**UNITED STATES OF AMERICA**
**Before the**
**SECURITIES AND EXCHANGE COMMISSION**

**INVESTMENT ADVISERS ACT OF 1940**
**Release No. 2575 / December 21, 2006**

**INVESTMENT COMPANY ACT OF 1940**
**Release No. 27606 / December 21, 2006**

**ADMINISTRATIVE PROCEEDING**
**File No. 3-12513**

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| **In the Matter of**<br><br>**DEUTSCHE ASSET MANAGEMENT, INC., and DEUTSCHE INVESTMENT MANAGEMENT AMERICAS, INC.,**<br><br>**Respondents.** | **ORDER INSTITUTING ADMINISTRATIVE AND CEASE-AND-DESIST PROCEEDINGS, MAKING FINDINGS, AND IMPOSING REMEDIAL SANCTIONS AND A CEASE-AND-DESIST ORDER PURSUANT TO SECTIONS 203(e) AND 203(k) OF THE INVESTMENT ADVISERS ACT OF 1940 AND SECTIONS 9(b) AND 9(f) OF THE INVESTMENT COMPANY ACT OF 1940** |

**I.**

The Securities and Exchange Commission ("Commission") deems it appropriate and in the public interest that public administrative and cease-and-desist proceedings be, and hereby are, instituted pursuant to Sections 203(e) and 203(k) of the Investment Advisers Act of 1940 ("Advisers Act") and Sections 9(b) and 9(f) of the Investment Company Act of 1940 ("Investment Company Act") against Deutsche Asset Management, Inc. ("DAMI"), and Deutsche Investment Management Americas, Inc. ("DIMA") (collectively "Respondents").

**II.**

In anticipation of the institution of these proceedings, Respondents have submitted an Offer of Settlement (the "Offer") that the Commission has determined to accept. Solely for the purpose of these proceedings and any other proceedings brought by or on behalf of the Commission or in which the Commission is a party, and without admitting or denying the findings, except those findings pertaining to the jurisdiction of the Commission over them and the subject matter of these proceedings, Respondents consent to the entry of this Order Instituting Administrative and Cease-and-Desist Proceedings, Making Findings, and Imposing Remedial Sanctions and a Cease-and-Desist Order Pursuant to Sections 203(e) and 203(k) of the Investment Advisers Act of 1940 and Sections 9(b) and 9(f) of the Investment Company Act of 1940 ("Order"), as set forth below.

## III.

On the basis of this Order and Respondents' Offer, the Commission finds[1] that:

### A. SUMMARY

1. This is a market timing case against DAMI and DIMA, two registered investment advisory subsidiaries of Deutsche Bank AG ("Deutsche Bank"), the German financial services and bank holding company.

2. From approximately late 1997 through March 2003, DAMI and DIMA (and their predecessor advisers, which are described in Section III.B of this Order) allowed certain investors to engage in short-term or excessive trading in a manner inconsistent with the respective mutual funds' prospectus disclosures, and also failed to disclose these market timing arrangements to the funds' trustees.

3. Specifically, from July 2000 through March 2003, DAMI entered into a "sticky asset" arrangement with a hedge fund. Pursuant to this arrangement, DAMI permitted the hedge fund to market time three Deutsche Bank mutual funds, in exchange for the hedge fund maintaining a static investment in the same mutual funds. This arrangement, which DAMI failed to disclose, violated restrictions on market timing set forth in the funds' prospectuses.

4. In addition, beginning at least as early as 1997 and continuing into 2002, DIMA entered into trading arrangements with six investors allowing them to market time at least 15 different mutual funds.

5. During the course of these market timing arrangements, DAMI and DIMA were well aware that market timing could be detrimental to the mutual funds they advised. Among other things, DAMI and DIMA understood that market timing could cause dilution, compromise the investment strategies of portfolio managers and increase costs for long-term shareholders.

6. DAMI and DIMA benefited from the market timing. For example, through the trading arrangements, DAMI and DIMA increased the total amount of assets under management in the funds they advised, thereby increasing the advisory fees that DAMI and DIMA earned.

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[1] The findings herein are made pursuant to the Respondents' Offer and are not binding on any other person or entity in this or any other proceeding.

