

**FINANCIAL INDUSTRY REGULATORY AUTHORITY
LETTER OF ACCEPTANCE, WAIVER AND CONSENT**

NO. 20050024896-01

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NASD REGULATION INC.
MARKET REGULATION

TO: Department of Market Regulation
Financial Industry Regulatory Authority ("FINRA")

RE: **Credit Suisse Securities (USA) LLC**, Respondent
Broker-Dealer
CRD No. 816

Pursuant to NASD Rule 9216 of the FINRA Code of Procedure, Credit Suisse Securities (USA) LLC (formerly known as Credit Suisse First Boston LLC) (the "firm") submits this Letter of Acceptance, Waiver and Consent ("AWC") for the purpose of proposing a settlement of the alleged rule violations described below. This AWC is submitted on the condition that, if accepted, FINRA will not bring any future actions against the firm alleging violations based on the same factual findings described herein.

I.

ACCEPTANCE AND CONSENT

- A. The firm hereby accepts and consents, without admitting or denying the findings, and solely for the purposes of this proceeding and any other proceeding brought by or on behalf of FINRA, or to which FINRA is a party, prior to a hearing and without an adjudication of any issue of law or fact, to the entry of the following findings by FINRA:

BACKGROUND

The firm has been a member of FINRA since October 16, 1936 and its registration remains in effect.

RELEVANT PRIOR DISCIPLINARY HISTORY

On February 6, 2006, an AWC became final in which the firm was censured and fined \$60,000 for violations of NASD Marketplace Rule 6230 and NASD Conduct Rules 2110 and 3010.

On June 3, 2005, an AWC became final in which the firm was censured and fined \$17,500 for violations of NASD Marketplace Rule 6130(b), SEC Rule 10b-10 and NASD Conduct Rules 2110 and 3010.

20050024896 (incl. 20050035457, 20060064558, 20060056057, 20060041581, 20060063750, 20060064924, 20060064895, 20070080545, 20060057079, 20060068064, and 20060066661 (1c))

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REGISTRATION & DISCLOSURE

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On September 2, 2004, an AWC became final in which the firm was censured and fined \$50,000 for violations of NASD Marketplace Rule 6955.

On December 23, 2003, an AWC became final in which the firm was censured and fined \$15,500 for violations of NASD Marketplace Rule 6130(d) and SEC Rule 11Ac1-4, now SEC Rule 604 under Regulation NMS.

On October 31, 2003, an AWC became final in which the firm was censured and fined \$38,000 for violations of NASD Conduct Rules 2110 and 3370, NASD Marketplace Rules 4642(b) and 6955(a), and SEC Rule 10b-10.

FACTS AND VIOLATIVE CONDUCT

Regulation SHO

In 20050024896, the staff of FINRA's Department of Market Regulation ("staff") reviewed the firm's compliance with Regulation SHO during the period January 3, 2005 through June 30, 2005.

1. In two instances during the period January 3, 2005 through June 30, 2005, the firm knew or had reasonable grounds to believe that the sale of an equity security was or would be effected pursuant to an order marked long, and failed to deliver the security on the date delivery was due. The conduct described in this paragraph constitutes separate and distinct violations of SEC Rule 203(a)(1) of Regulation SHO.
2. During the period January 3, 2005 through June 30, 2005, and continuing until November 14, 2005, the firm had a fail-to-deliver position at a registered clearing agency in Transmedia Asia, Inc. (MBTA), a threshold security, for 13 consecutive settlement days beginning February 8, 2005, and failed to immediately thereafter close out the fail-to-deliver position by purchasing securities of like kind and quantity. The conduct described in this paragraph constitutes separate and distinct violations of SEC Rule 203(b)(3) of Regulation SHO.
3. During the period January 3, 2005 through June 30, 2005, and continuing until November 30, 2005, the firm had a fail-to-deliver position at a registered clearing agency in Transmedia Europe, Inc. (MBTE), a threshold security, for 13 consecutive settlement days beginning February 8, 2005, and failed to immediately thereafter close out the fail-to-deliver position by purchasing securities of like kind and quantity. The conduct described in this paragraph constitutes separate and distinct violations of SEC Rule 203(b)(3) of Regulation SHO.

Order Audit Trail System ("OATS")

In 20050035457, the staff reviewed the firm's compliance with NASD Marketplace Rule 6955 during the period July 1, 2005 through September 30, 2005.

