Award
FINRA Office of Dispute Resolution

In the Matter of the Arbitration Between:

Claimant [redacted]

Case Number: [redacted]

vs.

Respondent
Deutsche Bank Securities, Inc.

Hearing Site: Boston, Massachusetts

Nature of the Dispute: Associated Person vs. Member

REPRESENTATION OF PARTIES

For Claimant [redacted]: Owen Harnett, Esq., AdvisorLaw, LLC, Broomfield, Colorado.

For Respondent Deutsche Bank Securities, Inc.: Leonard Weintraub, Esq., Paduano & Weintraub LLP, New York, New York.

CASE INFORMATION

Statement of Claim filed on or about: September 6, 2017.
[redacted] signed the Submission Agreement: September 6, 2017.

Statement of Answer filed by Respondents on or about: October 30, 2017.
Deutsche Bank Securities, Inc. signed the Submission Agreement: October 30, 2017.

CASE SUMMARY

Claimant asserted the following cause of action: expungement of occurrence numbers [redacted] and [redacted].

RELIEF REQUESTED

In the Statement of Claim Claimant requested damages in the amount of $1.00, expungement and such and further relief as the Panel deems just and proper.

In the Statement of Answer, Respondent requested that the arbitration panel deny any request for compensatory damages or any relief against Deutsche Bank Securities, Inc.

OTHER ISSUES CONSIDERED AND DECIDED

The Arbitrator acknowledges that he has read the pleadings and other materials filed by the parties.

Claimant provided FINRA Office of Dispute Resolution with proof that he notified the customers related to occurrence numbers [redacted] and [redacted] of the expungement request and of their right to participate and testify at the expungement hearing and he included a copy of the Statement of Claim with the notice.

On or about January 4, 2018, Claimant requested a telephonic expungement hearing. By order dated January 10, 2018, the Arbitrator denied Claimant's Request for a telephonic expungement hearing.

By letter dated January 19, 2018, Claimant withdrew all claims for money damages.

The Arbitrator conducted a recorded in-person expungement hearing on April 27, 2018 so the parties could present oral argument and evidence on Claimant's request for expungement of his Central Registration Depository ("CRD") records.

The customer related to occurrence number [redacted] did not participate in the expungement hearing, but contested the request for expungement by letter.

The customer (wife) related to occurrence number [redacted] participated in the expungement hearing and contested the request for expungement.

Respondent participated in the expungement hearing, but did not contest the request for expungement.

In recommending expungement, the Arbitrator relied upon the following documentary or other evidence: Claimant's Statement of Claim and exhibits; Respondent's Statement of Answer; Claimant's notices to customers dated January 26, 2018; response from the customer related to occurrence number [redacted]; response from the customers related to occurrence number [redacted] dated March 19, 2018; Claimant's response to the Arbitrator's June 15, 2018 Order; Respondent's responses to the Arbitrator's June 15, 2018 Order; Claimant's BrokerCheck® Report; testimony of the customer (wife) related to occurrence [redacted]; and testimony and evidence presented at the expungement hearing by Claimant.

The Arbitrator noted that Claimant did not previously file a claim requesting expungement of the same disclosure in the CRD.

The parties present at the hearing have agreed that the Award in this matter may be executed in counterpart copies or that a handwritten, signed Award may be entered.

AWARD

After considering the pleadings, the testimony and evidence presented at the hearing, and the post-hearing submissions, the Arbitrator has decided in full and final resolution of the issues submitted for determination as follows:

1. The Arbitrator recommends the expungement of all references to occurrence number [redacted] from registration records maintained by the CRD, for [redacted] (CRD# [redacted]), with the understanding that, pursuant to Notice to Members 04-16, [redacted] must obtain confirmation from a court of competent jurisdiction before the CRD will execute the expungement directive.

   Unless specifically waived in writing by FINRA, parties seeking judicial confirmation of an arbitration award containing expungement relief must name FINRA as an additional party and serve FINRA with all appropriate documents.

   Pursuant to Rule 13805 of the Code, the Arbitrator has made the following Rule 2080 affirmative finding of fact:

   The claim, allegation, or information is false.

   The Arbitrator has made the above Rule 2080 finding based on the following reasons:

   There is no evidence supporting the customer's assertion that Claimant solicited his investment in the Deutsche Bank Private Equity Global Select Fund IV ("Select Fund IV"). To the contrary, Claimant's uncontradicted testimony at the hearing shows that it was the customer who reached out to Claimant to invest in Select Fund IV, based on the experience of the customer's brother in investing in certain private equity funds at Respondent, including Select Fund IV.

   The customer signed a subscription agreement and investor questionnaire for Select Fund IV in which he represented and warranted to being a "Qualified Purchaser", which was defined therein as "a natural person who beneficially owns not less than $5,000,000 in 'investments' either separately or jointly or as community property with his or her spouse." It was reasonable for Claimant to rely on this representation. The customer also acknowledged receiving a private placement memorandum, which fully disclosed the risks and liquidity limitations associated with an investment in the fund.

   The customer's statements in various documents that Claimant advised him to sign the subscription agreement notwithstanding the fact that Claimant knew that the customer's investments were far below the $5 million threshold were not credible. Claimant's testimony to the contrary at the hearing was credible. Moreover, the customer's assertion that he committed $250,000 to a private equity investment with no knowledge of the associated risks and liquidity limitations was not credible in light of his business experience (owner of a recruiting business), the disclosures in the subscription agreement he signed and in the private placement memorandum he acknowledged receiving, and

Claimant's credible testimony at the hearing to the contrary. The fact that Claimant incorrectly remembered the customer's occupation as being the owner of a real estate business was immaterial.