7. While DAMI and DIMA were earning these fees, the market timing trading harmed the other shareholders in the mutual funds by, among other things, causing significant dilution.

8. By virtue of the activities described herein, DAMI and DIMA willfully violated Sections 206(1) and 206(2) of the Advisers Act and Section 34(b) of the Investment Company Act.

## B. RESPONDENTS

9. DAMI, a Delaware corporation headquartered in New York, New York, is an investment adviser registered with the Commission. DAMI and its affiliates are the investment adviser to 44 retail mutual funds marketed in the United States bearing the Deutsche name (the "Deutsche Funds"). DAMI is composed of the legacy advisers to the former Bankers Trust, Flag, and Morgan Grenfell funds. DAMI provides advisory services to the Deutsche Funds, for which the funds pay an advisory fee calculated as a percentage of the average daily net assets the funds held.

10. DIMA, a Delaware corporation headquartered in New York, New York, is an investment adviser registered with the Commission. In April 2002, Deutsche Bank purchased Zurich Scudder Investments ("ZSI") and acquired the investment adviser to a complex of mutual funds. Zurich Financial Services ("Zurich") had previously acquired Kemper Financial Services, Inc., the investment adviser to a complex of funds (the "Kemper Funds") in 1994 and Scudder, Stevens & Clark, the investment adviser to a complex of mutual funds (the "Scudder Funds") in 1997. The two firms' sales and marketing functions operated separately until 2001, when Zurich consolidated the entities into ZSI. After Deutsche Bank purchased ZSI, ZSI was renamed as DIMA and DIMA served as the adviser to the legacy Scudder and Kemper Funds. DIMA provides investment advisory services to 107 retail mutual funds, for which the funds pay an advisory fee calculated as a percentage of the average daily net assets the funds held. (As used herein, DIMA refers to all of DIMA's predecessor advisers).

## C. FACTS

### Market Timing

11. Market timing includes: (i) frequent buying and selling of shares of the same mutual fund or (ii) buying or selling mutual fund shares in order to exploit inefficiencies in mutual fund pricing. Market timing can harm other mutual fund shareholders because it can dilute the value of their shares. Market timing, while not illegal per se, can also disrupt the management of the mutual fund's investment portfolio and cause the targeted mutual fund to incur considerable extra costs associated with excessive trading and, as a result, cause damage to other shareholders in the funds.

### The Mutual Fund Prospectuses Restricted Market Timing

12. During the relevant time, the prospectuses for the mutual funds restricted market timing. The various Kemper and Deutsche Fund prospectuses contained different types of restrictions on market timing.

Kemper Fund Prospectuses

13. Beginning in 1997, Kemper Funds' prospectuses expressly prohibited shareholders from exchanging shares worth more than $1 million unless they held the shares for 15 days.

14. For example, the February 21, 1997 prospectus for the legacy Kemper International Fund stated:

> EXCHANGE PRIVILEGE. Shareholders of Class A, Class B and Class C shares may exchange their shares for shares of the corresponding class of other Kemper Mutual Funds in accordance with the provisions below.
>
> . . . .
>
> General. Shares of a Kemper Mutual Fund with a value in excess of $1,000,000 (except Kemper Cash Reserves Fund) acquired by exchange from another Kemper Mutual Fund, or from a Money Market Fund, may not be exchanged thereafter until they have been owned for 15 days (the "15 Day Hold Period"). For purposes of determining whether the 15 Day Hold Policy applies to a particular exchange, the value of the shares to be exchanged shall be computed by aggregating the value of shares being exchanged for all accounts under common control, direction or advice, including without limitation, accounts administered by a financial services firm offering market timing, asset allocation or similar services.

15. In 1999, Kemper Funds' prospectuses extended this restriction to exchanges for less than $1 million and gave the investment managers discretion to restrict exchanges if they felt the exchange was part of a market timing strategy that could have an adverse effect on the fund.

