

FINRA

FINANCIAL INDUSTRY REGULATORY AUTHORITY
LETTER OF ACCEPTANCE, WAIVER AND CONSENT
NO. 20070087249-01

2011 DEC -3 PM 12:08

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), 6230, 6420, 6620(a), and 6955(a) (\$10,000 for each of two matters).

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), SEC Rule 10b-10 (\$2,000), OATS, trade reporting (\$5,000), books and records, and supervision.

FACTS AND VIOLATIVE CONDUCT

OATS Reporting – 2Q06

In 20070087249, the staff of FINRA's Department of Market Regulation ("staff") reviewed the firm's compliance with NASD Rule 6955(a) during the period April 1, 2006 through June 30, 2006.

1. During the review period noted above, the firm transmitted to OATS numerous reports that contained inaccurate, incomplete, or improperly formatted data.
Specifically,
 - a. The firm submitted to OATS 40,056 Execution or Combined Order/Execution Reports with a Reporting Exception Code ("REC") of "P", representing a transaction between two proprietary accounts, but with a Capacity Code other than "P", representing a principal capacity.
 - b. The firm submitted to OATS 87 Execution or Combined Order/Execution Reports for orders that had been routed to a national securities exchange for execution.
 - c. The firm improperly submitted to OATS nine Execution or Combined Order/Execution Reports with a REC when they were required to be matched to a related trade report in a FINRA transaction reporting system.
 - d. The firm submitted to OATS 92 Execution or Combined Order/Execution Reports to OATS for proprietary orders that had been routed away from the firm for execution.
 - e. The firm improperly submitted to OATS four Execution or Combined Order/Execution Reports with a REC of "P" for executions that did not represent a trade between two firm accounts.
 - f. The firm submitted to OATS 84,695 Execution or Combined Order/Execution with a REC of "A", representing an agency average price transaction, but with a Capacity Code other than "A", representing an agency capacity.
 - g. The firm submitted to OATS 4,409 Execution or Combined Order/Execution Reports to OATS for orders that had been routed away from the firm for execution, and/or reported the inaccurate price and execution time for agency average price executions.

The conduct described in this paragraph constitutes separate and distinct violations of NASD Rule 6955(a).

OATS Reporting – 1Q07

In 20070099874, the staff reviewed the firm's compliance with NASD Rule 6955(a) during the period January 1, 2007 through March 30, 2007.

2. During the review period noted above, the firm transmitted to OATS numerous reports that contained inaccurate, incomplete, or improperly formatted data.

Specifically,

- a. The firm submitted to OATS 68,218 Execution or Combined Order/Execution Reports with a REC of "P" but with a Capacity Code other than "P".
- b. The firm improperly submitted to OATS 96 Execution or Combined Order/Execution Reports with a REC of "P" when the reports were required to be matched to a related trade report in a FINRA transaction reporting system.
- c. The firm improperly submitted to OATS four Execution or Combined Order/Execution Reports with a REC of "P" for executions that did not represent a trade between two firm accounts.
- d. The firm submitted to OATS 151,460 Execution or Combined Order/Execution Reports with a REC of "A" but with a Capacity Code other than "A".
- e. The firm improperly submitted to OATS 96 Execution or Combined Order/Execution Reports with a REC of "A" for executions that did not represent an agency average price transaction.

The conduct described in this paragraph constitutes separate and distinct violations of NASD Rule 6955(a).

2009 TMMS

In 20090170068, 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 August 26, 2009 and August 27, 2009.

3. The firm failed on ten occasions to provide accurate written notification disclosing to its customer the correct compensation type and/or the correct capacity in the transaction. The conduct described in this paragraph constitutes separate and distinct violations of SEC Rule 10b-10.

Trade Reporting, OTC Securities

In 20090171863, the staff reviewed the firm's compliance with NASD Rule 6620/FINRA Rule 6622 during the period May 1, 2007 through January 30, 2009.

4. During the review period noted above, the firm erroneously double reported 183 last sale reports to the OTC Reporting Facility. The conduct described in this paragraph constitutes separate and distinct violations of NASD Rule 6620 (for conduct prior to December 15, 2008) and FINRA Rule 6622 (for conduct on or after December 15, 2008).

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

A **censure and a fine of \$50,000** (consisting of \$12,500 for OATS violations in 20070087249; \$15,000 for OATS violations in 20070099874; \$12,500 for SEC Rule 10b-10 violations in 20090170068; and \$10,000 for OTC trade reporting violations in 2009017863).

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.

