

**NASDAQ PHLX LLC
NOTICE OF ACCEPTANCE OF AWC**

Certified, Return Receipt Requested

TO: Credit Suisse Securities (USA) LLC
c/o Craig S. Warkol, Esq.
Schulte Roth & Zabel LLP
919 Third Avenue
New York, NY 10022

FROM: Nasdaq PHLX LLC ("Phlx")
c/o Financial Industry Regulatory Authority ("FINRA")
Department of Enforcement
Brookfield Place
200 Liberty Street
New York, New York 10281

DATE: March 4, 2020


RE: Notice of Acceptance of Letter of Acceptance, Waiver and Consent No. 2016048770602

Please be advised that your above-referenced Letter of Acceptance, Waiver and Consent ("AWC") has been accepted on **March 4, 2020** by the Phlx Review Council's Review Subcommittee, or by the Office of Disciplinary Affairs on behalf of the Phlx Review Council, pursuant to Phlx Rule 9216. A copy of the AWC is enclosed.

You are again reminded of your obligation, if currently registered, immediately to update your Uniform Application for Broker-Dealer Registration ("Form BD") to reflect the conclusion of this disciplinary action. Additionally, you must also notify FINRA (or Phlx if you are not a member of FINRA) in writing of any change of address or other changes required to be made to your Form BD.

You will be notified by the Registration and Disclosure Department regarding sanctions if a suspension has been imposed and by Nasdaq's Finance Department regarding the payment of any fine if a fine has been imposed.

If you have any questions concerning this matter, please call me at 212-858-4308.



Eric S. Brown
Senior Director
Department of Enforcement, FINRA
Signed on behalf of Phlx

Enclosure

cc: Marc Forte, Risk Monitoring Director
(Via E-Mail)

Craig Caban, Risk Monitoring Analyst
(Via E-Mail)

Yana Martova, Risk Monitoring Analyst
(Via E-Mail)

NASDAQ PHLX LLC
LETTER OF ACCEPTANCE, WAIVER AND CONSENT
NO. 2060487706-02

TO: Nasdaq PHLX LLC
c/o Department of Enforcement
Financial Industry Regulatory Authority ("FINRA")

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

Pursuant to Rule 9216 of Nasdaq PHLX LLC ("Phlx" or the "Exchange") Code of Procedure, Credit Suisse Securities (USA) LLC ("Credit Suisse", 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, Phlx will not bring any future actions against the 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 Phlx, or to which Phlx 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 Phlx:

BACKGROUND

Credit Suisse has been a member of Phlx since January 1, 1936, and a member of FINRA since October 16, 1936. Its registrations remain in effect. The Firm is a wholly-owned subsidiary of Credit Suisse (USA), Inc. and an indirect wholly-owned subsidiary of Credit Suisse Group AG, a global financial services firm. Credit Suisse provides securities underwriting, sales and trading, investment banking, private equity, alternative assets, financial advisory, investment research, and asset management services for governments, financial institutions, corporate clients, and affiliates. It is headquartered in New York, New York. The Firm currently employs approximately 2,413 registered representatives.

The Firm has no prior relevant disciplinary history.

SUMMARY

- I. The Financial Industry Regulatory Authority's ("FINRA") Trading and Financial Compliance Examinations staff (the "Staff") within the Department of Market Regulation, on behalf of Phlx and other options exchanges, conducted a review of the

manual options order tickets handled by the Firm during the periods between June 13, 2016 and June 17, 2016 (the "2016 Exam Review Period"), and May 15, 2017 and May 19, 2017 (the "2017 Exam Review Period").

