

UNITED STATES OF AMERICA
BEFORE THE
BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM
WASHINGTON, D.C.

In the Matter of

DEUTSCHE BANK AG
Frankfurt am Main, Germany

And

DB USA CORPORATION
New York, New York

And

DEUTSCHE BANK AG NEW YORK
BRANCH
New York, New York

Docket Nos. 17-008-B-FB;
17-008-CMP-FB
17-008-B-HC
17-008-CMP-HC
17-008-B-FBR
17-008-CMP-FBR

Order to Cease and Desist and
Order of Assessment of a Civil Money
Penalty Issued Upon Consent Pursuant to
the Federal Deposit Insurance Act, as
Amended

WHEREAS, Deutsche Bank AG, Frankfurt am Main, Germany (the “Bank”) is a foreign bank as defined in section 1(b)(7) of the International Banking Act (12 U.S.C. § 3101(7)) that controls a large complex financial organization that consists of a number of separate business lines and legal entities in many countries around the world (together with its branches and subsidiaries, “Deutsche Bank”);

WHEREAS, Deutsche Bank conducts operations in the United States through DB USA Corporation (“DBUSA”), a U.S. bank holding company, which became the Bank’s U.S. intermediate bank holding company in July 2016, and is located in New York, New York, Deutsche Bank AG New York Branch (the “Branch”), a branch in New York, New York, and other offices and subsidiaries;

WHEREAS, the Board of Governors of the Federal Reserve System (the “Board of

Governors”) is the appropriate federal supervisor in the United States of Deutsche Bank, DBUSA, and the Branch;

WHEREAS, the Bank oversees compliance, risk management, and audit procedures for entities within the Deutsche Bank organization;

WHEREAS, Deutsche Bank serves as a foreign exchange (“FX”) dealer, both in the United States and in its offices abroad, by buying and selling U.S. dollars and foreign currency for its own account and by soliciting and receiving orders through communications between customers and sales personnel that are executed in the FX market (“Covered FX Activities”);

WHEREAS, in soliciting and receiving orders from customers in its Covered FX Activities, personnel of Deutsche Bank may provide customers with, among other things, price quotes for specific prospective transactions and the prices and amounts of currency purchased or sold in trades based on customers’ orders;

WHEREAS, in addition to soliciting and receiving orders from customers in its Covered FX Activities, Deutsche Bank engages in other trading activities and related sales activities involving FX, including FX trading where a customer directly inputs an order through an electronic platform, and in wholesale markets for commodities and interest rate products where Deutsche Bank acts as principal, prices and rates are or can be influenced by industry benchmark prices or rates, and compliance and control risk factors and vulnerabilities are similar to those related to Covered FX Activities (together with Covered FX Activities, “Designated Market Activities”);

WHEREAS, the Board of Governors expects Deutsche Bank to have an effective and comprehensive compliance risk management framework that includes strong governance over compliance risk at all levels of management, appropriate policies and procedures, rigorous

surveillance and escalation mechanisms, and staff training programs that thoroughly address compliance risks;

WHEREAS, Deutsche Bank has conducted a review of its Covered FX Activities occurring from October 2008 through October 2013 (the “Review Period”), has identified and reported relevant conduct to the Board of Governors and the Federal Reserve Bank of New York (“Reserve Bank”), has fully cooperated with the Board of Governors and the Reserve Bank and has made and continues to make progress in implementing enhancements to its firm-wide compliance systems and controls that are designed to address deficiencies in its Covered FX Activities;

WHEREAS, the Board of Governors has been conducting an investigation into the practices of Deutsche Bank relating to FX activities;

WHEREAS, during the Review Period:

A. Deutsche Bank lacked adequate governance, risk management, compliance, and audit policies and procedures to ensure that Deutsche Bank’s Covered FX Activities complied with safe and sound banking practices and applicable internal policies;

B. FX traders in the spot market at Deutsche Bank routinely communicated with FX traders at other financial institutions through chatrooms on electronic messaging platforms accessible by traders at multiple institutions;

C. Deutsche Bank’s deficient policies and procedures prevented it from detecting and addressing unsafe and unsound conduct by certain of its FX traders, including in communications by traders in multibank chatrooms, consisting of:

(i) disclosures of trading positions and, on some occasions, discussions of coordinated trading strategies with traders of other institutions;

(ii) discussions about possible FX benchmark fix-related trading with traders of other institutions;

(iii) attempts to influence contributions to submission-based foreign currency benchmarks in certain emerging market currencies in order to possibly benefit Deutsche Bank, both within Deutsche Bank and with traders of other institutions;

(iv) discussions by a Deutsche Bank trader regarding bid/offer spreads offered to FX customers for FX non-deliverable forward contracts with traders of other institutions in an emerging market currency; and

(v) discussions on trading in a manner to trigger or defend certain FX barrier options within Deutsche Bank, in order to benefit Deutsche Bank; and

D. As a result of the deficient policies and procedures described above during the Review Period, Deutsche Bank engaged in unsafe and unsound banking practices;

WHEREAS, to address the deficiencies described above, Deutsche Bank has made and must continue to implement additional improvements in its oversight, internal controls, compliance, risk management and audit programs for Designated Market Activities in order to comply with Deutsche Bank policies, safe and sound banking practices, and applicable U.S. laws and regulations;

WHEREAS, the Board of Governors, the Reserve Bank, and Deutsche Bank have the common goal to ensure that Deutsche Bank conducts its activities in a safe and sound manner and complies with U.S. laws, rules, and regulations that apply to the activities of the Deutsche Bank organization, and that Deutsche Bank fosters a strong commitment towards compliance;

WHEREAS, the Board of Governors is issuing this Consent Order to Cease and Desist and Assessment of Civil Money Penalty (“Order”);

WHEREAS, pursuant to delegated authority, the undersigned signatories for the Bank, DBUSA, and the Branch are authorized to enter into this Order on behalf of the Bank, DBUSA, or the Branch, respectively, and consent to compliance with each and every provision of this Order by the Bank, DBUSA and the Branch, respectively, and to waive any and all rights that each may have pursuant to section 8 of the Federal Deposit Insurance Act, as amended (the “FDI Act”) (12 U.S.C. § 1818), including, but not limited to: (i) the issuance of a notice of charges on any matters set forth in this Order; (ii) a hearing for the purpose of taking evidence on any matters set forth in this Order; (iii) judicial review of this Order; and (iv) challenge or contest, in any manner, the basis, issuance, validity, terms, effectiveness or enforceability of the Order or any provision hereof;

NOW, THEREFORE, it is hereby ordered by the Board of Governors that, before the filing of the notices, or taking of any testimony, or adjudication of or finding on any issues of fact or law herein, and solely for the purpose of settling this matter without a formal proceeding being filed and without the necessity for protracted or extended hearings or testimony, pursuant to sections 8(b)(1), (3) and (4) of the FDI Act (12 U.S.C. §§ 1818(b)(1), 1818(b)(3) and 1818(b)(4)), Deutsche Bank, including DBUSA and the Branch, and its institution-affiliated parties, as defined in sections 3(u) and 8(b)(3) and 8(b)(4) of the FDI Act (12 U.S.C. §§ 1813(u), 1818(b)(3) and 1818(b)(4)), shall cease and desist and take affirmative action as follows:

Senior Management Oversight

1. Within 90 days of this Order, the Management Board of the Bank or an authorized committee thereof shall submit a written plan acceptable to the Reserve Bank to improve senior management’s oversight of Deutsche Bank’s compliance with applicable U.S. laws and regulations and applicable internal policies in connection with Deutsche Bank’s Designated Market Activities. The plan shall, at a minimum, address, consider, and include:

- (a) measures to ensure that senior management periodically reassess risks associated with Deutsche Bank's Designated Market Activities to proactively identify areas vulnerable to employee misconduct;
- (b) measures to ensure management's effective oversight of staff's compliance with policies, procedures, and internal controls designed to deter and detect potential employee misconduct in connection with Deutsche Bank's Designated Market Activities; and
- (c) periodic monitoring by senior management and reporting to the Management Board or an authorized committee thereof on the status and results of measures taken, or to be taken, to correct identified deficiencies and to comply with this Order and to ensure the ongoing efficacy of Deutsche Bank's overall program.

