

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, Germany

DEUTSCHE BANK AG NEW YORK BRANCH  
New York, New York

DB USA CORPORATION  
New York, New York

and

DEUTSCHE BANK TRUST  
COMPANY AMERICAS  
New York, New York

Docket Nos. 17-009-B-FB  
17-009-B-FBR  
17-009-B-HC  
17-009-B-SMB  
17-009-CMP-FB  
17-009-CMP-FBR  
17-009-CMP-HC  
17-009-CMP-SMB

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, Germany (“Deutsche 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 U.S. bank holding company, DB USA Corporation, New York, New York (“DB USA”) that owns and controls Deutsche Bank Trust Company Americas, New York, New York (“DBTCA”), a state-chartered bank that is a member of the Federal Reserve System; Deutsche Bank’s branch office located in New York, New York (the “Branch”); and various other offices and subsidiaries (the “U.S. Operations”);

WHEREAS, the Board of Governors of the Federal Reserve System (the “Board of Governors”) is the appropriate federal supervisor in the United States for DB USA, DBTCA, and the Branch;

WHEREAS, Deutsche Bank has adopted a firmwide risk management program for the U.S. Operations that is designed to identify and manage compliance risks related to compliance with all applicable laws, rules, and regulations relating to anti-money laundering (“AML”) compliance, including the Bank Secrecy Act (“BSA”) (31 U.S.C. § 5311 *et seq.*); the rules and regulations issued thereunder by the U.S. Department of the Treasury (31 C.F.R. Chapter X); and the AML regulations issued by the appropriate federal supervisors for DB USA, DBTCA, and the Branch, including, but not limited to: (i) with respect to DB USA and DBTCA, Regulations H and Y of the Board of Governors (12 C.F.R. § 208.62 *et seq.* and § 225.4(f)), and (ii) with respect to the Branch, Regulation K of the Board of Governors (12 C.F.R. §§ 211.24(f) and 211.24(j)) (collectively, the “BSA/AML Requirements”);

WHEREAS, DB USA oversees compliance and risk management procedures for entities within the U.S. Operations;

WHEREAS, DBTCA and the Branch are required to maintain programs reasonably designed to ensure compliance with applicable BSA/AML Requirements;

WHEREAS, this Order to Cease and Desist and Order of Assessment of a Civil Money Penalty (the “Order”) is issued with respect to the following:

A. The most recent examination of the BSA/AML program at DBTCA and the Branch conducted by the Federal Reserve Bank of New York (the “Reserve Bank”) identified significant deficiencies in DBTCA’s and the Branch’s risk management and compliance with the

BSA/AML Requirements that have resulted in a violation of the regulatory compliance program requirement; and

B. Deficiencies in DBTCA's transaction monitoring capabilities prevented DBTCA from properly assessing BSA/AML risk for billions of dollars in potentially suspicious transactions processed between 2011 and 2015 for certain DBTCA affiliates in Europe for which the affiliates failed to provide sufficiently accurate and complete information.

WHEREAS, Deutsche Bank's U.S. Operations are one of the largest U.S. dollar processors and pose a high degree of BSA/AML risk;

WHEREAS, it is the common goal of the Board of Governors, the Reserve Bank, and Deutsche Bank that Deutsche Bank maintains effective corporate governance and oversight over the U.S. Operations, including the establishment and maintenance of robust risk management and compliance programs on a consolidated basis;

WHEREAS, it is the common goal of the Board of Governors, the Reserve Bank, Deutsche Bank, DB USA, and DBTCA that DB USA and DBTCA operate in compliance with all applicable federal laws, rules, and regulations;

WHEREAS, it is the common goal of the Board of Governors, the Reserve Bank, Deutsche Bank, and the Branch that the Branch operates in compliance with all applicable federal laws, rules, and regulations; and

