

Securities Regulation Daily Wrap Up, TOP STORY—Deutsche Bank pays nearly \$75M for mishandling ADRs, (Jul. 20, 2018)

Securities Regulation Daily Wrap Up

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By [Jay Fishman, J.D.](#)

Deutsche Bank subsidiaries Deutsche Bank Trust Co. Americas (DBTCA), a depository bank, and Deutsche Bank Securities Inc. (DBSI), a registered broker-dealer, settled with the SEC for nearly \$75 million for mishandling certain "pre-released" American Depository Receipts (ADRs). DBTCA agreed to disgorge more than \$44.4 million and to pay prejudgment interest and a civil monetary penalty of \$6.6 million and \$22.2 million, respectively. Similarly, DBSI agreed to disgorge \$1.1 million, and pay prejudgment interest and a civil monetary penalty of \$500,000. Stephanie Avakian, the Commission's Enforcement Division Co-Director, [indicated](#) that "the SEC's actions involving pre-released ADRs have revealed industry-wide abuses."

DBTCA. Between June 2011 and September 2016, DBTCA inappropriately [pre-released](#) ADRs to pre-release brokers in thousands of transactions DBTCA was negligent in pre-releasing the ADRs without first ascertaining whether the pre-release brokers (or the parties on whose behalf the pre-released ADRs were being obtained) actually beneficially owned the corresponding number of ordinary shares that they represented owning in their pre-release agreements to DBTCA.

DBSI. Between April 2012 and June 2015, DBSI [received](#) the above pre-released ADRs from its associated pre-release brokers, but neither the pre-release brokers nor DBSI had taken reasonable steps to satisfy the pre-release brokers' obligations under the pre-release agreements in violation of Securities Act Section 17(a)(3). As a result, DBSI failed reasonably to supervise its associated persons within the meaning of Exchange Act Section 15(b)(4)(E).

The releases are [No. 33-10523](#) and [No. 34-83677](#).

Companies: Deutsche Bank Trust Co. Americas; Deutsche Bank Securities Inc.

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