BEFORE THE NATIONAL ADJUDICATORY COUNCIL

FINANCIAL INDUSTRY REGULATORY AUTHORITY

In the Matter of Continued Membership of Deutsche Bank Securities, Inc., with FINRA	Notice Pursuant to Rule 19h-1 Securities Exchange Act of 1934 SD-1802 December 17, 2014

I. Introduction

On September 11, 2009, Deutsche Bank Securities, Inc. ("the Firm") submitted a Membership Continuance Application (the "Application") with FINRA's Department of Registration and Disclosure ("RAD"). The Application seeks to permit the Firm, a member subject to statutory disqualification, to continue its membership with FINRA. A hearing was not held in this matter. Rather, pursuant to FINRA Rule 9523, FINRA's Department of Member Regulation ("Member Regulation") recommended that the Chair of the Statutory Disqualification Committee, acting on behalf of the National Adjudicatory Council, approve the Firm's continued membership with FINRA pursuant to the terms and conditions set forth below.

For the reasons explained below, we approve the Application.

II. The Statutorily Disqualifying Event

The Firm is subject to a statutory disqualification as a result of a consent judgment entered against it in the United States District Court for the Southern District of New York, dated June 9, 2009 (the "Judgment").[1] The Judgment, among other things,

[1] Member Regulation represents that its submission of its recommendation to approve the Firm's continuing FINRA membership was pending the filing of related regulatory actions brought against the Firm by various states and territories. It further represents that these state and territory actions, which were filed against the Firm pursuant to a coordinated effort by the North American Securities Administrators Association ("NASAA"), have been finalized and are reflected in FINRA's Central Registration Depository ("CRD"®). Settlements with state regulators ranged from $30,000 to $3.2 million.

permanently enjoined the Firm from violating Exchange Act Section 15(c), and was based on a complaint issued by the SEC alleging that the Firm, in 2007 and 2008, misled customers regarding the nature and risks of auction rate securities ("ARS") that the Firm underwrote, marketed, and sold. The complaint further alleged that the Firm misrepresented to its customers that ARS were safe, highly liquid investments and comparable to money market funds. The complaint also alleged that, after the ARS market began to deteriorate, the Firm increased its support of ARS by committing its own capital to help prevent those auctions from failing and, although the Firm knew that the risk of failed auctions had materially increased, it did not timely and accurately disclose this information to its customers. The complaint alleged that when the Firm stopped supporting ARS auctions and the markets subsequently failed, many customers were left with illiquid, long-term maturity ARS.

The Judgment required the Firm to comply with certain undertakings ("the SEC Undertakings"), including making offers to repurchase ARS from designated eligible customers that purchased ARS at the Firm and certain of its subsidiaries, and paying customers who sold their ARS below par the difference between par and the sale price of the ARS. The SEC Undertakings also required that the Firm use "best efforts" to provide liquidity opportunities to its institutional customers and certain other customers that were not otherwise covered by the Judgment.

The Firm implemented the SEC Undertakings prior to October 31, 2010, which was the last extension of the date by which the SEC was permitted to seek a civil monetary penalty against the Firm if the SEC believed that it had not satisfied its obligations in connection with the Judgment. During the period between the entry of the Judgment and the SEC's ultimate decision not to seek a penalty, the Firm provided the SEC with quarterly written reports regarding its compliance with the SEC Undertakings. The last of these written reports, submitted to the SEC in February 2010, provides a comprehensive summary of the Firm's compliance with the undertakings, including a representation that the Firm and its affiliates bought back $989 million par value of ARS

