

FINRA

MEDIA CENTER



FINRA

## News Release

March 08, 2022

[Ray Pellecchia](#) (212) 858-4387

# FINRA Fines Deutsche Bank Securities, Inc. \$2 Million For Best Execution Violations

WASHINGTON—FINRA announced today that it has fined Deutsche Bank Securities, Inc. \$2 million for failing to comply with its obligation to seek best execution for its customers' orders.

"The duty to seek best execution for customer orders is a fundamental obligation of any broker-dealer that buys or sells securities on behalf of customers," said Jessica Hopper, Executive Vice President and Head of FINRA's Department of Enforcement. "We will continue to pursue disciplinary action against firms that fail to use reasonable diligence to execute customer transactions so that the price is as favorable as possible under prevailing market conditions."

FINRA Rule 5310 requires firms to seek the most favorable terms reasonably available for a customer's orders. To meet this obligation, firms must conduct reviews to evaluate the order execution quality their customers receive under the firm's current routing arrangements, as well as the execution quality their customer orders could receive through different routing arrangements. Rule 5310 lists several factors (such as price improvement and speed of execution) that firms should consider when conducting these reviews. Deutsche Bank Securities' reviews did not meet the standards of Rule 5310.

During January 2014-May 2019, the relevant period, Deutsche Bank Securities owned and operated an alternative trading system (ATS) known as SuperX. When routing customer orders to exchanges through its smart order router, the firm routed its customers' marketable orders to SuperX before routing any part of the order to an exchange, unless customers opted out of this routing preference. This preference was known as the "SuperX ping."

The SuperX ping, however, created an inherent delay for orders that were not fully executed in the firm's ATS. This delay subjected orders to potentially lower fill rates. In fact, the firm's best execution committee reviewed reports that showed lower fill rates in SuperX than orders routed to the exchanges. Despite this information, Deutsche Bank Securities did not modify its routing arrangement. In addition, the firm did not reasonably consider how price improvement for SuperX ping orders compared to price improvement opportunities for orders routed directly to exchanges.

Similarly, when routing customers' orders to dark pools, Deutsche Bank Securities routed more orders to SuperX than any other dark pool during some of the period. The firm, however, failed to consider alternate routing arrangements even though, according to the firm's own dark pool ranking model, other dark pools consistently ranked higher than SuperX for execution quality.

In addition, Deutsche Bank Securities' supervisory system was not reasonably designed to achieve compliance with its best execution obligation because the firm failed to reasonably review certain factors set forth in the rule. The firm's supervisory procedures also failed to provide reasonable guidance on how the firm should conduct its reviews or circumstances in which the firm should consider modifying its routing practices.

Deutsche Bank Securities also failed to disclose material aspects of its relationship with the markets to which it routed orders in its quarterly reports filed under Rule 606 of Regulation NMS. The firm's reports contained non-specific disclosures that the firm could receive trading rebates but did not disclose any details regarding the payment, such as amounts per share or per order.

"Best execution of customer orders is one of FINRA's core focus areas, and we closely monitor and review member firms' compliance with this important component of investor protection and market integrity," said Stephanie Dumont, Executive Vice President, Market Regulation and Transparency Services, whose department's referral led to the enforcement action.

FINRA has included best execution as a topic in its [2022](#) and [2021 Report\(s\) on FINRA's Examination and Risk Monitoring Program](#), as well as its [2020](#) and [2019 Annual Risk Monitoring and Examination Priorities](#) letters.

In settling this matter, Deutsche Bank Securities consented to the entry of FINRA's findings without admitting or denying them.

About FINRA FINRA is a not-for-profit organization dedicated to investor protection and market integrity. It regulates one critical part of the securities industry—brokerage firms doing business with the public in the United States. FINRA, overseen by the SEC, writes rules, examines for and enforces compliance with FINRA rules and federal securities laws, registers broker-dealer personnel and offers them education and training, and

informs the investing public. In addition, FINRA provides surveillance and other regulatory services for equities and options markets, as well as trade reporting and other industry utilities. FINRA also administers a dispute resolution forum for investors and brokerage firms and their registered employees. For more information, visit [www.finra.org](http://www.finra.org).

Related Materials

---

[Deutsche Bank Securities, Inc. Action](#)

©2022 FINRA. All Rights Reserved.

FINRA IS A REGISTERED TRADEMARK OF THE FINANCIAL INDUSTRY REGULATORY AUTHORITY, INC.