Deutsche Bank

Deutsche Bank Securities Inc.
60 Wall Street
New York, NY 10005-2858
Tel: 212.250.2500 (main)
Tel: 212.250.7628 (sender's direct line)

June 18, 2007

Via Electronic Filing

Ms. Nancy M. Morris
Secretary
U.S. Securities and Exchange Commission
100 F Street, NE
Washington, D.C. 20549-1090

Re: File No. S7-08-07 – Amendments to Financial Responsibility Rules for Broker-Dealers (Release No. 34-55431)

Dear Ms. Morris:

Deutsche Bank Securities Inc. ("DBSI") appreciates the opportunity to comment on the Securities and Exchange Commission's (the "Commission") proposed amendments to update its broker-dealer financial responsibility rules under the Securities Exchange Act of 1934 (the "Exchange Act").[1] DBSI commends the Commission for undertaking this important task, which should further strengthen the financial integrity of securities firms and the protections afforded to customers and creditors of broker-dealers registered with the Commission.

For purposes of this letter, DBSI will focus its comments and recommendations primarily on three of the Commission's proposals, which, if adopted as proposed, will have profound, and, in DBSI's view, adverse and costly consequences to DBSI, its customers, and the markets in general. Specifically, DBSI's comments are primarily directed at the Commission's proposals under Exchange Act Rule 15c3-3 that would (i) require carrying broker-dealers to perform a separate reserve computation for proprietary accounts they hold of domestic and foreign broker-dealers (including foreign banks acting as broker-dealers), so-called "PAB" accounts; (ii) exclude cash deposits at affiliate banks for purposes of meeting customer or PAB reserve account deposit requirements, and limit the amount of cash a broker-dealer can maintain in a customer or PAB reserve account at any one unaffiliated bank; and (iii) require a carrying broker-dealer to take prompt steps to reduce customer fully paid and excess margin securities allocated to a proprietary short position or a short position of another person to possession or control within prescribed periods of time.

As discussed more fully below, DBSI recommends that the Commission (i) modify its proposed definition of "PAB account" to exclude foreign broker-dealers and foreign banks acting as broker-dealers that subordinate their claims for cash and securities to the claims of creditors of the carrying broker-dealer; (ii) continue to allow broker-dealers to satisfy customer and PAB reserve account deposit

---

1 Exchange Act Release No. 55431 (Mar. 9, 2007), 72 FR 12862 (Mar. 19, 2007) (the "Release").

requirements by depositing cash at well-capitalized affiliated banks pursuant to existing regulatory guidance, and at unaffiliated banks, provided that the Commission's proposal is modified to allow cash deposits not exceeding 50% of a broker-dealer's ***tentative*** net capital, rather than 50% of its ***excess*** net capital; and (iii) clarify what "prompt steps" a broker-dealer must take to reduce fully paid or excess margin securities to its possession or control when those securities allocate to a proprietary short position or short position of another person, provided that such steps should in no way require a broker-dealer to take market action with respect to bona fide short positions.

I. Proprietary Accounts of Brokers ("PAB" Accounts)

Exchange Act Rule 15c3-3 (the "customer protection rule") protects customer funds and securities held by broker-dealers. A primary purpose of the rule is to prevent broker-dealers from using customer money to finance their business, except as related to customer transactions. The rule generally accomplishes its objectives in two ways. First, a broker-dealer must have possession or control of all fully paid and excess margin securities of its customers.[2] Second, a broker-dealer must, under certain circumstances, hold cash and/or "qualified securities"[3] in a "Special Reserve Bank Account" (a "Reserve Account"), which must be held exclusively for the benefit of the broker-dealer's customers. The direct beneficiaries of the customer protection rule are persons included within the definition of the term "customer" in the rule's introductory paragraph.

In general, a "customer" is defined in paragraph (a) of the customer protection rule as "any person from whom or on whose behalf a broker or dealer has received or acquired or holds funds or securities for the account of that person." Paragraph (a), however, also excludes certain persons from the definition of the term "customer." For example, broker-dealers are excluded from the "customer" definition, as are persons that have a claim for property or funds which by contract, agreement or understanding, or by operation of law, is part of the capital of the broker-dealer or is subordinated to the claims of creditors of the broker-dealer. Proprietary accounts of foreign broker-dealers and foreign banks are excluded as well.[4] A consequence of not qualifying as a customer under the customer protection rule is a loss of the mandated protections afforded by the rule. In effect, a broker-dealer holding non-customer assets may utilize those assets in its individual operations (*i.e.*, to finance its business).