16. For example, the February 26, 1999 prospectus for the legacy Kemper International Fund contained the following:

> Exchange Privilege -- General. Shareholders of Class A, Class B and Class C shares may exchange their shares for shares of the corresponding class of Kemper Mutual Funds. Currently, shares of a Kemper Fund with a value in excess of $1,000,000 (except Kemper Cash Reserves Fund) acquired by exchange from another Kemper Fund, or from a Money Market Fund, may not be exchanged thereafter until they have been owned for 15 days (the "15 Day Hold Policy"). Effective June 1, 1999, shares of a Kemper Fund with a value of $1,000,000 or less (except Kemper Cash Reserves Fund) acquired by exchange from another Kemper Fund, or from a Money Market Fund, may not be exchanged thereafter until they have been owned for 15 days if, in the investment manager's judgement (sic), the exchange activity may have an adverse effect on the fund. In particular, a pattern of exchanges that coincides with a "market timing" strategy may be disruptive to the Fund and therefore may be subject to the 15-Day Hold Policy. For purposes of determining whether the 15 Day Hold Policy applies to a particular exchange, the value of the shares to be exchanged shall be computed by aggregating the value of shares being exchanged for all accounts under common

> control, direction or advice, including without limitation accounts administered by a financial services firm offering market timing, asset allocation or similar services.

Deutsche Fund Prospectuses

17. Most of the legacy Deutsche Fund prospectuses also had language restricting market timing activity. Some of the Deutsche Fund prospectuses restricted shareholders to four exchanges.

18. For example, the February 28, 2000 prospectus for the legacy Morgan Grenfell International Select Equity Fund contained the following disclosure:

> Exchange Privilege. You can exchange all or part of your shares for shares in another Deutsche Asset Management mutual fund up to four times a year (from the date of the first exchange). When you exchange shares, you are selling shares in one fund to purchase shares in another.

**DAMI and DIMA Adopted Anti-Market Timing Policies**

19. As advisers to the Deutsche Bank mutual funds (including the Deutsche Funds and the Kemper Funds), both DAMI and DIMA had internal procedures designed to identify and prevent market timing in the mutual funds they advised.

20. For example, in 2000, DAMI formed a Market Timing Committee to combat the market timing in the legacy Deutsche Funds. The Committee met weekly and identified numerous entities and individuals that traded excessively. The Committee then created a "blacklist" of brokers and individuals that engaged in frequent trading and restricted future purchases from accounts associated with these individuals.

21. In approximately 2001, DIMA designated employees to act as "timing police" in order to monitor trading in the Kemper Funds. If the timing police identified a market timer, they placed a stop on the account and on all associated accounts, thereby preventing subsequent exchanges or purchases, regardless of whether timing activity was found in the associated accounts. DIMA employees then sent a letter to the shareholder describing the action taken and explaining that "the Fund does not permit short-term or excessive trading. Excessive purchases, redemptions, or exchanges affect the advisor's ability to manage the Fund in the best interests of all shareholders."

**DAMI and DIMA Allowed Certain Investors to Market Time**

22. As discussed below, despite the restrictions set forth in the mutual funds' prospectuses, DAMI and DIMA allowed certain entities and individuals to market time the Deutsche and Kemper mutual funds. Moreover, DAMI and DIMA failed to disclose the market timing arrangements with these investors to the Deutsche and Kemper Funds' trustees.

DAMI Permitted a San Francisco Hedge Fund to Market Time Deutsche Funds

23. In July 2000, DAMI's Head of Retail Mutual Funds agreed to allow a San Francisco-based hedge fund ("Hedge Fund A") to market time three Deutsche Funds pursuant to a "sticky-asset" arrangement. Specifically, Hedge Fund A agreed to place up to $30 million in three international equity funds, with three-quarters of that amount in each fund remaining static and one-quarter being actively traded. Between July 2000 and March 2001, Hedge Fund A made approximately 70 round trips.

24. In April 2001, DAMI's timing police identified the client account through which Hedge Fund A was trading and placed a stop on the account because the trading violated restrictions set forth in the mutual funds' prospectuses and DAMI's anti-market timing policies. Specifically, as set forth in the relevant prospectuses, the Deutsche Funds restricted shareholders to four exchanges per year, and reserved the right to reject any exchange request if the adviser determined that a purchase would be detrimental to the funds shareholders or involved excessive trading. DAMI, however, then lifted its restriction and permitted Hedge Fund A to continue trading in the Deutsche Funds after learning that DAMI's Head of Retail Mutual Funds had approved the arrangement.

