FINANCIAL INDUSTRY REGULATORY AUTHORITY
LETTER OF ACCEPTANCE, WAIVER AND CONSENT
No. 2011030683701

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

FROM: Deutsche Bank Securities Inc.,
CRD No. 2525

Pursuant to FINRA Rule 9216 of FINRA's Code of Procedure, Respondent Deutsche Bank Securities Inc. ("DBSI" or 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 Respondent 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

DBSI is a Delaware corporation that has been registered as a FINRA-member firm since 1940. The Firm is majority owned by DB U.S. Financial Markets Holding Corporation. It is a full service securities brokerage firm engaged in the sale of commodities and equity and debt securities, market-making, investment banking services, research and investment advisor services. DBSI, an indirect wholly owned subsidiary of Deutsche Bank AG, is headquartered in New York, NY, employs approximately 4,200 people, including 3,266 registered brokers in 21 branch offices.

RELEVANT DISCIPLINARY HISTORY

In August 2004, NASD censured DBSI and other firms as part of the Global Research Settlement and ordered it to pay a total of $87,500,000 for violating Section 17(b) of the Securities Act of 1933 and NASD Conduct Rules 2110, 2210(d)(1)(a), 2210(d)(2), and 3010, by engaging in acts and practices that created and/or maintained inappropriate influence by investment banking over research analysts, thereby creating conflicts of interest for its research analysts. DBSI also failed

to manage these conflicts in an adequate manner; failed to establish and maintain adequate policies and procedures reasonably designed to manage these conflicts of interest.[1]

OVERVIEW

In April 2010, Toys R Us ("TRU") and its private equity owners ("Sponsors") invited DBSI and other broker-dealers to compete for a role in TRU's planned initial public offering (the "TRU IPO"). To win this investment banking business from TRU, DBSI's equity research analyst participated in the Firm's solicitation efforts and the Firm offered favorable research coverage to TRU. Therefore, in the context of the TRU IPO, DBSI committed two separate violations of NASD Rule 2711, the research analyst conflict of interest rule: 2711(c)(4), which prohibits research analysts from participating in efforts to solicit investment banking business; and 2711(e), which prohibits firms from directly or indirectly offering favorable research to obtain investment banking business.

DBSI allowed its research analyst to participate in the Firm's solicitation efforts by making a presentation to TRU and its Sponsors during the "solicitation period" – i.e., the period after a company has made known that it intends to proceed with a prospective investment banking services transaction, such as an IPO, and before the company has made a bona fide award of a mandate for the transaction. Before TRU awarded the TRU IPO business, it asked the equity research analysts from the firms competing for the business to make presentations to TRU's management and Sponsors. TRU provided specific topics for the analysts to address and put the firms on notice that, as part of the underwriter-selection process, it would consider each analyst's views of the company and whether the analyst's valuation was consistent with the firm's investment bankers' valuation. As described below, DBSI's research analyst presented to TRU and its Sponsors on May 5, 2010, during the solicitation period, thereby participating in the Firm's efforts to solicit investment banking business from TRU.

DBSI also offered favorable research to induce TRU to award the Firm its investment banking business. Following the analyst's presentation, TRU asked DBSI to complete a template showing an "Equity Commitment Committee approv[ed]" valuation of TRU, which would include the analyst's views on TRU's valuation. TRU and its Sponsors asked the firms to complete the template and provide a Firm-wide valuation that DBSI, including its analyst would be expected to support after TRU awarded the TRU IPO business, absent unexpected developments. Indeed, TRU told some firms that the purpose of the template was to prevent TRU from being "burned" by an analyst's decision to adopt a negative view of TRU after the company had awarded its investment banking business to the analyst's firm. DBSI complied with TRU's request.

TRU and the Sponsors selected DBSI as an underwriter and co-bookrunner for the TRU IPO. TRU, however, eventually decided not to proceed with the offering.

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[1] In conjunction with Letter of Acceptance, Waiver and Consent No. CAF040062 (August 20, 2004), Deutsche Bank entered into a Final Judgment with the Securities and Exchange Commission ("SEC") that included, among other things, undertakings with regard to research independence and publication.