Respondent investigated the customer's complaints and issued multiple written responses finding his claims to be without merit. The customer did not subsequently pursue any of those claims in arbitration.

2. The Arbitrator recommends the expungement of all references to occurrence number [redacted] from registration records maintained by the CRD, for [redacted] (CRD# [redacted]), with the understanding that, pursuant to Notice to Members 04-16, [redacted] must obtain confirmation from a court of competent jurisdiction before the CRD will execute the expungement directive.

   Unless specifically waived in writing by FINRA, parties seeking judicial confirmation of an arbitration award containing expungement relief must name FINRA as an additional party and serve FINRA with all appropriate documents.

   Pursuant to Rule 13805 of the Code, the Arbitrator has made the following Rule 2080 affirmative finding of fact:

   The claim, allegation, or information is false.

   The Arbitrator has made the above Rule 2080 finding based on the following reasons:

   While alternative investments, including private equity funds, constituted a significant percentage of the customers' investment portfolio at various times, the portfolio was not improperly allocated or over-concentrated. Claimant's strategy of "staggering" private equity investments, under which distributions from earlier private equity funds were used, in part, to fund commitments to new private equity funds, had the effect of increasing diversification and reducing overall risk in the portfolio. Moreover, some increase in the concentration of private equity funds was a natural consequence of the 2008 financial crisis, during which private equity outperformed stocks and bonds. The financial crisis also had the effect of extending the period over which fund distributions were being made beyond the originally anticipated time horizon.

   The private equity funds at issue here were in the individual name of the husband, rather than the joint names of the husband and wife. In late 2007, the husband contacted Claimant to express an interest in increasing his allocation in private equity funds. Claimant recommended that the husband commit $250,000 to the Deutsche Bank Private Equity Global Select Fund V. The husband changed the commitment to $500,000. The husband, rather than Claimant, bears responsibility for the increased concentration of private equity funds in his portfolio resulting from his decision to double the commitment recommended by Claimant.
   The husband's investment objective, as set forth in his new account forms, was growth. Claimant had a reasonable basis to believe that the private equity

investments and investment strategy he recommended were suitable for the husband in light of his investment profile. In evaluating the husband's investment profile, it was reasonable for Claimant to rely on the husband's representations in his new account forms with Respondent and in the respective subscription agreements and investor questionnaires as to his income, investable assets, net worth, stated investment objectives, investment experience, risk tolerance and understanding of the liquidity and other risks involved in his investments. The husband received full disclosure of each private equity investment, including its investment strategies and investment risks, in the respective subscription agreements and private placement memoranda, the receipt of which he acknowledged in writing.

Respondent investigated the customers' complaints and issued multiple written responses finding their claims to be without merit. The customers subsequently filed an arbitration against Respondent relating to their investment in one of the private equity funds at issue in their complaints, but they asserted no claims of improper asset allocation, unsuitable investments or other over-concentration against Respondent and did not name Claimant as a respondent in that arbitration. No other arbitrations have been filed by the customers against Respondent or Claimant relating to the investments at issue in their complaints.

3. Any and all claims for relief not specifically addressed herein are denied.

FEES

Pursuant to the Code of Arbitration Procedure, the following fees are assessed:

Filing Fees
FINRA Office of Dispute Resolution assessed a filing fee* for each claim:

Initial Claim Filing Fee	=$ 50.00

*The filing fee is made up of a non-refundable and a refundable portion.

Member Fees
Member fees are assessed to each member firm that is a party in these proceedings or to the member firm that employed the associated person at the time of the event(s) giving rise to the dispute. Accordingly, as a party, Deutsche Bank Securities, Inc. is assessed the following:

Member Surcharge	=$ 150.00

Hearing Session Fees and Assessments

The Arbitrator has assessed hearing session fees for each session conducted. A session is any meeting between the parties and the arbitrator, including a pre-hearing conference with the arbitrator, that lasts four (4) hours or less. Fees associated with these proceedings are:

One (1) pre-hearing session with a single arbitrator @ $50.00/session	=$	50.00
Pre-hearing conference: January 18, 2018 1 session		
Two (2) hearing sessions @ $50.00/session	=$	100.00
Hearing Dates: April 27, 2018 2 sessions		
Total Hearing Session Fees	=$	150.00

The Arbitrator has assessed the $150.00 hearing session fees to Claimant.

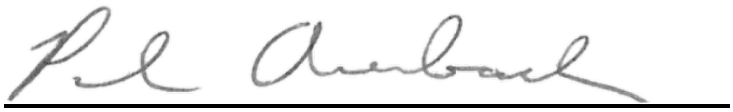
All balances are payable to FINRA Office of Dispute Resolution and are due upon receipt.

ARBITRATOR

Paul A. Auerbach - Sole Public Arbitrator

I, the undersigned Arbitrator, do hereby affirm that I am the individual described herein and who executed this instrument which is my award.

Arbitrator's Signature



Paul A. Auerbach
Sole Public Arbitrator

8/2/2018
Signature Date

August 3, 2018
Date of Service (For FINRA Office of Dispute Resolution office use only)