

**FINANCIAL INDUSTRY REGULATORY AUTHORITY
LETTER OF ACCEPTANCE, WAIVER AND CONSENT
NO. 2008013339901**

RECEIVED

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REGISTRATION & DISCLOSURE

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

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

Pursuant to FINRA Rule 9216 of FINRA's Code of Procedure, Credit Suisse Securities (USA), LLC ("Respondent," "Credit Suisse" or 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 Respondent 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 is a wholly owned subsidiary of Credit Suisse (USA), Inc., whose ultimate parent is Credit Suisse Group (headquartered in Switzerland). The Firm is a global investment bank that serves institutional and individual high net worth clients. Credit Suisse is a member of all principal exchanges. The Firm engages in securities underwriting, sales and trading, investment banking, private equity and financial advisory services, as well as investment research and asset management.

RELEVANT DISCIPLINARY HISTORY

Respondent has the following relevant disciplinary history:

On April 21, 2003, pursuant to Letter of Acceptance, Waiver and Consent ("AWC") No. 030026, Credit Suisse consented to findings that, among other things, Credit Suisse issued

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comply fully with this undertaking, on multiple occasions and for a prolonged period of time, Credit Suisse undermined this central policy goal.

FACTS AND VIOLATIVE CONDUCT

Global Settlement

In April 2003, Credit Suisse (and other firms) entered into a settlement with the SEC, NASD, NYSE, New York Attorney General and state regulators concerning research analyst conflicts of interest (the "Global Settlement"). As part of the Global Settlement, Credit Suisse consented to the entry of a final judgment issued by the U.S. District Court for the Southern District of New York (the "Final Judgment").¹ Pursuant to the Final Judgment, Credit Suisse agreed, among other things, to pay a total of \$200,000,000, which consisted of a fine of \$75,000,000, disgorgement of \$75,000,000, and a payment of \$50,000,000 to fund the procurement of independent research.

The Final Judgment also requires Credit Suisse to comply with certain undertakings set forth in Addendum A. These undertakings require Credit Suisse, among other things, to make changes to the Firm's policies and procedures concerning the delivery of equity research to the Firm's customers. The undertakings are designed to minimize the ability of the Firm's investment bankers to influence the Firm's research personnel and the substantive content of the Firm's research. On April 21, 2003 Credit Suisse, as part of its settlement with FINRA, signed an AWC that incorporated these undertakings by reference.

Obligation to Make Independent Research Available

Section III.1.a of the Addendum requires Credit Suisse to "use its reasonable efforts to procure, and shall make available to its customers in the U.S.," independent research on the covered company's common stock. The Addendum requires Credit Suisse, for a period of five years, to contract with at least three independent research providers ("IRPs"), selected by an independent consultant (Patricia Chadwick). The Addendum also requires Credit Suisse to make the independent research available to its customers using the same means of dissemination it uses to provide its own research. Pursuant to the Addendum, the independent consultant selected three primary IRPs: Renaissance Capital ("RenCap"), which focuses on companies involved in initial public offerings; Standard & Poor's ("S&P"), which provides a range of equity coverage; and BNY Jaywalk ("Jaywalk"), a consolidator of approximately 41 IRPs.

In May 2004, pursuant to its obligations under the Addendum, Credit Suisse entered into a contract with Thomson Financial, Inc. ("Thomson"), an e-information company, to create and maintain a website for IR (the "IR website"), accessible only to the Firm's customers. Credit Suisse also entered into a separate contract, effective July 27, 2004, with Wall Street on Demand

¹ Final Judgment, *SEC v. Credit Suisse First Boston LLC f/k/a Credit Suisse First Boston Corporation*, No. 03 Civ. 2946 (WHP) (SDNY, April 2003). Although the action against Credit Suisse and the other settling firms was filed in April 2003, judgments were not entered against these firms by the U.S. District Court for the Southern District of New York until October 31, 2003.

("WSOD"), to provide research feeds from S&P and Jaywalk to Thomson for posting on the IR website and for related services.

Failure to Make Independent Research Available

During the relevant period, Credit Suisse failed to fully comply with its undertaking pursuant to Section III.1.a of Addendum A by failing on different occasions to post all of the required current IR on its IR website. In August 2004, the independent consultant began a spot-check review of the Firm's IR website and detected problems, including the posting of IR for companies not covered by Credit Suisse and delays in providing IR in a timely manner after offerings. Following the discovery of these initial problems, the Firm failed to implement effective measures to detect and prevent additional failures.

