

**NEW YORK STOCK EXCHANGE LLC  
LETTER OF ACCEPTANCE, WAIVER, AND CONSENT  
NO. 2017-05-00037**

TO: New York Stock Exchange LLC

RE: Deutsche Bank Securities Inc.  
CRD No. 2525

**From October 1, 2015 to March 31, 2017 (the “Relevant Period”), Deutsche Bank Securities Inc. (“DBSI” or the “Firm”) violated NYSE Rule 3110(b)(4) by failing to establish and maintain reasonably designed procedures for the review of electronic communications because the lexicons used by DBSI as part of its review process were not reasonably designed. DBSI consents to a censure and a \$65,000 fine.**

\* \* \*

Pursuant to NYSE Rule 9216 of the New York Stock Exchange LLC (the “NYSE” or the “Exchange”) Code of Procedure, 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, the NYSE will not bring any future actions against the Firm alleging violations based on the same factual findings described herein.

**I. ACCEPTANCE AND CONSENT**

- A. DBSI 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 the NYSE, or to which the NYSE 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 the NYSE:

**BACKGROUND AND JURISDICTION**

1. DBSI has been member of the NYSE since November 17, 1982.
2. In its capacity as a broker-dealer, DBSI clears securities for its customers, affiliates, and itself on the NYSE, provides trade execution services for a broad range of domestic and international clients, and provides securities brokerages services to private clients and institutions. DBSI also provides a variety of capital raising, market making, and brokerage services for its government, financial institution, and corporate clients, including equity sales and trading.

## PROCEDURAL HISTORY

3. In May 2017, NYSE Regulation Enforcement (“Enforcement”) opened an investigation into DBSI to determine whether the electronic communications review procedures it had in place were reasonable under NYSE Rule 3110(b)(4).

## VIOLATIONS

### NYSE Rule 3110(b)(4) Violation

4. NYSE Rule 3110(b)(1) generally requires “[e]ach member organization [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 Exchange rules.”
5. NYSE Rule 3110(b)(4) more specifically provides, *inter alia*: “The supervisory procedures required by this paragraph (b) shall include procedures for the review of incoming and outgoing written (including electronic) correspondence and internal communications relating to the member organization’s investment banking or securities business. The supervisory procedures must be appropriate for the member organization’s business, size, structure, and customers.”
6. During the Relevant Period, the supervisory procedures that DBSI had in place to review electronic communications were not appropriate or reasonable in light of its business, size, structure, and customers.
7. DBSI primarily used a lexicon-based approach to collect and review electronic communications that its employees sent and received both internally and externally. DBSI also conducted a series of risk-based reviews to supplement its lexicon-based reviews.
8. The lexicons that DBSI used, however, were not reasonably designed to identify electronic communications that may indicate potentially problematic or violative conduct, particularly given the breadth of DBSI’s businesses.
9. For example, DBSI’s electronic communications review procedures only covered thirteen categories (or areas) of problematic conduct when it should have surveilled for additional categories of potentially problematic conduct in which its employees may be engaged. No additional categories were added during the Relevant Period.<sup>1</sup>
10. As a result of utilizing only thirteen categories of terms, DBSI only flagged ninety electronic communications for supervisor follow-up during the Relevant Period.

---

<sup>1</sup> During the Relevant Period, other firms of similar size and complexity used lexicons that surveilled for nearly two dozen more additional categories of potentially problematic employee conduct.

11. In addition, during the Relevant Period, DBSI did not have reasonable procedures in place to update and revise its lexicons on a periodic basis.
12. For example, six of the thirteen categories were only updated three times or less over the Relevant Period. In addition, nine of the thirteen categories were last updated in either mid- or late 2015 (with the Relevant Period ending in March 2017).
13. For these reasons, DBSI violated NYSE Rule 3110(b)(4).

#### **PRIOR RELEVANT DISCIPLINARY HISTORY**

14. In August 2012, DBSI entered into an AWC with FINRA in which the Firm agreed, without admitting or denying the findings, to a censure and \$100,000 fine for, among other violations, failing to develop and enforce reasonably-designed procedures for the review of electronic communications in its private client services divisions. *See DBSI*, FINRA AWC Matter No. 2010-02-30963-02 (August 10, 2012).

#### **OTHER FACTORS CONSIDERED**

15. In resolving this matter, Enforcement took into account that DBSI voluntarily undertook to improve its supervisory procedures for reviewing electronic communications pursuant to NYSE Rule 3110(b)(4). Part of DBSI's efforts have included, among other things, enhancing and further developing DBSI's lexicons to include additional categories and also enhancing DBSI's ongoing review of those lexicons, as well as implementing a new surveillance review platform that it uses for its electronic communication reviews. In doing so, DBSI has committed significant resources to these improvements.
16. Enforcement also took into account DBSI's cooperation with the investigation.

