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Deutsche Bank Securities Inc. and Thomas Weisel Partners LLC Settle Enforcement Actions Involving Conflicts of Interest Between Research and Investment Banking

Deutsche Bank Securities to Pay \$87.5 Million, Including Penalty of \$7.5 Million for Failing to Produce E-mails; Thomas Weisel Partners to Pay \$12.5 Million

Washington, DC, New York, and Sacramento, California, August 26, 2004 – The Securities and Exchange Commission, the North American Securities Administrators Association (“NASAA”), NASD, Inc., New York Stock Exchange (“NYSE”), and state securities regulators, including California’s Department of Corporations, announced today enforcement actions against Deutsche Bank Securities Inc. and Thomas Weisel Partners LLC. These settlements are related to the April 2003 global settlement that 10 other investment banks reached with the SEC, state securities regulators, NASD, and NYSE following investigations of allegations that investment banking interests had undue influence on securities research at brokerage firms. The enforcement actions against Deutsche Bank Securities and Thomas Weisel Partners, together with the global settlement announced last year, are part of a comprehensive regulatory effort to reform the relationship between investment banking and research and to improve industry practices relating to fundamental research.

Terms of the Settlement: Penalties, Disgorgement, Funds for Independent Research and Investor Education, Reforms, and Injunctions

Deutsche Bank Securities will pay a total of \$87.5 million: \$25 million in disgorgement, \$25 million as a penalty for various conflicts of interest, \$25 million to fund independent research, \$5 million to fund and promote investor education, and \$7.5 million for failing to promptly produce all e-mail and thereby delaying by over a year the investigation as to Deutsche Bank Securities. Thomas Weisel Partners will pay a total of \$12.5 million: \$5 million in disgorgement, \$5 million as a penalty for various conflicts of interest, and \$2.5 million to fund independent research. Under the settlements, half of the disgorgement and penalty amounts will be paid by the firms in resolution of actions brought by the SEC, NYSE and NASD, and will be put into funds to benefit customers of the firms. The remainder of the disgorgement and penalty amounts will be paid to the state securities regulators.

With respect to Deutsche Bank Securities' \$5 million for investor education, the SEC, NYSE, and NASD have authorized that \$2.5 million of these funds be added to the Investor Education Fund that the Court approved in the global settlement. The Investor Education Fund will, through the creation of an Investor Education Foundation, develop and support programs designed to equip investors with the knowledge and skills necessary to make informed decisions. The remaining \$2.5 million will be paid to state securities regulators and will be used for investor education purposes.

In addition to the monetary payments, Deutsche Bank Securities and Thomas Weisel Partners are required to comply with significant requirements that will dramatically reform their practices, including separating the research and investment banking departments at the firms, restructuring how research is reviewed and supervised, prohibiting analysts from receiving compensation for investment banking activities, and making independent research available to investors. These changes are consistent with those imposed against the 10 firms in the global settlement.

Under the terms of the settlement, an injunction will be entered against each firm, enjoining it from violating the statutes and rules that it is alleged to have violated. The firms also have entered into the voluntary agreement restricting allocations of securities in hot IPOs to certain company executive officers and directors, a practice known as "spinning," that originally was agreed to by the ten firms in the global settlement. The agreement is designed to promote fairness in the allocation of IPO shares and prevent the firms from using these shares to attract investment-banking business.

Summary of the Enforcement Actions

The enforcement actions allege that, from approximately mid-1999 through mid-2001, the firms engaged in acts and practices that created or maintained inappropriate influence by investment banking over research analysts, thereby imposing conflicts of interest on research analysts that the firms failed to manage in an adequate or appropriate manner. In addition, the regulators found supervisory deficiencies at both firms. The enforcement actions, the allegations of which were neither admitted nor denied by the firms, also included additional charges:

- Deutsche Bank Securities and Thomas Weisel Partners issued research reports that were not based on principles of fair dealing and good faith and did not provide a sound basis for evaluating facts, contained exaggerated or unwarranted claims about the covered companies, and/or contained opinions for which there were no reasonable bases in violation of NYSE Rules 401, 472, and 476(a)(6), and NASD Rules 2110 and 2210 as well as state statutes.
- Deutsche Bank Securities and Thomas Weisel Partners received payments for research without disclosing such payments in violation of Section 17(b) of the Securities Act of 1933 as well as NYSE Rules 476(a)(6), 401, and 472 and NASD Rules 2210 and 2110. The firms also made undisclosed payments for research in violation of NYSE Rules 476(a)(6), 401, and 472 and NASD Rules 2210 and 2110 and state statutes.

- Deutsche Bank Securities failed to timely produce all e-mail communications that had been requested during the investigation, in violation of Section 17(b) of the Securities Exchange Act of 1934 as well as NYSE Rule 476(a)(11) and NASD Rule 2110. Deutsche Bank Securities had produced less than one-fourth of the responsive e-mail by April 2003, when the global settlement was concluded. Over the following year, Deutsche Bank Securities produced an additional 227,000 e-mails, more than tripling its original production.

To implement these settlements, the SEC today filed separate actions against each firm in Federal District Court in New York City and, concurrently, the NYSE and NASD completed disciplinary proceedings pursuant to the disciplinary procedures of their respective organizations. At the state level, California, which together with two other state regulators, Maryland and the District of Columbia, participated in the joint investigation of Deutsche Bank Securities, has agreed to resolve the case. California, which was the lead state participating in the Thomas Weisel investigation, also has reached an agreement with that firm. Model settlement agreements have been finalized and the NASAA Board of Directors has recommended that all states accept the terms of the agreements. The proposed Final Judgments in the SEC actions are subject to Court approval.

Securities and Exchange Commission v. Deutsche Bank Securities Inc., 04 CV 06909 (WHP) (S.D.N.Y.); In re Deutsche Bank Securities Inc., HPD 04-128 (NYSE); Deutsche Bank Securities Inc., NASD Letter of Acceptance, Waiver, and Consent, CAF No. 040062

Securities and Exchange Commission v. Thomas Weisel Partners LLC, 04 CV 06910 (WHP) (S.D.N.Y.); In re Thomas Weisel Partners LLC, HPD 04-129 (NYSE); Thomas Weisel Partners LLC, NASD Letter of Acceptance, Waiver, and Consent, CAF No. 040061

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