25. In June 2001, members of DAMI's Market Timing Committee reviewed Hedge Fund A's trading. The Timing Committee found that Hedge Fund A had made approximately 65 round-trip trades for the last six months of 2000, and 50 round-trip trades during the first five months of 2001. For example, on June 19, 2001, a member of the Market Timing Committee sent DAMI's Head of Retail Mutual Funds an e-mail that outlined the pattern of trading, and also noted that Hedge Fund A generated approximately $475,000 in annual fees to DAMI. On the same day, another employee sent DAMI's Head of Retail Mutual Funds an e-mail indicating that "the true investment numbers [for Hedge Fund A] . . . are approximately $50 [million] generated approximately $750,000 in annual fees." Further, the employee indicated that two members of the Market Timing Committee would discuss whether "we have liability by allowing them to market time when we do not allow other smaller investors to do so."

26. After reviewing this trading and calculating the amount of fees that DAMI generated from the arrangement, DAMI decided to permit the arrangement to continue. Hedge Fund A then continued to market time the Deutsche Funds in violation of the prospectus limitations and DAMI's own policies.

27. DAMI finally restricted Hedge Fund A's accounts in early 2003 and stopped the market timing activity.

DIMA Allowed Customers of a Nashville-based Broker-Dealer to Market Time Kemper Funds

28. From October 1998 through early 2002, senior DIMA managers allowed two registered representatives ("RRs") at a Nashville-based broker-dealer ("Broker-Dealer A"), to market time six Kemper Funds on behalf of their customers in exchange for putting the Kemper Funds on Broker-Dealer A's list of preferred mutual funds, which the broker-dealer sold to its customers.

29. More specifically, during the fall of 1998, Broker-Dealer A's RRs negotiated an arrangement with DIMA to permit their customers to market time six Kemper domestic equity funds. The RRs agreed to place approximately $23 million in assets in the Kemper Funds. As set forth in the prospectuses, the Kemper Funds prohibited shareholders from exchanging shares with a value in excess of $1 million within a 15 day time period. Broker-Dealer A's customers' trading, individually, exceeded these market timing limitations. Specifically, from October 1998 through April 1999, certain of Broker-Dealer A's customers individually bought and sold shares of the Kemper Funds on successive days in amounts exceeding the $1 million limitation.

30. By April 1999, DIMA had concerns that Broker-Dealer A's frequent trading was becoming disruptive to the management of the funds. At the time, however, Broker-Dealer A sought additional market timing capacity. Following a meeting between senior executives at DIMA and Broker-Dealer A, DIMA agreed to revise the arrangement, permitting Broker-Dealer A to make as many as twenty-four roundtrip transactions per twelve-month period, but no more than eight roundtrips in any one quarter, on behalf of its customers. DIMA also permitted Broker-Dealer A to increase the total market timing capacity for its customers to $30 million. Broker-Dealer A's customers then continued their market timing activities in violation of the prospectus limitations and DIMA's anti-market timing policies.

31. By 2001, employees of DIMA acknowledged that while the arrangement benefited DIMA, it conflicted with the anti-market timing language contained in Kemper Funds' prospectuses.

32. For example, in an e-mail dated January 26, 2001, a DIMA employee wrote:

> Our reason for allowing the [RRs'] exception was to build the relationship with [Broker-Dealer A]. Now that [the RRs are] at [another broker-dealer], there is no reason to continue this legally-questionable, time-consuming exception?

33. A year later, the same DIMA employee sent an e-mail to DIMA's National Sales Manager, reiterating the point:

> Our current policy ("no exceptions") does not allow for the type of special arrangement we've had with [the RRs]. I would like to see us unwind this arrangement, over a reasonable period of time, assuming no undue impact on relationships. This awkward, time-consuming and off-policy arrangement was originally tolerated in hopes of building business with [Broker-Dealer A]. Since the shift to [another broker-dealer], this rationale would seem to be obsolete.

34. In January 2002, DIMA terminated the arrangement and restricted future purchases from Broker-Dealer A's market timing customers.

DIMA Also Permitted Others to Market Time Kemper Funds

35. From December 1997 through October 2001, DIMA allowed additional RRs and an investment adviser to market time various Kemper Funds on behalf of their customers and clients.

