

FINRA

FINANCIAL INDUSTRY REGULATORY AUTHORITY
LETTER OF ACCEPTANCE, WAIVER AND CONSENT
NO. 20100254481-01

2013 SEP -4 PM 1:26

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.¹

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 April 30, 2010, FINRA accepted an AWC in which the firm was censured and fined \$127,500, which included a fine of \$15,000 for Trade Reporting and Compliance Engine ("TRACE") reporting violations for two matters with conduct that occurred in the 2nd quarter of 2007 and the 1st quarter of 2008.

¹ A separate review of the firm's compliance with respect to FINRA Rule 2010 and NASD Rules 2110 and 3010 relating to supervision of TRACE reporting, which covers the review periods included in this AWC, as well as prior and subsequent review periods, will be resolved separately.

SUMMARY

In Review No. 20110269492, the TRACE staff of the Department of Market Regulation (the “staff”) reviewed the firm’s compliance with FINRA Rules applicable to TRACE reporting during the period January 1, 2010 through March 31, 2010 (the “1Q10 mismatch review period”).

In Review No. 20100254481, the staff reviewed the firm’s compliance with FINRA Rules applicable to TRACE reporting during the period July 1, 2010 through September 30, 2010 (the “3Q10 late review period”).

In Review No. 20110273606, the staff reviewed the firm’s compliance with FINRA Rules applicable to TRACE reporting during the period July 1, 2010 through September 30, 2010 (the “3Q10 corporate mismatch review period”).

In Review No. 20110268073, the staff reviewed the firm’s compliance with FINRA Rules applicable to TRACE reporting during the period July 1, 2010 through September 30, 2010 (the “3Q10 agency mismatch review period”).

In Review No. 20110291425, the staff reviewed the firm’s compliance with FINRA Rules applicable to TRACE reporting during the period April 1, 2011 through June 30, 2011 (the “2Q11 late review period”).

In Review No. 20110292575, the staff reviewed the firm’s compliance with FINRA Rules applicable to TRACE reporting during the period April 1, 2011 through June 30, 2011 (the “2Q11 corporate mismatch review period”).

FACTS AND VIOLATIVE CONDUCT

In connection with Review No. 20110269492,

1. During the 1Q10 mismatch review period, the firm failed to report to TRACE the correct contra-party’s identifier for 602 S1 transactions in TRACE-eligible corporate securities. These transactions constitute approximately 13 percent of the S1 inter-dealer transactions in TRACE-eligible corporate securities that the firm reported to TRACE during the 1Q10 mismatch review period. The conduct described in this paragraph constitutes separate and distinct violations of FINRA Rule 6730(c)(6).

In connection with Review No. 20100254481,

2. During the 3Q10 late review period, the firm failed to report to TRACE 1,758 S1 transactions in TRACE-eligible corporate securities within 15 minutes of the time of execution. These late transactions constituted approximately four percent of the S1 transactions in TRACE-eligible corporate securities that the firm reported to TRACE during the 3Q10 late review period. The conduct described in this paragraph constitutes separate and distinct violations of FINRA Rule 6730(a) and a pattern or practice of late reporting without exceptional circumstances in violation of FINRA Rule 2010.
3. During the 3Q10 late review period, the firm failed to report to TRACE 212 P1 transactions in TRACE-eligible corporate securities by the next business day (T+1) after execution. These late transactions constituted approximately seven percent of the P1 transactions in TRACE-eligible corporate securities that the firm reported to TRACE during the 3Q10 late review period. The conduct described in this paragraph constitutes separate and distinct violations of FINRA Rule 6730(a) and a pattern or practice of late reporting without exceptional circumstances in violation of FINRA Rule 2010.
4. During the 3Q10 late review period, the firm reported to TRACE 1,325 transactions in TRACE-eligible securities that it was not required to report. The conduct described in this paragraph constitutes separate and distinct violations of FINRA Rule 6730.
5. During the 3Q10 late review period, the firm failed to report to TRACE the correct market identifier for 10 S1 and 33 P1 transactions in TRACE-eligible corporate securities. The conduct described in this paragraph constitutes separate and distinct violations of FINRA Rule 6730(d)(4)(D).

In connection with Review No. 20110273606,

6. During the 3Q10 corporate mismatch review period, the firm failed to report to TRACE the correct contra-party's identifier for 159 S1 transactions in TRACE-eligible corporate securities. These transactions constituted approximately six percent of the S1 inter-dealer transactions in TRACE-eligible corporate securities that the firm reported to TRACE during the 3Q10 corporate mismatch review period. The conduct described in this paragraph constitutes separate and distinct violations of FINRA Rule 6730(c)(6).

