

FINANCIAL INDUSTRY REGULATORY AUTHORITY
LETTER OF ACCEPTANCE, WAIVER AND CONSENT
NO. 20150456256-01

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 ("FBCO" 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. 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 July 31, 2015, FINRA accepted an AWC in which the firm was censured and fined \$22,500, including \$15,000 for violations of FINRA Rule 7450 (inaccurate and erroneous reporting to the Order Audit Trail System ("OATS")) for conduct that occurred from November 28, 2011 through March 6, 2014.

On June 18, 2014, FINRA accepted an AWC in which the firm was censured and fined \$37,500, including \$25,000 for violations of FINRA Rule 7450 (inaccurate and late reporting to OATS) for two matters with conduct that occurred from January 1, 2011 through April 30, 2011 and April 1, 2011 through June 30, 2011, and a fine of \$12,500 for equity trade reporting violations for conduct that occurred from May 1, 2011 through August 30, 2011.

On April 25, 2013, FINRA accepted an AWC in which the firm was censured and fined \$92,500, including \$17,500 for equity trade reporting violations (failure to timely accept or decline transactions) for conduct that occurred from May 1, 2009 through August 30, 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 in violation FINRA Rule 7450 (late and inaccurate reporting to OATS) 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 3rd trimester of 2008, on September 29, 2010 and September 30, 2010, and from January 2007 through February 2009.

SUMMARY

In Matter No. 20150456256, the Order Audit Trail System (“OATS”) compliance team of the Market Regulation Department (the “Staff”), reviewed the firm’s compliance with short sale trade reporting during an OATS/Trade Reporting Sweep for the period September 2, 2014 through December 31, 2014. The review revealed discrepancies affecting the reporting of long/short designations to OATS and the FINRA Trade Reporting Facility (“FNTRF”) and consequently Staff expanded the review to July 2012 through June 2016 (the “review period”).

As a result of its review, the staff found that the firm violated FINRA Rules 6182 and 7450, described below.

FACTS AND VIOLATIVE CONDUCT

1. During the review period, the firm transmitted to OATS new order reports that contained inaccurate, incomplete or improperly formatted data. Specifically, at least 1,575,987 new order reports were inaccurately entered into OATS as long sales but were trade reported with a short sale modifier. The violations were due to two separate system issues which have been remediated. The conduct described in this paragraph constitutes separate and distinct violations of FINRA Rule 7450.
2. During the review period, the firm transmitted to the FNTRF transactions with an incorrect symbol indicating whether the transaction was a buy, sell, or sell short. Specifically, 5,119 were reported to the FNTRF without the short sale modifier code. The violations were due to a system issue which has been remediated. The conduct described in this paragraph constitutes separate and distinct violations of FINRA Rule 6182.

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

A censure, fine of \$50,000 (comprised of \$25,000 for the OATS violations, and \$25,000 for the trade reporting violations)¹

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

¹ In resolving this matter, Staff took into consideration AWC No. 20140399381-01.

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
 - 3. 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.

6/17/17
Date

Respondent
Credit Suisse Securities (USA) LLC

By: [Signature]

Name: Lara Kest

Title: Director

Reviewed by:

[Signature]
David Sieradski, Esq.
Counsel for Respondent
Schulte Roth & Zabel LLP
1152 15th Street, NW
Suite 850
Washington, DC 20005
(202) 729-7473

Accepted by FINRA:

6/20/17
Date

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

[Signature]
Lara M. Posner
Chief Counsel
FINRA Department of Market Regulation