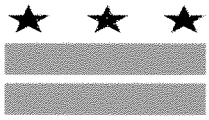
Government of the District of Columbia
Department of Insurance, Securities and Banking



William P. White
Acting Commissioner

In the matter of:	)	
	)	
DEUTSCHE BANK SECURITIES, INC.	)	ADMINISTRATIVE CONSENT ORDER
60 Wall Street	)	ORDER NO. SB-CO-10-11
NYC60-3710	)	
New York, NY 10005,	)	
Respondent	)	
	)	

WHEREAS, Deutsche Bank Securities Inc. ("DBSI") is a broker-dealer registered in the District of Columbia; and

WHEREAS, coordinated investigations into DBSI's activities in connection with DBSI's marketing and sale of auction rate securities ("ARS") have been conducted by a multi-state task force, comprised of state securities regulators, including the Department of Insurance, Securities and Banking ("Department"); and

WHEREAS, DBSI has provided documentary evidence and other materials, and provided regulators with access to information relevant to their investigations; and

WHEREAS, Deutsche Bank AG (as parent entity of DBSI) has entered into a Settlement Term Sheet dated August 31, 2008 ("Settlement") with the North American Securities Administrators' Association ("NASAA"), which recommends to NASAA members the settlement terms intended to resolve the investigation into the marketing and sale of ARS by DBSI; and

WHEREAS, DBSI and the Department wish to resolve these issues in accordance with the terms of the Settlement and without the expense and delay that formal administrative proceedings would involve; and

WHEREAS, DBSI consents to the form and entry of this Consent Order without admitting or denying the allegations set forth herein. Accordingly, DBSI waives the following rights:

a. To be afforded an opportunity for hearing on the Department's findings and conclusions of law in this Consent Order after reasonable notice under the District of Columbia Administrative Procedure Act, D.C. Official Code §§ 2-509(a) and 2-510(a) (2001); the Rules of Practice and Procedures for Hearings in the District of Columbia, 26 DCMR §§ B300 *et seq.*; the Enforcement-Administrative provisions of D.C. Official Code § 31-5606.02(b); and the Judicial Review provisions of D.C. Official Code § 31-5608.03(a), with respect to this Administrative Consent Order ("Consent Order"); and

b. To seek judicial review of, or otherwise challenge or contend, the validity of this Consent Order; and

WHEREAS, DBSI agrees that for purposes of this matter, or any future proceedings to enforce this Consent Order by the Department, this Consent Order shall have the same effect as if proven and ordered after a full hearing held pursuant to the Act; and

WHEREAS, the provisions set forth in this Consent Order constitute the entire agreement between the Department and DBSI, and shall supersede any conflicting provisions contained in the Settlement;

NOW, THEREFORE, Acting Commissioner ("Commissioner") of the Department, as administrator of the Securities Act of 2000, effective September 29, 2000 (D.C. Law 13-203,

D.C. Official Code § 31-5601.01 *et seq.* (2001)) ("Act"), pursuant to D.C. Official Code § 31-5607.01, hereby enters this Consent Order:

I.

FINDINGS OF FACT

1. DBSI admits the jurisdiction of the Department, neither admits nor denies the findings of fact and conclusions of law contained in this Consent Order, and consents to the entry of this Consent Order by the Department.

Auction Rate Securities

2. ARS as a general term refers to long-term debt or equity instruments tied to short-term interest rates that are reset periodically through an auction process.

3. An ARS auction is regarded as a "fail" or "failed auction" if there is not a buyer available for every ARS being offered for sale at the auction. In the event of a failed auction, the investors that wished to sell their ARS were unable to do so and would continue to hold the ARS and wait until the next successful auction to liquidate their positions.

4. Beginning in February 2008, the ARS market experienced widespread failed auctions (the "2008 Auction Failures").

5. Common categories of ARS instruments include: auction preferred shares of closed-end funds ("Preferreds"); municipal auction rate certificates ("Municipal ARS"); and student loan-backed auction rate certificates ("Student Loan ARS"). The interest rates paid to ARS holders are intended to be set through a Dutch auction process.

6. The interest rate set at an ARS auction is commonly referred to as the "clearing rate."

7. In order to determine the clearing rate, the buy bids are arranged from lowest to highest interest rate (subject to any applicable minimum interest rate). The clearing rate is the lowest interest rate at which all ARS available for sale at the auction can be sold at par value.

DBSI's Marketing and Sale of ARS

8. DBSI (CRD #2525) is a Delaware corporation with a primary place of business located at 60 Wall Street, New York, New York.

