

**FINANCIAL INDUSTRY REGULATORY AUTHORITY
LETTER OF ACCEPTANCE, WAIVER AND CONSENT
NO. 2008012808901**

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

RE: Credit Suisse Securities (USA) LLC, ("Credit Suisse" or "the Firm")
[CRD No. 816]

Pursuant to FINRA Rule 9216 of FINRA's Code of Procedure, Credit Suisse 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 it alleging violations based on the same factual findings described herein.

I.

ACCEPTANCE AND CONSENT

- A. Credit Suisse 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

Credit Suisse Securities (USA) LLC, a member of FINRA, NYSE Euronext, and Securities Investor Protection Corporation ("SIPC"), has been a registered broker-dealer since 1936. The Firm is a full-service broker-dealer with its headquarters in New York City. The Firm is a subsidiary of Credit Suisse Group, which is headquartered in Switzerland. Credit Suisse is a global investment banking and multi-service brokerage firm.

RELEVANT DISCIPLINARY HISTORY

Credit Suisse has the following prior relevant disciplinary history:

In August 2009, by AWC No. 2008013339901, FINRA found that Credit Suisse had failed to fully comply with a requirement of the 2003 Global Research Analyst Settlement that the Firm make independent research available to its customers. As early as 2004, Credit Suisse failed on a number of occasions to post all of the required, current independent research to its Web site. The Firm's lack of adequate safeguards, controls and oversight caused Credit Suisse, between December 2004 through July 2008, to experience three significant failures to make independent research available to its customers. The sanction imposed was a censure and a fine of \$275,000.

On September 7, 2007, in N.Y.S.E. Hearing Panel Decision 07-130, the NYSE disciplined Credit Suisse for failing to ensure delivery of prospectuses, in violation of Sec. 5(b)(2) of the Securities

Act of 1933 and NYSE Rule 1100(b), and for failure to supervise in violation of NYSE Rule 342. The Firm consented to a censure, a \$500,000 fine, and a regulatory undertaking.

On July 17, 2006, pursuant to AWC No. EAF0401490001, NASD found that Credit Suisse violated NASD Conduct Rules 2110, 2711(h)(7) and (h)(10), and 3010(a), for regularly publishing research reports that used vague, generic or unclear language to describe its price target valuation methods and the risks that might impede achievement of the price targets; and for failing to enforce written supervisory procedures. This misconduct was sanctioned with a censure, a fine of \$225,000, and a regulatory undertaking.

On April 18, 2006, in N.Y.S.E. Hearing Panel Decision 06-54, the NYSE disciplined Credit Suisse for failing to transmit accurate proxy solicitation information to customers, submitting more proxy votes than it was entitled to submit, failing to accurately tally its stock ownership records to accurately tally votes of beneficial owners, and failing to supervise, in violation of NYSE Rules 342, 401, 451, 452, and 476. The Firm consented to a censure and a fine of \$250,000.

OVERVIEW

During 2006 and 2007, Credit Suisse underwrote subprime residential mortgage backed securities ("RMBS" or "securitizations"). Credit Suisse employees assisted in the preparation of the offering documents, including prospectuses, and sold these securities to institutional investors.

Regulation AB is the source of various disclosure items and requirements for "asset-backed securities" filings under the Securities Act of 1933 and the Securities Exchange Act of 1934. Regulation AB became effective on December 5, 2005. Regulation AB required the Firm to maintain a website for each newly-issued RMBS (the "Reg AB website") that presented historical delinquency data, also known as static pool information, for prior similar deals to illustrate the past performance of securitizations that contained similar collateral. Regulation AB also required that each RMBS disclose the method employed for calculating delinquencies.

Credit Suisse failed to provide accurate delinquency rates with regard to 21 subprime securitizations that were referenced on its Reg AB website. For these securitizations, the Reg AB website displayed up to nine months of inaccurate historical delinquency data, for the period from January through September 2006, variously underreporting and overreporting delinquencies for different securitizations within this period. The delinquency reporting errors for six of these securitizations may have affected an investor's assessment of subsequent securitizations. These errors were referenced as static pool information in four subprime securitizations after Credit Suisse had learned of the errors.

After Credit Suisse learned that inaccurate delinquency calculations had been posted on its Reg AB website for the above period, Credit Suisse failed to investigate whether static pool information posted on the website for the period from February 2001 through December 2005 also contained inaccuracies.

Credit Suisse did not sufficiently investigate these delinquency errors, has not directly informed clients who invested in these securitizations of the specific reporting discrepancies and has not

revised its Reg AB websites to correct these errors. As a result, this misreporting of historical delinquency data violated NASD Rule 2110.

Further, Credit Suisse failed to name or define the methodology it used to calculate the mortgage delinquency rates for five subprime RMBS it underwrote and sold in 2006, as required by Regulation AB. As a result, Credit Suisse violated NASD Rule 2110.

