

**FINANCIAL INDUSTRY REGULATORY AUTHORITY**  
**LETTER OF ACCEPTANCE, WAIVER AND CONSENT**  
**NO. 20140399381-01**

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" or "Respondent") 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. Respondent 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 became a member of FINRA on October 16, 1936, and its registrations remain in effect.

**RELEVANT DISCIPLINARY HISTORY**

On June 18, 2014, FINRA accepted an AWC in which the firm was censured and fined \$37,500, which included a fine of \$25,000 for Order Audit Trail System ("OATS") reporting violations (late reporting; failure to report Special Handling Codes; reporting incorrect Reporting Exception Codes; reporting Combined Order/Execution Reports for orders that were routed away; reporting inaccurate or incomplete data that OATS was unable to link to the related trade reports in a FINRA trade reporting system) for two matters with conduct that occurred in the 1<sup>st</sup> trimester of 2011 and in the 2<sup>nd</sup> quarter of 2011, and a fine of \$12,500 for equity trade reporting violations for conduct that occurred in the 2<sup>nd</sup> trimester of 2011.

On April 25, 2013, FINRA accepted an AWC in which the firm was censured and fined \$92,500, which included a fine of \$17,500 for equity trade reporting violations (failure to timely accept or decline transactions) for conduct that occurred in the 2<sup>nd</sup> trimester of 2009.

On April 25, 2013, FINRA accepted an AWC in which the firm was censured and fined \$70,000, which included a fine of \$32,500 for OATS reporting violations (late reporting; reporting Reportable Order Events out of sequence; failure to report Special Handling Codes; reporting inaccurate or incomplete data that OATS was unable to link to the related trade reports in a FINRA trade reporting system or to the corresponding new order or preceding Report; reporting an erroneous Route Report) and a fine of \$37,500 for equity trade reporting violations (failure to report; failure to report transactions that required a trade modifier; reporting incorrect contra-side execution broker-dealers) for three matters with conduct that occurred in the 3<sup>rd</sup> trimester of 2008, on September 29, 2010 and September 30, 2010, and from January 2007 through February 2009.

On December 27, 2011, FINRA accepted an AWC in which the firm was censured and fined \$1,750,000, which included a fine of \$100,000 for OATS and equity trade reporting violations (failure to report accurate short sale indicators to OATS and a FINRA trade reporting system) for conduct that occurred from June 1, 2006 through December 2010.

### **SUMMARY**

In connection with the firm's 2014 Trading and Financial Compliance Examination ("TFCE"), Matter No. 20140399381, the TFCE staff of FINRA's Department of Market Regulation (the "staff") reviewed the firm's trading activity for trade date July 15, 2014 (the "review period"), unless otherwise noted.<sup>1</sup>

As a result of its review, the staff found that the firm violated NASD Rule 6955, FINRA Rules 6182 and 7450, and related supervision requirements, as described below.

### **FACTS AND VIOLATIVE CONDUCT**

1. During the review period, the firm transmitted to OATS reports that contained inaccurate, incomplete or improperly formatted data. Specifically: (a) 39,047 reports were over-reported to OATS from 2003 through December 12, 2014; (b) the firm failed to report Combined Order/Route Reports to OATS for 864 orders in July 2014; (c) 11 reports included incorrect Member Type Codes of "N;" and (d) the firm

---

<sup>1</sup> As discussed in more detail below, the staff's review revealed certain OATS reporting, equity trade reporting, and supervision conduct that occurred over different, prolonged review periods.

incorrectly submitted Combined Order/Execution Reports for two proprietary orders. The conduct described in this paragraph constitutes separate and distinct violations of NASD Rule 6955 (for conduct prior to December 15, 2008) and FINRA Rule 7450 (for conduct on or after December 15, 2008).

2. During the period October 17, 2011 through February 13, 2015, the firm transmitted to OATS reports that contained inaccurate, incomplete or improperly formatted data. Specifically, the firm submitted billions of broker-dealer orders to OATS with incorrect Account Type Codes of "A." The conduct described in this paragraph constitutes separate and distinct violations of FINRA Rule 7450.
3. The firm failed to report to the FINRA/Nasdaq Trade Reporting Facility the correct symbol indicating whether the transaction was a buy, sell, or sell short, for 5,632 transactions. Specifically: (a) during the review period, 45 transactions were reported as short sales when the firm's position was long; and (b) from March 21, 2014 through September 11, 2014, 5,587 transactions were reported as long sales when the firm's position was short. The conduct described in this paragraph constitutes separate and distinct violations of FINRA Rule 6182.
4. From October 2011 through February 2015, the firm's supervisory system did not provide for supervision reasonably designed to achieve compliance with respect to certain applicable securities laws and regulations, and the Rules of FINRA, concerning OATS reporting. The conduct described in this paragraph constitutes a violation of NASD Rule 3010 (for conduct that occurred prior to December 1, 2014), FINRA Rule 3110 (for conduct that occurred on or after December 1, 2014), and FINRA Rule 2010.

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

A censure, fine of \$487,500 (comprised of \$375,000 for the OATS violations, \$100,000 for the supervision violation, and \$12,500 for the trade reporting violations), and an undertaking to revise the firm's supervisory system, including, but not limited to, its written supervisory procedures, with respect to the area described in Section I.A.4, above. Within 30 days of acceptance of this AWC by the National Adjudicatory Council ("NAC"), a registered principal of the firm shall submit to the **COMPLIANCE ASSISTANT, LEGAL SECTION, MARKET REGULATION DEPARTMENT, 9509 KEY WEST AVENUE, ROCKVILLE, MD 20850**, a signed, dated letter, or an e-mail from a work-related account of the registered principal to **MarketRegulationComp@finra.org**, providing the following information: (1) a reference to this matter; (2) a representation that the firm has addressed and corrected the deficiencies described in Section I.A.4, above, and (3) the date the revised system and procedures were implemented.

Respondent 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.

Respondent 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**

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 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, Respondent specifically and voluntarily waives any right to claim bias or prejudgment of the Chief Legal Officer, 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 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 accordance with FINRA Rule 8313;
  - 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 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. Respondent 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.

12/15/16  
Date

Respondent  
Credit Suisse Securities (USA) LLC

By: [Signature]

Name: Peter Kozlowski

Title: Managing Director + Counsel

Reviewed by:

[Signature]

David S. Sieradzki, Esq.  
Counsel for Respondent  
Schulte Roth & Zabel LLP  
1152 15<sup>th</sup> Street, NW  
Suite 850  
Washington, DC 20005  
(202) 729-7473

Accepted by FINRA:

1-18-17  
Date

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

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