WHEREAS, Deutsche Bank's Management Board, at a duly constituted meeting, authorized Deutsche Bank to enter into this Order, and whereas pursuant to delegated authority, the undersigned signatories for Deutsche Bank, DB USA, DBTCA, and the Branch are authorized to enter into this Order on behalf of Deutsche Bank, DB USA, DBTCA, or the Branch, respectively, and consent to compliance with each and every provision of this Order by

Deutsche Bank, DB USA, DBTCA 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 that, 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, 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, DB USA, DBTCA, and the Branch, shall cease and desist and take affirmative action as follows:

**Corporate Governance and Management Oversight of the U.S. Operations**

1. Within 60 days of this Order, Deutsche Bank’s Management Board and DB USA’s U.S. Risk Committee (“U.S. Risk Committee”) shall jointly submit a written plan to strengthen their respective oversight of BSA/AML compliance across the U.S. Operations on a consolidated basis acceptable to the Reserve Bank. The plan shall provide for a sustainable governance framework that, at a minimum, addresses, considers, and includes:

(a) actions to improve the consolidated framework for BSA/AML compliance across the U.S. Operations, including, but not limited to, maintenance of effective control over, and supervision of the implementation of the BSA/AML compliance program by U.S. senior management;

(b) actions to improve compliance risk management with regard to DBTCA's and the Branch's compliance with the applicable BSA/AML Requirements;

(c) measures to ensure that the persons or groups charged with carrying out BSA/AML compliance across the U.S. Operations possess appropriate subject matter expertise and are actively involved in carrying out their responsibilities, and procedures to require the escalation of significant matters related to compliance risks to U.S. senior management;

(d) adequate resources for the persons or groups charged with carrying out BSA/AML compliance across the U.S. Operations;

(e) a description of the information and reports related to BSA/AML compliance across the U.S. Operations that will be regularly reviewed by Deutsche Bank's Management Board, the U.S. Risk Committee, and U.S. senior management; and

(f) measures to improve the management information systems reporting of BSA/AML compliance programs to ensure effective oversight by Deutsche Bank's Management Board, the U.S. Risk Committee, and U.S. senior management of BSA/AML compliance across the U.S. Operations.

### **Compliance Risk Management Program for the U.S. Operations**

2. Within 60 days of completion of the review required by paragraph 3 of this Order, Deutsche Bank's Management Board and the U.S. Risk Committee shall jointly submit a written plan to improve the firmwide compliance risk management program for the U.S. Operations with regard to the applicable BSA/AML Requirements acceptable to the Reserve Bank. The plan shall, at a minimum, address, consider, and include:

(a) the scope and frequency of the BSA/AML compliance risk assessments;

- (b) comprehensive BSA/AML risk assessment processes, including clearly defined parameters regarding acceptable risks associated with specific types of customers or businesses;
- (c) identification of all business lines, activities, and products to ensure that such business lines, activities, and products are appropriately risk-rated and included in the BSA/AML risk assessments;
- (d) enhanced BSA/AML-related written policies, procedures, and compliance risk management standards;
- (e) the duties and responsibilities of compliance personnel for each business line and legal entity regarding BSA/AML compliance functions, including the reporting lines within DBTCA and the Branch;
- (f) measures to ensure BSA/AML compliance and improve BSA/AML-related accountability within all business lines and legal entities and their respective BSA/AML compliance functions;
- (g) procedures for the periodic testing of the effectiveness of the BSA/AML compliance risk management program;
- (h) interim measures to monitor and control BSA/AML-related risk until the improved compliance risk management program is fully implemented; and
- (i) measures to ensure that payment messages for cross-border funds transfers to and from the United States comply with applicable international and interagency standards for cross-border payments, including appropriate risk-based monitoring processes to identify improper payment messages.

### **DBTCA BSA/AML Compliance Review**

3. Within 30 days of this Order, DBTCA shall retain an independent third party acceptable to the Reserve Bank to: (i) conduct a comprehensive review of DBTCA's compliance with the applicable BSA/AML Requirements (the "BSA/AML Compliance Review") and (ii) prepare a written report of findings, conclusions, and recommendations (the "BSA/AML Compliance Report").