In connection with Review No. 20110268073,

7. During the 2Q11 agency mismatch review period, the firm failed to report to TRACE the correct market identifier for two S1 and 53 P1 transactions in TRACE-eligible agency securities. The conduct described in this paragraph constitutes separate and distinct violations of FINRA Rule 6730(d)(4)(D).
8. During the 2Q11 agency mismatch review period, the firm failed to report to TRACE the correct contra-party's identifier for 17 P1 transactions in TRACE-eligible agency securities. These transactions constituted approximately seven percent of the P1 inter-dealer transactions in TRACE-eligible agency securities that the firm reported to TRACE during the 2Q11 agency mismatch review period. The conduct described in this paragraph constitutes separate and distinct violations of FINRA Rule 6730(c)(6).
9. During the 2Q11 agency mismatch review period, the firm failed to report to TRACE the correct contra-party's identifier for 39 S1 transactions in TRACE-eligible agency securities. These transactions constituted approximately two percent of the S1 inter-dealer transactions in TRACE-eligible agency securities that the firm reported to TRACE during the 2Q11 agency mismatch review period. The conduct described in this paragraph constitutes separate and distinct violations of FINRA Rule 6730(c)(6).
10. During the 2Q11 agency mismatch review period, the firm failed to report to TRACE 18 P1 transactions in TRACE-eligible agency securities that it was required to report. These transactions constituted approximately seven percent of the P1 transactions in TRACE-eligible agency securities that the firm was required to report to TRACE during the 2Q11 agency mismatch review period. The conduct described in this paragraph constitutes separate and distinct violations of FINRA Rule 6730(b).
11. During the 2Q11 agency mismatch review period, the firm double reported to TRACE one transaction in a TRACE-eligible agency security and reported to TRACE 75 transactions in TRACE-eligible agency securities that it was not required to report. The conduct described in this paragraph constitutes separate and distinct violations of FINRA Rule 6730.

In connection with Review No. 20110291425,

12. During the 2Q11 late review period, the firm failed to report to TRACE 1,681 S1 transactions in TRACE-eligible corporate securities within 15 minutes of the time of execution. These late transactions constituted approximately four percent of the S1 transactions in TRACE-eligible corporate securities that the firm reported to TRACE during the review period. The conduct described in this paragraph constitutes separate and distinct violations of FINRA Rule 6730(a) and a pattern or practice of late reporting without exceptional circumstances in violation of FINRA Rule 2010.

In connection with Review No. 20110292575,

13. During the 2Q11 corporate mismatch review period, the firm failed to report to TRACE the correct contra-party's identifier for 732 S1 transactions in TRACE-eligible corporate securities. These transactions constituted approximately five percent of the S1 inter-dealer transactions in TRACE-eligible corporate securities that the firm reported to TRACE during the 2Q11 corporate mismatch review period. The conduct described in this paragraph constitutes separate and distinct violations of FINRA Rule 6730(c)(6).
14. During the 2Q11 corporate mismatch review period, the firm failed to report to TRACE 123 S1 transactions in TRACE-eligible securities that it was required to report. These transactions constituted approximately one percent of the S1 transactions in TRACE-eligible corporate securities that the firm was required to report to TRACE during the 2Q11 corporate mismatch review period. The conduct described in this paragraph constitutes separate and distinct violations of FINRA Rule 6730(b)(1),

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

A censure and a fine of \$110,000 (comprised of \$22,500 for matter 20110269492; \$27,500 for matter 20100254481; \$17,500 for matter 20110273606; \$25,000 for matter 20110268073; \$7,500 for matter 20110291425; and \$10,000 for matter 20110292575).

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.

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

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: (i) testimonial obligations; or (ii) 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.

8/30/13
Date

Respondent
Credit Suisse Securities (USA) LLC

By: [Signature]

Name: Alan R. Kelly

Title: Managing Director

Reviewed by:

[Signature]
Craig S. Warkol, Esq.
Counsel for Respondent
Bracewell & Giuliani
1251 Avenue of the Americas
49th Floor
New York, NY 10020-1104

Accepted by FINRA:

9/23/13
Date

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

[Signature]
Robert A. Marchman
Executive Vice President
Department of Market Regulation