

**THE NASDAQ STOCK MARKET LLC
NOTICE OF ACCEPTANCE OF AWC**

Certified, Return Receipt Requested

**TO: Deutsche Bank Securities Inc.
Mr. Steven F. Reich
General Counsel
60 Wall Street
New York, NY 10005**

**FROM: The NASDAQ Stock Market LLC ("Nasdaq")
c/o Financial Industry Regulatory Authority ("FINRA")
Department of Market Regulation
9509 Key West Avenue
Rockville, MD 20850**

DATE: July 27, 2017

RE: Notice of Acceptance of Letter of Acceptance, Waiver and Consent No. 20130393135-05

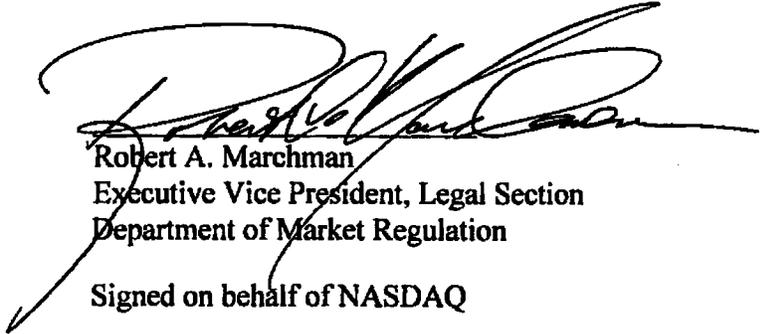
Please be advised that your above-referenced Letter of Acceptance, Waiver and Consent ("AWC") has been accepted on **June 28, 2017** by the Nasdaq Review Council's Review Subcommittee, or by the Office of Disciplinary Affairs on behalf of the Nasdaq Review Council, pursuant to Nasdaq Rule 9216. A copy of the AWC is enclosed herewith.

You are again reminded of your obligation, if currently registered, immediately to update your Uniform Application for Broker-Dealer Registration ("Form BD") to reflect the conclusion of this disciplinary action. Additionally, you must also notify FINRA (or NASDAQ if you are not a member of FINRA) in writing of any change of address or other changes required to be made to your Form BD.

You will be notified by the Registration and Disclosure Department regarding sanctions if a suspension has been imposed and by NASDAQ's Finance Department regarding the payment of any fine if a fine has been imposed.

Deutsche Bank Securities Inc.
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If you have any questions concerning this matter, please contact Dean A. Floyd, Principal Counsel, at (240) 386-6867.



Robert A. Marchman
Executive Vice President, Legal Section
Department of Market Regulation
Signed on behalf of NASDAQ

Enclosure

FINRA District 10 – New York
Michael Solomon
Senior Vice President and Regional Director
(Via email)

Deutsche Bank Securities Inc.
Mr. Joe Salama
Managing Director & Associate General Counsel
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New York, NY 10005

Peter Isajiw, Esq.
King & Spalding LLP
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Counsel for Respondent

Andrew Stemmer
Director & Associate General Counsel
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New York, NY 10005-2836

THE NASDAQ STOCK MARKET LLC
LETTER OF ACCEPTANCE, WAIVER AND CONSENT
NO. 20130393135-05

TO: The NASDAQ Stock Market LLC
c/o Department of Market Regulation
Financial Industry Regulatory Authority ("FINRA")

RE: Deutsche Bank Securities Inc., Respondent
Broker-Dealer
CRD No. 2525

Pursuant to Rule 9216 of The NASDAQ Stock Market LLC ("Nasdaq") 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, Nasdaq 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 Nasdaq, or to which Nasdaq 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 Nasdaq:

BACKGROUND

The firm has been a member of Nasdaq since July 12, 2006, and its registration remains in effect.

The firm does not have any relevant disciplinary history.

SUMMARY

In connection with Matter No. 20130393135, the Market Analysis Section of the Department of Market Regulation (the "staff") reviewed the firm's compliance with market access controls related to trading activity from December 3, 2013 through December 23, 2014 (the "first review period").

In connection with Matter No. 20140417491, the Market Manipulation Investigations Team of the Department of Market Regulation (the "staff") reviewed the firm's compliance with risk management controls and supervisory procedures concerning the failure to include a customer's order activity in the firm's post-trade surveillance during the period March 1, 2014 through April 30, 2014 (the "second review period").

In connection with Matter No. 20140435497, the Trading Analysis Team of the Department of Market Regulation (the "staff") reviewed the firm's compliance with post-trade market abuse surveillance on its equity customers' direct market access ("DMA") and other firm trading activity during the period March 1, 2012 through December 31, 2014 (the "third review period").