Member Regulation has further represented that three of the states that settled with the Firm (Connecticut, Pennsylvania and Utah) indicated that the final settlement orders were based on a violation of a law or regulation prohibiting fraudulent, manipulative, or deceptive conduct. As such, these violations would constitute statutorily disqualifying events separate and apart from the other state actions brought pursuant to NASAA's coordinated effort. *See* Securities Exchange Act of 1934 (the "Exchange Act") Section 3(a)(39)(F) (incorporating by reference Exchange Act Section 15(b)(4)(H)). Member Regulation, however, determined that these three settlement orders appear to be "follow-on" or "piggy-back" actions (like the other state actions) because they adopt findings of the joint investigation, but do not make independent findings pertaining to fraudulent, manipulative, or deceptive conduct. Consequently, Member Regulation concluded that these three settlement orders do not trigger additional MC-400A application requirements or notices pursuant to Exchange Act Rule 19h-1.

from certain eligible customers. In October 2010, SEC staff advised the Firm that the SEC would not seek a civil monetary penalty against it.

III. Background Information

The Firm has been a FINRA member since 1940. The Firm has approximately 21 branch offices, 18 of which are offices of supervisory jurisdiction ("OSJs"). The Firm employs approximately 3,428 registered individuals and approximately 1,644 non-registered individuals.

The Firm has a number of disciplinary infractions. Member Regulation has represented that, notwithstanding the Firm's disciplinary and regulatory history, it satisfies the standard for continued membership in FINRA. As discussed below, we agree.

A. Recent Routine Examinations

The 2014 FINRA cycle examination of the Firm is in progress.

FINRA's 2013 cycle examination of the Firm resulted in a referral to Enforcement in connection with supervision of Exchange Act Rule 15c3-5 market access controls. Specifically, FINRA determined that the Firm's market access controls did not prevent the submission of duplicative orders to the marketplace resulting in a net loss of approximately $13 million when the positions were liquidated. The 2013 cycle examination also resulted in a Cautionary Action, issued on April 29, 2014. The Cautionary Action cited the Firm for the following: (1) failing to reflect the potential impact of its transfer pricing agreements in its net capital computation; (2) inappropriately treating suspense balances for customer reserve and net capital purposes; and (3) failing to set certain required limits in connection with escrow agreements and incorrectly implying on statements delivered to customers that certain escrow agreements were protected under SIPC. The Firm's response to the examination addressed all deficiencies cited in the Cautionary Action.

FINRA's 2012 cycle examination of the Firm resulted in a Cautionary Action, issued on April 2, 2013.[2] The Cautionary Action cited the Firm for the following: (1) maintaining inadequate books and records involving Securities Account Control Agreements; (2) failing to follow its supervisory controls involving Regulation SHO; and (3) failing to demonstrate margin compliance involving credit default swaps. The Firm's response to the examination addressed all deficiencies cited in the Cautionary Action.

B. Recent Regulatory Actions

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[2] This examination also resulted in a referral to Enforcement, which was combined with an Enforcement referral from the Firm's 2011 cycle examination. The Firm settled these matters in December 2013. *See* Part III.B *infra*.

During the past two years, the Firm has been the subject of a number of regulatory actions.[3]

In February 2014, without admitting or denying the allegations, the Firm entered into a settlement with the Chicago Mercantile Exchange ("CME") in response to allegations that it violated several rules relating to: (1) computing its risk-based capital requirement; (2) computing certain receivables; (3) account titling; (4) prompt examination of records; and (4) certain financial statement and internal accounting controls matters. The Firm paid $900,000 in connection with this settlement.

In January 2014, the Firm entered into with FINRA a Letter of Acceptance, Waiver and Consent ("AWC") for violations of SEC Rule 611 of Regulation NMS, NASD Rules 3010 and 3340, and FINRA Rules 2010, 5260, 6622, 6730, and 7450. Without admitting or denying the allegations, the Firm consented to findings that it failed to: (1) establish, maintain and enforce written policies and procedures reasonably designed to prevent trade-throughs of protected quotations in National Market System stocks; (2) take reasonable steps to establish that inter-market sweep orders it routed met certain definitional requirements; and (3) report to the Trade Reporting and Compliance Engine ("TRACE") the correct contra-party's identifier for TRACE-eligible securities. FINRA censured the Firm and fined it $110,000.