9. Deutsche Bank Alex. Brown ("DBAB"), a division of DBSI, provides wealth planning and brokerage services to private, institutional, and corporate clients.

10. The Corporate and Investment Bank ("CIB"), another division of DBSI, provides capital market financial services to institutions and corporate clients.

11. DBSI engaged in the marketing and sale of ARS in the District of Columbia.

12. Certain DBSI agents solicited sales of ARS to clients; however, certain DBSI agents did not fully comprehend the product, auction process, or the risks.

13. DBSI did not provide its agents with adequate training concerning the complex characteristics of ARS and risks inherent with this type of investment.

14. DBSI did not create and maintain adequate written supervisory procedures to ensure its agents provided their clients with adequate disclosure of the complex characteristics of ARS and risks inherent with this type of investment.

15. Certain DBAB agents misrepresented the characteristics of ARS to clients. Certain DBAB agents told clients that ARS were "safe and liquid," "cash equivalents," and "just like money markets."

16. Third-party marketing materials about ARS, which were available to DBAB agents, described certain ARS issues as an "AAA-rated source of short-term income" and a "Cash alternative."

17. Certain DBAB clients maintained investment policies and objectives designed to place their money in safe and liquid investments.

18. Certain DBAB agents sold ARS to these DBAB clients, despite their investment policies and objectives which sought safe and liquid investments.

19. From approximately September 2003 until February 2008, DBAB categorized ARS under the heading "Other – Money Market Instruments" on clients' monthly account statements.

20. ARS, unlike money market instruments, are not short-term investments. In fact, ARS bonds may have maturities as long as 30 years and Preferreds have unlimited maturity.

21. Beginning in 2003, CIB began to underwrite certain Student Loan ARS issues ("CIB SL ARS"). Because CIB had not developed a sales network for those CIB SL ARS, there were instances in which several CIB SL ARS issues were not successfully sold to institutions during the initial offering. As a consequence, CIB purchased and maintained on its books 100 percent of the outstanding ARS for several CIB SL ARS issues, which ultimately allowed the initial offerings for these issues to succeed. Despite this, CIB continued to market those CIB SL ARS to investors. Some of those CIB SL ARS remained on CIB's books as of the 2008 Auction Failures.

22. Because certain DBSI agents misrepresented the characteristics of ARS to clients and purchased ARS for clients based upon those misrepresentations, DBSI engaged in dishonest and unethical conduct in the securities business with respect to the marketing and sale of ARS.

23. By failing to: (i) provide adequate training to agents concerning ARS, (ii) create and maintain adequate written supervisory procedures concerning ARS, and (iii) ensure accurate disclosure of ARS characteristics to clients by its agents, DBSI failed to reasonably supervise its agents with respect to the marketing and sale of ARS.

Conflict of Interest

24. DBAB failed to adequately disclose to clients who purchased ARS that the firm's roles as underwriter and broker-dealer in certain ARS issues were a conflict of interest, and this

conflict may affect the auction clearing rate. As the underwriter and lead manager on four Preferred issues since 1992[1] (the "DBAB Managed Preferred"), it was in the interest of the firm to keep the clearing rates low for issuers of the DBAB Managed Preferred. As broker-dealer, the firm had a duty to provide the highest available ARS clearing rates to its clients.

25. DBAB issued a "price talk" document prior to each ARS auction in which it acted as a broker-dealer. This document detailed the interest rate at which DBAB believed the ARS would clear at auction. DBAB determined this rate by utilizing different factors, including the competing interests of both investors and issuers.

26. By failing to fully inform clients about the effect of DBAB's conflicting roles, as underwriter and broker-dealer of ARS issues, on auction clearing rates, DBSI engaged in dishonest and unethical conduct in the securities business with respect to the marketing and sale of ARS.

27. By failing to ensure adequate disclosure of conflicts of interest concerning ARS to clients by its agents, DBSI failed to reasonably supervise its agents with respect to the marketing and sale of ARS.

Supporting Bids

28. In every auction for the DBAB Managed Preferred, the firm submitted "supporting bids" for its own account that were sufficient to cover the entire allotment of each DBAB Managed Preferred issue. These supporting bids were customary among lead managers to prevent failed auctions and to maintain liquidity for investors. In certain instances, the supporting bids prevented failed auctions, and in others, the supporting bids were unnecessary. However, regardless of the auction outcome, these supporting bids were consistently placed by DBAB, ensuring that successful auctions occurred and liquidity was maintained.

[1] These Preferred issues were Nuveen Maryland Premium Income Municipal Fund 2 (CUSIP No. W67061Q305), and Van Kampen Invest Grade (CUSIP Nos. E920929601, F920929700, and G920929809).