Internal Controls and Compliance Program

2. Within 90 days of this Order, the Bank, DBUSA, and the Branch shall submit an enhanced written internal controls and compliance program acceptable to the Reserve Bank to comply with applicable U.S. laws and regulations with respect to Deutsche Bank's Designated Market Activities. The program shall, at a minimum, address, consider, and include:

- (a) enhancement of comprehensive policies and procedures to ensure compliance with applicable U.S. laws and regulations by Deutsche Bank's business lines that engage in Designated Market Activities, including U.S. antitrust laws, and a review of Deutsche Bank's policies and procedures relating to its Designated Market Activities, including conflict of interest policies, client confidentiality policies, and a code of conduct or other statement of conduct or policies;
- (b) provisions that clearly identify the Designated Market Activities covered by the policies and procedures;
- (c) measures to ensure compliance with policies and applicable U.S. laws and

regulations applicable to Designated Market Activities by Deutsche Bank's global business lines;

(d) the duties and responsibilities of personnel responsible for overseeing compliance with policies and procedures relating to Deutsche Bank's Designated Market Activities, including the reporting lines within Deutsche Bank;

(e) policies and procedures that define management responsibilities and establish accountability within all business lines that engage in Designated Market Activities;

(f) a comprehensive and effective system of internal controls to monitor and detect potential employee misconduct in connection with Deutsche Bank's Designated Market Activities, which shall include, but not be limited to, transaction monitoring and communication surveillance that is commensurate with the level and nature of the risks inherent in the market;

(g) establishment of comprehensive policies and procedures to ensure that sales personnel and traders do not communicate inaccurate or misleading information to customers regarding: (i) the amount of markup, commission, or other service charge applied to customer orders by Deutsche Bank; and (ii) how orders are executed by Deutsche Bank;

(h) a revised code of conduct or other statement of conduct or policies for employees engaged in Designated Market Activities that establishes rules and procedures governing, among other matters, (i) the types of communications media employees may use to communicate with employees at other institutions that trade in the same financial instruments or products and the circumstances when employees may use these communications media; (ii) the types of trading information of Deutsche Bank that may be disclosed to employees of other institutions that trade in the same financial instruments or products; (iii) the types of information and circumstances under which confidential customer information may be shared outside of Deutsche Bank; and (iv) appropriate conduct in responding to potential conflicts of interest with

customers that place orders for execution by Deutsche Bank, including procedures for the timing of the execution of customer orders;

(i) enhancement of the compliance reporting process for Deutsche Bank's Designated Market Activities that is widely publicized within the global organization and integrated into Deutsche Bank's other reporting systems, through which employees report known or suspected violations of Deutsche Bank's policies and U.S. laws and regulations, and that includes a process designed to ensure that known or suspected violations are promptly escalated to appropriate personnel for appropriate resolution and reporting; and

(j) training for Deutsche Bank's employees engaged in Designated Market Activities in conduct-related issues appropriate to the employee's job responsibilities that is provided on an ongoing, periodic basis.

Compliance Risk Management Program

3. Within 90 days of this Order, the Bank, DBUSA, and the Branch shall submit a written plan acceptable to the Reserve Bank to improve its compliance risk management program with regard to compliance by Deutsche Bank with applicable U.S. laws and regulations with respect to Designated Market Activities firm-wide. The plan shall, at a minimum, address, consider and include:

(a) identification of all business lines that engage in Designated Market Activities and the attendant legal and compliance risks to ensure that such activities are appropriately risk-rated and included in the firm-wide compliance risk assessment;

(b) completion, within 90 days of the Reserve Bank's approval of the plan, of a firm-wide risk assessment to evaluate current potential conduct risks associated with all areas relating to Deutsche Bank's Designated Market Activities;

(c) prior to trading new financial products or instruments in connection with Deutsche Bank's Designated Market Activities, a review of potential risks, including, but not limited to, reputational risk, fraud risk, and potential for misconduct associated with the proposed new activity;

(d) development of comprehensive risk assessment processes for Deutsche Bank's Designated Market Activities, which shall identify: (i) the scope and frequency of such reviews, (ii) compliance risks, and (iii) all applicable risk factors and mitigating controls; and

(e) measures to ensure that material risk management issues related to potential employee misconduct in connection with Deutsche Bank's Designated Market Activities are escalated to and addressed in a timely manner by senior management and the Management Board or a committee thereof, as appropriate.

