

**FINANCIAL INDUSTRY REGULATORY AUTHORITY
LETTER OF ACCEPTANCE, WAIVER AND CONSENT
NO. 20060050678-01**

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

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

Pursuant to FINRA Rule 9216 of FINRA's Code of Procedure, Credit Suisse Securities (USA) 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 DISCIPLINARY HISTORY

On July 18, 2008, an AWC became final in which the firm was censured and fined \$92,500 for violations of SEC Rules 10b-10 (\$2,500), 203(a)(1) of Regulation SHO, and 203(b)(3) of Regulation SHO, and NASD Rules 2110, 4632, 5430, 6130(b) (\$10,000), 6230, 6420, 6620(a), and 6955(a).

On November 10, 2006, an AWC became final in which the firm was censured and fined \$110,000 for violations of rules relating to Limit Order Display, short sales, NASD Rule 6130(b) (\$7,500), SEC Rule 10b-10 (\$7,500), OATS (\$55,000), trade reporting (\$5,000), books and records, and supervision.

20060050678 (incl. 20060055418, 20070103111, 20070106606, 20070112157, 20080120878, 20080123289, 20080128350, 20080136182, 20080141315, 20080152536 and 20090178266) (lc)

000072124 2010

On February 6, 2006, an AWC became final in which the firm was censured and fined \$60,000 for violations of NASD Rules 2110, 6230 (\$40,000) and 3010.

On June 3, 2005, the firm was censured and fined \$17,500 for violations of NASD Marketplace Rule 6130(b) (\$7,500), SEC Rule 10b-10 (\$7,500) and NASD Conduct Rules 2110 and 3010.

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

FACTS AND VIOLATIVE CONDUCT

OATS Reporting

In 20060050678, the staff of FINRA's Department of Market Regulation ("staff") reviewed the firm's compliance with NASD Rule 6955(a) during the review period October 1, 2005 through December 31, 2005.

1. During the review period noted above, the firm transmitted to the Order Audit Trail System ("OATS") 11 reports that contained inaccurate, incomplete, or improperly formatted data. Specifically, the firm improperly reported 11 Execution or Combined Order/Execution Reports ("Execution Reports") with a Reporting Exception Code when the Execution Reports were required to be matched to a related trade report in ACT, and the firm also reported an incorrect capacity code for the same 11 Execution Reports. The conduct described in this paragraph constitutes separate and distinct violations of NASD Rule 6955(a).

OATS Reporting

In 20060055418, the staff reviewed the firm's compliance with NASD Rule 6955(a) during the review period October 1, 2005 through December 31, 2005.

2. During the review period noted above, in 55 instances, OATS was unable to match a Route or Combined Order/Route Report from a sending firm to a related New Order Report submitted by the firm when the firm was named as the "Sent To Firm". The conduct described in this paragraph constitutes separate and distinct violations of NASD Rule 6955(a).

TRACE Late Reporting

In 20070103111, the staff reviewed the firm's compliance with NASD Rule 6230 during the period April 1, 2007 through June 30, 2007.

3. During the review period noted above, the firm failed to report to TRACE 227 transactions in TRACE-eligible securities within 15 minutes of the time of execution. The conduct described in this paragraph constitutes separate and

distinct violations of NASD Rule 6230(a) and a pattern or practice of late reporting without exceptional circumstances in violation of NASD Rule 2110.

2007 TMMS

In 20070106606, 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 for trade dates September 12 and 13, 2007.¹

4. The firm, on 55 occasions, failed to provide written notification disclosing to its customer the correct execution capacity on the customer confirmation. The firm, on seven occasions, failed to provide written notification disclosing to its customer the correct execution capacity on the customer confirmation and to provide written notification disclosing to its customer that the transaction was executed at an average price. The firm, on seven occasions, incorrectly disclosed on a confirmation that a "commission" was charged for an order filled entirely in a principal capacity. The conduct described in this paragraph constitutes separate and distinct violations of SEC Rule 10b-10.

Trading During a Trading Halt

In 20070112157, the staff reviewed the firm's compliance with NASD Rule 3340 during the period July 1, 2006 through December 31, 2006.

5. During the review period noted above, the firm effected 19 transactions in 13 securities while a trading halt was in effect with respect to each of the securities. The conduct described in this paragraph constitutes separate and distinct violations of NASD Rules 2110 and 3340.

Municipal Trade Reporting

In 20080120878, the staff reviewed the firm's compliance with MSRB Rule G-14 during the period January 1, 2007 through June 30, 2007.

6. During the review period noted above, the firm reported 4,566 transactions in municipal securities to the Real-time Transaction Reporting System ("RTRS") with a null or numeric value in the Contraparty Correspondent ID field. These reports constituted 51 percent of the total number of inter-dealer trade reports in municipal securities (8,899) that the firm reported to the MSRB during the review period. The conduct described in this paragraph constitutes separate and distinct violations of MSRB Rule G-14.

¹ Certain findings from this examination are being reviewed in a separate FINRA matter, 20080144512.

20-Minute, OE Late

In 20080123289, the staff reviewed the firm's compliance with NASD Rule 6130(b) during the period May 1, 2007 through August 31, 2007.

7. The firm failed to accept or decline in the NASD/Nasdaq Trade Reporting Facility and the OTC Reporting Facility 1444 transactions in Reportable Securities within 20 minutes after execution, approximately 49 percent of all transactions that the firm had an obligation to accept or decline as the OEID during the review period. The conduct described in this paragraph constitutes separate and distinct violations of NASD Rule 6130(b) and a violation of NASD Rule 2110.

