

**FINANCIAL INDUSTRY REGULATORY AUTHORITY
LETTER OF ACCEPTANCE, WAIVER AND CONSENT
NO. 20140421675-01**

TO: Department of Enforcement
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 (Respondent" 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 registration remains in effect.

RELEVANT DISCIPLINARY HISTORY

In FINRA Matter No. 20090182823 (Jul. 9, 2013), the Firm agreed to a censure and a total fine of \$200,000, consisting of a fine of \$80,000 for Large Options Positions Reporting ("LOPR") violations pursuant to FINRA Rule 2360(b)(5) during the period of April 1, 2009 through December 31, 2010, a fine of \$70,000 for position limit and Options Contract Equivalent of the Net Delta ("OCEND") violations pursuant to FINRA Rule 2360(b)(3) during the period of April 1, 2009 through June 30, 2011, and a fine of \$50,000 for related supervisory violations of NASD Rule 3010 and FINRA Rule 2010.

In NYSE Arca Hearing Board Decision 12-7 (Aug. 3, 2012), the Firm agreed to a censure and a \$30,000 fine for position limit violations of NYSE Arca Options Rule 6.8, and related supervisory violations of NYSE Arca Options Rule 11.18, during the period of April 2009 through July 2009.

In ISE Matter Nos. 2010-81, 2010-89, 2011-174 (Aug. 27, 2012), the Firm was fined \$20,000 for position limit violations of ISE Rule 412 in April 2010, May 2010, and August 2011.

SUMMARY AND OVERVIEW

In Matter No. 20140421675, the Department of Market Regulation's Options Regulation Staff conducted a review of the Firm's compliance with the rules related to the reporting of Over the Counter ("OTC") options positions on the Large Options Position Reporting ("LOPR") system for the period of January 2010 through August 2015 (the "Review Period").

As a result of this review, it was determined that, during the Review Period, the Firm failed to report and/or inaccurately reported positions to the LOPR in millions of instances.¹ In addition, the Firm failed to establish, maintain, and enforce adequate supervisory procedures and controls, including written supervision procedures ("WSPs") and a system of follow-up and review, reasonably designed to ensure compliance with position limit requirements and the proper reporting of positions on the LOPR.

FACTS AND VIOLATIVE CONDUCT

Review No. 20140421675

1. LOPR data is used extensively by self-regulatory organizations ("SROs") to identify holders of large options positions who may be attempting to manipulate the market or otherwise violate securities rules and regulations. The accuracy of LOPR data is essential for the analysis of potential violations related to, among other things, insider trading, position limits, exercise limits, front-running, capping and pegging, mini-manipulation, and marking-the-close.
2. From February 25, 2014 through July 28, 2014, the Firm effected opening transactions in a single security for 16 customer accounts acting in concert that, in aggregate, exceeded the applicable position limit on both sides of the market for 107 consecutive days, ranging from 103.88% to 112.62% of the limit. The conduct described in this paragraph constitutes a violation of FINRA Rule 2360(b)(3).
3. From January 1, 2011 through August 5, 2014, in approximately 4,000 to 5,000 instances, the Firm failed to report 148 positions to the LOPR. The conduct described in this paragraph constitutes a violation of FINRA Rule 2360(b)(5).

¹ An "instance" is a single failure to report, or inaccurately report, a reportable option position. The number of instances is determined by multiplying a given reportable position by the number of trade dates the position was not reported or was reported incorrectly. When accounts acting in-concert hold in the aggregate a reportable position, each account's position, whether individually above the 200 contract threshold or not, must be reported to the OCC for LOPR purposes.

4. From January 1, 2010 through August 31, 2015, the Firm reported positions to the LOPR with inaccurate tax id or tax type fields in millions of instances. During the Review Period, because CSSU reported all of these positions to the LOPR and these inaccuracies did not alter the position data, the accounts were able to be identified for surveillance purposes. The conduct described in this paragraph constitutes a violation of FINRA Rule 2360(b)(5).

Supervision

5. During the Review Period, the Firm failed to establish and maintain a supervisory system that was reasonably designed to achieve compliance with the applicable securities laws and regulations, and FINRA Rules, reasonably designed to ensure compliance with position limit requirements and the proper reporting of positions on the LOPR. In addition, the Firm's WSPs were inadequate because they failed to include: (i) a description of the reviews the Firm conducted to ensure the overall accuracy of its LOPR submissions, (ii) a review of rejected LOPR submissions, and (iii) an adequate description of the steps taken by the Firm to review and determine if accounts were acting in-concert. The conduct described in this paragraph constitutes a violation of NASD Rule 3010 (for conduct prior to Dec. 1, 2014) and FINRA Rules 3110 (for conduct on or after Dec. 1, 2014) and 2010.

Other Considerations

6. In determining to resolve this matter in the manner set forth herein, and in determining the appropriate monetary sanction,² FINRA took into account that the Firm self-reported its LOPR and position limit violations, and the Firm provided all the transaction data necessary for FINRA Staff to conduct its analysis and determine the total number of instances the Firm failed to report and inaccurately reported positions to the LOPR.

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

1. A censure;
2. A fine in the amount of \$200,000, of which \$75,000 is payable to FINRA,³ and
3. An undertaking requiring the Firm to address the LOPR reporting deficiencies and deficient supervisory system and WSPs described in this AWC, and to ensure that it has implemented controls and procedures that are reasonably designed to achieve compliance with the rules and regulations cited herein.

² See Principal Consideration No. 12 of the FINRA Sanction Guidelines and Regulatory Notices 08-70 and 11-32.

³ The balance of the sanction will be paid to BOX Options Exchange, LLC in a related matter under STAR No. 20140422252.

- a. Within 30 days of the date of the issuance of the Notice of Acceptance of this AWC, the Firm shall submit to the COMPLIANCE ASSISTANT, DEPARTMENT OF ENFORCEMENT, 9509 KEY WEST AVENUE, ROCKVILLE, MD 20850, a written representation from a senior management Firm executive, to MarketRegulationComp@finra.org that provides the following information:
 - i. A reference to this matter;
 - ii. A representation that the Firm (a) has corrected the LOPR reporting deficiencies identified in this AWC, (b) has revised its supervisory system and written supervisory procedures to correct the deficiencies identified in this AWC, and (c) for those deficiencies requiring technology and/or system changes, has implemented such changes; and
 - iii. The date(s) this was completed.
- b. The Department of Enforcement may, upon a showing of good cause and in its sole discretion, extend the time for compliance with these provisions.

Acceptance of this AWC is conditioned upon acceptance of a similar settlement agreement in a related matter between the Firm and BOX Options Exchange, LLC.

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 prejudice 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 Respondent, 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 Respondent to submit it.

1/10/18
Date

Credit Suisse Securities (USA) LLC, Respondent

By: *Lara Leaf*

Name: Lara Leaf

Title: Director

Reviewed by:

ZB

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Counsel for Respondent

Accepted by FINRA:

3/9/18
Date

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

Kenneth R. Bozza /JRT
Kenneth R. Bozza, Chief Counsel
Department of Enforcement