4. During the period July 1, 2005 through September 30, 2005, the firm reported to OATS 1,042 execution reports that contained inaccurate, incomplete, or improperly formatted data. Because of the inaccurate, missing, or improperly formatted data, the OATS system was unable to link the execution reports to the related trade reports in an NASD trade reporting system. These inaccurate and/or incomplete execution reports represented over five percent of all match-eligible execution reports (20,728) transmitted by the firm to OATS during the review period. The conduct described in this paragraph constitutes separate and distinct violations of NASD Rule 6955(a).

2006 TMMS Examination & TMMS VWAP Sweep

In 20060064558, the staff conducted a Trading and Market Making Surveillance ("TMMS") Examination of the firm. The staff reviewed the items noted in Exhibit 1 to this AWC.

In 20060056057, the TMMS staff conducted a review of the firm that focused on compliance related to the negotiation, acceptance and execution of orders from large institutional customers or other large, potentially market-moving orders. The staff reviewed the items noted in Exhibit 2 to this AWC.

5. In 20060064558, on trade dates September 6 and 7, 2006, the firm transmitted to OATS 36 reports that contained inaccurate, incomplete, or improperly formatted data. Specifically, the reports contained inaccurate capacity designations and failed to include special handling instructions. These inaccurate and/or incomplete reports represented 26 percent of the sample of reports reviewed in the TMMS examination that the firm transmitted on the trades dates reviewed. The conduct described in this paragraph constitutes separate and distinct violations of NASD Marketplace Rule 6955(a).
6. In 20060064558, the firm failed to submit to the Trade Reporting Facility, for the offsetting, "riskless" portion of 445 "riskless" principal transactions in designated securities, either a clearing-only report with a capacity indicator of "riskless principal," or a non-tape, non-clearing report with a capacity indicator of "riskless principal." The conduct described in this paragraph constitutes separate and distinct violations of NASD Marketplace Rule 4632(d).
7. In 20060064558, the firm failed to report to the Trade Reporting Facility 11 last sale reports of transactions in designated securities. The conduct described in this paragraph constitutes separate and distinct violations of NASD Marketplace Rule 4632(b).

8. In 20060064558, the firm failed on 47 occasions to provide written notification disclosing to its customer its correct capacity in the transaction. The firm on nine occasions provided written notification disclosing a compensation type that was inconsistent with the capacity in which the firm executed the transaction. The firm failed on one occasion to provide written notification disclosing to its customer that the transaction was executed at an average price. The conduct described in this paragraph constitutes separate and distinct violations of SEC Rule 10b-10.
9. In 20060056057, the firm failed on 10 occasions to provide written notification disclosing to its customer its correct capacity in the transaction. The conduct described in this paragraph constitutes separate and distinct violations of SEC Rule 10b-10.

Trade Reporting in Over-the-Counter ("OTC") Equity Securities

In 20060041581, the staff reviewed the firm's compliance with NASD Marketplace Rule 6620 during the period September 1, 2005 through December 31, 2005.

10. The firm failed, within 90 seconds after execution, to transmit to the Nasdaq Market Center ("NMC") 146 last sale reports of transactions in OTC Equity securities. These transactions constitute 12 percent of the transactions reviewed that the firm was required to report to the NMC during the period September 1, 2005 through December 31, 2005. The conduct described in this paragraph constitutes a pattern or practice of late reporting without exceptional circumstances in violation of NASD Conduct Rule 2110.
11. The firm failed, within 90 seconds after execution, to transmit to the NMC 112 last sale reports of transactions in OTC Equity securities and failed to designate to the NMC such last sale reports as late. The conduct described in this paragraph constitutes separate and distinct violations of NASD Marketplace Rule 6620(a).

Order Entry Reporting – 20 Minute Rule

In 20060063750, the staff reviewed the firm's compliance with NASD Marketplace Rule 6130(b) during the period May 1, 2006 through August 31, 2006.

12. The firm failed to accept or decline in the Nasdaq Market Center, the Trade Reporting Facility or OTC Reporting Facility 201 transactions in Reportable Securities within twenty minutes after execution. The conduct described in this paragraph constitutes separate and distinct violations of NASD Marketplace Rule 6130(b) and a violation of NASD Conduct Rule 2110.

Trade Reporting in Listed Securities

In 20060064924, the staff reviewed the firm's compliance with NASD Marketplace Rule 6420 during the period May 1, 2006 through August 31, 2006.