4. Within 10 days of the engagement of the independent third party, but prior to the BSA/AML Compliance Review, DBTCA shall submit to the Reserve Bank for approval an engagement letter that provides, at a minimum, for the independent third party to:

(a) identify all DBTCA's business lines, activities, and products, to ensure that such business lines, activities, and products are included in the BSA/AML risk assessment methodology and that the risk assessments are appropriately integrated into DBTCA's BSA/AML compliance program, policies, and procedures;

(b) conduct a comprehensive assessment of DBTCA's BSA/AML compliance program, policies, and procedures, including procedures for identifying and reporting suspicious activity;

(c) complete the BSA/AML Compliance Review within 60 days of the Reserve Bank's approval of the engagement letter;

(d) provide to the Reserve Bank a copy of the BSA/AML Compliance Report at the same time that the report is provided to DBTCA; and

(e) commit that any and all interim reports, drafts, workpapers, or other supporting materials associated with the BSA/AML Compliance Review will be made available to the Reserve Bank upon request.

## **DBTCA Transaction Review**

5. Within 30 days of this Order, DBTCA shall engage an independent third party, acceptable to the Reserve Bank, to conduct a review of DBTCA's foreign correspondent banking activity conducted at, by, or through DBTCA from July 1, 2016 to December 31, 2016 to determine whether suspicious activity involving transactions at, by, or through DBTCA was properly identified and reported in accordance with applicable suspicious activity reporting regulations (the "Transaction Review") and to prepare a written report detailing the independent third party's findings (the "Transaction Review Report").

6. Based on the Reserve Bank's evaluation of the results of the Transaction Review and the Transaction Review Report, the Reserve Bank may direct DBTCA to engage the independent third party to conduct a review for additional time periods and for additional business activities.

7. Within 10 days of engagement of the independent third party, but prior to the commencement of the Transaction Review, DBTCA shall submit to the Reserve Bank for approval an engagement letter that sets forth:

- (a) the scope of the Transaction Review;
- (b) the methodology for conducting the Transaction Review, including any sampling procedures to be followed;
- (c) the expertise and resources to be dedicated to the Transaction Review;
- (d) the anticipated date of completion of the Transaction Review and the Transaction Review Report;
- (e) a commitment to provide a copy of the Transaction Review Report to the Reserve Bank at the same time that the report is provided to DBTCA; and



(f) a commitment that any and all interim reports, drafts, workpapers, or other supporting material associated with the Transaction Review will be made available to the Reserve Bank upon request.

8. Throughout the Transaction Review, DBTCA shall ensure that all matters or transactions required to be reported that have not previously been reported are reported in accordance with applicable rules and regulations.

### **BSA/AML Compliance Program for DBTCA and the Branch**

9. Within 60 days of the submission of the BSA/AML Compliance Report, DBTCA and the Branch shall submit a revised written BSA/AML compliance program acceptable to the Reserve Bank. At a minimum, the program shall address the findings and recommendations of the BSA/AML Compliance Report and provide for:

(a) a system of internal controls designed to ensure compliance with the applicable BSA/AML Requirements;

(b) comprehensive BSA/AML risk assessment processes, including clearly defined parameters regarding scope, frequency, and acceptable risks associated with specific types of customers or businesses;

(c) a comprehensive BSA/AML risk assessment that appropriately identifies and considers all products and services, customer types and geographic risks, as appropriate, in determining inherent and residual risks;

(d) identification of the management information systems used to achieve compliance with the applicable BSA/AML Requirements and a timeline to review key systems to ensure they are configured to mitigate BSA/AML risks;

(e) improved independent testing procedures and quality assurance controls to evaluate DBTCA's and the Branch's compliance with the applicable BSA/AML Requirements;

(f) enhanced written policies, procedures, and compliance risk management standards, including specifications concerning the duties, responsibilities, and accountability, including reporting lines, of each business line, legal entity, and respective compliance functions regarding BSA/AML compliance;

(g) management of the BSA/AML program by a qualified officer, with requisite authority, who is responsible for implementing and maintaining a program that is commensurate with the organization's size and risk profile;

(h) allocation of adequate staffing levels and resources to ensure compliance with this Order and the applicable BSA/AML Requirements; and

(i) effective training for all appropriate personnel, including appropriate personnel of affiliates that perform BSA/AML compliance-related functions in all aspects of the applicable BSA/AML Requirements and internal policies and procedures.

