

UNITED STATES OF AMERICA
Before the
SECURITIES AND EXCHANGE COMMISSION

SECURITIES EXCHANGE ACT OF 1934
Release No. 102011 / December 20, 2024

INVESTMENT ADVISERS ACT OF 1940
Release No. 6801 / December 20, 2024

ADMINISTRATIVE PROCEEDING
File No. 3-22375

In the Matter of

**DEUTSCHE BANK
SECURITIES INC.**

Respondent.

**ORDER INSTITUTING ADMINISTRATIVE
AND CEASE-AND-DESIST PROCEEDINGS,
PURSUANT TO SECTIONS 15(b) AND 21C OF
THE SECURITIES EXCHANGE ACT OF 1934
AND SECTION 203(e) OF THE INVESTMENT
ADVISERS ACT OF 1940, MAKING FINDINGS,
AND IMPOSING REMEDIAL SANCTIONS AND
A CEASE-AND-DESIST ORDER**

I.

The Securities and Exchange Commission (“Commission”) deems it appropriate and in the public interest that public administrative and cease-and-desist proceedings be, and hereby are, instituted pursuant to Sections 15(b) and 21C of the Securities Exchange Act of 1934 (“Exchange Act”) and Section 203(e) of the Investment Advisers Act of 1940 (“Advisers Act”) against Deutsche Bank Securities Inc. (“DBSI” or “Respondent”).

II.

In anticipation of the institution of these proceedings, Respondent has submitted an Offer of Settlement (“Offer”) which the Commission has determined to accept. Solely for the purpose of these proceedings and any other proceedings brought by or on behalf of the Commission, or to which the Commission is a party, and without admitting or denying the findings herein, except as to the Commission’s jurisdiction over it and the subject matter of these proceedings, which are admitted, Respondent consents to the entry of this Order Instituting Administrative and Cease-and-Desist Proceedings, Pursuant to Sections 15(b) and 21C of the Securities Exchange Act of 1934 and Section 203(e) of the Investment Advisers Act of 1940, Making Findings, and Imposing Remedial Sanctions and a Cease-and-Desist Order (“Order”), as set forth below.

III.

On the basis of this Order and the Respondent's Offer, the Commission finds that:

Summary

1. These proceedings arise out of DBSI's failure to timely file certain suspicious activity reports ("SARs") that were filed between April 2019 and March 2024 (the "Relevant Period") as required by Section 17(a) of the Exchange Act and Rule 17a-8 thereunder. DBSI, as a registered broker-dealer, was required to file SARs on transactions conducted or attempted by, at, or through DBSI involving or aggregating at least \$5,000 that it knew, suspected, or had reason to suspect were suspicious as defined in 31 C.F.R. § 1023.320 (the "SAR Rule") within 30 calendar days after the date of the initial detection (or within 60 calendar days where no suspect is identified on the date of the initial detection) of facts that may have constituted a basis for filing a SAR.

2. DBSI's anti-money laundering ("AML") policies and procedures required that SARs be filed within 30 days after an "appropriate review" determined that particular activity involved facts that may constitute a basis for filing a SAR. In certain instances, however, DBSI received requests in connection with law enforcement or regulatory investigations or litigation and failed to promptly conduct or complete related SAR investigations of potentially suspicious activity within a reasonable period of time.¹ In at least two such instances, DBSI took more than two years to file SARs where the underlying AML investigation and subsequent SAR filing were prompted by receipt of law enforcement or regulatory requests. As a result, DBSI failed to timely file certain SARs as required by the SAR Rule. DBSI therefore violated Section 17(a) of the Exchange Act and Rule 17a-8 thereunder.

Respondent

3. **Deutsche Bank Securities Inc.** is a Delaware corporation with its principal executive offices in New York, New York. DBSI is dually registered with the Commission as a broker-dealer and investment adviser. It is an indirect, wholly-owned subsidiary of Deutsche Bank AG, a foreign corporation headquartered in Frankfurt, Germany.

Background

4. The Bank Secrecy Act ("BSA") and its implementing regulations (including the SAR Rule), promulgated by the U.S. Department of the Treasury's Financial Crimes Enforcement Network ("FinCEN"), require broker-dealers such as DBSI to file SARs with FinCEN. These SARs must report, among other things, a transaction (or a pattern of transactions of which the transaction is a part) conducted or attempted by, at, or through the broker-dealer involving or aggregating funds or other assets of at least \$5,000 that the broker-dealer knows, suspects, or has reason to suspect: (1) involves funds derived from illegal activities or is intended or conducted to disguise or hide funds or assets derived from illegal activity; (2) is designed to evade any requirement of the BSA; (3) has no business or apparent lawful purpose or is not the sort in which

¹ It is not alleged herein that there is any deficiency with respect to the substance or timeliness of DBSI's responses to law enforcement or regulatory requests (separate from the SAR filings).

the particular customer would normally be expected to engage and the broker-dealer knows of no reasonable explanation for the transaction after examining the available facts; or (4) involves the use of the broker-dealer to facilitate criminal activity.