Controls Review

4. (a) During the term of this Order, to ensure that the internal controls of the Bank, DBUSA and the Branch required under paragraph 2 of the Order are functioning effectively to detect, correct, and report misconduct with regard to Designated Market Activities, Deutsche Bank management, utilizing personnel who are independent of the business line and acceptable to the Reserve Bank, shall conduct on an annual basis: (i) a review of compliance policies and procedures applicable to Deutsche Bank's Designated Market Activities and their implementation, and (ii) an appropriate risk-focused sampling of other key controls for Deutsche Bank's Designated Market Activities (the "Controls Review").

(b) The results of each Controls Review shall be submitted to the Reserve Bank within 90 days of the corresponding anniversary date of this Order. Upon request, Deutsche Bank shall provide to the Reserve Bank the materials relied upon in

conducting each Controls Review.

Internal Audit

5. Within 90 days of this Order, the Bank, DBUSA, and the Branch shall submit an enhanced written internal audit program acceptable to the Reserve Bank with respect to Deutsche Bank's compliance with applicable U.S. laws and regulations as well as Deutsche Bank's internal policies and procedures in its Designated Market Activities. The program shall, at a minimum, address, consider, and include:

(a) periodic internal audit reviews of business line controls and compliance detection and monitoring processes, as applicable, designed to identify and prevent potential misconduct in connection with Deutsche Bank's Designated Market Activities;

(b) enhanced escalation procedures for the timely resolution of material audit exceptions and recommendations in connection with Deutsche Bank's Designated Market Activities; and

(c) the periodic review of risk assessments to ensure emerging risks associated with Deutsche Bank's Designated Market Activities are appropriately identified and monitored.

Assessment of Civil Money Penalty

6. The Board of Governors hereby assesses Deutsche Bank a civil money penalty in connection with Covered FX Activities in the amount of \$136,950,000, which shall be remitted at the time of the execution of this Order by Fedwire transfer of immediately available funds to the Federal Reserve Bank of Richmond, ABA No. 1000033, beneficiary, Board of Governors of the Federal Reserve System. This penalty is a penalty paid to a government agency for a violation of law for purposes of 26 U.S.C. § 162(f) and 26 C.F.R. § 1.162-21.

The Federal Reserve Bank of Richmond, on behalf of the Board of Governors, shall distribute this sum to the U.S. Department of the Treasury, pursuant to section 8(i) of the FDI Act (12 U.S.C. § 1818(i)).

Approval, Implementation, and Progress Reports

7. (a) The Bank, DBUSA, and the Branch shall submit the written plans and programs that are acceptable to the Reserve Bank as set forth in paragraphs 1, 2, 3 and 5 of this Order. Each plan or program shall contain a timeline for full implementation of the plan or program with specific deadlines for the completion of each component of the plan or program.

(b) Within 10 days of approval by the Reserve Bank, the Bank, DBUSA, and the Branch shall adopt the approved plans and programs. Upon adoption, the Bank, DBUSA, and the Branch shall promptly implement the approved plans and programs and thereafter fully comply with them.

(c) During the term of this Order, the approved plans and programs shall not be amended or rescinded without the prior written approval of the Reserve Bank.

8. Within 30 days after the end of the first full calendar quarter following the date of this Order, and quarterly thereafter, Deutsche Bank shall submit to the Reserve Bank written progress reports detailing the form and manner of all actions taken to secure compliance with the provisions of this Order and the results thereof.

Accountability for Employees Involved in Misconduct

9. Deutsche Bank shall not in the future directly or indirectly retain any individual as an officer, employee, agent, consultant, or contractor of Deutsche Bank who, based on the investigative record compiled by Deutsche Bank, has done all of the following: (i) participated in the misconduct underlying this Order, (ii) been subject to formal disciplinary action as a

result of Deutsche Bank's internal disciplinary review or performance review in connection with the conduct described above, and (iii) either separated from Deutsche Bank or had his or her employment terminated in connection with the conduct described above.