Credit Suisse also failed to establish a reasonable system to supervise the maintenance and updating of its Reg AB website and did not act reasonably to ensure that its Reg AB website presented accurate static pool information. As a result, the Firm violated NASD Rules 3010 and 2110.

FACTS AND VIOLATIVE CONDUCT

Background

Subprime RMBS securities are created when pools of subprime mortgages are collected and the cash flows are redistributed to different bond classes called tranches. In order of seniority, the tranches typically include senior, mezzanine and subordinate levels of debt. Each tranche represents a different beneficial ownership interest in the particular securitization and carries a correspondingly different level of risk. The tranche classification depends on its priority in receiving payments from the collateral pool.

As underwriter, Credit Suisse was involved both in preparing the offering documents for subprime RMBS and in selling the securities to institutional investors. Credit Suisse employees in the Firm's RMBS Group assisted in the underwriting and securitization process for subprime RMBS. This group gathered all the pertinent information regarding the residential mortgage loans pooled in connection with subprime RMBS as of the cut-off date, including the loan tapes, which set forth data related to the type of collateral, location of the homes, borrowers' FICO scores, and payment status. Credit Suisse employees then coordinated with outside counsel to draft the prospectus materials and provided outside accountants with the delinquency numbers calculated to verify the data contained in the prospectus supplement. Credit Suisse employees reviewed all offering materials for completeness and accuracy prior to its issuance to institutional investors.

Among the offering documents that Credit Suisse assisted in preparing for the RMBS was a prospectus supplement, which describes in detail the characteristics of the mortgage pool, including the percentage of delinquent mortgage loans in the underlying collateral of the particular offering as of the cut-off date. The prospectus supplement also refers the reader to the Firm's Reg AB website, which provides the public with historical performance information, also known as static pool information, including delinquency rates. The Reg AB website sets forth, for each new securitization, information on the performance of prior securitizations that were similar in structure, characteristics and make-up. The delinquency data for the Reg AB website may be compiled from loan level information and/or information provided by servicers, trustees or other parties. Prospectus supplements containing this information were prepared for each RMBS offering and filed with the Securities and Exchange Commission.

Mortgage securitizations typically involve a Trust created by a Depositor, a separate legal entity from the underwriter, and certain of the other parties to the securitization. The Trust is administered by a Trustee. The underwriter structures an asset pool of underlying mortgages comprising the collateral for a securitization into classes of certificates that comprise the different tranches of the securitization. The Depositor then transfers to the Trust the underlying asset pool. As underwriter, Credit Suisse purchased the certificates issued by each of the Trusts and sold those to institutional investors, each of which was provided with a prospectus supplement.

The Trustee administers the trust through a Servicer and/or Master Servicer. The Servicer and/or Master Servicer is responsible for collecting the loan payments from the borrowers. The Trustee distributes the interest and principal from the loan payments to the investors. Based on information received from the Servicer and/or the Master Servicer, the Trustee issues monthly reports to the certificate holders that provide performance information about the underlying collateral, such as payments, delinquencies, foreclosures, and pre-payment penalties.

Regulation AB Requires That Broker-Dealers Supply Investors With Accurate Static Pool Information For Mortgage-Backed Securitizations

On December 5, 2005, Regulation AB became effective. Under Regulation AB, issuers of RMBS are required to disclose historical performance information, including delinquency rates, for prior securitizations that contain similar mortgage loans as collateral. Several items in Regulation AB require the presentation of historical information and data on delinquencies and loss information, including (1) the total amount of delinquent assets as a percentage of the aggregate asset pool, (2) the present loss and cumulative loss information and (3) other material information regarding delinquencies and losses particular to the pool asset types.

As noted by SEC Regulation AB, delinquency rates constitute material information. Such data may affect the ability of an investor to evaluate the fair market value, the yields on the certificates and the anticipated holding periods of subprime securitizations. Investors may consider this information in assessing the profitability of subprime securitizations and determining whether future returns would be disrupted by mortgage holders who fail to make loan payments.

Thus, in order to sell a new securitization, Credit Suisse was required to post data on how similar securitizations that it had underwritten had performed in the past. This disclosure requirement could be satisfied by posting the historical delinquency data on a Reg AB website, which for securitizations issued on or after January 1, 2006, is deemed to be part of the prospectus.

After January 2006, Credit Suisse prospectus supplements for new subprime RMBS offerings informed investors that they could view static pool information for prior securitizations on its Reg AB website. The Reg AB website contained hyperlinks to each securitization. When the investors clicked onto the hyperlink for a particular deal, they would see static pool information for a set of similar deals previously underwritten by the Firm, dating in some cases back to February 2001. Credit Suisse retained a third party vendor to develop and maintain its Reg AB website. The vendor obtained all relevant static pool information from the monthly reports

issued by the Trustee to investors in each of the RMBS.