Municipal Trade Reporting

In 20080128350, the staff reviewed the firm's compliance with MSRB Rule G-14 during the period October 1, 2007 through December 31, 2007.

8. During the review period noted above, the firm failed to report information regarding 238 purchase and sale transactions effected in municipal securities to the RTRS in the manner prescribed by Rule G-14 RTRS Procedures and the RTRS Users Manual. Specifically, the firm failed to report information about such transactions within 15 minutes of Time of Trade to an RTRS Portal. The firm also double reported to the RTRS 15 transactions in municipal securities. These transactions constituted two percent of the transactions that the firm reported to the RTRS during the review period. The conduct described in this paragraph constitutes separate and distinct violations of MSRB Rule G-14.

TRACE Late Reporting

In 20080136182, the staff reviewed the firm's compliance with NASD Rule 6230 during the period January 1, 2008 through March 31, 2008.

9. During the review period noted above, the firm failed to report to TRACE 352 transactions in TRACE-eligible securities within 15 minutes of the time of execution. The conduct described in this paragraph constitutes separate and distinct violations of NASD Rule 6230(a) and a pattern or practice of late reporting without exceptional circumstances in violation of NASD Rule 2110.

2008 TMMS

In 20080141315, the staff conducted a TMMS Examination of the firm. The staff reviewed the items noted in Exhibit 2 to this AWC for trade dates August 18 and 19, 2008.²

10. On the trade dates noted above, the firm transmitted to OATS 12 reports that contained inaccurate, incomplete, or improperly formatted data. Specifically, the reports failed to include route report information or desk report information, or had an incorrect capacity code. During the review period, the firm failed in two instances to transmit ROEs to OATS. The conduct described in this paragraph constitutes separate and distinct violations of NASD Rule 6955(a).
11. The firm failed on 25 occasions to provide written notification disclosing to its customer the accurate compensation type. The firm failed on 15 occasions to provide written notification disclosing to its customer its correct capacity in the transaction. The firm failed on one occasion to provide written notification disclosing to its customer its correct capacity in the transaction and that it was a market maker in the security. The conduct described in this paragraph constitutes separate and distinct violations of SEC Rule 10b-10.
12. For the month of July 2008, the firm made available a report on the covered orders in national market system securities that it received for execution from any person. This report included incorrect information as to cancelled shares, away executed shares, average realized spread, average effective spread, price improved shares, price improved average amount and price improved average time. The conduct described in this paragraph constitutes separate and distinct violations of SEC Rule 605 of Regulation NMS.

20-Minute, OE Late

In 20080152536, the staff reviewed the firm's compliance with NASD Rule 6130(b) during the period May 1, 2008 through August 31, 2008.

13. The firm failed to accept or decline in the FINRA/Nasdaq Trade Reporting Facility and the OTC Reporting Facility 225 transactions in Reportable Securities within 20 minutes after execution, approximately 15 percent of all transactions that the firm had an obligation to accept or decline as the OEID during the review period. The conduct described in this paragraph constitutes separate and distinct violations of NASD Rule 6130(b) and a violation of NASD Rule 2110.

² Certain findings from this examination are being reviewed in a separate FINRA matter, 20080144512.

.RO Accuracy

In 20090178266, the staff reviewed the firm's compliance with NASD Rule 6130(g) during the period December 1, 2006 through March 3, 2008.

14. The firm transmitted 96 trade reports for odd-lot trades and failed to report the transactions with the required odd-lot modifier of .RO to the NASD/Nasdaq Trade Reporting Facility and the FINRA/Nasdaq Trade Reporting Facility. The conduct described in this paragraph constitutes separate and distinct violations of NASD Rule 6130(g).

B. The firm also consents to the imposition of the following sanctions:

A **censure and a fine of \$127,500** (consisting of \$12,500 for OATS violations in 20060050678; \$12,500 for OATS violations in 20060055418; \$10,000 for TRACE violations in 20070103111; \$7,500 for SEC Rule 10b-10 violations in 20070106606; \$5,000 for trading during a trade halt in 20070112157; \$5,000 for municipal trade reporting violations in 20080120878; \$12,500 for 20-minute OE late violations in 20080123289; \$5,000 for municipal trade reporting violations in 20080128350; \$5,000 for TRACE violations in 2008016182; \$12,500 for OATS violations in 20080141513; \$5,000 for SEC Rule 10b-10 violations in 20080141513; \$10,000 for SEC Rule 605 violations in 20080141513; \$12,500 for 20-minute OE late violations in 20080152536 and \$12,500 for .RO reporting violations in 20090178266).

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 Complaint issued specifying the allegations against the firm;
- B. To be notified of the 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 FINRA Rule 9143 or the separation of functions prohibitions of FINRA 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 FINRA 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 FINRA Rule 8313; 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 undersigned, on behalf of the Firm, certifies that a person duly authorized to act on its behalf 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.

3/24/10
Date

Credit Suisse Securities (USA) LLC
Respondent

By: [Signature]
Name: Michael W. Ludwig
Title: Director

Reviewed by:

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

Accepted by FINRA:

4/30/10
Date

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

[Signature]
Thomas R. Gira
Executive Vice President
Department of Market Regulation