36. For example, DIMA permitted a RR at a large New York City broker-dealer ("Broker-Dealer B") to market time two Kemper bond funds on behalf of his customers. This trading exceeded the limits on frequent trading set forth in the Kemper Funds' prospectuses and violated DIMA's anti-market timing policies because the RR consistently made multiple trades for his customers on the same day in nearly identical amounts just under $1 million (collectively, the customers' accounts, whose trading was directed by the same RR, exceeded the $1 million threshold) and sold shares of the Kemper Funds within 15 days of purchasing them.

37. From approximately January 2000 to July 2000, DIMA implicitly allowed an investment adviser ("Investment Adviser A") to market time six Kemper Funds on behalf of his clients. (Investment Adviser A had discretionary authority over these clients' accounts.) Investment Adviser A's trading violated the limits on market timing set forth in the Kemper Funds' prospectuses for various reasons. For example, Investment Adviser A's trading in two of the funds involved exchanges within the 15 day holding period in amounts well above the $1 million threshold.

38. From approximately May 2001 through October 2001, DIMA permitted two other RRs at another New York City-based broker-dealer ("Broker-Dealer C") to engage in frequent short-term trading in six Kemper equity funds on behalf of their customers. This trading violated the limits on market timing set forth in the Kemper Funds' prospectuses and DIMA's anti-market timing policies. For example, in June and July 2001, certain of the RRs' customers each made numerous roundtrip trades in amounts greater than the $1 million threshold in a European equity fund, and the customers sold the shares of this fund within five days of being purchased.

DIMA Permitted Exceptions to Its Market Timing Policies for Timing Service Agreement Firms

39. In addition to the arrangements described above, DIMA permitted frequent trading by investment advisers that engaged in trading on behalf of multiple client accounts pursuant to written telephone exchange agreements.

40. Beginning in the early 1990's, to attract additional business, DIMA entered into telephone exchange agreements that permitted registered investment advisers to exchange their clients' assets between specified Kemper funds with one phone call instead of making separate phone calls for each client ("list moves"). The telephone exchange agreements, also referred to as timing service agreements, required that approved advisers comply with the Kemper Funds' prospectuses, as well as DIMA's anti-market timing policies. Kemper's transfer agent maintained and serviced the agreements, and handled telephone exchanges or "list moves."

41. As noted above, as set forth in the relevant prospectuses, the Kemper Funds prohibited shareholders from exchanging shares with a value in excess of $1 million until the shares had been held for 15 days. The funds explicitly computed the value of the shares to be exchanged by aggregating the value of shares for all accounts under common control, direction or advice, including accounts administered by a financial services firm offering market timing or asset allocation services.

42. In April 2000, DIMA began to permit an investment adviser to place list moves in aggregate amounts that exceeded the $1 million threshold more frequently than 15 days. From April 2000 through December 2002, the investment adviser, who had discretionary authority over the clients' accounts, made "list moves" that exceeded the $1 million threshold, and these moves often failed to comply with the 15 day hold period.

43. Similarly, in May 2000, DIMA permitted another investment adviser, who had discretionary authority over his clients' accounts, to trade more frequently than 15 days in amounts that exceeded the relevant thresholds for two Kemper Funds. DIMA terminated the arrangement in March 2002.

**DAMI and DIMA Benefited While Mutual Fund Shareholders Were Harmed**

44. Market timing in funds that DAMI and DIMA advised, including the arrangements described above, caused substantial harm to the funds and the shareholders, including significant dilution in the Deutsche and Kemper Funds.

45. At the same time that DAMI and DIMA were allowing select investors to engage in market timing, DAMI and DIMA were benefiting from providing advisory services to the Deutsche and Kemper Funds.

**DAMI's and DIMA's Cooperation and Remedial Efforts**

46. After DAMI and DIMA learned of regulatory inquiries into the above-described arrangements, DAMI and DIMA conducted an independent internal investigation into market timing in its respective fund, sharing the results of that investigation with the Commission's staff, and implementing certain remedial measures.

**Violations**

47. As a result of the conduct described above, DAMI and DIMA willfully violated Sections 206(1) and 206(2) of the Advisers Act in that, while acting as investment advisers, they employed devices, schemes, or artifices to defraud clients or prospective clients, and engaged in transactions, practices, or courses of business which operated or would operate as a fraud or deceit upon clients or prospective clients. DAMI and DIMA breached their fiduciary duties to the Deutsche and Kemper Funds when they permitted harmful excessive trading contrary to the relevant funds' prospectus disclosures without disclosing to the funds' trustees that they had entered into market timing arrangements with certain investors that created a conflict of interest.

