

**FINANCIAL INDUSTRY REGULATORY AUTHORITY
LETTER OF ACCEPTANCE, WAIVER AND CONSENT
NO. 2011030737001**

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

RE: Deutsche Bank Securities, Inc.
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 DBSI 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 a Delaware Corporation with its principal place of business in New York, New York. The Firm is a subsidiary of Deutsche Bank AG ("DBAG"), which is a global securities and banking company operating in 76 countries, with its home office in Europe and its headquarters in Germany. DBSI provides a comprehensive range of advisory, financial, securities research, and investment services to corporate and private clients. It also provides investment banking services to corporate clients. DBSI has been a FINRA and New York Stock Exchange ("NYSE") regulated broker-dealer since 1940. As of September 30, 2013, DBSI's net capital was \$7.27 billion and its gross revenue was approximately \$5.37 billion.

RELEVANT DISCIPLINARY HISTORY

In April 2013, FINRA and DBSI entered into an AWC in which the Firm was censured and fined a total of \$275,000 for failing to establish and enforce adequate written supervisory procedures regarding dividend-related yield enhancement on total return swap transactions.

In December 2012, FINRA and DBSI entered into an AWC in which the Firm was censured and fined a total of \$75,000 for, among other things, failing to enforce its written procedures to ensure that accurate yield information was included on certain confirmations.

In August 2012, FINRA and DBSI entered into an AWC in which the Firm was censured and fined a total of \$100,000 for, among other things, its failure to establish, maintain and enforce written supervisory procedures reasonably designed for the review of electronic correspondence.

OVERVIEW

On February 1, 2008, when LL, a non-registered employee of a DBSI affiliate, transferred to the Firm from an affiliated entity, DBSI permitted him to associate with the Firm. The Firm did not discover at that time that he had been barred by the NYSE since July 2000. The bar stemmed from LL's failure to comply with an NYSE investigation into his termination from another FINRA regulated broker-dealer for misappropriation of customer funds and caused LL to be subject to a statutory disqualification ("SD"). DBSI was unaware of LL's statutory disqualification because it failed to implement and enforce its written hiring procedures with respect to non-registered persons who transferred to the Firm from another DBSI entity. Specifically, DBSI failed to fingerprint LL and other non-registered employees when they began their Firm employment and also failed to conduct background checks of these individuals to ensure that it was not employing a person subject to an SD. LL remained associated with the Firm until November 4, 2011. The Firm also permitted KR, a non-registered individual who also transferred from another DBSI affiliated entity, to associate with it from January 2012 through January 2013 while she was subject to an SD. Accordingly, DBSI violated Article III, Section 3(b) of FINRA's By-Laws, NASD Rules 3010(b) and 2110, Rule 17f-2 promulgated under the Securities Exchange Act of 1934 (the "SEA") and FINRA Rule 2010 through these actions.

FACTS AND VIOLATIVE CONDUCT

In June 1999, LL became employed with an affiliate of DBSI first as a non-registered consultant and, beginning in July 2000, as a non-registered employee in its OTC derivatives operations area. At the time he first became employed with it, the affiliate conducted a background check and submitted LL's fingerprints to the appropriate authorities. LL also completed a DBAG group employment application on which he indicated that he had been employed with a FINRA/NYSE regulated firm from March 1998 to April 1999 as a non-registered specialist in derivative operations. LL did not disclose to the affiliate that he had been terminated from this broker-dealer in 1999 for misappropriation of customer funds and that there was an open NYSE investigation regarding that matter. LL also did not subsequently disclose to the affiliate that, shortly after his hire, he was barred by the NYSE from employment and association in any capacity with an NYSE member firm and was thus subject to an SD.

Although the Firm had written pre-employment screening policies and procedures, it did not implement and enforce them with respect to non-registered employees transferring from another DBAG entity. Thus, the Firm did not fingerprint LL and the other non-registered transferees upon their hire nor did it conduct the requisite background checks to ensure that it was not

employing a person subject to an SD. At DBSI, LL's operations position provided him with the ability to access DBSI's internal systems, including customer records.

On November 1, 2011 a DBSI staff member alerted LL's supervisor that an online search had disclosed that LL had been barred from employment and association in any capacity with an NYSE member firm and therefore was subject to an SD. DBSI terminated LL's employment on November 4, 2011.

Pursuant to Enforcement's request, DBSI conducted a review to determine whether any other non-registered transferee was subject to an SD during the period February 2008 through March 2013. The Firm's review of 469 non-registered employees of the Firm disclosed that a second individual, KR, was subject to a statutory disqualification at the time she became employed with DBSI because of a criminal conviction. In 2009, KR was hired by a FINRA regulated broker-dealer subsidiary of the Firm in a non-registered capacity and was subjected to fingerprinting and a background check. On January 1, 2012, KR was transferred to DBSI where she is still employed. As with LL, DBSI did not conduct a background check on KR or submit her fingerprints to the FBI.

Article III, Section 3(b) of the FINRA Bylaws states that "[n]o person shall become associated with a member, continue to be associated with a member, or transfer association to another member" if that person becomes subject to disqualification under to Article III, Section 4 of the Bylaws. Article III, Section 4, in turn, states that "[a] person is subject to a 'disqualification' . . . if such person is subject to any 'statutory disqualification' as such term is defined in Section 3(a)(39) of the [Securities Exchange] Act." Section 3(a)(39) sets forth the bases for statutory disqualification, which includes bars ordered by a self-regulatory organization and certain misdemeanors and all felony criminal convictions for a period of ten years from the date of the conviction.

NASD Rule 3010(b) mandates that each member establish, maintain, and enforce written procedures to supervise the types of business in which it engages and to supervise the activities of registered representatives, registered principals, and other associated persons that are reasonably designed to achieve compliance with applicable securities laws and regulations, and with applicable FINRA/NASD rules.

SEA Rule 17f-2 states that, with some exceptions, every member of a national securities exchange, broker, dealer, registered transfer agent and registered clearing agency shall require that each of its partners, directors, officers and employees be fingerprinted and shall submit or cause to be submitted, the fingerprints of such persons to the Attorney General of the United States or its designee for identification and appropriate processing.

FINRA Regulatory Notice 05-39 (Fingerprinting Procedures 2005) states that it is a firm's obligation to determine whether a prospective employee is subject to an SD. Regulatory Notice 07-55 (Personnel Background Investigations) updated the prior notice by extending a firm's obligation to include people who are not required to be registered.

FINRA Rule 2010 (effective December 15, 2008) and its predecessor rule, NASD Rule 2110, state that a member, in the conduct of its business, shall observe high standards of commercial honor and just and equitable principles of trade.

By permitting two statutorily disqualified persons to associate with the Firm, DBSI violated Article III, Section 3(b) of FINRA's By-Laws. DBSI also failed to implement and enforce its written procedures requiring background checks and the fingerprinting of all new hires when it permitted DBSI transferees to begin employment with the Firm in reliance on their pre-employment screening by a DBSI affiliate. DBSI thus violated NASD Rules 3010(b) and 2110, SEA Rule 17f-2 and FINRA Rule 2010.

SANCTION

B. DBSI also consents to the imposition of a censure and a \$ 40,000 fine.

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

DBSI 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

DBSI 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 it; and
- C. If accepted:
 - 1. this AWC will become part of DBSI'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 DBSI'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 DBSI'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 to prevent future misconduct. DBSI 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 has been given a full opportunity to ask questions about it; that it 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 DBSI to submit it.

12/5/13
Date

Deutsche Bank Securities Inc.

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Accepted by FINRA:

12/19/13
Date

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



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