

**UNITED STATES OF AMERICA**  
**Before the**  
**SECURITIES AND EXCHANGE COMMISSION**

**SECURITIES EXCHANGE ACT OF 1934**

**Release No. 71593 / February 21, 2014**

**INVESTMENT ADVISERS ACT OF 1940**

**Release No. 3782 / February 21, 2014**

**ADMINISTRATIVE PROCEEDING**

**File No. 3-15763**

**In the Matter of**

**CREDIT SUISSE GROUP  
AG**

**Respondent.**

**ORDER INSTITUTING  
ADMINISTRATIVE AND CEASE-AND-  
DESIST PROCEEDINGS PURSUANT TO  
SECTIONS 15(b)(4) AND 21C OF THE  
SECURITIES EXCHANGE ACT OF 1934  
AND SECTIONS 203(e) AND (k) OF THE  
INVESTMENT ADVISERS ACT OF 1940,  
MAKING FINDINGS, AND IMPOSING  
REMEDIAL SANCTIONS AND A CEASE-  
AND-DESIST ORDER**

**I.**

The Securities and Exchange Commission (the “Commission”) deems it appropriate and in the public interest that public administrative and cease-and-desist proceedings be, and hereby are, instituted pursuant to Sections 15(b)(4) and 21C of the Securities Exchange Act of 1934 (the “Exchange Act”) and Sections 203(e) and (k) of the Investment Advisers Act of 1940 (the “Advisers Act”) against Credit Suisse Group AG (“CSAG” or the “Respondent”).

**II.**

In anticipation of the institution of these proceedings, Respondent has submitted an Offer of Settlement (the “Offer”) which the Commission has determined to accept. Respondent admits the facts set forth in Section III.B. through F. below, acknowledges that its conduct violated the federal securities laws, admits the Commission’s jurisdiction over it and the subject matter of these proceedings and consents to the entry of this Order Instituting Administrative and Cease-and-Desist Proceedings Pursuant to Sections 15(b)(4) and 21C of the Securities Exchange Act of 1934 and Sections 203(e) and (k) of the Investment Advisers Act of 1940, Making Findings, and Imposing Remedial Sanctions and a Cease-and-Desist Order (the “Order”), as set forth below.

### III.

On the basis of this Order and Respondent's Offer, the Commission finds<sup>1</sup> that:

#### A. Summary

1. From at least 2002 until its exit from its business of providing broker-dealer and investment adviser services to certain U.S. clients (the "U.S. cross-border securities business"), which CSAG began in 2008, CSAG, through actions of certain of its relationship managers ("RMs") violated the federal securities laws by providing certain cross-border brokerage and investment advisory services to U.S. clients. During that time, CSAG had as many as 8,500 client accounts that held securities and were beneficially owned by U.S. residents. CSAG RMs solicited and provided broker-dealer and advisory services to some of these clients. CSAG was aware that in certain instances, if its representatives provided such services in the United States or by use of the mails or through interstate commerce, this would have required U.S. broker-dealer and investment adviser registration and that CSAG was not registered. CSAG realized approximately \$82 million in pre-tax income through the unlawful aspects of the U.S. cross-border securities business.

2. With limited exceptions, any person who operates in the United States, or who makes use of the mails or any other means or instrumentality of interstate commerce, to engage in the business of effecting transactions in securities for the account of others, or to engage in a regular business of buying and selling securities for the person's own account, must register with the Commission as a broker-dealer. Similarly, unless there is an applicable exemption, any person who for compensation engages in the business of advising others about the advisability of investment in securities must be registered as an investment adviser.

3. Certain CSAG representatives, among other things, traveled to the United States to solicit new clients and service existing clients by providing investment advice and by inducing and attempting to induce securities transactions. In connection with these activities, certain CSAG representatives met with existing and prospective clients and communicated with them through email and the mails. CSAG received transaction-based compensation and advisory fees for these services. These activities required registration.

4. CSAG understood that there was risk of violating the federal securities laws by providing broker-dealer and investment adviser services to U.S. clients. To manage and mitigate the risk that prohibited broker-dealer and investment adviser services might be provided to U.S. clients, beginning in 2002, CSAG enacted directives and policies which prohibited its representatives from engaging in the improper conduct described in the Order. These directives and policies were designed to allow the U.S. clients to be serviced in a manner consistent with the federal securities laws. Beginning in 2002, CSAG also arranged for certain of its legal and compliance staff and RMs in Switzerland with at least one U.S. client to be trained on the

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<sup>1</sup> The findings herein are made pursuant to Respondent's Offer and are not binding on any other person or entity in this or any other proceeding.

directives and policies. CSAG did not expand this training to all RMs worldwide with U.S. clients until 2008. CSAG did not effectively implement these policies and did not sufficiently monitor the U.S. cross-border securities business. As a result, violations of CSAG's policies and the federal securities laws occurred.