Exchange Act Rule 15c3-1 (the "net capital rule") works in tandem with the customer protection rule. In general, the net capital rule prescribes minimum liquidity standards for broker-dealers. It requires broker-dealers to maintain certain specified levels of liquid assets in excess of liabilities (*i.e.*, "net capital") such that, if the broker-dealer fails, it can be liquidated in an orderly manner without the need for a formal proceeding under the Securities Investor Protection Act of 1970 ("SIPA").[5] Cash and

---

2 Excess margin securities are a customer's margin securities having a market value in excess of 140% of the total of the debit balances in the customer's non-cash accounts.

3 The term "qualified security" means a security issued by the United States or a security in respect of which the principal and interest are guaranteed by the United States.

4 *See* NYSE Interpretation Handbook SEA Rule 15c3-3(a)(1)/01, at 477. In the case of foreign banks, the foreign bank must be engaging in the business of buying and selling securities for its own account through a broker or dealer, and not fall within the definition of "bank" set forth in Exchange Act Section 3(a)(6). *See also* NYSE Interpretation Handbook SEA Rule 15c3-3(a)(1)/032, at 480.

5 15 U.S.C. Section 78aaa *et. seq.* For convenience, references herein to provisions of SIPA shall omit "15 U.S.C."

proprietary securities (less prescribed percentages of the market value of the securities, otherwise known as "haircuts") are typically treated as liquid assets for purposes of determining compliance with the net capital rule. Broker-dealers must deduct from their net capital, however, the market value of assets not readily convertible into cash.[6] Because broker-dealers are not typically "customers" under the customer protection rule, broker-dealers that carry proprietary accounts of other broker-dealers are not restricted in their ability to use the broker-dealer accountholder's assets. As a result, a broker-dealer accountholder's assets may not be available and readily convertible into cash if the broker-dealer needs those assets to satisfy customer and creditor claims.

In response to regulatory concerns that a broker-dealer's assets may not be readily convertible into cash when held at a carrying broker-dealer, the Commission staff published a no-action letter on November 3, 1998, stating that it would not recommend enforcement action to the Commission if a broker-dealer treated its proprietary assets held at another broker-dealer as allowable assets under the net capital rule (subject to applicable haircuts), provided the carrying broker-dealer, in effect, treated the broker-dealer accountholder as a customer under the customer protection rule.[7] Because foreign broker-dealers are not subject to the net capital rule, however, the Commission staff subsequently stated that foreign broker-dealers need not be treated as customers in accordance with the no-action letter.[8]

The Commission is now proposing to codify the 1998 Commission staff position described above in the customer protection rule. The Commission's proposal, however, is not limited to treating domestic broker-dealers as customers; foreign broker-dealers and foreign banks acting as broker-dealers would be treated as customers as well. Under the proposal, the Commission would amend paragraph (e) of the customer protection rule to require a carrying broker-dealer to perform a separate reserve computation for PAB accounts, in addition to the reserve computation currently required for customer accounts.[9] The term "PAB account" would be defined in paragraph (a)(16) of the customer protection rule as:

> a proprietary securities account of a broker or dealer *(which includes a foreign broker or dealer, or a foreign bank acting as a broker or dealer)*, but shall not include an account where the account owner is a guaranteed subsidiary of the carrying broker-dealer, the account owner guarantees all liabilities and obligations of the carrying broker or dealer, or the account is a delivery-versus-payment account or a receipt-versus-payment account. (Emphasis added.)

---

6 Exchange Act Rule 15c3-1(c)(2)(iv).

7 Letter from Michael A. Macchiaroli, Associate Director, Division of Market Regulation, Commission, to Raymond J. Hennessy, Vice President, New York Stock Exchange, Inc., and Thomas Cassella, Vice President, NASD Regulation, Inc. (Nov. 3, 1998).

8 *See* NYSE Interpretation Handbook SEA Rule 15c3-3(a)(1)/012, at 478, and /033, at 481.

9 Under the proposal, a carrying broker-dealer would have to establish and maintain a Reserve Account at a bank for PAB accounts, and, if required after the PAB reserve computation, would have to deposit cash and/or qualified securities in the account equal to at least the PAB reserve requirement. With regard to SEC-registered broker-dealers whose proprietary accounts are carried by other broker-dealers, the net capital rule also would require the proprietary account owner to deduct from net worth when calculating net capital the amount of cash in its proprietary account at the carrying broker-dealer if the carrying broker-dealer is not treating the cash in compliance with the PAB reserve requirement.