48. As a result of the conduct described above, DAMI and DIMA willfully violated Section 34(b) of the Investment Company Act in that they made an untrue statement of material

fact in a registration statement, application, report, account, record, or other document filed or transmitted pursuant to the Investment Company Act, or omitted to state therein any fact necessary in order to prevent the statements made therein, in the light of the circumstances under which they were made, from being materially misleading. For example, in 1998, the prospectus for the Kemper International Fund, which DIMA filed, stated that "[s]hares of a Kemper Mutual Fund with a value in excess of $1,000,000 . . . acquired by exchange from another Kemper Mutual Fund . . . may not be exchanged thereafter until they have been owned for 15 days." Despite this prohibition, DIMA permitted select investors owning shares with a value in excess of $1,000,000 to exchange them more frequently than 15 days, and DIMA failed to disclose this information in the relevant prospectus. Additionally, from July 2000 through April 2003, the prospectuses for the legacy Morgan Grenfell International Select Equity Fund, which DAMI filed, informed shareholders that they could "exchange all or part of [their] shares for shares in another [DAMI] mutual fund up to four times a year (from the date of the first exchange)." DAMI, however, permitted certain investors to exchange more frequently than four times a year, and DAMI failed to disclose this information in the relevant prospectus.

## Undertakings

49. Ongoing Cooperation. In determining to accept the Offer, the Commission has considered the following undertakings by DAMI and DIMA ("Adviser"):

Adviser shall cooperate fully with the Commission in any and all investigations, litigations or other proceedings to which the Commission is a party relating to or arising from the matters described in this Order. In connection with such cooperation and subject to any claims of attorney-client, work product, or any other applicable privilege, Adviser has undertaken:

a. To produce, without service of a notice or subpoena, any and all documents and other information requested by the Commission's staff;

b. To use its best efforts to cause its employees to be interviewed by the Commission's staff at such times as the staff reasonably may direct;

c. To use its best efforts to cause its employees to appear and testify truthfully and completely without service of a notice or subpoena in such investigations, depositions, hearings or trials as may be requested by the Commission's staff; and

d. That in connection with any testimony of Adviser to be conducted at deposition, hearing or trial pursuant to a notice or subpoena, Adviser:

   i. Agrees that any such notice or subpoena for Adviser's appearance and testimony may be served by regular mail on its attorney; and

   ii. Agrees that any such notice or subpoena for Adviser's appearance and testimony in an action pending in a United States District Court may be served, and may require testimony, beyond the territorial limits imposed by the Federal Rules of Civil Procedure.

50. Compliance and Ethics Oversight Structure. Adviser shall maintain a compliance and ethics oversight infrastructure having the following characteristics:

a. Adviser shall maintain an appropriate Code of Ethics subcommittee or the equivalent thereof having responsibility for all matters relating to issues arising under the Adviser's Code of Ethics. The Code of Ethics subcommittee shall be comprised of senior representatives of the Adviser's operating businesses and Compliance staff. Adviser shall hold at least quarterly meetings of the Code of Ethics subcommittee to review violations of the Code of Ethics, as well as to consider policy matters relating to the Code of Ethics. The Code of Ethics subcommittee shall report on material issues arising under the Code of Ethics, including all material violations thereof, to the Adviser's Compliance Oversight Committee or the Adviser's senior management. Adviser shall report on material issues arising under the Code of Ethics, including all material violations thereof to a designated representative of the independent Trustees of the open-end U.S.-based retail funds that are currently managed or come to be managed by DAMI or DIMA ("Adviser funds") and with such frequency as the independent Trustees may instruct, and in any event at least quarterly, provided however that any material violation shall be reported promptly.

b. Adviser shall maintain an appropriate Compliance Oversight Committee or the equivalent thereof having overall compliance oversight responsibility of the Adviser. The Compliance Oversight Committee shall be comprised of senior executives of Adviser's operating businesses and Compliance staff. The Compliance Oversight Committee shall review material compliance issues throughout the business of Adviser, endeavor to develop solutions to those issues as they may arise from time to time, and oversee implementation of those solutions. The Compliance Oversight Committee, through its designated representative, shall provide reports on material internal compliance matters to the designated representative of the independent Trustees of the Adviser funds, and with such frequency as the independent Trustees of such funds may instruct, and in any event at least quarterly. Adviser shall also provide to the Audit Committee of Adviser the same reports of the Code of Ethics committee and the Compliance Oversight Committee that it provides to the designated representative of the Independent Trustees of the Adviser funds.

