

**FINANCIAL INDUSTRY REGULATORY AUTHORITY
LETTER OF ACCEPTANCE, WAIVER AND CONSENT
NO. 20080136798-01**

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 December 18, 2007, an AWC became final in which the firm was censured and fined \$150,000 for violating NASD Rules 2110, 3010 and 3310 as a result of overstating its trade volume in one particular equity security that was advertised to three private service providers – Thomson AutEx BlockDATA (“AutEx”), Bloomberg and Reuters – in August 2006, and for related supervisory deficiencies.

SUMMARY

This matter emanates from an investigation conducted by the staff of the Market Analysis Section of the Department of Market Regulation (the “staff”) regarding the recurrence of overstating of advertised trade volume during the period January 1, 2008 through June 15, 2012 (the “review period”).

FACTS AND VIOLATIVE CONDUCT

1. In 98 instances during the review period, the firm's aggregate trade volume manually advertised by traders in AutEx, Bloomberg and/or Reuters substantially exceeded the firm's executed trade volume for that security. The overstatements ranged from a low of 1.3 percent to a high of 9,900 percent. The conduct described in this paragraph constitutes separate and distinct violations of NASD Rules 2110, 2210, 3310 and IM-3310.
2. During the period October 15, 2010 through June 15, 2012, the firm's systems also failed to accurately advertise trade volume. Specifically, more than four billion shares, which comprised about four percent of the firm's volume during the period, that were not eligible for advertisement were advertised. The conduct described in this paragraph constitutes separate and distinct violations of FINRA Rules 2010 and 5210 and NASD Rule 2210.
3. The firm failed to establish and implement a supervisory system during the review period that was reasonably designed to ensure compliance with regulatory requirements for accuracy in the firm's advertisements of executed trade volume. More specifically: (a) during the period January 1, 2008 through September 4, 2008, the firm's WSPs did not contain a statement of the supervisory step(s) to be taken in reviewing manually advertised volume; (b) during the period January 1, 2008 through July 31, 2008, the firm employee responsible for the supervisory review of advertised trade volume was not made aware that advertisements were being manually entered by traders; and (c) during the period October 15, 2010 through June 15, 2012, the firm's surveillance was designed to ensure that volume eligible for advertisement matched the volume actually advertised. However, the system was not designed to detect incidences in which activity *not* eligible for advertisement was incorrectly being deemed eligible. As a result, more than four billion ineligible shares were falsely advertised by the Firm. The conduct described in this paragraph constitutes a violation of NASD Rule 2110 (for the period prior to December 15, 2008), FINRA Rule 2010 (for the period on or after December 15, 2008) and NASD Rule 3010.

OTHER FACTORS

Upon receiving the staff's initial inquiry letter for this matter, the firm conducted an internal investigation; provided a written summation of the results of that investigation; and imposed disciplinary actions against some of the traders responsible for a portion of the inflated advertisements. In addition, the firm self-reported the remainder of the violations to the staff prior to FINRA becoming aware of the issues involved. Consistent with Principal Considerations 2 and 12 of the Sanction Guidelines, and in direct accordance with Notice to Members 08-70, "FINRA Provides Guidance Regarding Credit for Extraordinary Cooperation" (Nov. 2008), the mitigated monetary sanction in this matter reflects the actions undertaken by the firm, as described in this paragraph.

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

- A censure;
- A fine of \$1,250,000; and
- An undertaking to revise the firm's supervisory procedures with respect to the areas described in paragraph A.3. Within 30 business days of acceptance of this AWC by the 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 supervisory procedures to address the deficiencies described in this paragraph; and (3) the date the revised procedures were implemented.

The firm agrees to pay the monetary sanction upon notice that this AWC has been accepted and that such payment is 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 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 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.

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 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.

11/19/12
Date

Respondent
Deutsche Bank Securities Inc.

By: Joseph Polyzotto
Name: JOSEPH POLYZOTTO

Title: Managing Director

By: Robert E. Rele

Name: ROBERT E. RELE

Title: Managing Director

Reviewed by:

Christian J. Mixter

Mr. Christian J. Mixter, Esq.
Counsel for Respondent
Morgan, Lewis & Bockius LLP
1111 Pennsylvania Ave., NW
Washington, DC 20004-2541
(202) 739-5575

Accepted by FINRA:

12/14/12
Date

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

TL R. Gira
Thomas R. Gira
Executive Vice President
Department of Market Regulation