13. The firm incorrectly designated as ".SLD" or ".ST" to the NMC or the Trade Reporting Facility 847 last sale reports of transactions in eligible securities, when the reports should have been designated as ".PRP." The conduct described in this paragraph constitutes separate and distinct violations of NASD Marketplace Rule 6420.

Trade Reporting in Nasdaq Securities (Inaccurate)

In 20060064895, the staff reviewed the firm's compliance with NASD Marketplace Rule 5430 during the period May 1, 2006 through July 31, 2006, and with NASD Marketplace Rule 4632 during the period August 1, 2006 through August 31, 2006.

14. During the period May 1, 2006 through July 31, 2006, the firm incorrectly designated as ".SLD" or ".ST" to the NMC 177 last sale reports of transactions in designated securities, when the reports should have been designated as ".PRP." The conduct described in this paragraph constitutes separate and distinct violations of NASD Marketplace Rule 5430.
15. During the period August 1, 2006 through August 31, 2006, the firm incorrectly designated as ".ST" to the Trade Reporting Facility 26 last sale reports of transactions in designated securities, when the reports should have been designated as ".PRP." The conduct described in this paragraph constitutes separate and distinct violations of NASD Marketplace Rule 4632.

Trade Reporting in Nasdaq Securities (Double Reporting)

In 20070080545, the staff reviewed the firm's compliance with NASD Marketplace Rule 4632 during the period September 1, 2006 through December 31, 2006.

16. The firm double reported 125 last sale reports of transactions in designated securities to the Trade Reporting Facility. The conduct described in this paragraph constitutes separate and distinct violations of NASD Marketplace Rule 4632.

Trade Reporting to TRACE (Dealer Mismatch Review)

In 20060057079, the staff reviewed the firm's compliance with NASD Marketplace Rule 6230 during the period January 1, 2006 through March 31, 2006.

17. The firm failed to report to TRACE the correct contra-party's identifier for 281 transactions in TRACE-eligible securities. The conduct described in this

paragraph constitutes separate and distinct violations of NASD Marketplace Rule 6230(c)(6).

Trade Reporting to TRACE (Contra-Execution Review)

In 20060068064, the staff reviewed the firm's compliance with NASD Marketplace Rule 6230 during the period July 1, 2006 through September 30, 2006.

18. The firm failed to report to TRACE 318 transactions in TRACE-eligible securities executed on a business day during TRACE system hours within 15 minutes of the time of execution. The conduct described in this paragraph constitutes separate and distinct violations of NASD Marketplace Rule 6230(a).
19. The firm failed to report to TRACE the correct time of trade execution for 318 transactions in TRACE-eligible securities. The conduct described in this paragraph constitutes separate and distinct violations of NASD Marketplace Rule 6230(c)(8).

Trade Reporting to TRACE (Late Reporting)

In 20060066661, the staff reviewed the firm's compliance with NASD Marketplace Rule 6230 during the period July 1, 2006 through September 30, 2006.

20. The firm failed to report to TRACE 151 transactions in TRACE-eligible securities executed on a business day during TRACE system hours within 15 minutes of the time of execution. The conduct described in this paragraph constitutes separate and distinct violations of NASD Marketplace Rule 6230(a).
- B. The firm also consents to the imposition of the following sanctions:

A censure and a fine of \$92,500 (consisting of \$15,000 for 20050024896; \$10,000 for 20050035457; \$10,000 for OATS and \$5,000 for trade reporting in 20060064558; \$2,500 for SEC Rule 10b-10 violations in 20060064558 and 20060056057; \$5,000 for 20060041581; \$10,000 for 20060063750; \$5,000 for 20060064924; \$5,000 for 20060064895; \$5,000 for 20070080545; \$10,000 for 20060057079; and \$10,000 for 20060068064 and 20060066661.)

The firm agrees to pay the monetary sanction(s) upon notice that this AWC has been accepted and that such payment(s) are due and payable. It has submitted an Election of Payment form showing the method by which it proposes to pay the fine imposed.

The firm specifically and voluntarily waives any right to claim that it is unable to pay, now or at any time hereafter, the monetary sanction(s) imposed in this matter.

II.

