U.S. COMMODITY FUTURES TRADING COMMISSION
Three Lafayette Centre
1155 21st Street, NW, Washington, DC 20581
Telephone: (202) 418-5000
www.cftc.gov

Division of
Enforcement

November 8, 2018

Andrew Stemmer
Deutsche Bank Securities Inc.
Deutsche Bank AG
60 Wall Street
New York, NY 10005-2836

Re: Deutsche Bank Securities Inc. and Deutsche Bank AG

Dear Mr. Stemmer:

We are writing in regard to the investigation of the Division of Enforcement of the Commodity Futures Trading Commission ("Division") concerning violations of the Commodity Exchange Act, 7 U.S.C. §§ 1-26 (2012). Based on the information known to the Division at this time, the Division is closing its investigation of your clients, Deutsche Bank Securities Inc. ("DBSI") and Deutsche Bank AG (collectively referred to as the "Bank"), concerning the mismarking of valuations of inflation swap instruments from approximately June 15, 2017 to at least July 6, 2017 ("Relevant Period").

Jacob Bourne ("Bourne") was a managing director on the inflation trading desk at DBSI in New York from late 2016 until September 2017. As set forth in the Commission's administrative order, Bourne mismarked the valuations of inflation swap instruments at the Bank in an attempt to cover up significant trading losses. *See In re Jacob Bourne*, CFTC Docket No. 18-51. The mismarked swap valuations were then submitted to swap counterparties and to the Commission. The Bank's internal controls identified the swap valuation discrepancies, determined their genesis, and self-reported the underlying facts to the Division as follows.

The Bank initially discovered Bourne's mismarking of the swap valuations during the week of June 19, 2017, as part of a routine review of its marking procedures. This review revealed discrepancies between the swap valuations as marked by Bourne and those submitted to the Bank by a third-party brokerage company ("Broker"). The Bank's reviews determined that these discrepancies began on or about June 15, 2017. After the Bank identified the discrepancies, they were corrected on or about June 23, 2017. Thereafter, the Bank continued to compare the swap valuations as marked by Bourne with those it received from the Broker. During the week of June 26, 2017, the Bank again discovered discrepancies, which it reviewed. As part of its investigation, the Bank interviewed Bourne, who told the Bank, in substance and in part, that the discrepancy was the product of an issue with a computer program. Beginning on or about June 30, 2017, the Bank conducted an additional review of the discrepancies, including of Bourne's explanation. This review, which included a review of the relevant documents, appeared to confirm Bourne's explanation. Nonetheless, in early July 2017, the Bank conducted a further evaluation, which included participation by a technology group within the Bank and which included an analysis of metadata relating to certain documents. On or about July 10, 2017, this further review revealed, in substance and in part, that Bourne had in fact mismarked the valuations for the swaps in question and then had altered historical versions of documents to match the marks provided by the Broker in an effort to cover up his misvaluations. On or about July 13, 2017, the Bank self-reported the issue to the Division.

The Division's decision to close the investigation is based on a number of factors, including but not limited to, the Bank's: (1) timely, voluntary self-disclosure of the matters described above, among others; (2) full cooperation in this matter (including providing all known relevant facts about the individuals involved in or responsible for the misconduct); and (3) proactive remediation efforts directed at strengthening and enhancing the Bank's swap valuation process.

Among other things, once the Bank discovered the misconduct through its internal compliance and due diligence, it commenced an investigation and promptly reported its findings to the Division. Among other things, the Bank provided the Division timely updates on its internal investigation on a rolling basis, and expeditiously and completely responded to Division Staff's requests for information; disclosed information to the Division proactively, rather than reactively, and attributed the facts to specific sources for Division Staff; disclosed to the Division pertinent facts relevant to that misconduct, including facts related to involvement of individuals; made certain individuals available for interviews; and identified specific documents in its productions that were particularly relevant to the misconduct at issue, and provided the Division information relating to the provenance of the documents. In addition, the Bank immediately placed Bourne on administrative leave while it conducted its investigation and then terminated his employment in September 2017 at the conclusion of its investigation.

This letter does not provide any protection against prosecution of the Bank or any individuals, regardless of their affiliation with the Bank. If additional information or evidence becomes available to the Division in the future, including information that changes its assessment of any of the factors outlined above, it may reopen this inquiry.

Sincerely,

James M. McDonald, Director
Division of Enforcement
Commodity Futures Trading Commission