The Commission's proposal justifies treating PAB accounts as customer accounts in order "to correct a definitional gap" between the customer definition contained in paragraph (a) of the customer protection rule and the customer definition contained in Section 78*lll*(2) of SIPA. The Commission points out that this gap creates the potential for PAB accountholders (including foreign broker-dealers and foreign banks acting as broker-dealers) to be entitled to a *pro rata* share of the estate of customer property in a SIPA liquidation of the broker-dealer carrying such PAB accounts. This would thereby increase the likelihood that the estate of customer property in a SIPA liquidation would be depleted by PAB accountholders, and, in turn, that the SIPC Fund,[10] established under SIPA, may have to be utilized to protect non-broker-dealer customers.

The Commission's proposal, however, seems to not take into account the fact that under SIPA foreign broker-dealers and foreign banks acting as broker-dealers, under certain circumstances, will not be deemed customers and, therefore, will not be entitled to a *pro rata* share of the estate of customer property in a SIPA liquidation. Under Section 78*lll*(2) of SIPA, Congress excluded from the definition of customer "any person to the extent that such person has a claim for cash or securities which by contract, agreement, or understanding, or by operation of law, is part of the capital of the debtor, *or is subordinated to the claims of any or all creditors of the debtor*, notwithstanding that some grounds exist for declaring such contract, agreement, or understanding void or voidable in a suit between the claimant and the debtor." (Emphasis added.)

DBSI is highlighting this exclusion from the definition of customer under SIPA for a number of reasons. First, DBSI wishes to emphasize that the regulatory justification for extending the definition of "PAB account" to proprietary accounts of foreign broker-dealers and foreign banks acting as broker-dealers is not warranted under circumstances in which such foreign broker-dealers and/or foreign banks have subordinated their claims to creditors of a carrying broker-dealer. Foreign broker-dealers and foreign banks acting as broker-dealers also are not subject to the net capital rule, and, accordingly, do not raise the regulatory concerns that prompted the Commission staff's 1998 no-action letter described above.

More importantly, the PAB amendments could have significant structural and economic ramifications for broker-dealers and their affiliates, customers and counterparties, depending on the circumstances. As proposed, the Commission's PAB requirements could result in broker-dealers being required to set aside substantial amounts of assets into PAB Reserve Accounts arising from carrying proprietary assets of their affiliates that are foreign broker-dealers and/or foreign banks acting as broker-dealers. This result could prompt structural changes in the current broker-dealer business model. For example, a requirement to reserve for the proprietary assets of these affiliates in a PAB Reserve Account might cause a broker-dealer to structure its business in such a way that the affiliate's assets would be moved to a non-U.S. affiliate. Clearly this result is not intended by the Commission's proposal.

DBSI believes that a reasonable solution that could address the concerns of the Commission, as well as the concerns highlighted above, would be to modify the proposed definition of the term "PAB account" contained in proposed paragraph (a)(16) of the customer protection rule to include an exception, consistent with Section 78*lll*(2) of SIPA, excluding from the definition of "PAB account" any foreign broker-dealer or foreign bank acting as a broker-dealer to the extent that such entity has a claim for cash or securities which by contract, agreement, or understanding, or by operation of law is subordinated to the claims of creditors of the carrying broker-dealer.

---

10 Resources are made available to non-broker-dealer customers from the SIPC Fund when property in a failed broker-dealer's possession is insufficient to make up for missing cash and/or securities.

DBSI also recommends that the Commission clarify in its adopting release the requirements that a "subordinating" broker-dealer would need to follow to satisfy the exception from the definition of "PAB account." In this regard, DBSI suggests that the Commission consider the requirements currently applicable to persons who enter into "non-conforming" subordinations under the customer protection rule.[11] For example, a foreign broker-dealer or foreign bank acting as a broker-dealer would be required to enter into a written agreement relating to the subordination, acknowledging that the subordinated assets are not covered by SIPA and are not subject to foreign customer protection. The subordinating entity also would be required to obtain an opinion of counsel that it is legally authorized to make the subordination, and that the subordinated assets are not those of U.S. customers. The written agreement would be subject to designated examining authority ("DEA") approval as well.