FACTS AND VIOLATIVE CONDUCT

I. DBSI Violated NASD Rule 2711(c)(4) by Allowing Its Research Analyst to Participate In the Solicitation of Investment Banking Business.

NASD Rule 2711, the research analyst conflict of interest rule, is designed to insulate research analysts from a myriad of conflicts that could impair their impartiality. Taken together, the various provisions of the rule play a critical role in protecting analysts from improper influences and promoting the analysts' independent role providing research and analysis to investors. NASD Rule 2711(c)(4) is a key component of the rule that is designed to preclude analysts from participating in efforts to obtain investment banking business from issuers, given that analysts typically initiate coverage of issuers when their firms play a role in bringing the issuer public.

NASD Rule 2711(c)(4) states at the outset, that"[n]o research analyst may participate in efforts to solicit investment banking business." The rule clarifies this broad prohibition by stating further that "no research analyst may, among other things, participate in any 'pitches' for investment banking business to prospective investment banking clients or have other communications with companies for the purpose of soliciting investment banking business." Thus, the rule prohibits a research analyst from being part of the deal team seeking to win investment banking business.

Under NASD Rule 2711(c)(4), an analyst may communicate with an issuer during the solicitation period as part of the analyst's due diligence efforts to gather information about the company, but may not communicate with the issuer in furtherance of soliciting a role for his investment bank in the underwriting. In the context of a meeting requested by an issuer during the solicitation period for the purpose of obtaining an analyst's views as part of the underwriter selection process, as occurred in the TRU IPO, an analyst from a soliciting investment bank may not communicate to the issuer his views about the issuer or the issuer's industry, such as his views about valuation or comparable companies.

In April 2010, TRU and the Sponsors notified several investment banking firms of their interest in bringing the company public through an initial public offering. On April 23, 2010, TRU telephoned several firms, invited them to bid for a role in the TRU IPO, and scheduled a "bakeoff" with each firm's investment bankers for April 30, 2010. TRU also notified the firms that, as part of the process of selecting underwriters, it wanted to hear the views of each firm's analyst who would cover the company following the TRU IPO. Each firm understood that TRU would consider the firm's analyst's views in determining whether the firm would receive an underwriting role in the TRU IPO. TRU gave the firms a list of topics it wished the analysts to cover, including the retail industry outlook, valuation, and comparables. TRU scheduled meetings with the analysts for May 4 and May 5, 2010.

On May 4, 2010, TRU and the Sponsors met with the equity research analysts from the firms competing for the TRU IPO business and provided background and financial information on the company for purposes of the analysts' due diligence.

On May 5, 2010, each firm's analyst made a separate presentation to TRU and the Sponsors. Under the circumstances, the analysts' presentations on May 5 constituted part of each firm's

"pitch" for the TRU IPO, and therefore violated NASD Rule 2711(c)(4). The presentations occurred during the solicitation period for the TRU IPO. TRU made clear to each firm that the analyst's presentation would be a factor in TRU's determination of whether a firm would be awarded a role in the IPO. Each analyst presentation was structured so that the analyst spoke and TRU management and Sponsors asked questions. These meetings were not designed to provide information to the analyst that the analyst could use to "vet" the proposed transaction.

Investment bankers from DBSI participated in the April 30 "bakeoff" and the DBSI analyst from the relevant industry who was to cover TRU after it went public attended the May 4 meeting and made a presentation to TRU and its Sponsors on May 5.

The investment bankers consulted with the research analyst in preparing for the "bake off." On April 27, 2010, shortly after DBSI was invited to pitch to TRU, DBSI investment bankers gave the Firm's research analyst covering TRU a list of "questions as discussion topics" they asked him to address in a conference call later that day. The questions included:

- Where would you see valuation coming in?
- Suggested price range?
- Maximum IPO size that you would recommend?

The analyst and investment bankers covered those topics and others in a conference call on April 27, 2010.

On April 29, 2010, the DBSI research analyst contacted the Firm's investment bankers to let them know he had received the invitation and list of topics to cover from TRU. Shortly thereafter, an investment banker forwarded to the analyst materials regarding TRU, noting that it was "in preparation for his [the analyst's] presentation to the board of Toys R Us." All contacts described herein between the research analyst and investment banking were chaperoned by a Compliance officer.