29. DBAB failed to disclose to clients that, in each auction of auction rate preferred issues for which DBAB acted as lead manager, the firm placed supporting bids for the entire allotment of auction rate preferred to ensure a successful auction.

30. DBAB agents were not aware that DBAB placed supporting bids in the auction rate preferred auctions for which DBAB was the lead manager; nor were they aware of the effect of DBAB's supporting bids on those auctions.

31. In or around August 2007, CIB declined to place supporting bids for certain ARS issued by three special purpose vehicles previously created by Deutsche Bank (the "SPVs") (called Pivots, Capstans, and Cambers). CIB's decision to stop submitting supporting bids resulted in failed auctions for these ARS issues.

32. On or around February 13, 2008, the head traders of DBAB's fixed-income trading desk and CIB's asset-backed trading desk, each of which handled the firm's trading in ARS, declined to submit supporting bids for ARS issues in which DBSI was the lead manager. This decision resulted in failed auctions for the ARS issues in which DBSI was a lead underwriter, and a lack of liquidity for clients invested in these issues. Neither DBAB nor CIB has placed a supporting bid since that decision.

33. By engaging in the practice of placing supporting bids to prevent failed ARS auctions and failing to disclose the practice to clients, DBAB engaged in dishonest and unethical conduct in the securities business with respect to the marketing and sale of ARS.

34. By failing to ensure adequate disclosure to clients of DBAB's practice of placing supporting bids to artificially prevent failed ARS auctions, DBSI failed to reasonably supervise its agents with respect to the marketing and sale of ARS.

II.

CONCLUSIONS OF LAW

Solely for the purpose of this Consent Order, and without admitting or denying the allegations set forth herein, DBSI consents to the following conclusions of law:

1. In connection with: (i) the misrepresentation of ARS to clients, (ii) the failure to adequately disclose to clients the effect of the firm's role as underwriter and broker-dealer for ARS issues, and (iii) the use of supporting bids to artificially prevent failed ARS auctions and failing to adequately disclose the practice to clients, DBSI engaged in dishonest and unethical conduct in the securities business, in violation of D.C. Official Code § 31-5602.07(a)(9).

2. In connection with the failure to (i) provide adequate training to agents concerning ARS, (ii) create and maintain adequate written supervisory procedures concerning ARS, (iii) ensure accurate disclosure of ARS characteristics to clients by its agents, and (iv) ensure adequate disclosure of conflicts of interest concerning ARS to clients by its agents, DBSI failed to reasonably supervise, and establish and enforce procedures necessary to detect and prevent such conduct, in violation of its duties under D.C. Official Code § 31-5602.07(a)(12).

3. The activities set forth herein are grounds, pursuant to D.C. Official Code § 31-5606.02(a), for the initiation of administrative proceedings; and further, pursuant to D.C. Official Code § 31-5606.02(b), to impose such other appropriate remedial measures as may be necessary in the public interest.

III.

ORDER

On the basis of the Findings of Fact, Conclusions of Law, and DBSI's consent to the entry of this Consent Order,

IT IS HEREBY ORDERED:

1. Pursuant to D.C. Official Code § 31-5606.02(b)(4), DBSI is assessed and shall pay a civil monetary penalty in the amount of ONE HUNDRED TWENTY FIVE THOUSAND, THREE HUNDRED NINETY NINE DOLLARS AND FORTY THREE CENTS ($125,399.43) (the District of Columbia's pro rata share of the $15,000,000 total penalty that DBSI agreed to pay pursuant to the Settlement), due and payable within ten (10) days of the entry of this Consent Order to the Department as a civil monetary penalty pursuant to D.C. Official Code § 31-5606.02(b)(4), to be deposited in the District of Columbia's GENERAL FUND, made payable to the D.C. Treasurer, pursuant to D.C. Official Code § 1-204.50.

2. DBSI shall take certain measures, enumerated below, with respect to all current and former clients of DBSI that purchased "Eligible ARS", defined below, from DBSI on or before February 13, 2008 (the "Relevant Class"). For purposes of this Consent Order, "Eligible ARS" shall be defined as ARS purchased from DBSI that were subject to auctions that were not continuously succeeding between February 13, 2008, and August 31, 2008.