WAIVER OF PROCEDURAL RIGHTS

The firm specifically and voluntarily waives the following rights granted under FINRA's Code of Procedure:

- A. To have a Formal Complaint issued specifying the allegations against the firm;
- B. To be notified of the Formal Complaint and have the opportunity to answer the allegations in writing;
- C. To defend against the allegations in a disciplinary hearing before a hearing panel, to have a written record of the hearing made and to have a written decision issued; and
- D. To appeal any such decision to the National Adjudicatory Council ("NAC") and then to the U.S. Securities and Exchange Commission and a U.S. Court of Appeals.

Further, the firm specifically and voluntarily waives any right to claim bias or prejudgment of the General Counsel, the NAC, or any member of the NAC, in connection with such person's or body's participation in discussions regarding the terms and conditions of this AWC, or other consideration of this AWC, including acceptance or rejection of this AWC.

The firm further specifically and voluntarily waives any right to claim that a person violated the ex parte prohibitions of NASD Rule 9143 or the separation of functions prohibitions of NASD Rule 9144, in connection with such person's or body's participation in discussions regarding the terms and conditions of this AWC, or other consideration of this AWC, including its acceptance or rejection.

III.

OTHER MATTERS

The firm understands that:

- A. Submission of this AWC is voluntary and will not resolve this matter unless and until it has been reviewed and accepted by the NAC, a Review Subcommittee of the NAC, or the Office of Disciplinary Affairs ("ODA"), pursuant to NASD Rule 9216;

- B. If this AWC is not accepted, its submission will not be used as evidence to prove any of the allegations against the firm; and
- C. If accepted:
1. this AWC will become part of the firm's permanent disciplinary record and may be considered in any future actions brought by FINRA or any other regulator against the firm;
 2. this AWC will be made available through FINRA's public disclosure program in response to public inquiries about the firm's disciplinary record;
 3. FINRA may make a public announcement concerning this agreement and the subject matter thereof in accordance with NASD Rule 8310 and IM-8310-3; and
 4. The firm may not take any action or make or permit to be made any public statement, including in regulatory filings or otherwise, denying, directly or indirectly, any finding in this AWC or create the impression that the AWC is without factual basis. The firm may not take any position in any proceeding brought by or on behalf of FINRA, or to which FINRA is a party, that is inconsistent with any part of this AWC. Nothing in this provision affects the firm's right to take legal or factual positions in litigation or other legal proceedings in which FINRA is not a party.
- D. The firm may attach a Corrective Action Statement to this AWC that is a statement of demonstrable corrective steps taken to prevent future misconduct. The firm understands that it may not deny the charges or make any statement that is inconsistent with the AWC in this Statement. This Statement does not constitute factual or legal findings by FINRA, nor does it reflect the views of FINRA or its staff.

The firm certifies that it has read and understands all of the provisions of this AWC and has been given a full opportunity to ask questions about it; that it has agreed to the AWC's provisions voluntarily; and that no offer, threat, inducement, or promise of any kind, other than the terms set forth herein and the prospect of avoiding the issuance of a Complaint, has been made to induce the firm to submit it.

6/23/08
Date

Respondent

Credit Suisse Securities (USA) LLC

By: Michael W. Ludwig

Name: [Signature]

Title: Director

Reviewed by:

Attorney Name
Counsel for Respondent
Firm Name
Address
City/State/Zip
Phone Number

Accepted by FINRA:

7/17/08
Date

Signed on behalf of the
Director of ODA, by delegated authority

Thomas R. Gira
Thomas R. Gira
Executive Vice President
Department of Market Regulation

Exhibit #1

The staff reviewed the following samples during the examination, in STAR No. 20060064558:

<u>Sample Size</u>	<u>Review Area</u>	<u>Sample Source</u>
156	customer and proprietary sell orders, for compliance with SEC Rules 200(g) and/or 203(b),	from trade dates September 6 and 7, 2006,
154	customer and proprietary sales, for compliance with NASD Rule 6130,	from trade dates September 6 and 7, 2006,
1	limit and market orders executed as principal, for compliance with NASD Rules 2110 (and IM-2110-2) 2111, 6440, 6541 and 2320, and SEC Rules 601 and 604,	from trade dates September 6 and 7, 2006,
10	Not held orders for compliance with NASD Rules IM-2110-3 and 2320,	from trade dates September 6 and 7, 2006,
2	"non displayed" limit orders and marketable orders in the same securities received while holding the "non-displayed" orders, for compliance with NASD Rule 2320,	from trade dates September 6 and 7, 2006,
47	Cancelled transactions for compliance with the requirement to cancel trade reports within ninety seconds of cancellation from books and records,	from trade dates September 6 and 7, 2006,
3	orders for NASDAQ securities in soft dollar accounts for compliance with trade reporting rules and the safe harbor limitations of SEC section 28(e),	from trade dates September 6 and 7, 2006,
25	orders in securities for which the firm was a market center, for compliance with the order size/type classification requirements of SEC Rule 605,	from trade dates September 6 and 7, 2006,
31 orders (4 order type categories)	security/size/order data statistics published on the firm's monthly order execution report, for compliance with SEC Rule 605,	from the report published for August of 2006,
N/A	data published on the firm's quarterly order routing report, for compliance with SEC Rule 606,	from the report published for the 2 nd Quarter of 2006,
25	customer transactions in OTCBB and OTC equity securities, for compliance with NASD Rules 3110(b) and 2320,	from trade dates September 6 and 7, 2006,
10	persons engaged in the firm's trading and market making activities, for compliance with NASD Registration rules,	from Trading staff in place during September of 2006,