Based on its review, the staff determined the firm engaged in the violative conduct set forth below, consisting of violations of Nasdaq Rule 2010A (for conduct on or after November 21, 2012), Nasdaq Rule 2110 (for conduct before November 21, 2012), and Nasdaq Rules 3010 and 4611(d), and SEC Rule 15c3-5 of the Securities Exchange Act of 1934 ("SEC Rule 15c3-5").

APPLICABLE RULES

During the first review period, SEC Rule 15c3-5(c)(1)(ii) specifically required market access broker-dealers to have financial risk management controls and supervisory procedures reasonably designed to prevent the entry of erroneous orders, by rejecting orders that exceed appropriate price or size parameters, on an order-by-order basis or over a short period of time, or that indicate duplicative orders.

During the second and third review periods, SEC Rule 15c3-5(c)(2) specifically required market access broker-dealers to have regulatory risk management controls and supervisory procedures reasonably designed to ensure compliance with all regulatory requirements, including post-trade obligations to monitor for manipulation, fraud and other illegal activity.

During the review periods, Nasdaq Rule 4611(d)(4) required, among other things, that market access broker-dealers establish adequate procedures and controls that permit such broker-dealers to effectively monitor and control the Sponsored Access or Direct Market Access to systematically limit its financial exposure.

During the review periods, in the conduct of its business, Nasdaq Rule 2010A (for conduct on or after November 21, 2012), and Nasdaq Rule 2110 (for conduct before November 21, 2012), required market access broker-dealers to observe high standards of commercial honor and just and equitable principles of trade.

During the review periods, Nasdaq Rule 3010 required market access broker-dealers to establish, maintain, and enforce written procedures to supervise the types of business in which it engages that are reasonably designed to achieve compliance with applicable securities laws and regulations, and with applicable FINRA and NASD rules.

FACTS AND VIOLATIVE CONDUCT

In connection with Matter No. 20130393135, the staff found that:

1. During the first review period, the firm failed to establish, document, and maintain a system of risk management controls and supervisory procedures reasonably designed to manage the regulatory risks in connection with market access. With respect to Rule 15c3-5(c)(1)(ii), the firm failed to have adequate controls in place to prevent the transmission of erroneous orders, as follows: (i) its limit order controls did not take into consideration wide spreads that are quoted at the market open and are not an accurate representation of the trading price of a security; (ii) its controls failed to prevent the entry of a large pre-open market order that resulted in the execution of orders far away from the normal trading price of the security; and (iii) the firm used an incorrect process to adjudicate a transaction. Specifically:
 - (i) On December 3, 2013, the firm sent a Clearly Erroneous ("CE") filing to Nasdaq in PTC, Inc. when it entered an order at 9:30:00 which resulted in a 100 share execution at \$2.21; however, the previous close in this stock was \$32.58 and the Nasdaq Official Opening Print at 9:30:00 (after DBAB's trade) was \$32.43;¹
 - (ii) On December 23, 2014, the firm sent a CE filing to Nasdaq in Targa Resources Partners LP ("NGLS") when trades occurred between 9:33:00 and 9:34:00 in which the firm received an electronic buy order for 50,000 shares at market price and DBAB's smart order router sent high priced limit orders to various exchanges;² and

¹ A DMA customer of the firm sent an unsolicited order to sell 2,750 shares of PTC through a VWAP algorithm before the open using the firm's algorithmic trading system to enter the order. The algorithm looked at the spread (\$0.0101 – \$33.00), saw the \$0.0101 bid, and entered a limit order to sell \$0.50 above the bid. The firm's limit check did not take into consideration wide spreads that are typically quoted at the open and are not an accurate representation of the trading price of a security. As a result, the order executed immediately at the market open before PTC's quotation contracted to a normalized spread, resulting in an erroneous execution of \$2.21.

² The mid-point of the bid/ask was \$45.48 immediately prior to the order being entered. As a result of the large market order entering the market, NGLS shares executed as high as \$10,102.42 within seconds. The primary auction for NGLS was delayed on NYSE which resulted in limited liquidity. Due to the delayed opening there was not enough liquidity in the secondary market to facilitate the 50,000 market order which resulted in orders being executed far away from the normal trading price of the security (approximately 21,705% above the prior days close). The firm had an issue with market data and the receipt of a primary open flag showing the NYSE market open when

- (iii) On December 3, 2014, the firm sent a CE filing to Nasdaq in Market Vectors Gold Miners ETF ("GDX") when trades occurred between 15:59:00 and 16:00:00 in which a 250,000 share sell market order fully executed at \$17.72; however, Nasdaq declined to act, advising that the CE filing did not meet the parameters to justify breaking the trade.³

The conduct described in the paragraphs above constitutes a violation of Nasdaq Rules 2010A, 3010 and 4611(d), and SEC Rule 15c3-5(c)(1)(ii).