On April 30, 2010, the Firm's investment bankers made their pitch to TRU and the Sponsors. In their pitch materials, the DBSI investment bankers identified the research analyst covering TRU, included a picture of him, and described his coverage universe.

A potential issue arose because the DBSI analyst was in Scotland and might not have been able to attend the May 4 and 5 meetings in person. The analyst wrote a Firm chaperone to ask an investment banker handling the TRU matter "how important it is for me to attend in person or by phone." A series of email discussions ensued between investment bankers. One banker opined that he was "inclined not to leave anything to chance and yank him back." Another banker concurred, noting, "Yank him back. Any one of us would be on a plane." The bankers ultimately expressed their preference for the analyst to come back for the meetings, and the analyst decided to return from Scotland and participated in the TRU meetings on May 4-5, 2010.

On the evening of May 4, 2010, a DBSI investment banker telephoned the analyst to discuss the analyst's meeting with TRU scheduled for the following day. That same day, even before the presentation by the analyst, DBSI investment bankers requested that its senior officials call top TRU Sponsors directly over the next two days to "reiterate our commitment." The investment

bankers provided the DBSI top officials with "key points" as background for their discussions. Among the key points, the investment bankers wrote:

> *our valuation is 16-20x 2011 earnings – focused on the higher end. This is quite aggressive and places them at the very high end of the best of breed peers. This is credible, we believe it, and its aggressive. Our analyst – [name] – loves the story, is aggressive and is totally in synch on this valuation.

Top DBSI officials followed through with the request and contacted specific senior individuals who were with TRU Sponsors.

Early on May 5, the day of the analyst presentation, a DBSI investment banker asked another DBSI investment banker whether the analyst was "ready for prime time." The banker responded, stating, "Spoke to him last night... - he is pumped and ready to go at 2 pm today."

Prior to the May 5 presentation, the DBSI analyst consulted with senior personnel from DBSI's Legal and Compliance Department. The analyst shared his presentation with the Firm's Legal and Compliance Department who reviewed, edited, and approved a version of the presentation that contained no reference to TRU specifically.

During his presentation, the DBSI analyst noted that he was restricted in his ability to remark on certain questions and indicated at the outset through a disclaimer that he could not comment on, among other things, valuation, research coverage, or imply what the coverage would look like. TRU Sponsors questioned him nonetheless on valuation, comparables, and positioning, inviting the analyst to speak on the subjects since the bank's attorneys were not present. Consistent with the directive from Legal and Compliance, the analyst did not address these matters despite urging from TRU Sponsors.

When the DBSI analyst finished presenting, he briefed the Firm's investment bankers, who expressed concern among themselves that the analyst's performance may have hurt the Firm's chances to win the TRU IPO business. One investment banker sent an email stating that the "Firm totally screwed up – all is lost."

Additionally, DBSI complied with TRU's request for a valuation that included the analyst's views.

As a result of the foregoing, DBSI violated NASD Rule 2711(c)(4) and FINRA Rule 2010.

II. DBSI Violated NASD Rule 2711(e) by Offering Favorable Research Coverage to Induce Receipt of TRU's Investment Banking Business.

NASD Rule 2711 recognizes that a firm can create a conflict for an analyst and compromise the analyst's independence if it promises favorable research coverage in an effort to win investment banking business. Therefore, NASD Rule 2711 contains a broad prohibition against directly or indirectly offering favorable research: "No member may directly or indirectly offer favorable research, a specific rating, or a specific price target . . . to a company as consideration or inducement for the receipt of business or compensation." Accordingly, in the context of a

solicitation period where the issuer has stated that it will consider an analyst's views as part of the underwriter selection process, a firm cannot indicate to a prospective investment banking client its analysts' positive views of the company or the company's prospects, even if honestly held, or the positive prospective valuation the analyst may give the company.

Under the circumstances of the TRU IPO, DBSI offered favorable research coverage to induce receipt of investment banking business by completing and submitting to TRU, during the solicitation period, a valuation template requested by TRU and the Sponsors.

