FINANCIAL INDUSTRY REGULATORY AUTHORITY
LETTER OF ACCEPTANCE, WAIVER, AND CONSENT
NO. 2017056726201

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

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

Pursuant to FINRA Rule 9216, Respondent Credit Suisse Securities (USA) LLC 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 in this AWC.

I.

ACCEPTANCE AND CONSENT

A. Respondent accepts and consents to the following findings by FINRA without admitting or denying them:

BACKGROUND

Credit Suisse was a U.S. broker-dealer and was formerly a subsidiary of the Credit Suisse Group, a global financial services company.[1] The firm, which was headquartered in New York, New York, became a FINRA member in 1936. During the relevant period, the firm conducted a global general securities business with a number of institutional clients. In June 2025, the firm filed a Uniform Request for Broker Dealer Withdrawal (Form BDW) requesting to terminate its membership with FINRA. FINRA retains jurisdiction over the firm pursuant to Article IV, Section 6 of FINRA's By-Laws.[2]

OVERVIEW

From August 2012 through September 2020, Credit Suisse failed to establish and maintain a supervisory system and procedures reasonably designed to achieve compliance with federal securities laws and FINRA rules prohibiting various forms of manipulative and insider trading. The firm's supervisory failures caused hundreds of millions of trade, order, and position records to be omitted from the firm's surveillance systems. During this period, the firm did not detect numerous instances of potentially violative trading, such as potential insider trading and potential manipulative activity

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[1] UBS acquired Credit Suisse's parent company in June 2023.

[2] For more information about the firm, including prior regulatory events, visit BrokerCheck® at www.finra.org/brokercheck.

occurring at or near the close of trading. As a result, the firm violated NASD Rules 3010(a) and (b), and FINRA Rules 3110(a) and (b) and 2010. For these violations, the firm is censured and fined $7,125,000, of which $445,312.50 shall be paid to FINRA.

FACTS AND VIOLATIVE CONDUCT

This matter originated from self-reported disclosures to FINRA by Credit Suisse pursuant to FINRA Rule 4530(b).

Credit Suisse failed to establish and maintain a supervisory system and procedures reasonably designed to achieve compliance with federal securities laws and rules prohibiting manipulative and insider trading.

A. <u>Credit Suisse failed to surveil hundreds of millions of trade, order, and position records for potentially violative trading from August 2012 through September 2020.</u>

FINRA Rule 3110(a), like its predecessor NASD Rule 3010(a), requires member firms to establish and maintain a system to supervise the activities of each associated person that is reasonably designed to achieve compliance with applicable securities laws and regulations, and with applicable FINRA rules.[3] FINRA Rule 3110(b), like its predecessor NASD Rule 3010(b), requires member firms to establish, maintain, and enforce written procedures to supervise the types of business in which they engage and the activities of their associated persons that are reasonably designed to achieve compliance with applicable securities laws and regulations, and with applicable FINRA rules.

The duty to supervise under Rule 3110 also includes the responsibility to reasonably investigate red flags and to act upon the results of such investigation.

A violation of FINRA Rule 3110 or NASD Rule 3010 also constitutes a violation of FINRA Rule 2010, which requires firms to observe high standards of commercial honor and just and equitable principles of trade in the conduct of their business.

From August 2012 through September 2020, Credit Suisse's system for monitoring trading relied on surveillance units to review reports from automated surveillance systems designed to detect, among other things, various forms of potentially manipulative trading. Many of the surveillance systems used by the firm and its affiliates, in turn, relied on a Credit Suisse global proprietary database known as the Legal and Compliance Database (LCDB) to supply them with the necessary transactional and related data generated by Credit Suisse's systems and received from external data sources. The LCDB supplied data to surveillance systems that generated more than 60 different surveillance reports used by Credit Suisse's Information Barrier Surveillance Unit (IBSU), which monitored for trading involving the firm's restricted list and watch list securities and the potential misuse of material non-public information, and the Trade Surveillance Unit

[3] FINRA Rule 3110 superseded NASD Rule 3010 on December 1, 2014.

(TSU), which monitored for potential manipulative trading such as front running, wash trades, spoofing, and layering.