#### **SANCTIONS**

- B. DBSI consents to the imposition of the following sanctions:

**Censures and fine in the amount of \$65,000.**

The Firm agrees to pay the monetary sanction(s) upon notice that this AWC has been accepted and that such payment(s) are due and payable. The Firm has submitted a Method of Payment Confirmation form showing the method by which it will 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(s) imposed in this matter. The Firm agrees that it shall not seek or accept, directly or indirectly, reimbursement or indemnification from any source, including but not limited to payment made pursuant to any insurance policy, with regard to any fine amounts that the Firm pays

pursuant to this AWC, regardless of the use of the fine amounts. The Firm further agrees that it shall not claim, assert, or apply for a tax deduction or tax credit with regard to any federal, state, or local tax for any fine amounts that the Firm pays pursuant to this AWC, regardless of the use of the fine amounts.

The sanctions imposed herein shall be effective on a date set by NYSE Regulation.

## **II. WAIVER OF PROCEDURAL RIGHTS**

The Firm specifically and voluntarily waives the following rights granted under the NYSE Code of Procedure:

- A. To have a Formal Complaint issued specifying the allegations against the Firm;
- B. To be notified of the Formal 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 Exchange's Board of Directors 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 Chief Regulatory Officer of the NYSE; the Exchange's Board of Directors, Disciplinary Action Committee ("DAC"), and Committee for Review ("CFR"); any Director, DAC member, or CFR member; Counsel to the Exchange Board of Directors or CFR; any other NYSE employee; or any Regulatory Staff as defined in NYSE Rule 9120 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 communication prohibitions of NYSE Rule 9143 or the separation of functions prohibitions of NYSE 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 by NYSE Regulation, and accepted by the Chief Regulatory Officer of the NYSE pursuant to NYSE 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. The AWC shall be sent to each Director and each member of the Committee for Review via courier, express delivery or electronic means, and shall be deemed final and shall constitute the complaint, answer, and decision in the matter, 25 days after it is sent to each Director and each member of the Committee for Review, unless review by the Exchange Board of Directors is requested pursuant to NYSE Rule 9310(a)(1)(B);
  2. This AWC will become part of the Firm's permanent disciplinary record and may be considered in any future actions brought by the Exchange, or any other regulator against the Firm;
  3. The NYSE shall publish a copy of the AWC on its website in accordance with NYSE Rule 8313;
  4. The NYSE may make a public announcement concerning this agreement and the subject matter thereof in accordance with NYSE Rule 8313; and
  5. 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 the Exchange, or to which the Exchange is a party, that is inconsistent with any part of this AWC. Nothing in this provision affects the Firm's: (i) testimonial obligations; or (ii) right to take legal or factual positions in litigation or other legal proceedings in which the Exchange is not a party.
- D. A signed copy of this AWC and the accompanying Method of Payment Confirmation form delivered by email, facsimile or other means of electronic transmission shall be deemed to have the same legal effect as delivery of an original signed copy.
- E. 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. Any such statement does not constitute factual or legal findings by the Exchange, nor does it reflect the views of NYSE Regulation or its staff.

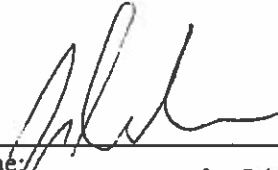
The Firm certifies that, in connection with each of the Exchange's requests for documents in connection with this matter, the Firm made a diligent inquiry of all persons who reasonably had possession of responsive documents, and that those documents have been produced or identified in a privilege log. The Firm acknowledges that, in agreeing to the AWC, the Exchange has relied upon, among other things, the completeness of such document productions.

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.


8/20/18  
Date

Deutsche Bank Securities Inc.  
Respondent

By:

  
Name: **Joe Salama**  
Title: **Managing Director & Deutsche Bank Securities Inc. General Counsel**  
for and on behalf of  
Deutsche Bank Securities Inc.

By:

  
Name: **Andrew Stemmer**  
Title: **Director & Deutsche Bank Securities Inc. General Counsel**  
for and on behalf of  
Deutsche Bank Securities Inc.

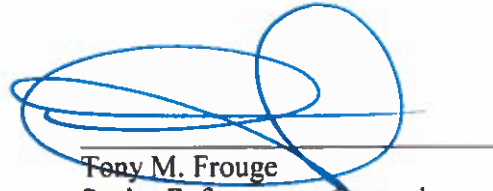
Approved as to form by:

  
Lisa H. Bechick, Esq.  
Ropes & Gray LLP  
Counsel for Deutsche Bank Securities Inc.

Accepted by NYSE Regulation:

08.21.18

Date



Tony M. Frouge  
Senior Enforcement Counsel  
NYSE Regulation

Signed on behalf of the  
New York Stock Exchange LLC,  
by delegated authority from its  
Chief Regulatory Officer