Credit Suisse Referred Investors to Inaccurate Static Pool Information in Connection with its Offer and Sale of Certain HEAT Subprime Securitizations

On or about November 1, 2006, Credit Suisse was informed that one of its Master Servicers had provided erroneous information to a Trustee in connection with delinquency data for certain subprime RMBS.

The Master Servicer determined that, for the period between January 2006 and September 2006, it had provided inaccurate delinquency data for approximately 21 subprime RMBS. These securitizations were issued on the Firm's Home Equity Asset Trust ("HEAT") shelf and were referenced on the Firm's Reg AB website. The Master Servicer advised the Firm that it had already identified and corrected the cause of those errors. The Master Servicer's correction of the cause of the errors did not correct the errors in the static pool information posted on the Reg AB website. Upon learning of the errors from the Master Servicer, Credit Suisse discussed the issue internally, followed up with the Master Servicer, and received data from the Master Servicer quantifying the errors for particular securitizations and months. After further analysis and discussions with Credit Suisse, the Master Servicer and Trustee informed Credit Suisse that they believed that the errors were immaterial and that they did not intend to provide investors with amended monthly reports. The Depositor, a Credit Suisse affiliate, made Form 10-K filings with the SEC describing the inaccuracies as a general platform error affecting the Master Servicer's operations. Some of these Form 10-K filings included servicer attestations that described the nature of the error and listed securitizations that might have been affected, but these filings did not set forth specific inaccuracies in the delinquency data for any individual securitization. Credit Suisse has not directly informed investors in these securitizations of the specific reporting discrepancies, and has not revised its Reg AB websites to correct these errors.

Credit Suisse did not sufficiently investigate the extent or the materiality of the delinquency errors reported to it by the Master Servicer. Additionally, Credit Suisse did not investigate whether static pool information for the period from February 2001 through December 2005 posted on the Reg AB website also contained inaccuracies.

Of the 21 HEAT subprime securitizations for which inaccurate delinquency information had been reported, the underreporting or overreporting of delinquencies for six securitizations may have affected an investor's assessment of subsequent securitizations. Delinquency data for these six securitizations continued to be posted on the Firm's Reg AB websites after Credit Suisse learned of the reporting error. Specifically, the inaccurate information for the six HEAT securitizations described above was hyperlinked to four subsequent RMBS securitizations involving a combined total of \$3,764,275,250 in notes issued and resulted in these four subsequent securitizations being sold with reference to inaccurate data.¹

¹ The six RMBS that were affected by these Servicer errors, as described above, were HEAT 2005-3, HEAT 2005-6, HEAT 2005-7, HEAT 2005-8, HEAT 2006-5 and HEAT 2006-6. The four securitizations that referenced the static pool information for these securitizations after Credit Suisse learned of the Servicer errors were HEAT 2007-1, HEAT 2007-2 and HEAT 2007-3, and HEAT 2006-8.

Because of these errors, which variously underreported and overreported the extent of delinquent loans in the referenced securitizations, the fair market value, the yields on the certificates and the anticipated holding periods of each of the four HEAT RMBS may have been improperly evaluated by potential investors.

As set forth above, by not conducting sufficient inquiry upon learning that the servicer had caused errors in monthly delinquency data contained in trustee reports during the period January through September 2006 for RMBS offerings, by not sufficiently investigating that servicer's determination that those errors were not material, and by allowing its Reg AB website for certain subsequent offerings to be populated with that erroneous data, Credit Suisse misrepresented historical delinquency data affecting four RMBS offerings and thereby violated NASD Rule 2110.

Credit Suisse Fails to Name or Define the Method it Used to Calculate Delinquencies in Five HEAT RMBS Issued in 2006

Regulation AB requires that the method of calculating delinquencies be disclosed. Industry participants generally employ two methods to calculate delinquency rates: the Mortgage Banker Association ("MBA") method and the Office of Thrift Supervision ("OTS") method.¹

Under the MBA method, a mortgage loan is considered to be delinquent when a payment due on any due date remains unpaid as of the close of business by the end of the day immediately preceding the loan's next due date. The MBA method, therefore, begins to count delinquency as soon as a payment is not received. In contrast to the MBA method, the OTS method begins to count delinquency one month after the first payment is missed by the mortgagee. Thus, the number of delinquent loans is generally lower when calculated under the OTS method than under the MBA method.

Credit Suisse used the MBA method to calculate the number of delinquent loans that were deposited into the Trusts for HEAT 2006-3, HEAT 2006-4, HEAT 2006-5, HEAT 2006-6 and HEAT 2006-7 as of the cut-off date for establishing the mortgage pool. Credit Suisse, however, failed to name or define its use of the MBA method to calculate mortgage delinquency rates for these securitizations. The value of these five securitizations is approximately \$5,673,200,250. Since the delinquency figures referenced in the five prospectus supplements were calculated using the MBA method, Credit Suisse reported between 0.8% and 1.5% more delinquencies than would have been reported had the OTS method been employed.

