

**FINANCIAL INDUSTRY REGULATORY AUTHORITY
LETTER OF ACCEPTANCE, WAIVER AND CONSENT
NO. 20140419100-01**

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

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

Pursuant to FINRA Rule 9216 of FINRA's Code of Procedure, Deutsche Bank Securities Inc. ("DBAB", the "Firm" or "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

DBAB became a member of FINRA on March 16, 1940, and its registration remains in effect.

RELEVANT DISCIPLINARY HISTORY

Pursuant to FINRA AWC 20090174106-01 (Nov. 2012), DBAB consented to a censure and a \$175,000 fine (of which \$50,000 was for short interest reporting violations during the period between March 2008 and April 2010), and was ordered to pay restitution for violations unrelated to the reporting of short interest. On 29 settlement dates, the Firm submitted inaccurate short interest position reports which included short interest positions totaling 508,966,077 shares of numerous stocks, when the actual short interest in those stocks totaled 498,330,906 shares.

SUMMARY

In connection with FINRA Matter No. 20140419100, the staff of the Short Interest Team of the Department of Market Regulation (the "staff") reviewed DBAB's compliance with

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short interest reporting requirements and FINRA Rule 4560 on settlement dates between March 15, 2012 and May 15, 2014 (the "Review Period"), and determined that the Firm had failed to accurately report its short interest positions in dually-listed foreign securities and failed to provide supervision reasonably designed to achieve compliance with respect to the FINRA rules regarding short interest reporting.

The accuracy of short interest reports is critical for numerous regulatory reviews and to the public, since the information is relied upon by investors, market analysts and economists as an indicator of market trends. Published FINRA guidance advised the industry of FINRA's longstanding requirement to report short positions in foreign-listed securities that share an International Securities Identification Number with a U.S.-listed symbol. See FINRA Regulatory Notice 12-38, *Short-Interest Reporting* ("Reg Notice 12-38") (Aug. 2012); see also NASD Notice to Members 06-20, *Short Interest Reporting* (April 2006, n.11). FINRA has consistently held the viewpoint that short positions in foreign securities held on the books and records of a U.S. broker-dealer, even if established on a foreign market, should be included in the firm's short interest if the foreign security is associated with an active U.S.-listed security and has a U.S. issue symbol (Reg Notice 12-38).

FACTS AND VIOLATIVE CONDUCT

1. During the Review Period, DBAB failed to report 131 short interest positions in seven dually-listed securities, totaling approximately 169,229.764 shares, because DBAB had been unaware that a U.S. ticker symbol had been assigned to such securities after the Firm's initial short position had been established. The conduct described in this paragraph constitutes separate and distinct violations of FINRA Rule 4560.
2. During the Review Period, DBAB's supervisory system and written supervisory procedures did not provide for supervision reasonably designed to achieve compliance with respect to the FINRA rules regarding short interest reporting, particularly with respect to dually-listed securities. The conduct described in this paragraph constitutes violations of NASD Rule 3010 and FINRA Rule 2010.

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

- a censure and a fine in the amount of \$200,000 (\$125,000 for the short interest reporting violations and \$75,000 for the supervisory violations).

Respondent 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.

Respondent 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

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 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 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 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.

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 Respondent; and
- 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 the Firm;

2. This AWC will be made available through FINRA's public disclosure program in accordance with FINRA Rule 8313;
 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: (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. 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 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.

8-10-16
Date

Respondent

Deutsche Bank Securities Inc.

By: [Signature]

Name: Steven F. Reich

Title: General Counsel - Americas

By: [Signature]

Name: David M. Levine

Title: Managing Director & Associate General Counsel

Reviewed by:

[Signature]

Shakara M. Barnes, Esq.
Counsel for Respondent
Deutsche Bank Securities Inc.

Accepted by FINRA:

8/22/16
Date

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

[Signature]
Robert A. Marchman
Executive Vice President, Legal Section
FINRA Department of Market Regulation