51. Independent Compliance Consultant. Adviser shall retain, within 30 days of the date of entry of this Order, the services of an Independent Compliance Consultant not unacceptable to the staff of the Commission and the independent Trustees of the Adviser funds. The Independent Compliance Consultant's compensation and expenses shall be borne exclusively by Adviser or its affiliates. Adviser shall require that the Independent Compliance Consultant shall conduct a comprehensive review of Adviser's supervisory, compliance, and other policies and procedures designed to prevent and detect breaches of fiduciary duty, breaches

of the Code of Ethics and federal securities law violations by Adviser and its employees. This review shall include, but shall not be limited to, a review of Adviser's market timing controls, a review of the Adviser funds' pricing practices that may make those funds vulnerable to market timing, a review of the Adviser funds' utilization of short term trading fees and other controls for deterring excessive short term trading. Adviser shall cooperate fully with the Independent Compliance Consultant and shall provide the Independent Compliance Consultant with access to its files, books, records, and personnel as reasonably requested for the review.

a. Adviser shall require that, at the conclusion of the review, which in no event shall be more than 120 days after the date of entry of this Order, the Independent Compliance Consultant shall submit a Report to Adviser, the Trustees of the Adviser funds, and the staff of the Commission. The Report shall address the issues described in Paragraph 51 of these undertakings, and shall include a description of the review performed, the conclusions reached, the Independent Compliance Consultant's recommendations for changes in or improvements to policies and procedures of Adviser and the Adviser funds, and a procedure for implementing the recommended changes in or improvements to Adviser's policies and procedures.

b. Adviser shall adopt all recommendations with respect to Adviser contained in the Report of the Independent Compliance Consultant; provided, however, that within 150 days after the date of entry of this Order, Adviser shall in writing advise the Independent Compliance Consultant, the Trustees of the Adviser funds and the staff of the Commission of any recommendations that it considers to be unnecessary or inappropriate. With respect to any recommendation that Adviser considers unnecessary or inappropriate, Adviser need not adopt that recommendation at that time but shall propose in writing an alternative policy, procedure or system designed to achieve the same objective or purpose.

c. As to any recommendation with respect to Adviser's policies and procedures on which Adviser and the Independent Compliance Consultant do not agree, such parties shall attempt in good faith to reach an agreement within 180 days of the date of entry of this Order. In the event Adviser and the Independent Compliance Consultant are unable to agree on an alternative proposal, Adviser will abide by the determinations of the Independent Compliance Consultant; provided, however, that if the Adviser believes it necessary to challenge any such determination of the Independent Compliance Consultant, the Adviser may apply to the Commission for an appropriate modification to this Order.

d. Adviser (i) shall not have the authority to terminate the Independent Compliance Consultant, without the prior written approval of the majority of independent Trustees and the staff of the Commission; (ii) shall compensate the Independent Compliance Consultant, and persons engaged to assist the Independent Compliance Consultant, for services rendered pursuant to this Order at reasonable and customary rates as negotiated with the Adviser; and, (iii) shall not be in and shall not have an attorney-client relationship with the Independent Compliance Consultant and shall not seek to invoke the attorney-client or any other doctrine or privilege to prevent the Independent Compliance Consultant from transmitting any information, reports, or documents to the Trustees or the Commission.

e. Adviser shall require that the Independent Compliance Consultant, for the period of the engagement and for a period of two years from completion of the engagement, shall not enter into any employment, consultant, attorney-client, auditing or other professional relationship with Adviser, or any of its present or former affiliates, directors, officers, employees, or agents acting in their capacity as such. Adviser shall require that any firm with which the Independent Compliance Consultant is affiliated in performance of his or her duties under this Order shall not, without prior written consent of the independent Trustees and the staff of the Commission, enter into any employment, consultant, attorney-client, auditing or other professional relationship with Adviser, or any of its present or former affiliates, directors, officers, employees, or agents acting in their capacity as such for the period of the engagement and for a period of two years after the engagement.

