

**FINANCIAL INDUSTRY REGULATORY AUTHORITY
LETTER OF ACCEPTANCE, WAIVER, AND CONSENT
NO. 2017055691901**

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, Respondent Deutsche Bank Securities Inc. (DBSI) 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 in this AWC.

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

DBSI became a member of FINRA in 1940 and maintains its principal place of business in New York, New York and has eight branch offices and approximately 1,753 registered representatives. The firm engages in, among other things, investment banking, research, and securities sales and trading for institutional and individual customers and other clients. DBSI does not have any relevant disciplinary history.

OVERVIEW

For the period of 1998 through 2017, DBSI did not establish and maintain a supervisory system reasonably designed to achieve compliance with its record retention obligations in violation of NASD Rules 3010 and 2110 and FINRA Rules 3110 and 2010.

FACTS AND VIOLATIVE CONDUCT

Federal securities laws and regulations and FINRA rules require broker-dealers to maintain certain broker-dealer and customer records in a form and manner designed to prevent their loss, alteration, or deletion. Protecting the integrity of these required records is an essential obligation for broker-dealers because review of such records is the primary

means by which regulators protect investors and examine for misconduct, including fraud and sales practice violations.

Federal Securities Laws and Regulations and FINRA Rules Require Broker-Dealers to Create, Maintain, and Preserve Certain Records.

Section 17(a) of the Securities Exchange Act of 1934 and Exchange Act Rule 17a-3 require a broker-dealer to create and maintain certain records relating to its business, including trade blotters, asset and liability ledgers, order tickets, and trade confirmations. Exchange Act Rule 17a-4 specifies the manner and length of time that those records must be maintained. FINRA Rule 4511 provides, in part, that each member “shall make and preserve books and records as required under the FINRA rules, the Exchange Act and the applicable Exchange Act rules” and that all “books and records required to be made pursuant to the FINRA rules shall be preserved in a format and media that complies with” Rule 17a-4.¹

When firms choose to store the records set forth in Rules 17a-3 and 17a-4 electronically, they must comply with additional requirements set forth in Rule 17a-4(f). For example, Rule 17a-4(f) requires firms to (1) notify FINRA at least 90 days before storing records electronically, (2) have in place an audit system providing for tracking the inputting of records into electronic storage as well as any changes made to such records, and (3) retain a third-party vendor with access to the records. Rule 17a-4(f) also requires firms to store electronic records in a non-rewriteable, non-erasable format.

During a cycle examination of the firm, FINRA found that DBSI was not in compliance with its recordkeeping obligations. After it was notified of this, DBSI promptly undertook remediation efforts that included a risk-based remediation plan to address its record retention obligations.

DBSI’s Supervisory System Was Not Reasonably Designed to Comply with its Recordkeeping Obligations.

FINRA Rule 3110(a), like its predecessor NASD Rule 3010(a), requires members to “establish and maintain a system to supervise the activities of each associated person that is reasonably designed to achieve compliance with applicable securities laws and regulations, and with applicable FINRA rules.” FINRA Rule 3110(b), like its predecessor NASD Rule 3010(b), requires members to “establish, maintain, and enforce written procedures to supervise the types of business in which it engages and the activities of its associated persons that are reasonably designed to achieve compliance with applicable securities laws and regulations, and with applicable FINRA rules.”²

During the relevant period, DBSI failed to establish and maintain a supervisory system, including written procedures, reasonably designed to comply with its recordkeeping requirements.

¹ FINRA Rule 4511 replaced NASD Rule 3110, which contained similar requirements, effective December 5, 2011.

² FINRA Rule 3110 replaced NASD Rule 3010, which contained similar requirements, effective December 1, 2014.

First, DBSI's supervisory system and written procedures did not reasonably address the requirements of Rule 17a-4(f). The firm did not assign the responsibility for achieving compliance with the firm's recordkeeping obligations to any particular department, team, or individual. Although the firm's written procedures for some business units included a reference to Rule 17a-4(f), these did not include guidance to firm personnel about compliance. For example, the procedures did not identify any system, location, or database where documents should be stored, describe any process for auditing the integrity of such documents, or identify the individuals responsible for achieving compliance with Rule 17a-4(f)'s record retention requirements.

Second, DBSI failed to comply with the requirements of Rule 17a-4(f) with respect to storing certain records electronically. The firm stored electronically millions of required records—including its general ledger, supervisory procedures, customer statements and onboarding documents, and notices to customers—but did not:

- (i) notify its examining authority (FINRA) 90 days prior to storing records electronically;
- (ii) have an audit system “providing for accountability regarding inputting of records . . . to electronic storage media and inputting of any changes made to every original and duplicate record”; and
- (iii) retain a third-party vendor with “access to and the ability to download information from the [broker-dealer's] electronic storage media to any acceptable medium,” for certain of the documents identified above, and did not obtain an undertaking from any vendor that it would provide requested electronic records to the SEC, FINRA, or any other regulatory authority in the event the firm was unable to provide the records itself.

Finally, DBSI did not store the records identified above in a non-rewriteable, non-erasable format, as required by Rule 17a-4(f). For example, DBSI stored certain of these documents on shared electronic drives in a format that was susceptible to alteration or deletion.

Therefore, DBSI violated NASD Rules 3010 and 2110 and FINRA Rules 3110 and 2010.³

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

- a censure;
- a \$2,500,000 fine; and
- a certification, as described below.

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

³ FINRA Rule 2010 replaced NASD Rule 2110, effective December 15, 2008.

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 an inability to pay, now or at any time after the execution of this AWC, the monetary sanction imposed in this matter.

DBSI further agrees to the following undertaking:

Certification Regarding Implementation of Reasonably Designed Procedures

Within 90 days of the date this AWC is accepted, a senior officer and registered principal of DBSI shall certify in writing to FINRA that the firm adopted and implemented policies and procedures reasonably designed to ensure compliance with the federal securities laws and FINRA Rules addressed in this AWC. This certification shall be submitted by letter addressed to Frank Mazzairelli, Director, FINRA – Enforcement Department, 15200 Omega Drive, Third Floor, Rockville, MD 20850.

Upon written request showing good cause, FINRA staff may extend the procedural dates set forth above.

The sanctions imposed in this AWC shall be effective on a date set by FINRA.

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 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 its acceptance or rejection.

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 action brought by FINRA or any other regulator against Respondent;
 - 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 its subject matter 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 testimonial obligations or 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.

The undersigned, on behalf of Respondent, certifies that a person duly authorized to act on Respondent's 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 the AWC's provisions voluntarily; and that no offer, threat, inducement, or promise of any kind, other than the terms set forth in this AWC and the prospect of avoiding the issuance of a complaint, has been made to induce Respondent to submit this AWC.

12/23/20
Date

Joe Salama
Deutsche Bank Securities Inc.
Respondent

Print Name: Joe Salama
General Counsel - Americas
Global Head of Litigation
Title: & Regulatory Enforcement

12/23/20
Date

Andrew Stemmer
Deutsche Bank Securities Inc.
Respondent

Print Name: Andrew Stemmer
Title: Managing Director

Reviewed by:

Lisa H. Bechick
Lisa H. Bechick
Counsel for Respondent
Ropes & Gray LLP
1211 Avenue of the Americas
New York, NY 10036-8704

Accepted by FINRA:

12/31/2020

Date

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

A handwritten signature in blue ink that reads "Michael Jaeger". The signature is written in a cursive style with a large, stylized "J".

Michael Jaeger
Senior Attorney
FINRA
Department of Enforcement
15200 Omega Drive, 3rd Floor
Rockville, MD 20850