2. During the 2016 and 2017 Exam Review Periods, Credit Suisse failed to accurately record the order receipt and order transmission times of manual options orders it had routed to floor brokers at Phlx and various other national securities exchanges for execution in violation of Rule 17a-3(a)(6)(i) promulgated under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), and Phlx Rule 760. The Firm also violated Phlx Rule 748(h) because its written supervisory procedures ("WSPs") and supervisory system applicable to the handling of manual options orders by its Hi-Touch Options Desk during the period between June 2016 and December 2019 (the "Supervisory Review Period") were not reasonably designed to achieve compliance with, and to detect and prevent, insofar as practicable, violations of, the applicable recordkeeping provisions of the federal securities laws and Phlx rules.

FACTS AND VIOLATIVE CONDUCT

3. The recordkeeping provisions of the federal securities laws and Phlx rules are designed to ensure that regulators have access to certain basic information about securities transactions. Access to transaction records serves as an essential component for effective surveillance and examination of broker-dealers by Phlx and other self-regulatory organizations.
4. Section 17 of the Exchange Act and Rule 17a-3(a)(6)(i) promulgated thereunder require broker-dealers, such as Credit Suisse, to create a brokerage order ticket of each brokerage order, and of any other instruction, given or received for the purchase or sale of securities, whether executed or unexecuted. In relevant part, the rule requires the brokerage order ticket to show, among other things, the terms and conditions of the order or instructions, the time the order was received, the time the order was entered, and the time of execution or cancellation. Such records must be accurate.
5. Phlx Rule 760 requires member firms to make, keep current, and preserve books and records as prescribed by the Exchange Act.
6. Phlx Rule 748(h) requires member organizations to establish, maintain and enforce WSPs, and a system of supervision for applying such procedures, that are reasonably designed to supervise the types of businesses and activities in which they and their associated persons engage in order to achieve compliance with, and to prevent and detect, insofar as practicable, violations of, applicable securities laws and regulations, including the By-Laws and Rules of the Exchange.

The 2016 Exam Review Period

7. During 2016, the Firm handled approximately 12,688 manual options orders, approximately 61% of which were 7,740 manual customer orders routed to certain

options exchanges. A sample of 52 manual customer options orders routed to these exchanges during the 2016 Exam Review Period was reviewed for timestamp accuracy.

8. From the sample of 52 manual customer options orders routed to various options exchanges for execution during the 2016 Exam Review Period, the Firm did not maintain an accurate record of the order receipt time for 11 (approximately 21%) of the sampled orders. Of these 11 orders, nine were executed on the Phlx.
9. From the same sample of 52 manual customer options orders routed to various options exchanges for execution during the 2016 Exam Review Period, the Firm did not maintain an accurate record of the order transmission times for 17 (approximately 33%) of those orders. Of these 17 orders, 11 were executed on the Phlx.
10. The conduct described in paragraphs eight and nine constitutes violations of Rule 17a-3(a)(6)(i) promulgated under the Exchange Act, and Phlx Rule 760.

The 2017 Exam Review Period

11. During 2017, the Firm handled approximately 10,076 manual options orders, approximately 44% of which were 4,433 manual customer orders routed to certain options exchanges. A sample of 46 manual customer options orders routed to these options exchanges during the 2017 Exam Review Period was reviewed for timestamp accuracy.
12. From the sample of 46 manual customer options orders routed to various options exchanges for execution during the 2017 Exam Review Period, the Firm did not maintain an accurate record of the order receipt time for five (approximately 11%) of the sampled orders. Of these five orders, one was executed on the Phlx.
13. From the same sample of 46 manual customer options orders routed to various options exchanges for execution during the 2017 Exam Review Period, the Firm did not maintain an accurate record of the order transmission time for 26 (approximately 57%) of those orders. Of these 26 orders, six were executed on the Phlx.
14. The conduct described in paragraphs 12 and 13 constitutes violations of Rule 17a-3(a)(6)(i) promulgated under the Exchange Act, and Phlx Rule 760.
15. During the Supervisory Review Period, the Firm failed to establish and maintain WSPs and a supervisory system applicable to its Hi-Touch Options Desk that were reasonably designed to achieve compliance with, and to detect and prevent violations of, the recordkeeping provisions of the federal securities laws and Phlx rules that require the accurate documentation of the order receipt and transmission times of options orders. Specifically, the Firm's WSPs and supervisory system did not: (i) specify what data elements, including timestamps, must be included in its daily supervisory review of customer order tickets, or whether such data elements were to be reviewed for accuracy and completeness; (ii) provide for documentation of its daily review, or escalation and