In December 2013, the Firm entered into with FINRA an AWC for violations of Exchange Act Section 17(a), Exchange Act Rules 15c3, 17a-3, 17a-4, and 17a-5, NASD Rules 3010 and 3110, and FINRA Rule 2010. Without admitting or denying the allegations, the Firm consented to findings that it: (1) failed to adequately supervise the Firm's Enhanced Lending and Independent Price Verification Processes; (2) failed to maintain accurate books and records sufficiently transparent to ensure the accuracy of the Firm's FOCUS Report data; (3) filed an inaccurate FOCUS Report; (4) inaccurately over-reported the amount of a margin call; and (4) inaccurately computed its customer reserve formula. FINRA censured the Firm and fined it $6.5 million.

In April 2013, the Firm entered into with FINRA an AWC for violations of NASD Rules 2110 and 3010, and FINRA Rule 2010. Without admitting or denying the allegations, the Firm consented to findings that it failed to establish and enforce adequate written supervisory procedures ("WSPs") regarding dividend-related yield enhancement on total return swap transactions that involved U.S. equities. FINRA censured the Firm and fined it $275,000.

In February 2013, the Firm entered into with FINRA an AWC for violations of Exchange Act Rules 10b-10 and 17a-3, NASD Rules 2110, 3110, 3340, and 6230, FINRA Rules 2010, 6380A, 6622, 6730, 7230A, and 7330, and MSRB Rules G-8 and G-14. Without admitting or denying the allegations, the Firm consented to findings that it:

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[3] For the Application, we agree with Member Regulation's focus on the Firm's regulatory actions that occurred within the past two years and resulted in fines of $100,000 or more, and discuss these matters herein.

(1) failed to meet various transaction reporting obligations; and (2) failed to comply with Exchange Act Rule 10b-10 with regard to certain trade confirmations with institutional customers. FINRA censured the Firm and fined it $215,000.

In December 2012, the Firm entered into with FINRA an AWC for violations of NASD Rule 3010 and FINRA Rule 2010. Without admitting or denying the allegations, the Firm consented to findings that it failed to: (1) deliver certain mutual fund and preliminary initial public offering ("IPO") prospectuses to customers; and (2) establish and maintain adequate supervisory systems and procedures reasonably designed to monitor and ensure timely delivery of mutual fund and preliminary IPO prospectuses. FINRA censured the Firm fined it $125,000.

In December 2012, the Firm entered into with FINRA another AWC for violations of NASD Rules 2110, 2210, 3010, 3310, and IM-3310, and FINRA Rules 2010 and 5210. Without admitting or denying the allegations, the Firm consented to findings that it failed to: (1) accurately advertise trade volume; and (2) establish and implement a supervisory system that was reasonably designed to ensure compliance with regulatory requirements for accuracy in the Firm's advertisements of executed trade volume. FINRA censured the Firm, fined it $1.25 million, and required it to revise its WSPs.

In November 2012, without admitting or denying the allegations, the Firm entered into settlements with the Chicago Board of Trade ("CBOT") and the CME in response to allegations that it failed to: (1) meet various transaction reporting obligations involving block trade transactions; (2) maintain accurate written or electronic records of the block trade transactions; and (3) supervise its employees or agents in the conduct of their business related to the exchange. CBOT fined the Firm $550,000, and CME fined the Firm $250,000.

In November 2012, the Firm entered into with FINRA an AWC for violations of Exchange Act Rule 17a-3, NASD Rules 2110, 2440, IM-2440, 3110, 3360, and 4632, FINRA Rules 4560, 6730, 7230A, and 7450, NYSE Rule 421, and MSRB Rule G-8 and G-14. Without admitting or denying the allegations, the Firm consented to findings that it failed to: (1) sell corporate bonds to customers at a price that was fair; (2) submit accurate short interest position reports; (3) meet various obligations relating to transaction reporting requirements; and (4) accurately reflect certain terms and conditions on customer orders as required by books and records requirements. FINRA censured the Firm and fined it $175,000.

