

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

Docket Nos. 17-009-B-FB;  
17-009-CMP-FB

Consent Order and Assessment of a  
Civil Money Penalty Pursuant to the  
Federal Deposit Insurance Act, as  
amended

**CONSENT ORDER**

WHEREAS, Deutsche Bank AG, Frankfurt am Main, Germany (“Deutsche Bank” or 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;

WHEREAS, Deutsche Bank conducts operations in the United States through its intermediate bank holding company, DB USA Corporation (“DB USA”), its branch office located in New York, New York (the “Branch”), its New York, New York subsidiary, Deutsche Bank Trust Company Americas (“DBTCA”), a state member bank, and various other offices and other 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, the Branch, DB USA, and DBTCA (collectively, the “Firm”);

WHEREAS, Deutsche Bank oversees compliance and risk management functions for

entities throughout the Firm;

WHEREAS, on December 10, 2013, the Board of Governors issued final rules (*see* 12 C.F.R. Part 248) (“Final Rules”) to implement section 619 of the Dodd-Frank Wall Street Reform and Consumer Protection Act (codified at Section 13 of the Bank Holding Company Act of 1956 (“BHC Act”), 12 U.S.C. § 1851) (together with the Final Rules, the “Volcker Rule”);

WHEREAS, banking entities, including Deutsche Bank, were obligated to comply with the Volcker Rule’s requirements by July 21, 2015, except as to certain investments in covered funds, collateralized loan obligations, and illiquid funds;

WHEREAS, the Volcker Rule requires banking entities, including Deutsche Bank, with total assets greater than \$10 billion that engage in proprietary trading of financial instruments or covered fund-related investments in the United States to establish compliance programs reasonably designed to ensure and monitor compliance with Volcker Rule requirements;

WHEREAS, permitted market making activity conducted by banking entities, including Deutsche Bank, must be designed not to exceed the reasonably expected near term demands of clients, customers, and counterparties (referred to as “RENT-D”), based on the liquidity, maturity, and depth of market and demonstrable analysis of historical and projected customer demand;

WHEREAS, the Volcker Rule requires banking entities, including Deutsche Bank, with significant trading assets and liabilities to monitor and report to the Board of Governors a variety of quantitative measurements of their permitted proprietary trading activities;

WHEREAS, Deutsche Bank’s chief executive officer (“CEO”) is required to attest annually to the Board of Governors in writing that the Firm has in place processes to establish, maintain, enforce, review, test, and modify the compliance program established under 12 C.F.R.

§248 app. B and 12 C.F.R. §248.20 in a manner that is reasonably designed to achieve compliance with the Volcker Rule;

WHEREAS, on March 30, 2016, Deutsche Bank's Co-CEO executed and delivered to the Federal Reserve Bank of New York (the "Reserve Bank") and the Board of Governors a Volcker Rule CEO attestation, which identified the existence of weaknesses in the Firm's Volcker Rule compliance program, including, among other things, certain governance, design, and operational deficiencies across key compliance pillars and the design of reporting mechanisms;

WHEREAS, the Board of Governors has determined that, as of March 30, 2016, Deutsche Bank failed to establish a compliance program reasonably designed to ensure and monitor compliance with Volcker Rule requirements, and has determined:

A. Significant gaps existed across key aspects of Deutsche Bank's Volcker Rule compliance program, including policies and procedures, management framework, and internal controls. These gaps, in turn, caused deficiencies in the scope of Deutsche Bank's independent testing efforts;

B. Significant weaknesses existed in Deutsche Bank's demonstrable analyses showing that its proprietary trading is not to exceed the reasonably expected near term demands of clients, customers, or counterparties, required for permitted market-making activities, and Deutsche Bank did not subject trading desks' RENT-D methodologies to sufficient review or challenge by internal control groups;

C. Deutsche Bank's metrics reporting and monitoring process suffered from weaknesses which, together with the absence of sufficient internal controls, limited the Bank's ability to adequately monitor trading activity to detect impermissible proprietary trades; and

D. As a result of these deficiencies, Deutsche Bank has not implemented a

compliance program reasonably designed to ensure and monitor compliance with Volcker Rule requirements and had engaged in unsafe or unsound banking practices and violated provisions of the Volcker Rule;

WHEREAS, the Board of Governors expects Deutsche Bank to fully comply with the Volcker Rule requirements;

WHEREAS, the Board of Governors, the Reserve Bank, and Deutsche Bank have common goals to ensure that Deutsche Bank and its subsidiaries comply with United States laws, rules, and regulations that apply to the activities of the Firm, and that the Firm fosters a strong commitment towards compliance;

WHEREAS, Firm management has taken and continues to take steps to improve the Firm's Volcker Rule compliance program;

WHEREAS, the Board of Governors is issuing this Consent Order and Assessment of a Civil Money Penalty ("Order");

WHEREAS, pursuant to delegated authority, Christof von Dryander and Mathias Otto are authorized to enter into this Order on behalf of the Firm and consent to compliance with each and every provision of this Order by the Firm and to waive any and all rights that it may have pursuant to section 8 of the Federal Deposit Insurance Act ("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, before the filing of any 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, it is hereby ordered, pursuant to sections 8(b)(1) and (4) and 8(i)(2) of the FDI Act (12 U.S.C. §§ 1818(b)(1) and 1818(b)(4) and 1818(i)(2)), that:

**Senior Management Oversight**

1. Within 60 days of this Order, the Deutsche Bank Management Board or an authorized committee thereof shall submit a written plan acceptable to the Reserve Bank to improve senior management's oversight of the Firm's compliance with Volcker Rule requirements. The plan shall, at a minimum, address, consider, and include:

(a) actions that senior management will take to maintain effective oversight of all actions taken by the Firm to correct deficiencies regarding compliance with Volcker Rule requirements;

(b) clearly defined roles, responsibilities, and accountability regarding compliance with the Volcker Rule for the Firm's management, compliance personnel, and internal audit staff;

(c) measures to ensure that management decisions related to key processes and controls are made in a timely manner and do not delay the implementation or maintenance of Deutsche Bank's Volcker Rule compliance program;

(d) measures to ensure adequate resourcing, implementation, and maintenance of the Firm's independent risk management control functions, including but not limited to the Volcker Risk Office, and appropriate review and challenge of proprietary trading desk functions;

(e) measures to ensure the implementation, maintenance, and effective operation of Volcker Rule governance forums, the identification and resolution of issues, and proper documentation of the same;

(f) measures to ensure that Volcker Rule compliance issues are appropriately escalated to the Firm's senior management; and

(g) adequate resources to ensure the Firm's compliance with this Order and the Volcker Rule.

### **Internal Controls and Volcker Rule Compliance Program**

2. Within 60 days of this Order, the Firm shall submit an enhanced written internal controls and compliance risk management program acceptable to the Reserve Bank to comply with the Volcker Rule. The program shall, at a minimum, address, consider, and include:

(a) measures to implement complete, accurate, and internally consistent policies and procedures governing the Firm's compliance with the Volcker Rule, including but not limited to desk-level policies and procedures that clearly describe desk activities, financial instruments, and applicable Volcker exemptions or exclusions;

(b) internal controls necessary to ensure adequate review and challenge of the Firm's Volcker Rule compliance, including but not limited to enhanced policies and controls to improve consistency, review and challenge, and documentation relating to proprietary trading desk functions;

(c) enhanced internal controls to ensure proper monitoring and surveillance of trading activity to identify potentially impermissible proprietary trades;

(d) improved independent testing that ensures proper scoping of testing and allows adequate time for completion; and

(e) measures to improve metrics reporting and monitoring functions to enable more granular analyses of desk trading under each exemption, and more timely identification and resolution of issues.

### **Approval, Implementation, and Progress Reports**

3. (a) the Firm shall submit the written plans and programs acceptable to the Reserve Bank as set forth in paragraphs 1 and 2 of this Order. Each plan or program shall contain a timeline for full implementation, with specific deadlines for the completion of each component, with all deadlines for completion scheduled within six months from the date on which the Firm is notified that the plan or program is acceptable to the Reserve Bank.

(b) Within 10 days of approval by the Reserve Bank, the Firm shall adopt the approved plan and program. Upon adoption, the Firm shall promptly implement the approved plan 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.

(d) Nothing within this paragraph or any other part of this Order shall be interpreted to alter or amend the annual deadline for the Firm to submit a CEO attestation as required by the Board of Governors pursuant to the Final Rules.

4. Within 30 days after the end of the first full calendar quarter following the date of this Order, and quarterly thereafter, the Firm 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.

### **Assessment of Civil Money Penalty**

5. The Board of Governors hereby imposes a civil money penalty on the Firm in the amount of \$19.71 million which shall be paid upon 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)).

## **Notices**

6. All communications regarding this Order shall be sent to:
  - (a) Richard M. Ashton, Esq.  
Deputy General Counsel  
Patrick M. Bryan, Esq.  
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) Bill Woodley  
CEO Deutsche Bank Americas  
60 Wall Street  
New York, NY 10005

With a copy to:

Michael M. Wiseman  
Sullivan & Cromwell LLP  
125 Broad Street  
New York, NY 10004

## **Miscellaneous**

7. The Firm 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 the Firm and who were involved in the matters described in this Order. For purposes of clarity and not limitation, substantial assistance as used in this Order means the Firm 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 the Firm, to the extent permitted by law. 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 Firm's knowledge, may have material information regarding the matters under investigation.

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

9. The provisions of this Order shall be binding upon the Firm and each of its institution-affiliated parties, in their capacities as such, and their successors and assigns.

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

11. The Board of Governors hereby agrees not to initiate any further enforcement actions, including for civil money penalties, against the Firm and its affiliates, successors and assigns, with respect to the conduct described in the WHEREAS clauses of this Order that accrued prior to September 30, 2016 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 the Firm.

12. Except as provided in paragraph 11, the provisions of this Order shall not bar, estop or otherwise prevent the Board of Governors, or any other federal or state agency from taking any other action affecting the Firm or any of its current or former institution-affiliated parties and their successors and assigns.

13. 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

BOARD OF GOVERNORS OF THE  
FEDERAL RESERVE SYSTEM

By: /s/ Christof von Drylander  
Christof von Drylander

By: /s/ Ann E. Misback  
Ann E. Misback  
Secretary of the Board

By: /s/ Mathias Otto  
Mathias Otto