In April 2007, Credit Suisse experienced problems posting required IR to its IR website. At that time, WSOD mistakenly implemented a software coding change which caused an error in the file naming convention. This error, in turn, caused a disruption in the flow of IR from WSOD to Thomson. Accordingly, certain research files sent by WSOD were in a corrupt format and Thomson therefore was unable to upload 32,500 IR reports onto the Firm's IR website. As a result of this error, and at the request of Credit Suisse, Thomson posted a message on the IR website notifying the Firm's customers that "From mid-April to September of 2007 (1) S&P Stock Reports, (2) S&P Marketscope Reports and (3) Jaywalk Reports available on this site were not the most currently available at the time."

On September 24, 2007, Credit Suisse discovered that IR from 11 IRPs under the Jaywalk umbrella was missing from its IR website due to Thomson's failure to update its records to reflect new IRPs selected by the independent consultant. This error caused IR produced by the affected IRPs during various times from December 8, 2004 to October 2, 2007 not to be posted to the IR website. During this three year period, the disruption affected the availability of IR from certain IRPs for 224 out of approximately 1,400 covered companies, although IR coverage by other IRPs was available for all but 45 of these companies.

Finally, from September 2006 to July 2008, the Firm experienced another disruption to the provision of required IR, involving an additional 35 covered companies. In 2004, Credit Suisse began producing quantitative research for certain small and mid-cap ("SMID") companies. The Firm listed these companies in its general research database, even though these companies were not covered by traditional equity research and thus not subject to the Firm's IR requirements. To exclude these SMID companies from IR coverage, the Firm used a filtering application for its research database. Beginning in September 2006, the Firm began publishing equity research for some former SMID companies, which required the Firm to provide corresponding IR when such coverage was established at various points after September 2006. The Firm, however, neglected to deactivate the filtering system that excluded these companies from its website, resulting in a lack of IR coverage for the 35 companies. Following the discovery of this deficiency, the Firm took steps to post a message on its IR website notifying its customers of the disruption and announcing the restoration of coverage.

The Firm failed to provide its customers with certain required IR on multiple occasions during the relevant period as required by Section III.1.a of Addendum A as incorporated in the Firm's April 2003 AWC. Accordingly, Credit Suisse violated NASD Conduct Rule 2110.

B. Respondent also consents to the imposition of the following sanctions:

1. Censure; and
2. Fine in the amount of \$275,000.

Respondent agrees to pay the monetary sanction upon notice that this AWC has been accepted and that such payment is due and payable. Respondent has submitted an Election of Payment form showing the method by which Respondent proposes to pay the fine imposed. Respondent specifically and voluntarily waives any right to claim that Respondent is unable to pay, now or at any time hereafter, the monetary sanction imposed in this matter. The sanctions imposed herein shall be effective on a date set by FINRA staff.

II.

WAIVER OF PROCEDURAL RIGHTS

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

- A. To have a Complaint issued specifying the allegations against Respondent;
- 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, Respondent 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.

Respondent 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

Respondent 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 Respondent; and
- C. If accepted:
 - 1. This AWC will become part of my permanent disciplinary record and may be considered in any future actions brought by FINRA or any other regulator against Respondent;
 - 2. This AWC will be made available through FINRA's public disclosure program in response to public inquiries about Respondent'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. Respondent 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. Respondent 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 Respondent's right to take legal or factual positions in litigation or other legal proceedings in which FINRA is not a party.
- D. Respondent may attach a Corrective Action Statement to this AWC that is a

statement of demonstrable corrective steps taken to prevent future misconduct. Respondent understands that Respondent 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 Respondent 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 the Firm to submit it.

5/21/09
Date

Respondent
Credit Suisse Securities (USA), LLC

By: *Quinn J. Jarnesi*

Reviewed by: *Paul R. Eckert*

Paul R. Eckert
Counsel for Respondent
Wilmer Cutler Pickering Hale and Dorr, LLP
1875 Pennsylvania Avenue, NW
Washington, DC 20006
202-663-6537

Accepted by FINRA:

5/6/09
Date

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

Linda S. Rieberg
Linda S. Rieberg
Vice President, Chief Counsel
FINRA Department of Enforcement
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