IV. The Firm's Proposed Continued Membership with FINRA and Proposed Supervisory Plan

Although the Firm has represented that it no longer offers or sells ARS, except for isolated unsolicited transactions with sophisticated clients, the Firm included a supervisory plan with the Application to address deficiencies relating to the underlying cause of the statutory disqualification. This supervisory plan sets forth the categories where the Firm represents it has undertaken significant efforts to enhance its compliance

and supervision. These categories include: (1) Supervisory Procedures; (2) New Product Offering Review and Approval Process; (3) Training; (4) Review of Sales and Marketing Materials; and (5) Surveillance.

With respect to Supervisory Procedures, the Firm represents that it has addressed complex products in a number of ways. Specifically, the Firm represents that it has reviewed its Non-Conventional Investment Policy, which sets forth the Firm's minimum requirements applicable to the sale and marketing by its Private Client Services ("PCS") division of non-conventional instruments (the division through which ARS products addressed in the Judgment were sold and through which securities are offered to "retail" or individual investors). The Firm represents that it has also established procedures to monitor products offered to PCS clients for "external factors" in order to periodically re-review previously approved products in the event of external events or changed circumstances. In this regard, the Firm has established the WM-Americas Product Review Panel ("Review Panel") to review investment products, with a primary emphasis on non-conventional products that the Firm is selling or has sold, to assess the impact of external events or changes in market conditions or the investment risk or suitability profile of such products and to identify any necessary changes in sales and marketing protocols and ensure that they are implemented promptly and with appropriate training.

With respect to the Firm's New Product Offering Review and Approval Process, the Firm represents that it has carefully evaluated this process as it applies to its PCS division. The new product approval process that is followed by PCS incorporates many of the standards that are established by Deutsche Bank's global standards and regional policies, which are designed to address approval processes for new and changed products and markets; determinations of operational readiness associated with products and services; and understanding the risks associated with the new products and services. The standards and policies include post-implementation reviews for products that have been approved with distribution or operational-related conditions or restrictions attached to them. To address issues with respect to prior marketing of products (such as the issues raised in the Judgment regarding the marketing of ARS as cash equivalents), the Firm now has a product approval process in which it includes an assessment of what category of assets the new product falls into, and whether training is necessary for the sales force with regard to the new product.

The Firm further represents that a new product approval ("NPA") is required for entirely new products and may be required for changes to existing products, businesses or markets. As part of the review and risk assessment for a new product, the divisional operational risk officer ("DORO") is required to review the full NPA and to accept the residual operational risk for the business division prior to the product going live. In the case of a new product where the residual operational risk is determined to be significantly high, the DORO is required to ensure that the NPA undergoes an independent review by the operational risk management relationship manager responsible for the requesting business unit. Acceptance of significant residual operational risk in connection with a new product requires approval by the Deutsche Bank Operational Risk Management Committee.

With respect to Training, the Firm represents that its Compliance Training Team ("Compliance Training") conducts a "Training Needs Analysis" annually. The process involves Compliance Training interviewing Compliance Advisory and business management in order to identify pertinent compliance training to be provided to PCS staff in the upcoming year. In addition, Compliance Training and Compliance Advisory will review current audits and examinations and areas of potential risk to identify compliance training. Moreover, the Firm represents that Compliance Training conducts an ongoing analysis of compliance training needs and meets regularly with Compliance Advisory and the Head of the Branch Supervisory Office to ensure that Compliance Training is providing training that is required due to new and revised regulatory needs.

With respect to the Review of Sales and Marketing Materials, the Firm represents that its PCS division has established a centralized system to maintain all advertising and sales literature. Copies of all advertising and sales literature utilized by PCS employees must be maintained in a separate central file. The central file must contain evidence of a supervisor's approval and, where required, the approval of other departments or individuals.