On May 6, 2010, TRU notified the firms that it would be sending a template to each firm to complete as part of the underwriter-selection process. TRU explained that, in order to be selected as an underwriter, each firm had to provide the requested valuation. TRU and the Sponsors wanted to ensure that, if a firm was selected as an underwriter, its analyst's views would be consistent with the valuation provided by its investment bankers.

Later that day, TRU sent the template to each of the firms along with a cover email. The template asked each firm to provide projected EBITDA and net income for 2010 and 2011, the corresponding valuation multiple for 2010 and 2011, and identify up to five comparable companies used for valuation. In the cover email accompanying the template, TRU wrote that, before selecting underwriters, it wanted each firm to provide (1) "Equity Commitment Committee approval of a definitive equity valuation range," and (2) "what company or companies you would choose for the purpose of determining comparative values, and why." TRU stated that if a firm was selected as an underwriter, the firm, including its analyst, would be expected to stand behind the valuation provided in the template. If the valuation changed, the firm would be expected to show that the change was "directly traceable to unexpected findings during due diligence or unexpected changes in exogenous factors." The templates were due on May 10, 2010.

DBSI understood that TRU and the Sponsors wanted a final valuation that the entire Firm, including its analyst, would support if selected as an underwriter.

Consistent with the request by TRU, DBSI's ECC met and heard presentations from both investment banking and separately from research regarding valuation of TRU. Thereafter, after approval by the ECC, DBSI's investment bankers responded to TRU with the completed template listing a specific valuation of 18.5x earnings and seven comparables.

By providing TRU the unified valuation it sought, DBSI indicated to TRU that post-IPO research coverage would be positive and aligned with investment banking.

Shortly thereafter, TRU and the Sponsors selected DBSI as an underwriter and co-bookrunner for the TRU IPO.

As a result of the foregoing, DBSI violated NASD Rule 2711(e) and FINRA Rule 2010.

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

- a censure; and
- a fine in the amount of $4,000,000.

DBSI agrees to pay the monetary sanction upon notice that this AWC has been accepted and that such payment is due and payable. DBSI has submitted an Election of Payment form showing the method by which it proposes to pay the fine imposed.

DBSI 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

DBSI 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, DBSI 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.

DBSI 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

DBSI 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 it; and

C. If accepted:

1. this AWC will become part of DBSI'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 DBSI'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. DBSI 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. DBSI 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 DBSI'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. DBSI may attach a Corrective Action Statement to this AWC that is a statement of demonstrable corrective steps taken to prevent future misconduct. DBSI 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 DBSI, 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; has agreed to its 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 DBSI to submit it.

Date: 12-5-14

Deutsche Bank Securities Inc.

By: Michael Chepiga
Michael Chepiga
Senior Counsel, Americas

Reviewed by:

David Hennes, Esq.
Lisa H. Bebchick, Esq.
Counsel for Respondent
Fried, Frank, Harris, Shriver & Jacobson LLP
One New York Plaza
New York, NY 10004
(212) 859-8355
Counsel for Respondent

Daniel E. McIntyre
Managing Director

Accepted by FINRA:

Date:_____

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

By:_____
James E. Day
Vice President and Chief Counsel
FINRA Department of Enforcement
15200 Omega Drive, Suite 300
Rockville, MD 20850
T: 301.258.8520
F: 301.208.8090

The undersigned, on behalf of DBSI, 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; has agreed to its 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 DBSI to submit it.

Date: 12/15/14

Deutsche Bank Securities Inc.

Reviewed by:

By: _____
Michael Chepiga
Senior Counsel, Americas

David Hennes, Esq.
Lisa H. Bebchick, Esq.
Counsel for Respondent
Fried, Frank, Harris, Shriver & Jacobson LLP
One New York Plaza
New York, NY 10004
(212) 859-8355
Counsel for Respondent

Daniel E. McIntyre
Managing Director

Accepted by FINRA:

Date: 12/10/14

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

By: _____
James E. Day
Vice President and Chief Counsel
FINRA Department of Enforcement
15200 Omega Drive, Suite 300
Rockville, MD 20850
T: 301.258.8520
F: 301.208.8090