DBSI strongly urges the Commission to follow the approach described above. Adopting the PAB account rules as proposed in the Release could have a significant impact on the way broker-dealers are structured and affect the U.S. marketplace in an unintended manner. Our proposed solution would address any concerns about the disparity between the treatment under SIPA and under the customer protection rule of foreign broker-dealers and foreign banks acting as broker-dealers by ensuring that the claims of foreign broker-dealers and foreign banks acting as broker-dealers under SIPA will be subordinated to the claims of a broker-dealer's creditors. The subordination arrangement would be fully consistent with SIPA and the customer protection rule and subject to complete DEA oversight.

II. Banks Where Reserve Account Deposits May Be Held

As described above, under certain circumstances, a broker-dealer must deposit in a Reserve Account cash and/or qualified securities, which must be held exclusively for the benefit of the broker-dealer's customers (and, in the case of PAB Reserve Accounts, customers who are broker-dealers themselves). The circumstances in which such a deposit is necessary arise when customer credit balances exceed customer debit balances (as defined in the customer protection rule).

In the Release, the Commission stated that a broker-dealer's cash deposits at a bank are fungible with other deposits carried by the bank and may be freely used in the course of the bank's commercial lending activities. Thus, to the extent a broker-dealer deposits cash in a Reserve Account, there is a risk the cash could be lost or become inaccessible for a period of time if the bank experiences financial difficulties. The Commission stated that this could adversely affect the broker-dealer and its customers if the balance in the Reserve Account is concentrated at one bank in the form of cash. The Commission also stated that this risk may be heightened when the deposit is held at an affiliated bank in that the broker-dealer may not exercise due diligence with the same degree of impartiality when assessing the financial soundness of an affiliated bank as it would with a non-affiliate bank.

To address these risks, the Commission is proposing to require broker-dealers to exclude cash deposits at affiliate banks for purposes of meeting customer or PAB Reserve Account deposit requirements. The Commission also is proposing to limit the amount of cash a broker-dealer can maintain in a customer or PAB Reserve Account at any one unaffiliated bank by requiring a broker-dealer

---

[11] *See* NYSE Interpretation Handbook SEA Rule 15c3-3(a)(1)/021, at 479. A non-conforming subordination agreement typically refers to a subordinated loan agreement that does not meet the requirements of Appendix D of the net capital rule. Failure to subordinate a loan in conformance with Appendix D restricts a broker-dealer's ability to exclude the loan liability from net worth when computing net capital. DBSI believes that the criteria established by the Commission staff for broker-dealers entering into non-conforming subordinated loan agreements work well in the context of subordinating claims to assets in proprietary accounts as described above.

to exclude a Reserve Account deposit to the extent that it exceeds the lesser of 50% of the broker-dealer's excess net capital (based on the broker-dealer's most recent FOCUS Report) or 10% of the bank's equity capital (based on the bank's most recently filed Call Report or Thrift Financial Report).

While DBSI is not aware of any instances in which Reserve Account cash deposits at affiliated and unaffiliated banks have presented regulatory issues, DBSI nonetheless recognizes the concerns prompting the Commission to propose to exclude cash deposits at affiliate banks for purposes of meeting customer or PAB reserve requirements, and to limit the amount of cash a broker-dealer can maintain in a customer or PAB reserve account at an unaffiliated bank. To the extent the Commission's proposals are intended to avoid the possibility of future regulatory issues in this context, however, DBSI believes that the Commission's concerns could be addressed through less restrictive alternatives that would impose less significant operational and transactional costs on broker-dealers. DBSI respectfully recommends, as further described below, that (a) the current requirements applicable to cash Reserve Account deposits at affiliated and unaffiliated banks are sufficient and should remain largely unchanged and (b) instead, the Commission should consider imposing criteria for the process by which a broker-dealer evaluates the bank(s) where it will place its deposits.

Under the Commission's proposal, DBSI and similarly-situated broker-dealers[12] would need to reallocate any cash they have deposited at affiliate banks to unaffiliated banks, and open a significant number of additional, but smaller Reserve Accounts at unaffiliated banks. Not only might these unaffiliated banks be lesser-rated and/or less-capitalized institutions, but maintaining a significantly greater number of Reserve Accounts will present additional operational and other risks and would require large broker-dealers to devote additional ongoing resources to the management of these accounts. While a large broker-dealer could potentially purchase Treasury securities in its Reserve Accounts, this alternative would cause it to incur significant operational and transactional costs as well. For example, to manage a portfolio of Treasury securities, a broker-dealer will need to, among other things, monitor income collection, redemption processing, securities marks, collateral substitutions, and collateral segregation. This could prompt a large broker-dealer to reallocate and add to existing functions relating to personnel in the firm's trading, operations, regulatory reporting, and treasury departments.