5. The BSA's implementing regulations require the filing of a SAR within 30 calendar days after the date of the broker-dealer's initial detection of facts that may constitute a basis for filing a SAR unless no suspect has yet been identified, in which case the broker-dealer has an additional 30 days to file the SAR. *See* 31 C.F.R. § 1023.320(b)(3). Broker-dealers are generally permitted a period of time for an "appropriate review" before the 30-day clock begins to run, but are directed to begin that review "promptly" and complete it within a "reasonable period of time." *The SAR Activity Review – Trends, Tips & Issues, Issue 15 – In Focus: The Securities and Futures Industry*, FinCEN (May 2009). The deadline exists to preserve the value of the reported information for law enforcement or other regulators and reduce the chance that the reported information will become stale, while affording financial institutions time to review and understand the activity in question.

6. Exchange Act Rule 17a-8 requires Commission-registered broker-dealers to comply with the reporting, record-keeping, and record-retention requirements of the BSA. The failure to timely file a SAR under the SAR Rule is a violation of Exchange Act Section 17(a) and Rule 17a-8 thereunder. *See SEC v. Alpine Sec. Corp.*, 308 F. Supp. 3d 775, 809–812 (S.D.N.Y. 2018), *aff'd* 982 F.3d 68 (2d Cir. 2020), *cert. denied*, *Alpine Sec. Corp. v. SEC*, 595 U.S. __ (2021).

DBSI's Untimely SAR Filings During the Relevant Period

7. DBSI failed to promptly conduct reviews of certain potentially suspicious activity during the Relevant Period resulting in untimely SAR filings on multiple occasions.

8. DBSI's policies and procedures imposed a "standard timeframe" for investigation on its primary AML investigations group, the Financial Crime Operations ("FCO") group. This timeframe required the completion of investigations of potentially suspicious activity in "no longer than 60 calendar days" from the date on which the activity entered FCO's review queue. FCO was responsible under DBSI's policies and procedures for determining whether potentially suspicious activity merited a SAR filing.

9. One way that cases entered FCO's queue for SAR-filing consideration was through escalation by a separate DBSI Anti Financial Crime ("AFC") team tasked with reviewing law enforcement or regulatory outreach to assess whether such outreach potentially involved suspicious activity for purposes of SAR filing. However, DBSI did not apply the "standard" timeframe of 60 days in this context. During the Relevant Period, DBSI's policies and procedures placed no limit on how long this separate AFC team's investigation of activity related to law enforcement or regulatory requests, such as subpoenas, could take.

10. DBSI engaged in unreasonable delays in commencing or completing SAR-related inquiries following requests involving law enforcement or other regulators, including instances where information – such as an indictment of a transaction participant – was publicly available and raised questions concerning, among other things, the source of funds. These failures during the

Relevant Period resulted in untimely SAR filings. One SAR was filed almost nine months after receipt of a single-subject subpoena. In at least two additional instances, DBSI took more than two years to file law enforcement or regulatory request-related SARs.

11. In one such example of an untimely filed SAR, DBSI filed a SAR in November 2023 identifying as suspicious 68 transactions totaling nearly \$2 billion related to an entity associated with a request from a regulator that DBSI received more than two years earlier.

12. In another example, in November 2021, DBSI received a request from law enforcement in connection with a former client who was also sued in March 2022 in a private civil fraud case, but DBSI nevertheless failed to file a SAR identifying 28 transactions as suspicious until March 2024.

13. Furthermore, certain of these examples occurred in connection with multi-year understaffing in DBSI's AML monitoring function. At multiple points during the Relevant Period, Deutsche Bank failed to hire adequate compliance staff to manage its suspicious activity caseload. These staffing inadequacies resulted in a backlog of cases DBSI itself identified as "aged," *i.e.* potentially suspicious transactions that often sat for months without review.