In connection with Matter No. 20140417491, the staff found that:

2. During the second review period, the firm failed to establish, document, and maintain a system of risk management controls and supervisory procedures reasonably designed to manage the financial, regulatory, and other risks of its DMA business. Specifically, the firm failed to include a customer's DMA trading activity in its post-trade market abuse surveillance during the second review period and, in doing so, failed to detect potential layering activity by its customer.⁴ The conduct described in this paragraph constitutes a violation of Nasdaq Rules 2010A, 3010 and 4611(d), and SEC Rule 15c3-5(c)(2).

In connection with Matter No. 20140435497, the staff found that:

3. Due to an error during a change in the firm's internal systems, certain post-trade market abuse surveillance was not run on the firm's customer equity DMA business

it was not open. Later that day, Nasdaq, on its own motion, pursuant to Nasdaq Rule 11890(b), and in conjunction with Bats, Direct Edge, NYSE Arca, and FINRA, determined to cancel all trades in NGLS at or above \$47.74 that were executed in Nasdaq between 9:33:00 and 9:34:00.

³ The firm received a customer order to sell GDXJ with order instructions to guarantee the closing stock price. A trader from the firm's ETF Trading Desk placed an order to sell GDX to hedge against the customer's order. The ETF trader placed the order as a marketable limit order through the firm's ARIMA trading system. The smart order router then directed the order to INET (Nasdaq), who subsequently executed the order at a price of \$17.72, a price well below the National Best Bid ("NBB") in effect seconds before its executions. While the firm did not cause the market event and sudden price drop in GDX, it failed to use the correct process to adjudicate a transaction. The firm understood that it did not enter an erroneous order and only filed a CE petition to have its trades broken. Because a clear and obvious error did not occur, the use of the CE filing process was not appropriate. See NASD Notice to Members 04-66 (Sept. 2004) (Factor 5 provides that available procedures to adjudicate clearly erroneous transactions "are to be used only in cases of clear or obvious errors and should not be used as a proxy for proper system use or trading procedures.").

⁴ Subsequent to the second review period, the firm discovered and self-reported to FINRA that technical modifications to its surveillance system responsible for monitoring DMA activity had been configured such that it was only monitoring executed trades, not order information. See Matter No. 20140435497. Because the surveillance system was configured to only feed data on executed trades, the firm's spoofing and layering market manipulation surveillance was not effective for certain DMA activity.

when utilizing two separate systems. In transitioning to one system (a customer DMA platform with smart order routing), the firm failed to feed its DMA order data into the surveillance models. With only executed trades considered by the firm's post-trade surveillance, potential manipulative order activity was not captured as part of the firm's obligation to monitor for manipulation, fraud and other illegal activity. The gap in post-trade market abuse surveillance occurred for more than two years (July 1, 2012 through November 30, 2014), which represented approximately 21% of the firm's total trading activity. This resulted in the exclusion of 239,945,894 orders involving 34,453,516,262 shares from post-trade market abuse surveillance during the third review period.

4. In the same manner, certain post-trade market abuse surveillance was not run on the firm's DMA order activity originating from a second system from July 1, 2013 through December 31, 2014. This activity represented approximately 9% of the firm's total trading activity. This resulted in the exclusion of 66,277,137 orders involving 8,764,283,906 shares from certain post-trade market abuse surveillance.
5. During the third review period, the firm failed to establish, document, and maintain a system of risk management controls and supervisory procedures reasonably designed to manage the financial, regulatory, and other risks of its DMA business. Specifically, the firm failed to include this customer equity DMA trading activity in certain post-trade market abuse surveillance during the third review period, and failed to detect this gap in surveillance for more than two years. The conduct described in this paragraph constitutes a violation of Nasdaq Rule 2010A (for conduct on or after November 21, 2012), Nasdaq Rule 2110 (for conduct before November 21, 2012), and Nasdaq Rules 3010 and 4611(d), and SEC Rule 15c3-5(c)(2).