In any event, to the extent the Commission wishes to limit the amount of cash maintained in a Reserve Account at an affiliated bank, DBSI believes that the current limits should suffice if the bank is well capitalized. With respect to unaffiliated banks, the Commission should take into particular consideration the operational and financial burdens associated with managing a significant number of Reserve Accounts at various banks. In this regard, DBSI strongly recommends that, at a minimum, the Commission modify its proposal to allow a broker-dealer to maintain in a customer or PAB Reserve Account at an unaffiliated bank amounts not exceeding 50% of the broker-dealer's ***tentative*** net capital, rather than 50% of its ***excess*** net capital.[13] This modification would be consistent with the Commission's

---

12 DBSI currently maintains a relatively small amount of its overall Reserve Account deposit requirement in cash at an affiliate bank, which is in compliance with the current requirements applicable to such deposits at affiliate banks (*i.e.*, that any cash deposit at an affiliated bank not exceed the lesser of 50% of the broker-dealer's excess net capital or 10% of the bank's equity capital). *See* NYSE Interpretation Handbook SEA Rule 15c3-3(e)(3)/051, at 553. DBSI also maintains a portion of its Reserve Account deposit requirement in cash at several unaffiliated, highly-rated and well capitalized banks. DBSI maintains these cash deposits because of administrative efficiency and competitive returns on such deposits.

13 "Tentative net capital" is a broker-dealer's net capital prior to applying securities haircuts, and "excess net capital" is the amount that a broker-dealer's net capital exceeds its minimum net capital requirement.

focus on diversifying the risk across a greater number of unaffiliated banks, but would also provide broker-dealers with a more reasonable regulatory environment within which to operate. Such a modification would be much more manageable for large broker-dealers and would reduce the operational and other risks associated with maintaining an excessive number of Reserve Accounts.

Finally, to address the Commission's concerns about the failure of a bank holding a broker-dealer's deposits, we suggest that the Commission should consider requiring substantive and meaningful criteria regarding the process by which broker-dealers evaluate the quality and size of the bank where such deposits are held. These criteria could take into account such factors as the bank's capitalization (*e.g.*, that it is "adequately" or "well capitalized"), its credit rating, and the amount of customer money placed with the bank as a proportion of the bank's capital and deposits. Requiring a thorough process for evaluating a bank's quality and size should help to ensure that deposits are placed at less risky institutions. We respectfully submit that there should be less regulatory concern with deposits placed at large and sound banks under the current limits than at a greater number of smaller or less capitalized banks under the proposed limits.

III. Allocation of Customer Fully Paid and Excess Margin Securities

As noted above, the customer protection rule requires broker-dealers to have possession or control of all fully paid and excess margin securities of their customers. The rule also sets forth the steps a broker-dealer must take to retrieve such securities if a shortfall arises. These requirements are intended to ensure that customer securities are available to be returned to the customer in the event the broker-dealer fails.

Currently, however, the customer protection rule does not require a broker-dealer to reduce customer fully paid and excess margin securities to its possession or control when a short position on the broker-dealer's stock record allocates to a customer long position (*e.g.*, if the broker-dealer sells short a security to its customer). Instead, the broker-dealer is permitted to put the mark-to-market value of the security as a credit item in the reserve formula, which, under certain circumstances, could permit the broker-dealer to use the customer's assets for proprietary purposes.

To prevent broker-dealers from using customer assets in this context for proprietary purposes, the Commission has proposed in paragraph (d)(4) of the customer protection rule to require a carrying broker-dealer to "take prompt steps" to reduce customer fully paid and excess margin securities allocated to a proprietary short position or to a short position of another person to possession or control if the short position has aged more than 10 business days, or, if the broker-dealer is a market maker, before 30 calendar days.

While DBSI understands the Commission's rationale for proposing this amendment, DBSI believes that the proposal could have a significantly disruptive impact on broker-dealers, their customers, and the markets in general. For example, it is common for broker-dealers and other persons to enter into legitimate, bona fide short sales, and for those broker-dealers to borrow securities to deliver against the short sales from margin customers in compliance with the customer protection rule. If a margin customer from whom securities are borrowed subsequently eliminates or reduces its margin balance, the borrowed securities could then become fully paid or excess margin securities. This would obligate the broker-dealer on whose books the borrowed securities are reflected as short to obtain the securities to satisfy its possession and control obligation. Under this scenario, the borrowed securities, which would have been delivered against the bona fide short sale, may not be readily available through borrowing or otherwise at or after the time the possession and control obligation arises.

