

## Press Release

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# Deutsche Bank to Pay Nearly \$75 Million for Improper Handling of ADRs

### FOR IMMEDIATE RELEASE

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Washington D.C., July 20, 2018 — The Securities and Exchange Commission today announced that two U.S.-based subsidiaries of Deutsche Bank AG will pay nearly \$75 million to settle charges of improper handling of “pre-released” American Depositary Receipts (ADRs).

The case stems from a continuing SEC investigation into abuses involving pre-released ADRs. In proceedings against Deutsche Bank Trust Co. Americas (DBTCA), a depository bank, and Deutsche Bank Securities Inc. (DBSI), a registered broker-dealer, the SEC found that their misconduct allowed pre-released ADRs to be used for abusive practices, including inappropriate short selling and inappropriate profiting around dividend payouts.

ADRs – U.S. securities that represent foreign shares of a foreign company – require a corresponding number of foreign shares to be held in custody at a depository bank. The practice of “pre-release” allows ADRs to be issued without the deposit of foreign shares, provided brokers receiving them have an agreement with a depository bank and the broker or its customer owns the number of foreign shares that corresponds to the number of shares the ADR represents. Information about ADRs is available in [an SEC Investor Bulletin](#).

In the order against DBTCA, the SEC found that it improperly provided thousands of pre-released ADRs over a more than five-year period when neither the broker nor its customers had the requisite shares. The order against DBSI found that its policies, procedures, and supervision failed to prevent and detect securities laws violations concerning borrowing and lending pre-released ADRs, involving approximately 850 transactions over more than three years.

Last year, the SEC announced [settled charges against brokers ITG Inc. and Banca IMI Securities Corp.](#), which at times obtained pre-released ADRs from DBTCA and other depositories and lent them to other brokers, including DBSI. The SEC also charged [a former managing director and head of operations at broker-dealer ITG](#) for failing to supervise personnel on ITG’s securities lending desk who improperly handled pre-released ADRs.

“The SEC’s actions involving pre-released ADRs have revealed industry-wide abuses,” said Stephanie Avakian, Co-Director of the SEC Enforcement Division. “Failures at each institutional link in the chain of these transactions, from depository bank to broker-dealer, left the markets for those ADRs ripe for potential abuse at the expense of ADR holders.”

Sanjay Wadhwa, Senior Associate Director of the SEC’s New York Regional Office, added, “Our charges against DBTCA and DBSI show that entities can’t just rely on representations from other professionals

when they have doubts about their validity. The charges also highlight the importance of supervising employees who use counterparties to engage in suspect transactions.”

Without admitting or denying the SEC’s findings, DBTCA agreed to return more than \$44.4 million of alleged ill-gotten gains plus \$6.6 million in prejudgment interest and a more than \$22.2 million penalty, nearly \$73.3 million in total. DBSI, also without admitting or denying the SEC’s findings, agreed to pay nearly \$1.6 million, representing \$1.1 million in disgorgement and prejudgment interest and a nearly \$500,000 penalty. The SEC’s orders acknowledge each entity’s cooperation in the investigation and remedial acts.

The SEC’s continuing industry-wide investigation is being conducted by William Martin, Andrew Dean, Elzbieta Wraga, Philip Fortino, Joseph Ceglie, Richard Hong, and Adam Grace of the New York Regional Office and supervised by Mr. Wadhwa.

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## Related Materials

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- [SEC Order - DBTCA](#)
- [SEC Order - DBSI](#)