52. Periodic Compliance Review. Commencing in 2008 but no later than 2010, Adviser shall undergo a compliance review by a third party, who is not an interested person, as defined in the Investment Company Act, of Adviser. At the conclusion of the review, the third party shall issue a report of its findings and recommendations concerning Adviser's supervisory, compliance, and other policies and procedures designed to prevent and detect breaches of fiduciary duty, breaches of the Code of Ethics and federal securities law violations by Adviser and its employees in connection with their duties and activities on behalf of and related to the Adviser funds. Such report shall be promptly delivered to Adviser's Compliance Oversight Committee and to a designated representative of the independent Board of Trustees of each Adviser fund.

53. Certification. No later than twenty-four months after the date of entry of this Order, the chief executive officer of Adviser shall certify to the Commission in writing that Adviser has fully adopted and complied in all material respects with the undertakings set forth in paragraphs 50 through 52 and with the recommendations of the Independent Compliance Consultant or, in the event of material non-adoption or non-compliance, shall describe such material non-adoption and non-compliance.

54. Recordkeeping. DAMI and DIMA shall preserve for a period not less than six years from the end of the fiscal year last used, the first two years in an easily accessible place, any record of Adviser's compliance with the undertakings set forth in paragraphs 50 through 54 and with the recommendations of the Independent Compliance Consultant.

55. Deadlines. For good cause shown, the Commission's staff may extend any of the procedural dates set forth above.

**IV.**

In view of the foregoing, the Commission deems it appropriate and in the public interest to impose the sanctions agreed to in the Offer. Accordingly, it is hereby ORDERED that:

A. Pursuant to Section 203(e) of the Advisers Act, DAMI is hereby censured;

B. Pursuant to Section 203(e) of the Advisers Act, DIMA is hereby censured;

C. Pursuant to Section 203(k) of the Advisers Act and Section 9(f) of the Investment Company Act, DAMI and DIMA shall cease and desist from committing or causing any violations and any future violations of Sections 206(1) and 206(2) of the Advisers Act and Section 34(b) of the Investment Company Act.

D. DAMI and DIMA shall, jointly and severally, pay $17,200,000 in disgorgement to the Securities and Exchange Commission. Payment shall be deemed satisfied if DAMI and DIMA refund to funds and/or shareholders $17,200,000 in connection with the distribution plan in State of New York v. Deutsche Asset Management, Inc. and Deutsche Investment Management Americas, Inc. filed on December 21, 2006 ("NY State proceeding"). Within 30 days of completion of the distribution plan in the NY State proceeding, but no later than two years after the date of this Order, DAMI and DIMA shall submit an affidavit from the distribution agent in the NY State proceeding indicating that $17.2 million was distributed to those harmed by the market timing in the Kemper and Deutsche funds, which is described in this Order, to Mark K. Schonfeld, Regional Director, Securities and Exchange Commission, Northeast Regional Office, 3 World Financial Center, 4th Floor, New York, New York 10281-1022. For good cause shown, the Commission's staff may extend these procedural dates. If DAMI and DIMA fail to submit the required affidavit, DAMI and DIMA shall pay $17,200,000 in disgorgement to the Securities and Exchange Commission. Such payment shall be: (A) made by wire transfer, United States postal money order, certified check, bank cashier's check or bank money order; (B) made payable to the Securities and Exchange Commission; (C) wired, hand-delivered, or mailed to the Office of Financial Management, Securities and Exchange Commission, Operations Center, 6432 General Green Way, Stop 0-3, Alexandria, VA 22132; and (D) submitted under cover letter that identifies DAMI and DIMA as Respondents in these proceedings, the file number of these proceedings, a copy of which cover letter, wire transfer instruction, money order, or check shall be sent to Mark K. Schonfeld, Regional Director, Securities and Exchange Commission, Northeast Regional Office, 3 World Financial Center, 4th Floor, New York, New York 10281-1022.

D. DAMI and DIMA shall comply with the undertakings set forth in Section III, paragraphs 50 through 54 above.

By the Commission.

Nancy M. Morris

Secretary