

**ADMINISTRATIVE PROCEEDING**  
**File No. 3-17899; 3-17900**

**SEC Charges Credit Suisse and Former IA Representative With Breaches of Fiduciary Duty**

**April 4, 2017** – The Securities and Exchange Commission today announced that Credit Suisse Securities (USA) LLC and one of its former investment adviser representatives have agreed to pay almost \$8 million to settle charges that they improperly invested clients in more expensive “Class A” shares of mutual funds rather than less expensive “institutional” shares for which they were eligible.

The SEC’s orders find that Credit Suisse and Sanford Michael Katz breached their fiduciary duties and failed to adequately disclose the conflict of interest created by such investments as they enriched themselves at their clients’ expense. Class A shares are generally more expensive than institutional shares of the same fund because they charge investors marketing and distribution expenses known as 12b-1 fees that are paid out of the assets of the mutual fund. In this case, the 12b-1 fees were paid by the mutual funds to Credit Suisse, which then shared a portion of those fees with Katz.

According to the SEC’s orders, Credit Suisse collected approximately \$3.2 million in avoidable 12b-1 fees from 2009 to 2014, and approximately \$2.5 million of that amount was generated from Katz’s advisory clients. Credit Suisse also failed to implement policies and procedures to prevent these fiduciary breaches.

The SEC’s orders find that Credit Suisse and Katz violated Section 206(2) of the Investment Advisers Act of 1940, and Credit Suisse violated Sections 206(4) and 207 of the Investment Advisers Act and Rule 206(4)-7.

Without admitting or denying the SEC’s findings, Credit Suisse and Katz will collectively pay disgorgement of \$3,224,483, prejudgment interest of \$577,678, and penalties totaling \$4.125 million. A Fair Fund will be established to compensate affected clients with the money collected in the settlement. Credit Suisse and Katz also consented to censures and the entry of cease-and-desist orders from committing or causing further violations of these provisions. The SEC’s investigation was conducted by Paul H. Pashkoff, Geoffrey E. Gettinger, and John Farinacci, and the case was supervised by Ivonia K. Slade.

**See also:** SEC Order – [Credit Suisse](#)  
SEC Order – [Sanford Michael Katz](#)