3. DBSI has offered to purchase at par Eligible ARS, that were purchased from DBSI prior to February 13, 2008, held by: (i) all individuals; (ii) legal entities forming an investment vehicle for family members including but not limited to IRA accounts, Trusts, Family Limited Partnerships and other legal entities performing a similar function; (iii) all charities and non-profits; and (iv) small to medium sized businesses with assets of $10 million dollars or less with Deutsche Bank as of July 31, 2008 (collectively, "Individual Investors").

a. DBSI shall have completed all purchases from Individual Investors who accepted the offer (i) prior to November 19, 2008, by November 19, 2008, and (ii) prior to December 31, 2008, by December 31, 2008. For any Individual Investor who accepted the offer between December 31, 2008, and June 30, 2009, DBSI will have completed the purchase within seven business days of DBSI's receipt of his or her acceptance. However, Individual Investors may have requested that DBSI purchase

the Eligible ARS on the next scheduled auction date after DBSI's receipt of its acceptance, in which event DBSI will have completed the purchase within seven business days of that auction;

b. DBSI shall have provided notice to customers of the settlement terms and DBSI shall have established a dedicated telephone assistance line, with appropriate staff, to respond to questions from customers concerning the terms of this Consent Order;

4. No later than November 19, 2008, any DBSI Individual Investor that DBSI can reasonably identify who sold ARS below par between February 13, 2008, and August 31, 2008, will have been paid the difference between par and the price at which the investor sold the ARS;

5. DBSI shall consent to participate, at the Eligible Customer's election, in the special arbitration procedures as briefly described below. Under these procedures, the Special Arbitration Process that applies to firms that have entered into settlements with state regulators (the "State SAP"), under the auspices of Financial Industry Regulatory Authority ("FINRA"), will be available for the exclusive purpose of arbitrating any Individual Investor's consequential damages claim:

a. No later than November 19, 2008, DBSI shall have notified those DBSI Individual Investors who own ARS, pursuant to the terms of the Settlement, that a public arbitrator (as defined by section 12100(u) of the NASD Code of Arbitration Procedures for Customer Disputes, eff. April 16, 2007), under the auspices of FINRA, would be available for the exclusive purpose of arbitrating any DBSI Individual Investor's consequential-damages claim;

b. Arbitration shall be conducted by public arbitrators and DBSI will pay all applicable forum and filing fees;

c. Any DBSI Individual Investors who choose to pursue such claims shall bear the burden of proving that they suffered consequential damages and that such damages were caused by investors' inability to access funds consisting of investors' ARS holdings at DBSI;

d. DBSI shall be able to defend itself against such claims; provided, however, that DBSI shall not contest in these arbitrations liability related to the sale of ARS; and provided further that DBSI shall not be able to use as part of its defense a DBSI Individual Investor's decision not to borrow money from DBSI;

e. Individual Investors who elect to use the State SAP provided for in this Order shall not be eligible for punitive damages, or any other type of damages other than consequential damages. The State SAP will govern the availability of attorneys' fees.

f. All customers, including but not limited to Individual Investors who avail themselves of the relief provided pursuant to this Consent Order, may pursue any remedies against DBSI available under the law. However, Individual Investors, that elect to utilize the special arbitration process set forth above are limited to the remedies available in that process and may not bring or pursue a claim relating to Eligible ARS in another forum.

6. DBSI shall endeavor to work with issuers and other interested parties, including regulatory and governmental entities, to expeditiously provide liquidity solutions for institutional investors not covered by paragraph 3 immediately above. Beginning November 19, 2008, and then quarterly after that, DBSI shall submit a written report to the representative specified by NASAA ("NASAA Representative") outlining the efforts in which DBSI has engaged and the results of those efforts with respect to DBSI institutional investors' holdings in ARS. DBSI shall confer with the NASAA Representative no less frequently than quarterly to discuss DBSI's

progress to date. Such quarterly reports shall have continued until no later than December 31, 2009. Following every quarterly report, the NASAA Representative shall have advised DBSI of any concerns and, in response, DBSI shall have discussed how DBSI planned to address such concerns;

7. DBSI shall have refunded refinancing fees DBSI has received from municipal auction rate issuers that issued such securities through DBSI in the initial primary market between August 1, 2007, and February 13, 2008, and refinanced those securities after February 13, 2008; and

8. DBSI shall have made its best efforts to identify Individual Investors who took out loans from DBSI, between February 13, 2008, and June 30, 2009, that were secured by Eligible ARS that were not successfully auctioning at the time the loan was taken out from DBSI. DBSI shall have refunded to those Individual Investors any interest associated with the ARS-based portion of those loans in excess of the total interest and dividends received on the ARS during the duration of the loan. Such refunds shall have occurred no later than July 31, 2009.

GENERAL PROVISIONS

9. This Consent Order concludes the investigation by the Department and any other action that the Department could commence under applicable District of Columbia law on behalf of the District of Columbia as it relates to DBSI's marketing and sale of ARS to DBSI's "Individual Investors," as defined above.

