 15c3-1(c)(2)(iv)(C)/073, Netting of Intercompany Receivables and Payables with Affiliates, which states that “[a]ccounts with ... affiliates which are not classifiable as securities accounts should not be carried in a securities account.”

By reason of the above, DBSI violated SEA Rule 15c3-1, as interpreted, by improperly netting \$239 million in non-securities related transactions with securities related transactions as of March 31, 2009. DBSI also violated SEA Section 17(a) and Rules 17a-3, 17a-4, 17a-5 by failing to keep and maintain accurate books and records, including the Firm’s FOCUS Report.

Supervision

NASD Rule 3010 requires that a FINRA registrant both establish a system of supervision and have written procedures. The Rule requires that a FINRA registrant develop procedures tailored to every aspect of its business. Rule 3010(d)(1) further provides that members must establish written procedures for the review of all transactions. The Rule also requires that firms maintain evidence that their supervisory procedures have been implemented.

DBSI failed to establish, maintain and enforce a supervisory system, including supervisory procedures, reasonably designed to detect and prevent the violative conduct described above, including the lack of transparency in the Firm’s books and records, the inaccurate classification of stock loans as inter-company receivables, the inaccurate Reserve Formula Computations, and the improper netting of non-securities related transactions against securities-related transactions. As a result, DBSI violated NASD Rule 3010 and FINRA Rule 2010.

Independent Price Verification Policies and Procedures

Between 2009 and 2012, DBSI failed to establish and maintain adequate written supervisory policies and procedures for its independent price verification process (“IPV”) to sufficiently document and report to management information with respect to certain of its RMBS and CMBS inventory positions.

During the 2009 Examination, FINRA cited the Firm’s failure to have sufficient processes in place to address, report to management, and document, situations where the prices set for such securities experienced variances that exceeded certain price thresholds determined by the internal control group. The Firm also was not producing reports designed to bring to management’s attention situations where positions in inventory had become aged or stale.

During its 2011 Financial and Operational Examination of the Firm, FINRA detected continued weaknesses with the Firm’s processes for documenting and reporting such situations. The Firm had an internal control group that was responsible for verifying

prices in inventory positions when external pricing data was not available on a timely basis. When there was a material difference between the price set by the trader involved and the price determined by the internal control group, the internal control group held discussions with the traders to resolve the matter. However, the rationales for the resulting price determinations were not documented and not reported to senior management. Also, DBSI still failed to report adequately to management information regarding the age of securities positions and stale pricing information.

In March 2012, DBSI reported that it would implement a process to correct these deficiencies. However, ROOR's 2012 Examination disclosed that the Firm had not completed its remediation plan to address the issues raised during the 2011 examination. The Firm subsequently supplied FINRA with additional material documenting the completion of its remediation process.

By virtue of this conduct, DBSI violated NASD Rule 3010 and FINRA Rule 2010.

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

(1) a censure; and

(2) a fine in the amount of \$ 6.5 million.

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 the Firm 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 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, DBSI 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.

DBSI 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

DBSI 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. DBSI 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. DBSI 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: (i) testimonial obligations; or (ii) right to take legal or factual positions in litigation or other legal proceedings in which FINRA is not a party.

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

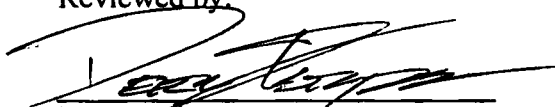
12/6/13
Date (mm/dd/yyyy)

Deutsche Bank Securities Inc., Respondent
Joseph Polizzotto
By: JOSEPH POLIZZOTTO

12/06/2013
Date (mm/dd/yyyy)

Deutsche Bank Securities Inc., Respondent
David M. Levine
By: DAVID M. LEVINE

Reviewed by:

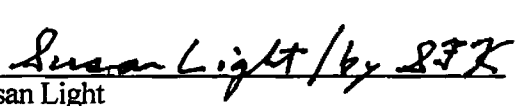

Peter Isajiw
Counsel for Respondent
Cadwalader, Wickersham & Taft LLP
One World Financial Center
New York, NY 10281
Tel: +1 212.504.6579
Fax: +1 212.504.6666
peter.isajiw@cwt.com
www.cadwalader.com

Accepted by FINRA:

Date

Dec. 19, 2013

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


Susan Light
Senior Vice President and Chief Counsel
FINRA Department of Enforcement
One World Financial Center
200 Liberty Street, 11th Floor
New York, New York 10281-1003
Phone: 646-315-7333
Fax: 202-689-3411
Susan.Light@finra.org