10. Deutsche Bank shall continue to fully cooperate with and provide substantial assistance to the Board of Governors, including, but not limited to, the provision of information, testimony, documents, records, and other tangible evidence and perform analyses as directed by the Board of Governors in connection with the investigations of whether separate enforcement actions should be taken against individuals who are or were institution-affiliated parties of Deutsche Bank and who were involved in the misconduct underlying this Order. For purposes of clarity and not limitation, substantial assistance as used in this Order means Deutsche Bank will use its best efforts, as determined by the Board of Governors, to make available for interviews or testimony, as requested by the Board of Governors, present or former officers, directors, employees, agents and consultants of Deutsche Bank. This obligation includes, but is not limited to, sworn testimony pursuant to administrative subpoena as well as interviews with regulatory authorities. Cooperation under this paragraph shall also include identification of witnesses who, to the knowledge of Deutsche Bank, may have material information regarding the matters under investigation, and the preparation and provision of trading analyses.

Notices

11. All communications regarding this Order shall be sent to:

- (a) Richard M. Ashton
Deputy General Counsel
Patrick M. Bryan
Assistant General Counsel
Board of Governors of the Federal Reserve System
20th & C Streets, N.W.
Washington, D.C. 20551

- (b) Vandana Sharma
Vice President
Federal Reserve Bank of New York
33 Maiden Lane
New York, NY 10045
- (c) Andrew Stemmer
Head of Regulatory Enforcement – Americas
Director & Associate General Counsel
Deutsche Bank AG New York Branch
60 Wall Street
New York, NY 10005-2836

Miscellaneous

12. Notwithstanding any provision of this Order to the contrary, the Reserve Bank may, in its sole discretion, grant written extensions of time to the Bank, DBUSA, and the Branch to comply with this Order.

13. The provisions of this Order shall be binding upon the Bank, DBUSA, and the Branch and each of their institution-affiliated parties, in their capacities as such, and their successors and assigns.

14. Each provision of this Order shall remain effective and enforceable until stayed, modified, terminated, or suspended in writing by the Board of Governors.

15. Except as otherwise provided in this paragraph, the Board of Governors hereby agrees not to initiate any further enforcement actions, including for civil money penalties, against Deutsche Bank, and its affiliates, successors and assigns, with respect to the conduct involving Covered FX Activities described in the WHEREAS clauses of this Order to the extent known by the Board of Governors as of the effective date of this Order. This release and discharge shall not preclude or affect (i) any right of the Board of Governors to determine and ensure compliance with this Order, (ii) any proceedings brought by the Board of Governors to enforce the terms of this Order, or (iii) any proceedings brought by the Board of Governors against

individuals who are or were institution-affiliated parties of Deutsche Bank.

16. Except as provided in paragraph 15, the provisions of this Order shall not bar or otherwise prevent the Board of Governors, the Reserve Bank, or any federal or state agency from taking any other action affecting the Bank, DBUSA, and the Branch or any of their current or former institution-affiliated parties and their successors and assigns.

17. Nothing in this Order, express or implied, shall give to any person or entity, other than the parties hereto and their successors hereunder, any legal or equitable right, remedy, or claim under this Order.

By Order of the Board of Governors of the Federal Reserve System effective this 20th day of April, 2017.

DEUTSCHE BANK AG

By: /s/ Christof von Dryander

Christof von Dryander
Co-General Counsel

BOARD OF GOVERNORS OF THE
FEDERAL RESERVE SYSTEM

By: /s/ Ann E. Misback

Ann E. Misback
Secretary of the Board

By: /s/ Mathias Otto

Mathias Otto
Co-General Counsel – Germany

DB USA CORPORATION

By: /s/ Stuart Clarke

Stuart Clarke
Chief Operating Officer - Americas

By: /s/ Carol A. Saracco

Carol A. Saracco
Head of Regional Corporate
Governance – Americas

DEUTSCHE BANK AG NEW YORK
BRANCH

By: /s/ Steven Reich

Steven Reich
General Counsel – Americas

By: /s/ Joseph Salama

Joseph Salama
Global Head of Litigation and
Regulatory Enforcement