¹ Section 1101(d) of Reg AB provides: "Delinquent, for purposes of determining if a pool asset is delinquent, means if a pool asset is more than 30 or 31 days or a single payment cycle, as applicable, past due from the contractual due date, as determined in accordance with any of the following: (1) The transaction agreements for the asset-backed securities; (2) The delinquency recognition policies of the sponsor, any affiliate of the sponsor that originated the pool asset or the servicer of the pool asset; or (3) The delinquency recognition policies applicable to such pool asset established by the primary safety and soundness regulator of any entity listed in paragraph (2) or the program or regulatory entity that oversees the program under which the pool asset was originated."

In connection with these five HEAT RMBS, Credit Suisse failed to provide investors with adequate guidance regarding the method of delinquency calculation. As a result, the fair market value, the yields on the certificates and the anticipated holding periods of each of the five HEAT RMBS may have been improperly evaluated by potential investors. By virtue of the foregoing, Credit Suisse violated NASD Rule 2110.

Credit Suisse's Failure to Supervise

NASD Conduct Rule 3010(a) requires that each member "establish and maintain a system to supervise the activities of each registered representative and associated person that is reasonably designed to achieve compliance with applicable securities laws and regulations, and with the Rules of this Association."

As the underwriter and seller of subprime RMBS, Credit Suisse failed to: (1) provide an adequate system for follow-up and review to ensure that its Reg AB website presented accurate static pool information; (2) provide accurate information on RMBS delinquency rates on the Reg AB website; and (3) pursue its own review of the accuracy of posted information for RMBS deals that the Firm should have known were likely to contain erroneous calculations.

As part of the Firm's underwriting obligations, it was required to include static pool information for new subprime securitizations it was offering. Although Credit Suisse was aware that delinquency data was inaccurate for certain RMBS securitizations, Credit Suisse continued to reference delinquency data that had been variously underreported and/or overreported as part of static pool information for subsequent securitizations underwritten and sold by the Firm. In addition, Credit Suisse did not review other static pool information that the Firm was aware was potentially inaccurate and was posted on the Reg AB website.

Credit Suisse failed to take adequate steps to review and correct the inaccurate static pool information contained on its Reg AB website and incorporated by reference in prospectus supplements for four securitizations.

By virtue of the foregoing, Credit Suisse failed to establish an adequate system to supervise its business of underwriting and trading subprime RMBS securitizations, in violation of NASD Conduct Rules 3010 and 2110.

B. Credit Suisse consents to the imposition of the following sanctions:

1. A censure and
2. A fine of \$4,500,000.

Credit Suisse agrees to pay the monetary sanction upon notice that this AWC has been accepted and that such payment is due and payable. Credit Suisse has submitted an Election of Payment Form showing the method by which it proposes to pay the fine imposed.

Credit Suisse specifically and voluntarily waives any right to claim that it is unable to pay, now or at any time thereafter, the monetary sanction imposed in this matter.

The sanction imposed herein shall be effective on a date set by FINRA staff.

II.

WAIVER OF PROCEDURAL RIGHTS

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

- A. To have a Complaint issued specifying the allegations against it;
- 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, Credit Suisse 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.

Credit Suisse further specifically and voluntarily waive 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

Credit Suisse 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 Credit Suisse; and
- C. If accepted:
1. this AWC will become part of Credit Suisse's permanent disciplinary record and may be considered in any future actions brought by FINRA or any other regulator against it;
 2. this AWC will be made available through FINRA's public disclosure program in response to public inquiries about its 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. Credit Suisse 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. Credit Suisse 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 Credit Suisse's right to take legal or factual positions in connection with or regarding litigation or other legal proceedings in which FINRA is not a party.
- D. Credit Suisse may attach a Corrective Action Statement to this AWC that is a statement of demonstrable corrective steps taken to prevent future misconduct. Credit Suisse 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 Credit Suisse, certifies that a person duly authorized to act on its behalf has read and understands all of the provisions of this AWC and have been given a full opportunity to ask questions about it; that Credit Suisse has agreed to its 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 Credit Suisse to submit it.

5/11/11
Date (mm/dd/yyyy)

[Signature] Credit Suisse Securities USA LLC
Respondent

By: [Signature]

Reviewed by:

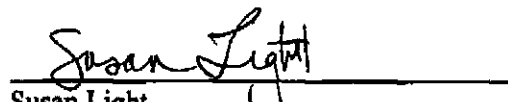


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Accepted by FINRA:

5/19/11
Date

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



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