### **Customer Due Diligence**

10. Within 60 days of submission of the BSA/AML Compliance Report, DBTCA and the Branch shall submit a revised written customer due diligence program acceptable to the Reserve Bank. At a minimum, the program shall address the findings and recommendations of the BSA/AML Compliance Report, and include:

(a) policies, procedures, and controls to ensure that DBTCA and the Branch collect, analyze, and retain complete and accurate customer information for all account holders, including, but not limited to, affiliates;

(b) a plan, with timelines, to remediate deficient due diligence for existing customers accounts;

(c) a revised methodology for assigning risk ratings to account holders that considers factors such as type of customer, type of products and services, and geographic location;

(d) policies, procedures and controls to ensure that foreign correspondent accounts are accorded the appropriate due diligence, and where necessary, enhanced due diligence;

(e) for each customer whose transactions require enhanced due diligence, procedures to:

(i) determine the appropriate documentation necessary to verify the identity and business activities, including typical and expected transactions, of the customer; and

(ii) determine the frequency of monitoring to understand if any changes occur with the typical and expected transactions of the customer;

(f) procedures to ensure periodic reviews and evaluations are conducted and documented for all account holders.

### **Suspicious Activity Monitoring and Reporting**

11. Within 60 days of submission of the BSA/AML Compliance Report, DBTCA and the Branch shall submit a written program acceptable to the Reserve Bank to reasonably ensure the identification and timely, accurate, and complete reporting by DBTCA and the Branch of all known or suspected violations of law or suspicious transactions to law enforcement and supervisory authorities, as required by applicable suspicious activity reporting laws and

regulations. At a minimum, the program shall address the findings and recommendations of the BSA/AML Compliance Report and include:

(a) a well-documented methodology for establishing monitoring rules and thresholds appropriate for DBTCA's and the Branch's profiles, which consider factors such as type of customer, type of product or service, geographic location, and foreign correspondent banking activities, including U.S. dollar clearing activities;

(b) policies and procedures for analyzing, testing, and documenting changes to monitoring rules and thresholds;

(c) enhanced monitoring and investigation criteria and procedures to ensure the timely detection, investigation, and reporting of all known or suspected violations of law and suspicious transactions, including, but not limited to:

(i) effective monitoring of customer accounts and transactions, including but not limited to, transactions conducted through foreign correspondent accounts;

(ii) appropriate allocation of resources to manage alert and case inventory;

(iii) adequate escalation of information about potentially suspicious activity through appropriate levels of management;

(iv) maintenance of sufficient documentation with respect to the investigation and analysis of potentially suspicious activity, including the resolution and escalation of concerns; and

(v) maintenance of accurate and comprehensive customer and transactional data and ensuring that it is applied to DBTCA's and the Branch's compliance programs;

(d) controls to ensure that transaction monitoring systems and associated automated processes are subject to periodic reviews and timely updates.

### **Transaction Monitoring System**

12. Within 60 days of this Order, DBTCA and the Branch shall submit a written plan acceptable to the Reserve Bank, including a timetable, for the enhancement of DBTCA's and the Branch's transaction monitoring system. The plan shall also include a methodology and target date for determining that the transaction monitoring system is effective.

13. Within 30 days of this Order, DBTCA and the Branch shall submit a written interim transaction monitoring plan for foreign correspondent banking activity acceptable to the Reserve Bank that shall remain in effect until the transaction monitoring system described in paragraph 12 of this Order is deemed to be fully effective. This interim plan shall be designed to monitor transactions at, by, or through DBTCA and the Branch so that they can comply with applicable suspicious activity reporting requirements.