From August 2012 through September 2020, hundreds of millions of trade and order records were not sent to the IBSU and TSU surveillance reports for review and analysis. The failures stemmed from two causes. First, the LCDB did not receive from Agora, one of Credit Suisse's order management systems, data concerning approximately 440 million equity trades from August 2012 to May 2015. These omissions were caused by an August 2012 software update to Agora, which affected an extractor application (the Agora extractor) used to retrieve trading records from Agora for transmission to the LCDB. Following the software update, the Agora extractor was unable to recognize and retrieve certain types of trade execution records. As a result, from August 2012 to May 2015, the LCDB did not receive a complete set of Agora trade execution records for transmission to the firm's surveillances.

Second, beginning no later than January 2015, the LCDB failed to process an estimated 480 million trade, order, and position records. Instead of sending the required data to the relevant surveillance systems, the LCDB stored the unprocessed data in its own electronic repository, known as the "Orphan File." During this period, approximately 550,000 pieces of data were sent to the Orphan File each day, where they remained as unsurveilled data. However, as discussed below, the firm had no supervisory system or procedure requiring the Orphan File to be reviewed, and no firm personnel ever reviewed it for any surveillance purpose until June 2018.

As a result of missing or potentially inaccurate data in its surveillance systems, Credit Suisse did not detect and investigate numerous instances of potentially violative trading. For example, based on a sampling of data in the LCDB's Orphan File, on an annual basis during the relevant period, the firm did not review tens of thousands of end-of-day orders for potential marking the close activity and millions of canceled orders for potential spoofing or layering.

The firm's surveillance reports also did not detect specific instances of potentially violative trading. FINRA's analysis revealed that the firm's surveillances did not detect multiple specific instances of potentially manipulative trading by firm customers during the relevant period including instances of potential spoofing, marking the open, wash trades, and insider trading. For example, the firm did not detect the following activity indicative of the potential misuse of material non-public information and wash trades:

- Two days before a corporate acquisition was announced, a firm customer purchased 110,000 shares of an issuer despite having no history of trading the issuer's shares over the prior two years. After the issuer announced that it was the target of a potential corporate acquisition, the issuer's shares increased in value by 28 percent and the customer sold its entire position for a $1.6 million profit.

- On a trading date in 2017, a firm institutional customer concurrently entered a buy order for 801 shares and a sell order for 847 shares of an exchange-traded fund (ETF). The buy and sell orders were executed against each other for 801 shares, with the remaining 46 shares matched against an unrelated market participant. The firm customer's trading, which represented 94.57 percent of that day's total volume in the ETF, demonstrated indicia of potential wash trades.

Additionally, the firm conducted a retrospective analysis limited to a five-month period in 2015 that identified potential manipulative trading that the firm did not detect when it occurred. Specifically, the firm's review identified dozens of instances of potentially manipulative trading occurring at or near the close of each trading day that was attributable to two firm institutional customers who generated $187,873 and $36,586 in profits from this trading.

B. <u>The firm's supervisory system and procedures were not reasonably designed to achieve compliance with applicable laws and rules.</u>

The LCDB and Agora, which supplied equity trading data to the LCDB, were critical components of the firm's surveillance and supervision of trading by and through the firm. The firm's supervisory system, however, was not reasonably designed to account for the indispensable nature of the LCDB and Agora to the firm's surveillance program. The firm did not adequately test how the Agora software update would affect the Agora extractor and its ability to supply data to the LCDB. During the relevant period, the firm also had no system or procedure to monitor whether the Agora extractor retrieved the correct amount of data from Agora, despite the important function that the extractor performed in supplying data to the LCDB. Thus, the data omissions caused by the extractor's inability to retrieve certain trades from Agora following the software update were not timely identified.

Despite the fact that the IBSU and TSU surveillance reports were highly dependent on the LCDB, the firm had no system or procedure to monitor the accuracy and completeness of the data that the LCDB supplied to the firm's surveillance systems. Moreover, the firm did not avail itself of the LCDB's Orphan File, which, as discussed above, retained data that the LCDB failed to transmit to the firm's surveillance systems. The Orphan File contained substantial information concerning transactions omitted from the firm's surveillance reports, such as order codes, share quantities, and execution dates and times. The content of the Orphan File should have put the firm on notice that there was data that was not being transmitted from the LCDB and was a potential resource for the firm to use in conjunction with its surveillances. However, the firm's supervisory system and procedures did not require any review of the Orphan File, and no firm personnel ever reviewed it for any surveillance purpose until June 2018.