10. The Department shall refrain from taking legal action, if necessary, against DBSI with respect to its institutional investors until November 19, 2008.

11. The Department will not seek additional monetary penalties from Deutsche Bank relating to DBSI's marketing and sale of ARS.

12. If payment is not made by DBSI, or if DBSI defaults in any of its obligations set

forth in this Consent Order, the Department may vacate this Consent Order, at its sole discretion, upon ten (10) days notice to DBSI and without opportunity for administrative hearing.

13. This Consent Order is not intended to indicate that Deutsche Bank or any of its affiliates or current or former employees shall be subject to any disqualifications contained in the federal securities law, the rules and regulations thereunder, the rules and regulations of self regulatory organizations or various states' securities laws including any disqualifications from relying upon the registration exemptions or safe harbor provisions. In addition, this Consent Order is not intended to form the basis for any such disqualifications.

14. For any person or entity not a party to this Consent Order, this Consent Order does not limit or create any private rights or remedies against Deutsche Bank, limit or create liability of Deutsche Bank, or limit or create defenses of Deutsche Bank to any claims.

15. Nothing herein shall preclude the District of Columbia, its departments, agencies, boards, commissions, authorities, political subdivisions and corporations (collectively, "State Entities"), other than the Department and only to the extent set forth in paragraph 9 immediately above, and the officers, agents or employees of State Entities from asserting any claims, causes of action, or applications for compensatory, nominal and/or punitive damages, administrative, civil, criminal, or injunctive relief against Deutsche Bank in connection with the marketing and sale of ARS at DBSI.

16. This Consent Order shall not disqualify Deutsche Bank or any of its affiliates or current or former employees from any business that they otherwise are qualified or licensed to perform under applicable state law and this Consent Order is not intended to form the basis for any disqualification.

Dated this 11 day of May, 2011.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed the official seal of this Department in the District of Columbia, this 11th day of May, 2011.

William P. White

William P. White, Acting Commissioner

CONSENT TO ENTRY OF CONSENT ORDER BY DBSI

DBSI hereby acknowledges that it has been served with a copy of this Consent Order, has read the foregoing Consent Order, is aware of its right to a hearing and appeal in this matter, and has waived the same.

DBSI admits the jurisdiction of the Department, neither admits nor denies the Findings of Fact and Conclusions of Law contained in this Consent Order; and consents to entry of this Consent Order by the Department as settlement of the issues contained in this Consent Order.

DBSI states that no promise of any kind or nature whatsoever was made to it to induce it to enter into this Consent Order and that it has entered into this Consent Order voluntarily.

Joseph Polizzatto represents that he/she is Managing Dir./ General Counsel of DBSI and that, as such, has been authorized by DBSI to enter into this Consent Order for and on behalf of DBSI.

DBSI agrees that it shall not claim, assert, or apply for a tax deduction or tax credit with regard to any state, federal, or local tax for any administrative monetary penalty that DBSI shall pay pursuant to this Consent Order.

Dated this ____ day of _____, 2011.

DEUTSCHE BANK SECURITIES INC.

By: Joseph Polizzatto Title: Managing Director/General Counsel-Americas

SUBSCRIBED AND SWORN TO before me this 25th day of April, 2011.

Notary Public

My commission expires: 3/31/2015

YUN SUH
Notary Public, State of New York
No. 01SU5075403
Qualified in Nassau County
Certificate filed in New York County
Commission Expires March 31, 2015

CONSENT TO ENTRY OF CONSENT ORDER BY DBSI

DBSI hereby acknowledges that it has been served with a copy of this Consent Order, has read the foregoing Consent Order, is aware of its right to a hearing and appeal in this matter, and has waived the same.

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DBSI states that no promise of any kind or nature whatsoever was made to it to induce it to enter into this Consent Order and that it has entered into this Consent Order voluntarily.

Robert E. Rice represents that he/she is Managing Dir. of DBSI and that, as such, has been authorized by DBSI to enter into this Consent Order for and on behalf of DBSI.

DBSI agrees that it shall not claim, assert, or apply for a tax deduction or tax credit with regard to any state, federal, or local tax for any administrative monetary penalty that DBSI shall pay pursuant to this Consent Order.

Dated this 25th day of April, 2011.

DEUTSCHE BANK SECURITIES INC.

By: Robert E. Rice Title: Managing Director

SUBSCRIBED AND SWORN TO before me this 25TH day of April, 2011.

Notary Public

My commission expires: 3/31/2015

YUN SUH
Notary Public, State of New York
No. 01SU5075403
Qualified in Nassau County
Certificate filed in New York County
Commission Expires March 31, 2015