

**NASDAQ PHLX LLC  
LETTER OF ACCEPTANCE, WAIVER AND CONSENT  
NO. 2016050292001**

TO: Nasdaq PHLX LLC  
c/o Department of Enforcement  
Financial Industry Regulatory Authority (“FINRA”)

RE: Deutsche Bank Securities Inc., Respondent  
Member Firm  
CRD No. 2525

Pursuant to Rule 9216 of Nasdaq PHLX LLC (“Phlx”) Code of Procedure,<sup>1</sup> Deutsche Bank Securities Inc., (the “Firm” or “Respondent”), 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, Phlx will not bring any future actions against the Respondent alleging violations based on the same factual findings described herein.

**I.**

**ACCEPTANCE AND CONSENT**

A. Respondent 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 Phlx, or to which Phlx 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 Phlx:

**BACKGROUND**

The Firm became a member of FINRA in March 1940 and Phlx on November 26, 1973, and its registration with each of these organizations remains in effect. The firm is headquartered in New York, New York, and has eight branch offices and approximately 1,967 registered representatives. The Firm engages in, among other things, investment banking, research, and securities sales and trading for institutional and individual customers and other clients.

**RELEVANT PRIOR DISCIPLINARY HISTORY**

Respondent has no relevant disciplinary history.

**SUMMARY**

Between June 2016 and August 2018 (the “Review Period”), the Firm failed to provide for a reasonable supervisory system to achieve compliance with its best execution

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<sup>1</sup> Series 9000 of The Nasdaq Stock Market LLC Rules are incorporated into Phlx Rule General 5, Section 3, and are thus Phlx Rules and thereby applicable to Phlx members, member organizations, persons associated with member organizations, and other persons subject to the Exchange’s jurisdiction.

obligations when manually executing and/or facilitating options orders. The Firm also failed to establish, maintain, and enforce written supervisory procedures (“WSPs”) that were reasonably designed to prevent and detect, insofar as practicable, violations of its best execution obligations relating to manually handled options orders. As a result of the foregoing, the Firm violated Phlx Rule 748.

### **FACTS AND VIOLATIVE CONDUCT**

1. Phlx Rule 764 requires members to use reasonable diligence to ascertain the best market for a security when buying or selling for a customer so that the resultant price to the customer is as favorable as possible under prevailing market conditions.
2. Phlx Rule 748(b) requires member organizations to provide for appropriate supervisory control of the organization and compliance with securities laws and regulations, including Phlx's By-Laws and Rules. Member organizations are required to provide for appropriate written procedures of supervision and control, and to establish a separate system of follow-up and review to determine that the delegated authority and responsibility is being properly exercised.
3. Phlx Rule 748(h) requires member organizations to establish, maintain, and enforce WSPs, and a system for applying such procedures, reasonably designed to prevent and detect, insofar as practicable, violations of securities laws and regulations, including Phlx's By-Laws and Rules.
4. During the Review Period, the Firm's Global Equity Derivatives desk handled thousands of options orders that it received from its customers. The Firm had certain policies and procedures in place describing the Firm's obligation to seek best execution for options orders. However, the Firm's supervisory system, including its WSPs, did not establish a best execution review of options orders that were manually handled and executed by the Firm's traders.
5. As a result of the foregoing, the Firm's supervisory system and WSPs for reviewing manually executed and/or facilitated options orders were not reasonably designed to achieve compliance with Phlx Rule 764. Accordingly, the Firm violated PHLX Rule 748.

B. Respondent also consents to the imposition of the following sanctions:

1. A censure; and
2. A fine in the amount of \$55,000.

Respondent agrees to pay the monetary sanction in accordance with its executed payment information form.

Respondent 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**

Respondent specifically and voluntarily waives the following rights granted under Phlx'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 Exchange Review Council and then to the U.S. Securities and Exchange Commission and a U.S. Court of Appeals.

Further, Respondent specifically and voluntarily waives any right to claim bias or prejudgment of the Chief Regulatory Officer, the Exchange Review Council, or any member of the Exchange 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.

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

**III.**

**OTHER MATTERS**

Respondent 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 Enforcement and the Exchange Review Council, the Review Subcommittee, or the Office of Disciplinary Affairs ("ODA"), pursuant to Phlx 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 Respondent; and
- C. If accepted:
  - 1. This AWC will become part of the Respondent's permanent disciplinary record and may be considered in any future actions brought by Phlx or any

other regulator against the Respondent;

2. Phlx may release this AWC or make a public announcement concerning this agreement and the subject matter thereof in accordance with Phlx Rule 8310 and IM-8310-3; and
  3. Respondent 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. Respondent may not take any position in any proceeding brought by or on behalf of Phlx, or to which Phlx is a party, that is inconsistent with any part of this AWC. Nothing in this provision affects the Respondent's right to take legal or factual positions in litigation or other legal proceedings in which Phlx is not a party.
- D. Respondent may attach a Corrective Action Statement to this AWC that is a statement of demonstrable corrective steps taken to prevent future misconduct. Respondent 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 Phlx, nor does it reflect the views of Phlx or its staff.