Indeed, in June 2018, the firm began using the Orphan File to identify transactional data that the LCDB had omitted from certain firm surveillances, and developed an automated process to rectify the missing data and transmit it in accurate form to the relevant surveillance personnel for review. The firm did not attempt to use the Orphan File for these purposes earlier.

C. The firm failed to reasonably respond to red flags.

From 2013 through 2016, Credit Suisse was repeatedly notified that the LCDB failed to supply accurate and complete data to the firm's surveillance systems, thus hindering the firm's ability to effectively surveil for potentially violative trading. The firm failed to respond reasonably to these red flags.

Four firm audits conducted during this period noted that the LCDB was omitting data and transmitting flawed data, and that the firm lacked controls to compensate for the unreliability of the LCDB. First, in 2013, a firm audit of the TSU found that a large volume of trades had been improperly excluded from TSU surveillance reports, and concluded that the LCDB lacked appropriate safeguards to ensure that it supplied complete and accurate data to the firm's surveillance reports. Second, a 2015 surveillance audit stated that the data supplied by the LCDB to the firm's surveillance reports suffered from "shortcomings" and "risks." Third, a 2015 audit of the firm's insider trading surveillances observed that there were "known issues with the quality of data provided by the [LCDB]" to these surveillance reports. Fourth, a firm audit of the LCDB in 2016 concluded that the LCDB lacked "sufficient controls" to ensure the accuracy and completeness of the data disseminated to the firm's surveillances.

The firm's efforts to address these audit findings included retaining an outside consultant. In 2015, the outside consultant recommended that the LCDB be replaced because of the risks it posed to the firm's regulatory and compliance program. Nevertheless, until 2018, the firm had not made material progress to replace the LCDB with a new database, and it did not substantially complete the replacement until September 2020.

As a result of the foregoing, the firm violated NASD Rules 3010(a) and (b), and FINRA Rules 3110(a) and (b) and 2010.

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

- a censure and
- a $7,125,000 fine, of which $445,312.50 is apportioned to FINRA.[4]

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 it proposes to pay the fine imposed.

[4] FINRA investigated this matter on behalf of itself and New York Stock Exchange LLC, NYSE Arca, Inc., NYSE American LLC, Cboe Options Exchange, Inc., Cboe BZX Exchange, Inc., Cboe BYX Exchange, Inc., Cboe EDGA Exchange, Inc., Cboe EDGX Exchange, Inc., Cboe C2 Exchange, Inc., NASDAQ Options Market LLC, NASDAQ Stock Market LLC, Nasdaq BX, Inc., and Nasdaq Phlx LLC. The balance of the fine will be paid to these self-regulatory organizations.

Respondent specifically and voluntarily waives any right to claim an inability to pay, now or at any time after the execution of this AWC, the monetary sanction imposed in this matter.

The sanctions imposed in this AWC shall be effective on a date set by FINRA.

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 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, 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 its acceptance or rejection.

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 Respondent's permanent disciplinary record and may be considered in any future action brought by FINRA or any other regulator against Respondent;

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 its subject matter 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. Nothing in this provision affects Respondent's testimonial obligations in any litigation or other legal proceedings.

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 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.

The undersigned, on behalf of Respondent, certifies that a person duly authorized to act on Respondent's 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 the AWC's provisions voluntarily; and that no offer, threat, inducement, or promise of any kind, other than the terms set forth in this AWC and the prospect of avoiding the issuance of a complaint, has been made to induce Respondent to submit this AWC.

12/8/25
Date

Jaclyn Barnao
Credit Suisse Securities (USA) LLC
Respondent

Print Name: Jaclyn Barnao

Title: Managing Director

12/8/25
Date

Credit Suisse Securities (USA) LLC
Respondent

Print Name: Jennifer Huffman

Title: Executive Director

Reviewed by:

12/8/25
Andrew J. Geist, Esq.
Counsel for Respondent
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New York, NY 10019

Accepted by FINRA:

12/19/25
Date

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

Gerald W. Sawczyn, Director
FINRA
Department of Enforcement
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New York, NY 10281