OTHER FACTORS

With respect to Matter No. 20140435497, on November 19, 2014, the firm identified and self-reported the gap in its post-trade surveillance. Based upon the firm's self-reporting, FINRA commenced an investigation with the cooperation of the firm. By self-reporting its failure to perform market abuse surveillance on trading activity originating from two separate systems from July 1, 2012 through November 30, 2014, and July 1, 2013 through December 31, 2014, respectively, and providing extraordinary cooperation, the firm provided substantial assistance to FINRA's investigation. Accordingly, the sanction reflects significant consideration given to the actions taken by the firm.

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

A censure and a fine in the total amount of \$2,500,000 to be paid jointly to Bats BYX Exchange, Inc., Bats BZX Exchange, Inc., Bats EDGA Exchange, Inc., Bats

EDGX Exchange, Inc., The NASDAQ Stock Market LLC, NASDAQ BX, Inc., NASDAQ PHLX LLC, New York Stock Exchange LLC, NYSE MKT LLC, NYSE Arca, Inc., and FINRA, of which \$225,000 of that total amount shall be paid to Nasdaq.⁵

The firm agrees to pay the monetary sanction(s) in accordance with its executed Election of Payment Form.

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 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 Nasdaq's 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 Nasdaq Review Council 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, the Nasdaq Review Council, or any member of the Nasdaq Review Council, 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 Rule 9143 or the separation of functions prohibitions of Rule 9144, in connection with such person's or body's participation in discussions regarding the terms and

⁵ No undertaking is imposed in connection with these matters because the firm has already addressed the deficiencies identified during the staff's investigation.

conditions of this AWC, or other consideration of this AWC, including its acceptance or rejection.

III.

OTHER MATTERS

The firm understands that:

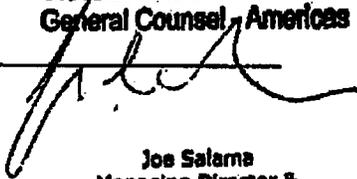
- A. Submission of this AWC is voluntary and will not resolve this matter unless and until it has been reviewed and accepted by FINRA's Department of Market Regulation and the Nasdaq Review Council, the Review Subcommittee, or ODA, pursuant to Nasdaq Rule 9216;
- B. If this AWC is not accepted, its submission 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 Nasdaq or any other regulator against the firm;
 - 2. Nasdaq may release this AWC or make a public announcement concerning this agreement and the subject matter thereof in accordance with Nasdaq Rule 8310 and IM-8310-3; and
 - 3. 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 Nasdaq, or to which Nasdaq 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 Nasdaq 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 Nasdaq, nor does it reflect the views of Nasdaq 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.

April 27, 2017
Date

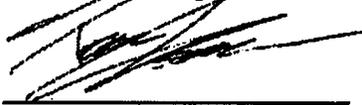
Deutsche Bank Securities Inc.
Respondent

By: 
Name:
Title: **Steven F. Reich**
General Counsel, Americas

By: 
Name:
Title: **Joe Salama**
Managing Director &
Associate General Counsel

Reviewed by:

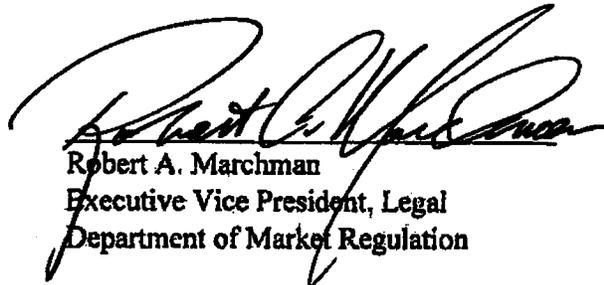
Counsel for Respondent



Peter Isajiw, Esq.
King & Spalding LLP
1185 Avenue of the Americas
New York, NY 10036
Tel: +1.212.556.2235

Accepted by Nasdaq:

6/28/2017
Date


Robert A. Marchman
Executive Vice President, Legal
Department of Market Regulation

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

ELECTION OF PAYMENT FORM

The firm intends to pay the fine proposed in the attached Letter of Acceptance, Waiver and Consent by the following method (check one):

- A firm check or bank check for the full amount; or
- Wire transfer.

Respectfully submitted,
Deutsche Bank Securities Inc.
Respondent

APRIL 27, 2017

Date

By: 
Name: Steven F. Reich
Title: General Counsel - Americas

Billing and Payment Contact

Please enter the billing contact information below. Nasdaq MarketWatch will contact you with billing options and payment instructions. *Please DO NOT submit payment until Nasdaq has sent you an invoice.*

Billing Contact Name: _____

Billing Contact Address: _____

Billing Contact Email: _____

Billing Contact Phone Number: _____