

Subject: FW: Southern Financial LLC - EDD [C]  
From: Wayne Salit <[REDACTED]>  
Date: Fri, 16 Jan 2015 16:31:08 -0500  
To: Jan Bornebusch <[REDACTED]>  
Cc: Carlos-A Garcia <[REDACTED]>,  
Kerrian Gordon <[REDACTED]>,  
Alina Amanci <[REDACTED]>,  
John-A Lynch <[REDACTED]>,  
Peggy McGarvey <[REDACTED]>,  
Dmitri Saks <[REDACTED]>

Classification: Confidential

Conditional Approval - I approve this EDD with the condition that it be reviewed by yourself.

Jan - As with the Global Markets Enhanced Due Diligence procedures, the EDD of Southern Financial LLC requires both yours and my approval from an AML perspective as the entity is a Private Investment Vehicle, which is High Risk. In addition, negative information was identified regarding Jeffrey Epstein, the sole UBO of Southern Financial LLC.

The EDD was performed by Dmitri Saks. The EDD consisted of the use of various electronic databases [e.g. Lexis/Nexis, Google, Factiva and RDC (which includes an OFAC scan)] and a review of received documents that satisfy USA PATRIOT and 3rd EU MLD requirements. Use of third party vendors did not alert any items for attention outside of identifying the negative information regarding Jeffrey Epstein as described in the EDD below.

The Epstein Relationship:

Mr. Epstein currently has numerous existing account relationships with DB for himself as well as entities where he is a controlling party. However, based on the negative information described below, AML Compliance and Compliance Advisory have recommended that the entire DB relationship with Mr. Epstein in both AWM and CB & S be presented to the Americas Reputational Risk Committee (and possibly a Global Reputational Risk Committee, if necessary) for additional review.

However, AML Compliance has determined that until the DB relationship with Mr. Epstein and his entities has been fully reviewed by DB Senior Management in the Reputational Risk Committee, the existing Epstein relationship can continue to conduct trades and transactions in existing accounts as long as the relationship does not expand beyond its current level. Although a new account in CB & S will need to be opened for the client, based on the size and scope of the client's existing relationship, this new account will not effectively "expand" the relationship beyond its current level of trading and transactional activity.

Therefore, from an AML perspective, I conditionally approve the EDD of Southern Financial LLC, awaiting your second level approval. If the EDD is approved, CB & S AML will send an e-mail to the respective BM advising that they should review transaction/activity conducted in the account for any possible unusual activity.

In addition, as set forth above, despite this EDD approval, AML Compliance and Compliance Advisory have recommended that the entire DB relationship

with Mr. Epstein in both AWM and CB & S be presented to the Americas Reputational Risk Committee (and possibly a Global Reputational Risk Committee, if necessary) for additional review. Please advise if you agree.

Thanks

Kind regards,  
Wayne Salit

From: Dmitri Saks  
Sent: Friday, December 19, 2014 11:17 AM  
To: Wayne Salit  
Subject: Southern Financial LLC - EDD [C]

Classification: Confidential

Wayne,

Enhanced Due Diligence was conducted on Southern Financial LLC, a Private Investment Vehicle incorporated in the U.S. Virgin Islands, which is a Level II country, as the result of a New Client Adoption request to open a Global Markets relationship. The below is for your review and approval.

Nature of Escalation –

- The escalation is due to the client being a Private Investment Vehicle, which is considered High risk.

Note: The documentation for this account is available for review on the shared drive via the following path: L:\Central\_Functions\_Compliance\Compnyseccom\Varela\AML\Pending Investigations, EDD, EDRs\Southern Financial LLC\

Research Findings (LEXIS/GOOGLE SEARCHES) –

- Southern Financial LLC is a private investment vehicle incorporated under the laws of the Virgin Islands of the United States. The sole member of Southern Financial LLC is Southern Trust Company, Inc. which is also incorporated in the U.S. Virgin Islands. The sole shareholder of Southern Trust Company, Inc. is Jeffrey Edward Epstein.

Ownership/UBOs –

- Jeffrey Edward Epstein is the sole UBO and a control person of Southern Financial LLC. He is an American financier and science and education philanthropist. He began his financial career in 1976 as an options trader at Bear Stearns and became a partner in 1980. In 1982, Epstein founded his own financial management firm, J. Epstein & Co., managing the assets of clients with more than a billion in net worth. In

1996, Epstein changed the name of his firm to The Financial Trust Company and based it on the island of St. Thomas in the U.S. Virgin Islands, which merged into Southern Financial LLC. The source of wealth is from his career at Bear Stearns and his financial management firms.

#### PCR/RDC Alerts –

- RDC alerted to negative information on a control person and UBO of Southern Financial LLC, Jeffrey Edward Epstein. Epstein is a registered sex offender. Since 2005, there have been multiple allegations against Epstein regarding sexual assault of minors. In 2008, he was convicted and received an 18-month sentence for soliciting an underage girl for prostitution, of which he served 13 months in jail. By 2011, 40 underage girls had come forward with testimony of Epstein sexually assaulting them. According to court papers, Epstein allegedly abused underage girls in Michigan, California, West Palm Beach, New York, New Mexico, and Paris. After the accusations became public, several parties returned donations they had received from Epstein, including some prominent politicians (e.g., Bill Richardson, Governor of New Mexico; Gary King, New Mexico State Attorney General; Eliot Spitzer, Governor of New York; Mark Green, New York State Attorney General candidate).

Epstein managed to settle at least 17 lawsuits out of court so far, while others are still ongoing. Earlier this year, an appeal court in the U.S. ruled that the women, who were 13 and 14 when they claim he abused them, be granted access to the details of a plea bargain agreed between Epstein and federal prosecutors before he was jailed in 2008. This means that the 2008 case against him could be reopened.

- RDC also produced a number of false positive alerts on a control person, Richard Kahn. The alert review and dismissal is included in the customer documentation.

- PCR did not alert.

#### Documentation –

- Documentation to verify entity formation and UBO identity was provided.

#### Expected Activity for the Account/Information from Sales –

- The client is opening an Equities Custody/Margin account for flow trading.

#### Recommendation –

- From an AML perspective, I approve this account with the condition to mark the relationship as High Risk and the recommendation to be monitored for suspicious activity. However, the material negative information associated with the client's UBO and control person, Jeffrey Edward Epstein,

may pose reputational risk to DB. Therefore, I recommend escalating this case to the Americas Reputational Risk Committee for review and decision.

Thanks and regards,  
Dmitri

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Dmitri Saks  
AML Compliance Officer

Deutsche Bank Securities Inc.  
60 Wall Street, New York, NY 10005-2836  
Tel: [REDACTED]  
E-mail: [REDACTED]