12/1/10
Date

Credit Suisse Securities (USA) LLC
Respondent

By: [Signature]

Name: Michael W. Ludwig

Title: Director

Reviewed by:

Attorney Name

Accepted by FINRA:

1/25/11
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

**2009 Market Regulation Examination Samples
Credit Suisse Securities (USA) LLC ("FBCO")
Exam No.: 20090170068**

<u>Sample Size</u>	<u>Sample Description</u>
41	Sales reviewed for compliance with SEC Rule 200(g) long/short sale recording requirements
21	Short Sales reviewed for compliance with SEC Rule 203(b) security location requirements
0	Sales reviewed for compliance with SEC Rule 204 fail-to-deliver requirements
783	Sell trades reported to a TRF or OTCRF for compliance with sale indicator requirements, FINRA Rules 6182 or 6624
15	Sell orders entered into Nasdaq Exchange execution system for compliance with Nasdaq Rule 4755(a)(1)(A) long/short reporting requirements
17	Buy and Sell orders entered into Nasdaq Exchange execution system for compliance with Nasdaq Rule 4611 capacity reporting requirements
N/A	Sell orders entered into BATS Exchange execution system for compliance with BATS Rule 11.19 long/short reporting requirements
N/A	Limit orders for NMS securities in which the member acts as an exchange market maker for compliance with the display requirements of SEC Rules 602 and 604, and Nasdaq Rule 3390
66	Orders for compliance with best execution requirements of NASD Rule 2320
26	Customer orders from the Customer Sales Review
0	Held orders from the Held Order Protection Review
26	Not Held orders from the Not Held Order Review
4	Order executed with a .PRP (Prior Reference Price) trade modifier
10	Customer orders in OTC equity securities for compliance with NASD Rule 3110(b) requirements to ascertain and document best interdealer market related to execution of orders
N/A	Orders for compliance with order protection requirements of NASD Rules 2110, IM-2110-2, 2111, and Nasdaq Rules 2110, IM-2110-2, and 2111
5	Open Limit orders to buy and/or open Stop orders to sell securities that traded ex-dividend for compliance with NASD Rule 3220 and Nasdaq Rule 4761

N/A	Order memoranda and Net Trading agreements for compliance with NASD Rule 2441 requirements
50	Orders in securities required to be submitted to OATS for compliance with FINRA Rules 7440 and 7450, and Nasdaq Rules 6954 and 6955 requirements
57	Customer confirmations prepared and maintained in connection with select samples for compliance with SEC Rule 10b-10
25	Orders for NMS securities in which the Firm acts as a market center for compliance with SEC Rule 605 order classification requirements
4	Data sets published for July 2009 monthly order execution report for compliance with SEC Rule 605 requirement to publish accurate data (a 'data set' encompasses all required statistical data for single security and order type/size category as described in SEC Rule 605)
1	Quarterly Routing Report for compliance with SEC Rule 606 requirements
10	CRD registration records for persons conducting and/or supervising Firm's trading and/or market making activities for compliance with NASD Rule Series 1020, 1030, 1040; Nasdaq Rule Series 1020, 1030, 1040; and BATS Rule 11.4
10	Customer orders in OTC equity securities for compliance with NASD Rule 3110(b) requirements to ascertain and document best interdealer market related to execution of orders
1	Disclosures to customers relating to trading in the Extended Hours session for compliance with FINRA Rule 2265 and Nasdaq Rule 4631
10267	Records prepared and maintained in connection with the above samples for compliance with SEC Rules 17a-3 and 17a-4, and NASD Rule 3110
1345	Trades reported to a TRF or OTCRF for compliance with FINRA Rules 6380A and 7230A or 6622 and 7330
All Provided	Member's "Regular & Rigorous" review procedures regarding order execution quality for compliance with NASD Rules 2320 and 3010
All Provided	Member's supervisory and operational policies and procedures and documentation evidencing execution of the policies and procedures for compliance with SEC Regulation NMS Rule 611
All Provided	Member's supervisory system, written supervisory procedures ("WSPs") and documentation evidencing execution of the WSPs for compliance with NASD Rule 3010, Nasdaq Rule 3010, or BATS Rule 5.1 requirements

N/A Trading Halts declared during the on-site portion of the examination for which FINRA Staff observed the operation of the ATS.

N/A Trades reported to the ADF/TRACS for compliance with FINRA Rule 6282

N/A ADF orders and quotes accessed by other market participants for compliance with FINRA Rule 6250 requirements to submit Order and Order Response reports