Finally, with respect to Surveillance, the Firm represents that PCS has designed exception or surveillance reports to assist in identifying trading accounts with higher than normal account activity or concentrations, commission trends or other indications of potentially improper conduct. These reports are designed primarily to address suitability concerns and supervisors are expected to review all accounts included on surveillance reports in conjunction with the client's account profile, which contains information on the client's financial status and investment objectives. The Firm represents that it utilizes a rules-based compliance application designed to identify transactions and positions that may require additional review and improve branch supervision processes.

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Subsequent to any approval of the Firm's continued membership in FINRA notwithstanding its statutory disqualification, FINRA staff's first examination of the Firm will evaluate whether it has complied with its proposed plan of supervision. After the Firm's initial examination, FINRA will determine whether to subject the plan to further review, considering (among other things) FINRA's overall risk-based assessment of the Firm.

V. Discussion

Member Regulation recommends approval of the Firm's request to continue its membership in FINRA. After carefully reviewing the entire record in this matter, we approve the Application.

In evaluating an application like this, we assess whether the statutorily disqualified firm seeking to continue its membership in FINRA has demonstrated that its continued membership is consistent with the public interest and does not create an unreasonable risk of harm to the market or investors. *See* FINRA By-Laws, Art. III, Sec.

(3)(d); *cf. Frank Kufrovich*, 55 S.E.C. 616, 624 (2002) (holding that FINRA "may deny an application by a firm for association with a statutorily-disqualified individual if it determines that employment under the proposed plan would not be consistent with the public interest and the protection of investors"). Factors that bear on our assessment include the nature and gravity of the statutorily disqualifying misconduct, the time elapsed since its occurrence, the restrictions imposed, and whether there has been any intervening misconduct.

We recognize that the Judgment involved serious violations of securities rules and regulations. The record shows, however, that the SEC enforcement action underlying the Judgment did not impose an expulsion or suspension of the Firm.[4] The record also shows that the Firm has fully complied with all of the terms of the Judgment, and the Firm has represented that it no longer offers or sells ARS, except for isolated unsolicited transactions with sophisticated clients. The Firm also represents that it has undertaken significant efforts to enhance compliance and supervision, including with respect to product review and approval. The Firm's plan set forth extensive provisions regarding these matters.

We further find that although the Firm has disciplinary history, the record shows that it has taken corrective actions to address noted deficiencies. We agree with Member Regulation that the Firm's disciplinary history should not prevent it from continuing as a FINRA member, and conclude that notwithstanding its regulatory history, the continued membership of the Firm is in the public interest and does not present an unreasonable risk of harm to the market or investors.

At this time, we are satisfied, based in part upon the Firm's representations concerning its compliance with the plan, Member Regulation's representations concerning FINRA's future monitoring of the Firm, and the record currently before us, that the Firm's continued membership in FINRA is consistent with the public interest and does not create an unreasonable risk of harm to the market or investors. Accordingly, we approve the Application for the Firm to continue its membership in FINRA.

FINRA certifies that the Firm meets all qualification requirements and represents that it is registered with, among others, MSRB, NSX and NYSE ARCA, as well as NYSE AMEX, CBOE, CHX, ISE, NYSE, NQX, NASDAQ OMX PHLX, NASDAQ OMX BX, DTC, NSCC, and FICC, which concur with the Firm's proposed continued membership.

Accordingly, we approve the Firm's Application to continue its membership in FINRA as set forth herein. In conformity with the provisions of Exchange Act Rule 19h-1, the continued membership of the Firm will become effective within 30 days of the receipt of this notice by the Commission, unless otherwise notified by the Commission.

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[4] We have also considered that the Commission, in connection with the Judgment, has granted the Firm certain waivers, exemptions, and "no-action" relief under the Exchange Act, the Securities Act of 1933, and the rules and regulations promulgated thereunder.

On Behalf of the National Adjudicatory Counsel,

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Marcia E. Asquith
Senior Vice President and Corporate Secretary