Exhibit #1 (con't)

<u>Sample Size</u>	<u>Review Area</u>	<u>Sample Source</u>
405	order/trade records prepared and maintained in connection with the above samples, for general compliance with NASD Rule 3110 and SEC Rules 17a-3 and 17a-4,	from trade dates September 6 and 7, 2006,
957	trades reported to ACT or TRACS in connection with the above samples, for general compliance with NASD Trade Reporting and ACT rules,	from trade dates September 6 and 7, 2006,
50 orders from the Cash Trading Desk	orders in NNM or SC securities submitted to OATS, for compliance with NASD Rule 6955,	from trade dates September 6 and 7, 2006,
36 orders from the Derivatives Trading Desk	orders in NNM or SC securities submitted to OATS, for compliance with NASD Rule 6955,	from trade dates September 6 and 7, 2006,
50 orders from the Program Trading Desk	orders in NNM or SC securities submitted to OATS, for compliance with NASD Rule 6955,	from trade dates September 6 and 7, 2006,
128	customer trade confirmations reviewed in connection with the above samples, for compliance with SEC Rule 10b-10,	from trade dates September 6 and 7, 2006,
N/A	the firm's establishment and implementation of "regular & rigorous" reviews of the execution quality of orders sent to other market centers and internalized, for compliance with NASD Rules 2320 and 3010, and	based on WSPs in effect during September of 2006, and
N/A	the firm's establishment and implementation of a supervisory system and written supervisory procedures, for compliance with NASD Rule 3010,	based on WSPs in effect during September of 2006.

Exhibit #2

The staff reviewed the following samples during the examination, in STAR No. 20060056057:

<u>Sample Size:</u>	<u>Sample Description:</u>	<u>Sample Source/Period:</u>
90	Customer and proprietary sales reported to a TRF or OTCRF, for compliance with NASD Rules 6130, 4632 and 6620 sale indicator reporting requirements.	From trade date March 19, 2007.
0	Customer and proprietary sales entered into the Nasdaq Exchange execution systems, for compliance with Nasdaq Rule 4755 long/short/exempt sale indicator entry requirements.	From trade date March 19, 2007.
10	Limit and market orders executed as principal or agent, for compliance with the order protection and best execution requirements of NASD Rules 2110, IM-2110-2, 2111, 6541 and 2320, and Nasdaq Rules 2110, IM-2110-2, 2111 and 2320	From trade date March 19, 2007.
0	Order in securities required to be submitted to OATS, for compliance with NASD Rules 6954 and 6955, and Nasdaq Rules 6954 and 6955 requirement to submit OATS information.	From trade date March 19, 2007.
10	Order/Trade records prepared and maintained in connection with the above samples, for general compliance with requirements of NASD Rule 3110 and SEC Rules 17a-3 and 17a-4.	From trade date March 19, 2007.
90	Trades reported to a TRF, OTCRF or ADF/TRACS in connection with the above samples, for general compliance with requirements of NASD Trade Reporting and ADF rules.	From trade date March 19, 2007.
10	Customer confirmations prepared and maintained in connection with the above samples, for compliance with SEC Rule 10b-10 disclosure requirements.	From trade date March 19, 2007.
N/A	The member's supervisory system, written supervisory procedures ("WSPs") and documents evidencing the implementation of the WSPs, for compliance with NASD Rule 3010 requirements to establish an implement a system that is reasonably designed to prevent and detect violations of applicable securities rules.	N/A