

Important information regarding mutual fund share class selection disclosure initiative

On March 11, 2019, the Securities and Exchange Commission (the “SEC”) issued an Order Instituting Administrative and Cease-and-Desist Proceedings against Deutsche Bank Securities Inc. (“DBSI”) pursuant to Sections 203(e) and 203(k) of the Investment Advisers Act of 1940, Making Findings, and Imposing Remedial Sanctions and a Cease-and-Desist Order (the “Order”). The Order arises out of breaches of fiduciary duty and inadequate disclosures by DBSI in connection with its mutual fund share class selection practices and the fees it received pursuant to Rule 12b-1 under the Investment Company Act of 1940 (“12b-1 fees”). At times during the period January 1, 2014 to June 11, 2018 (the “Relevant Period”), DBSI purchased, recommended, or held for advisory clients mutual fund share classes that charged 12b-1 fees instead of lower-cost share classes of the same funds for which the clients were eligible. DBSI received 12b-1 fees in connection with these investments. During the Relevant Period, DBSI did not disclose adequately to its investment advisory clients in its Form ADV or otherwise the conflicts of interest related to (a) DBSI’s receipt of 12b-1 fees, and/or (b) DBSI’s selection of mutual fund share classes that pay such fees.

The Order states that as a result of the conduct described above, DBSI willfully violated Section 206(2) of the Investment Advisers Act of 1940 (the “Advisers Act”), which makes it unlawful for any investment adviser, directly or indirectly, to “engage in any transaction, practice or course of business which operates as a fraud or deceit upon any client or prospective client”, and Section 207 of the Advisers Act, which makes it “unlawful for any person willfully to make any untrue statement of a material fact in any registration application or report filed with the Commission . . . or willfully to omit to state in any such application or report any material fact which is required to be stated therein”. DBSI has consented to the entry of the Order without admitting or denying the findings therein, except as to the SEC’s jurisdiction over DBSI and the subject matter of the administrative and cease-and-desist proceedings.

DBSI self-reported to the SEC the violations discussed in the Order pursuant to the SEC Division of Enforcement’s Share Class Selection Disclosure Initiative (the “SCSDI”).

Under the terms of the Order, DBSI was censured and ordered to cease and desist from committing or causing any violations and any future violations of Sections 206(2) and 207 of the Advisers Act. In addition, the Order requires DBSI to pay disgorgement and prejudgment interest to affected investors totaling \$2,971,462.85, and to fulfill certain related undertakings.

To view the Order, please visit:

<https://www.sec.gov/litigation/admin/2019/ia-5197.pdf>

For more information about the SCSDI, please visit

<https://www.sec.gov/enforce/announcement/scsd-initiative>

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