Violations

14. As a result of the conduct described above, DBSI willfully² violated Section 17(a) of the Exchange Act and Rule 17a-8 thereunder, which require broker-dealers to comply with the reporting, record-keeping, and record retention requirements of the BSA, including filing SARs as required by the SAR Rule. Specifically, DBSI willfully failed to timely report suspicious transactions to FinCEN, in violation of 31 U.S.C. § 5318(g) and 31 C.F.R. § 1020.320.

DBSI's Cooperation and Remedial Efforts

In determining to accept the Offer, the Commission considered cooperation afforded the Commission staff by DBSI, including by voluntarily conducting certain lookback reviews of historical transactional activity, as well as remedial acts undertaken by DBSI. DBSI increased headcount and other resources for investigations carried out by the FCO group. Furthermore, DBSI also created a dedicated team responsible for conducting investigations triggered by subpoenas and other regulatory contact, and this team completed the outstanding, aged investigations related to law enforcement or regulatory matters. In addition, DBSI introduced written guidelines and technical upgrades for SAR inquiries that begin with law enforcement and regulatory requests to allow DBSI to prioritize and expedite such inquiries. Among other policy changes, DBSI has adopted timeframes governing these investigations.

² "Willfully," for purposes of imposing relief under Section 15(b) of the Exchange Act and Section 203(e) of the Advisers Act, "means no more than that the person charged with the duty knows what he is doing." *Wonsover v. SEC*, 205 F.3d 408, 414 (D.C. Cir. 2000) (quoting *Hughes v. SEC*, 174 F.2d 969, 977 (D.C. Cir. 1949)). There is no requirement that the actor "also be aware that he is violating one of the Rules or Acts." *Tager v. SEC*, 344 F.2d 5, 8 (2d Cir. 1965).

IV.

In view of the foregoing, the Commission deems it appropriate and in the public interest to impose the sanctions agreed to in Respondent DBSI's Offer.

Accordingly, pursuant to Sections 15(b) and 21C of the Exchange Act and Section 203(e) of the Advisers Act, it is hereby ORDERED that:

A. Respondent DBSI cease and desist from committing or causing any violations and any future violations of Section 17(a) of the Exchange Act and Rule 17a-8 promulgated thereunder.

B. Respondent DBSI is censured.

C. Respondent DBSI shall, within 30 days of the entry of this Order, pay a civil money penalty in the amount of \$4 million to the Securities and Exchange Commission for transfer to the general fund of the United States Treasury, subject to Exchange Act Section 21F(g)(3). If timely payment is not made, additional interest shall accrue pursuant to 31 U.S.C. § 3717.

D. Payment must be made in one of the following ways:

- 1) Respondent may transmit payment electronically to the Commission, which will provide detailed ACH transfer/Fedwire instructions upon request;
- 2) Respondent may make direct payment from a bank account via Pay.gov through the SEC website at <http://www.sec.gov/about/offices/ofm.htm>; or
- 3) Respondent may pay by certified check, bank cashier's check, or United States postal money order, made payable to the Securities and Exchange Commission and hand-delivered or mailed to:

Enterprise Services Center
Accounts Receivable Branch
HQ Bldg., Room 181, AMZ-341
6500 South MacArthur Boulevard
Oklahoma City, OK 73169

Payments by check or money order must be accompanied by a cover letter identifying DBSI as a Respondent in these proceedings, and the file number of these proceedings; a copy of the cover letter and check or money order must be sent to Sheldon Pollock, Associate Regional Director, New York Regional Office, Securities and Exchange Commission, 100 Pearl Street, Suite 20-100, New York, NY 10004, or such other address the Commission staff may provide.

E. Amounts ordered to be paid as civil money penalties pursuant to this Order shall be treated as penalties paid to the government for all purposes, including all tax purposes. To preserve the deterrent effect of the civil penalty, Respondent agrees that in any Related Investor Action, it shall not argue that it is entitled to, nor shall it benefit by, offset or reduction of any award of compensatory damages by the amount of any part of Respondent's payment of a civil penalty in this action ("Penalty Offset"). If the court in any Related Investor Action grants such a Penalty Offset, Respondent agrees that it shall, within 30 days after entry of a final order granting the Penalty Offset, notify the Commission's counsel in this action and pay the amount of the Penalty Offset to the Securities and Exchange Commission. Such a payment shall not be deemed an additional civil penalty and shall not be deemed to change the amount of the civil penalty imposed in this proceeding. For purposes of this paragraph, a "Related Investor Action" means a private damages action brought against Respondent by or on behalf of one or more investors based on substantially the same facts as alleged in the Order instituted by the Commission in this proceeding.

By the Commission

Vanessa A. Countryman
Secretary