

FINRA

**FINANCIAL INDUSTRY REGULATORY AUTHORITY
LETTER OF ACCEPTANCE, WAIVER AND CONSENT**

2014 NOV 26 AM 10: 06

NO. 20120316464-01

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

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

Pursuant to FINRA Rule 9216 of FINRA's Code of Procedure, Deutsche Bank Securities Inc., (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. The firm 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 became a member of FINRA on March 16, 1940, and its registration remains in effect.

RELEVANT DISCIPLINARY HISTORY

On February 16, 2010, the firm was censured and fined \$575,000 for violations of SEC Rules 15c3-3(m), 17a-3, 200(g), 203(a)(1), 203(b)(3), and NASD Rules, 2110, 3010, 3110 and 8211.

On January 25, 2011, the firm was censured and fined \$65,000 for short-interest reporting violations, Order Audit Trail System ("OATS") violations, Limit Order Protection violations and equity trade-reporting violations.

SUMMARY

In connection with this matter, the Trading Market Making Surveillance (“TMMS”) staff of the Department of Market Regulation (the “staff”) conducted the firm’s 2012 TMMS examination wherein the staff reviewed the items set forth on Exhibit 1, which is attached hereto and incorporated herein by reference, primarily for the trade dates of September 6 and 7, 2012 (the “review period”).

FACTS AND VIOLATIVE CONDUCT

1. During the review period, the firm transmitted to OATS 25 reports that contained inaccurate, incomplete, or improperly formatted data. Specifically, in 11 instances, the firm submitted an erroneous New Order report; in four instances, the firm failed to submit a Route Report; in one instance, the firm submitted an erroneous Combined Order Execution Report; in one instance, the firm submitted an incorrect “Sent to MPID” report; in one instance, the firm failed to submit an order; in one instance, the firm failed to submit a Cash special handling code; in one instance, the firm submitted an order event as a market order, when it was a limit order; in one instance, the firm incorrectly submitted a Combined Order Execution Report for a cancelled order; in three instances, the firm submitted an incorrect Account Type Code of “P”; and in one instance, the firm failed to submit a CL event for an order that was rejected prior to expiration. The conduct described in this paragraph constitutes separate and distinct violations of FINRA Rule 7450.
2. During the review period, the firm, on 16 occasions, failed to provide written notification disclosing to its customer its correct capacity in the transaction; on nine occasions, failed to provide written notification disclosing to its customer that the transaction was executed at an average price; and on two occasions, incorrectly disclosed that a “commission” was charged on a principal transaction. The conduct described in this paragraph constitutes separate and distinct violations of SEC Rule 10b-10.
3. During the review period, the firm marked 417 orders as short when it was long and marked 16 orders as long when it was short. The conduct described in this paragraph constitutes separate and distinct violations of SEC Rule 200(g) of Regulation SHO.
4. During the review period, the firm failed to report the correct Related Market Center Indicator for seven non-tape reports to the FINRA/Nasdaq Trade Reporting Facility (“FNTRF”) in transactions in designated securities and the firm submitted an incorrect execution time for two non-tape reports to the FNTRF. The conduct described in this paragraph constitutes separate and distinct violations of FINRA Rule 7230A.
5. During the month of August 2013, the firm made available a report on the covered orders in national market system securities that it received for execution from any person. This report included inaccurate information as to whether 25 orders were covered or not

covered. The conduct described in this paragraph constitutes separate and distinct violations of SEC Rule 605 of Regulation NMS.

6. During September 2012, the firm's written supervisory procedures ("WSPs") did not provide for supervision reasonably designed to achieve compliance with respect to certain applicable securities laws and regulations, and/or the Rules of FINRA and the SEC. At a minimum, adequate WSPs addressing trading and market making topics should describe the following:
- (a) specific identification of the individual(s) responsible for supervision;
 - (b) the supervisory steps and reviews to be taken by the appropriate supervisor;
 - (c) the frequency of such reviews; and
 - (d) how such reviews shall be documented.

The firm's WSPs failed to provide for one or more of the four above-cited minimal requirements for adequate WSPs, in the following subject areas:

- **Best Execution:** Review for compliance with requirements to ascertain the best interdealer market for a security in the absence of pricing information or multiple quotes [(b),(d)];
- **Trade Reporting:** Reporting Riskless Principal Trades concerning the program trading desk [(b)]; and
- **OATS Reporting:** [(b)]

The conduct described in this paragraph constitutes a violation of NASD Rule 3010 and FINRA Rule 2010.

- B. The firm also consents to the imposition of the following sanctions:

A censure; and a fine of \$62,500 (comprised of \$10,000 for the OATS reporting violations, \$7,500 for the customer confirmation violations, \$15,000 for the Regulation SHO violations, \$10,000 for the equity trade reporting violations, \$10,000 for the SEC Rule 605 violations, and \$10,000 for the WSP violation); and an undertaking to revise the firm's WSPs with respect to the area described in paragraph six.

Within 30 business days of acceptance of this AWC by the National Adjudicatory Council ("NAC"), a registered principal of the Respondent shall submit to the **COMPLIANCE ASSISTANT, LEGAL SECTION, MARKET REGULATION DEPARTMENT, 9509 KEY WEST AVENUE, ROCKVILLE, MD 20850**, a signed, dated letter, or an e-mail from a work-related account of the registered principal to MarketRegulationComp@finra.org, providing the following

information: (1) a reference to this matter; (2) a representation that the firm has revised its WSPs to address the deficiency described in paragraph six; and, (3) the date the revised procedures were implemented.

The firm agrees to pay the monetary sanction(s) upon notice that this AWC has been accepted and that such payment(s) are due and payable. It 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 sanction(s) 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 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, the firm specifically and voluntarily waives any right to claim bias or prejudgment of the Chief Legal Officer, 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

The firm 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: (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. 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 has been given a full opportunity to ask questions about it; that it has agreed to the AWC's 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.

11/19/14
Date

Respondent
Deutsche Bank Securities Inc.

By: David M. Levine

Name: DAVID M. LEVINE

Title: MANAGING DIRECTOR, LEGAL

Reviewed by:

By: Michael J. Chesga
NAME: MICHAEL J. CHESGA
TITLE: SENIOR COUNSEL - AMERICAS

Attorney Name
Counsel for Respondent

Accepted by FINRA:

12/23/14
Date

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

Tina Salehi Gubb
Tina Salehi Gubb
Chief Counsel
Department of Market Regulation