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

14. The Board of Governors hereby assesses Deutsche Bank a civil money penalty in the amount of \$41 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. 051000033, 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**

15. (a) Deutsche Bank's Management Board, the U.S. Risk Committee, DBTCA, and the Branch, as applicable, shall submit the written plans, programs, and engagement letters that are acceptable to the Reserve Bank within the applicable time periods set forth in paragraphs 1-5, 7, and 9-13 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. Independent third parties acceptable to the Reserve Bank shall be retained by DBTCA within the time period set forth in paragraphs 3 and 5 of this Order.

(b) Within 10 days of acceptance by the Reserve Bank, Deutsche Bank's Management Board, the U.S. Risk Committee, DBTCA, and the Branch, as applicable, shall adopt the plans and programs. Upon adoption, Deutsche Bank's Management Board, the U.S. Risk Committee, DBTCA, and the Branch, as applicable, shall implement the plans and programs and thereafter fully comply with them.

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

16. Within 30 days after the end of each calendar quarter following the date of this Order, Deutsche Bank's Management Board, the U.S. Risk Committee, DBTCA, and the Branch shall submit to the Reserve Bank consolidated 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. The Reserve Bank may, in writing, discontinue the requirement for progress reports or modify the reporting schedule.

## Notices

17. All communications regarding this Order shall be sent to:
- (a) Vandana Sharma  
Vice President  
Federal Reserve Bank of New York  
33 Liberty Street  
New York, New York 10045
  - (b) Richard M. Ashton  
Deputy General Counsel  
Board of Governors of the Federal Reserve System  
Washington, D.C. 20551
  - (c) John Cryan  
Chief Executive Officer  
Deutsche Bank AG  
Taunusanlage 12, Floor A 32  
Frankfurt am Main  
Germany 60262
  - (d) Stuart Clarke  
Chief Operating Officer Americas  
DB USA Corporation  
60 Wall Street  
New York, New York 10005
  - (e) Steven Reich  
General Counsel Americas  
Deutsche Bank Trust Company Americas  
60 Wall Street  
New York, New York 10005
  - (f) Joseph Salama  
Global Head of Litigation and Regulatory Enforcement  
Deutsche Bank AG  
New York Branch  
60 Wall Street  
New York, New York 10065

## **Miscellaneous**

18. Notwithstanding any provision of this Order to the contrary, the Reserve Bank may, in its sole discretion, grant written extensions of time to Deutsche Bank, DB USA, DBTCA, and the Branch to comply with any provision of this Order.

19. The provisions of this Order shall be binding on Deutsche Bank, DB USA, DBTCA, and the Branch, and each of their institution-affiliated parties, as defined in sections 3(u) and 8(b)(3) and (4) of the FDI Act (12 U.S.C. §§ 1813(u) and 1818(b)(3) and 1818(b)(4)), in their capacities as such, and their successors and assigns.

20. Each provision of this Order shall remain effective and enforceable until stayed, modified, terminated, or suspended in writing by the Reserve Bank.

21. 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 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 and its affiliates.

22. Except as provided in paragraph 21, the provisions of this Order shall not bar, estop, or otherwise prevent the Board of Governors, the Reserve Bank, or any other federal or state agency from taking any other action affecting Deutsche Bank, DB USA, DBTCA, or the



Branch, any of their subsidiaries, or any of their current or former institution-affiliated parties and their successors and assigns.

By order of the Board of Governors of the Federal Reserve System effective this 26th day of May, 2017.

DEUTSCHE BANK AG

BOARD OF GOVERNORS OF THE  
FEDERAL RESERVE SYSTEM

By:           /s/ Christof von Dryander            
Christof von Dryander  
Co-General Counsel

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

By:           /s/ Mathias Otto            
Mathias Otto  
Co-General Counsel Germany

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

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 TRUST  
COMPANY AMERICAS

By:       /s/ Steven Reich        
Steven Reich  
General Counsel Americas

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Joseph Salama  
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