

Investors Hesitate to Back Deutsche Bank until Lower U.S. Settlement Announced By Nicole Saweres, J.D. Candidate 2019 | November 4, 2016

On September 16, 2016 news broke that the U.S. Department of Justice was demanding a fine of \$14 billion from the German lender, Deutsche Bank. Deutsche Bank is being fined for its lending of mortgage-backed securities during the time immediately preceding the financial [crisis](#).

The announcement of the fine has led to quite a precarious situation. Deutsche Bank is not in an ideal selling position as it tries to liquidate [shares](#). Its desperation is known to buyers, and as a result, shares hit a record low earlier this month. The German lender is not yet running to the government for help because it is expecting the fine to be bargained down significantly – hopefully at least half. However, even if Deutsche Bank were to ask for help, it does not look like the German government will be bailing out the bank due to the strict rules of Government interference.

So far Deutsche Bank shares have lost 49% of their value this year. The shares will only continue their nosedive if a new fine is not negotiated. Luckily for the German bank, this is likely possible. It is typical in mortgage-settlement cases for the government to open with an extremely high [bid](#). Rumors of the direction of this settlement deal continue to manipulate investors' confidence.

On October 7, false rumors spread that the Deutsche Bank was receiving a much lower penalty of \$5.4 billion and the stock shot [up 6 percent](#). While this rumor was untrue, Germany's largest lender will continue to work to lower the fine. The bank knows that if they cannot, investors will ship. With a more manageable fine the bank holds a greater chance of picking itself up and continuing on.

To negotiate, the bank will leverage the possibility of a financial crisis to lower the fine. Any penalty that is too large for the bank to pay will destabilize the bank and provoke a new financial [crisis](#). Essentially the bank will adopt an “if we go down, you go down” attitude. Since Deutsche Bank has commented that it has no intention of paying a \$14 billion fine, only time will tell what number will leave a stable Deutsche Bank and a satisfied U.S. DOJ.