According to the Commission's proposal, a broker-dealer in the scenario described above would have to "take prompt steps" to reduce the fully paid or excess margin securities to its possession or control if the short position has aged more than 10 business days, or if the broker-dealer is a market maker, before 30 calendar days. The Commission, however, does not explain in the proposed rule or otherwise the prompt steps that must be taken by a broker-dealer. DBSI strongly believes that the Commission needs to clarify what these prompt steps would entail. DBSI also recommends that, although it would be reasonable to require a broker-dealer in this scenario to attempt to borrow securities to satisfy its possession or control obligations, and to maintain documentation evidencing the broker-dealer's good faith efforts to borrow the securities, in no way should a broker-dealer be required to take market action with respect to the bona fide short position, particularly through an effort to buy-in, recall or otherwise obtain from the broker-dealer or other person the borrowed securities delivered against its bona fide short sale. The consequences of requiring market action are obvious – all bona fide short sales of broker-dealers and other persons would be at risk of close-out at any time for reasons completely unrelated to the bona fide short seller.

To the extent the Commission moves forward with this aspect of the proposal, DBSI also recommends that the Commission clarify that the time the aging process begins is the time when the related deficit arises, as opposed to when the short sale took place. This is consistent with the fact that a broker-dealer is not aware that it must "take prompt steps" until the applicable deficit arises. DBSI further recommends extending the time period within which a non-market making broker-dealer must act under this proposal (*i.e.,* 10 business days) to the same time period applicable to broker-dealers that are acting as market makers (*i.e.*, 30 calendar days). Imposing a single 30 day standard for all broker-dealers would be much simpler from an operational standpoint. Moreover, in proposing the 10 business day time period applicable to non-market maker broker-dealers, the Commission stated that the time period was consistent with paragraph (m) of Rule 15c3-3, which provides a broker-dealer up to 10 business days after settlement date to purchase securities that a customer has sold through the broker-dealer but failed to deliver. DBSI notes that a fail-to-deliver situation would typically not be present in the context of this proposed amendment. Thus, there is less urgency to "take prompt steps" than in the situations involved in paragraph (m).

IV. Additional Comments

In addition to DBSI's comments above regarding its concerns with the Commission's proposals, DBSI also would like to express its support for certain other proposals contained in the Release that DBSI strongly believes should be adopted. In this regard, DBSI supports the Commission's proposal to eliminate the requirement contained in paragraph (a)(1)(ii)(A) of the net capital rule that requires a broker-dealer computing net capital under the alternative standard to reduce its aggregate debit items by 3% when determining how much to deposit to its Reserve Account. If adopted, alternative standard firms would be subject to the 1% reduction in debit items required by Note E(3) to the Reserve Formula under the customer protection rule. DBSI commends the Commission for evaluating and recognizing the impact of the aggregate debit items charge on broker-dealers that compute net capital under the alternative standard, particularly in light of the dramatic increase in debit items that have been accumulating at such firms.

DBSI also supports the Commission's proposal to reduce the haircut broker-dealers are required to apply to proprietary positions in money market funds described in Rule 2a-7 under the Investment Company Act of 1940, from 2% to 1%. DBSI believes that this proposed haircut reduction, or even a greater reduction (*e.g.*, from 2% to ½ of 1%), would be appropriate and would better align the net capital treatment of money market funds with the risks associated with such investments.

* * * * *

DBSI greatly appreciates the opportunity to share its perspectives with the Commission on the important series of proposals contained in the Release. If you would like to discuss in greater detail the views of DBSI please contact me at (212) 250-7628.

Sincerely,

Marcelo Riffaud
Managing Director, Legal Department
Deutsche Bank Securities Inc.

cc: Erik Sirri, Director
Robert Colby, Deputy Director
Michael Macchiaroli, Associate Director
Division of Market Regulation

Grace Vogel, Executive Vice President
Anand Ramtahal, Vice President
Kris Dailey, Managing Director
Yui Chan, Managing Director
Bernadette Chichetti, Principal Associate
Gaetano Genovese, Senior Finance Coordinator
Eric Levine, Finance Coordinator
New York Stock Exchange, Inc.

Howard Kramer
Mark Attar
Schiff Hardin LLP