remediation of any order ticket-related inaccuracies identified; or (iii) sufficiently monitor the Firm's connection to floor brokers to ensure that the connections accurately and completely captured relevant order ticket information for manually executed options orders sent to those floor brokers.

16. The conduct described in paragraph 15 constitutes a violation of Phlx Rule 748(h).

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

- A censure; and
- A fine of \$90,000, of which \$29,000 (\$26,000 for the books and records violations and \$3,000 for the supervision violations) shall be paid to Phlx.¹

Acceptance of this AWC is conditioned upon acceptance of similar settlement agreements in related matters between the Firm and NYSE American LLC, NYSE Arca, Inc., and Nasdaq ISE, LLC.

Respondent agrees to pay the monetary sanction upon notice that this AWC has been accepted and such payment is due and payable. It has submitted a Payment Information 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 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 Phlx's Code of Procedure:

- A. To have a Formal Complaint issued specifying the allegations against the Firm;
- B. To be notified of the Formal 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 Exchange Review Council and then to the U.S. Securities and Exchange Commission and a U.S. Court of Appeals.

¹ The balance of the fine shall be paid to NYSE American LLC, NYSE Arca, Inc., and Nasdaq ISE, LLC.

Further, Respondent specifically and voluntarily waives any right to claim bias or prejudice of the Chief Regulatory Officer, the Exchange Review Council, or any member of the Exchange Review Council, 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 Rule 9143 or the separation of functions prohibitions of 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 FINRA's Department of Enforcement and the Exchange Review Council, the Review Subcommittee, or the Office of Disciplinary Affairs ("ODA"), pursuant to Phlx 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 Respondent; and
- C. If accepted:
 1. This AWC will become part of the Respondent's permanent disciplinary record and may be considered in any future actions brought by Phlx or any other regulator against the Respondent;
 2. Phlx may release this AWC or make a public announcement concerning this agreement and the subject matter thereof in accordance with Phlx Rule 8310 and IM-8310-3; 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 Phlx, or to which Phlx is a party, that is inconsistent with any part of this AWC. Nothing in this provision affects the Respondent's right to take legal or factual positions in litigation or other legal proceedings in which Phlx 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 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 Phlx, nor does it reflect the views of Phlx 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 the Firm 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.

1/27/20
Date

Credit Suisse Securities (USA) LLC
Respondent

By: Lara Leaf

Name: Lara Leaf

Title: Director

Reviewed by:



Craig S. Warkol, Esq.
Counsel for Respondent
Schulte Roth & Zabel LLP
919 Third Avenue
New York, New York 10022
(212) 756-2469

Accepted by Phlx:

2/4/2020
Date

Eustace T. Francis
Eustace T. Francis, Esq.
Senior Counsel
Department of Enforcement

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

PAYMENT INFORMATION

The fine amount will be reflected on an upcoming invoice and will be direct debited from the account for your firm that Nasdaq currently has on file. ***Please DO NOT submit payment at this time.***

Please inform your finance or applicable department of this forthcoming debit.

If you need to arrange for an alternative method of payment, please contact Nasdaq at (301) 978-8310 by no later than the last business day of the month in which the Notice of Acceptance of the AWC was issued. ***Otherwise, a direct debit will process from the account for your firm that Nasdaq currently has on file.***

Respectfully submitted,

Respondent

Credit Suisse Securities (USA) LLC

1/27/20
Date

By: Lara Leaf
Name: Lara Leaf
Title: Director