5. CSAG undertook initiatives that could have lessened the risk of violating the federal securities laws but they were not effectively implemented or monitored. In 2002, CSAG created a new Swiss-based legal entity with broker-dealer and investment adviser registrations. CSAG attempted to transfer U.S. clients that had submitted W-9 forms to CSAG to support 1099 reporting to the Internal Revenue Service (the "IRS") to the new registered entity starting in 2002 (the "W9 U.S. clients"), but those transfers were not complete until 2008, six years after they were first begun. CSAG also engaged in efforts from 2000 to 2006 to centralize the remainder of the U.S. cross-border securities business at a single desk. These efforts met with resistance both from clients and from certain RMs, who were not sufficiently incentivized to, or sanctioned for failing to transfer the accounts. CSAG's internal audit division audited the desk primarily responsible for servicing U.S. clients on four occasions during the relevant period to determine whether the U.S. clients were being serviced in a compliant manner. Several travel reports provided to internal audit suggest that RMs provided broker-dealer and investment adviser services to U.S. clients while on travel to the United States. However, several other travel reports were edited, before they were provided to internal audit, by RMs who serviced U.S. clients on CSAG's Switzerland-based North America International desk, internally referred to as "SALN," to omit any mention of conduct that violated the federal securities laws that was disclosed in the original versions of these reports. Although the preliminary findings of at least one audit indicated issues with compliance with CSAG's policies and directives for servicing U.S. clients at that desk, after discussions between internal audit and the head of that desk, the final internal audit report of the U.S. cross-border securities business found no significant issues despite the fact that some of the travel reports provided to internal audit reflected visits with prospective U.S. clients and the receipt of new money from those clients was estimated to have a potential value of millions of U.S. dollars.

6. Beginning in October 2008, following the well-publicized civil and criminal investigation of UBS AG ("UBS"), another large Switzerland-based multinational financial services company, arising from UBS's provision of cross-border banking, broker-dealer and investment adviser services to U.S. clients, CSAG determined to exit from the U.S. cross-border securities business. CSAG initially focused on exiting non-U.S. domiciliary entities with U.S. beneficial owners. In April 2009, the exit process expanded to U.S. resident account holders and CSAG ceased taking new U.S. client accounts outside a U.S. registered CSAG entity. As a result of these actions, the number of U.S. client accounts decreased from 2009 forward and the majority of U.S. client accounts were closed or transferred by 2010. Nonetheless, it took CSAG almost five years – from 2009 to mid-2013 – to decrease the average securities assets under management in U.S. client accounts from, in the aggregate, approximately \$5.75 billion in 2008 to approximately \$34 million by mid-2013. CSAG continued to collect some broker-dealer and investment adviser fees on certain accounts of U.S. clients that held securities until the relevant account was terminated.

7. Because certain of its representatives provided broker-dealer and investment adviser services in the United States at a time when CSAG was not registered with the

Commission as a broker-dealer or investment adviser, CSAG willfully<sup>2</sup> violated Exchange Act Section 15(a) and Advisers Act Section 203(a).

## **B. Respondent**

8. **Credit Suisse Group AG (“CSAG”)** is a corporation incorporated and domiciled in Switzerland. It is a multinational financial services holding company that provides a broad range of services to individual and corporate clients. CSAG is headquartered in Zurich, Switzerland, and its registered shares are listed in Switzerland on the SIX Swiss Exchange, and in the United States, in the form of American Depositary Shares, on the New York Stock Exchange. CSAG’s operating subsidiaries include Credit Suisse Securities (USA) LLC (“CSSU”), which was formerly known as Credit Suisse First Boston Corporation. CSSU is headquartered in New York, is a member of FINRA, and is registered with the Commission as a broker-dealer and investment adviser. None of the conduct described in this Order is attributed to CSSU. Clariden Leu was another of CSAG’s subsidiaries which was integrated into CSAG and ceased to exist as a distinct legal entity with effect from January 1, 2012. Clariden Leu had been formed by the merger of five predecessor subsidiary banks in 2007, and was a wholly-owned subsidiary of CSAG since that time.

## **C. CSAG’s U.S. Cross-Border Securities Business**

9. During the period from at least 2002 through 2008, CSAG, through actions of certain of its RMs, engaged in broker-dealer and investment adviser activities with U.S. clients. Among other things, CSAG RMs solicited, established, and maintained brokerage and investment advisory accounts for certain U.S. clients; accepted and executed orders for securities transactions; actively solicited securities transactions; handled certain U.S. clients’ funds and securities; provided account statements and other account information; and provided investment advice. Certain of these activities required registration under the federal securities laws. For these and other services provided to certain U.S. clients, CSAG received transaction-based compensation or investment adviser fees.

10. Approximately 20 SALN RMs serviced the accounts of U.S. clients on desks physically located in Zurich and Geneva, Switzerland. Between 2002 and 2003, SALN had up to approximately 4,300 U.S. client accounts consisting of up to approximately \$1.6 billion in securities assets under management.

11. Approximately 430 CSAG RMs employed on other desks or at other Swiss-based offices of CSAG which were not focused on U.S. clients also serviced the accounts of U.S. clients.

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<sup>2</sup> A willful violation of the securities laws means merely ““that the person charged with the duty knows what he is doing.”” *Wonsover v. SEC*, 205 F.3d 408, 414 (D.C. Cir. 2000) (quoting *Hughes v. SEC*, 174 F.2d 969, 977 (D.C. Cir. 1949)). There is no requirement that the actor ““also be aware that he is violating one of the Rules or Acts.”” *Id.* (quoting *Gearhart & Otis, Inc. v. SEC*, 348 F.2d 798, 803 (D.C. Cir. 1965)).

From at least 2002 through 2008, CSAG RMs outside of SALN had up to 4,800 U.S. client accounts consisting of up to approximately \$3 billion in securities assets under management.

12. In addition, Clariden Leu also employed approximately 240 RMs who provided broker-dealer and investment adviser services to U.S. clients and were not part of a dedicated U.S. desk. Prior to the merger of Clariden Leu into CSAG, Clariden Leu RMs had up to approximately 1,500 U.S. client accounts consisting of up to approximately \$2 billion in securities assets under management. At the time of the merger, Clariden Leu had approximately 133 U.S. client accounts consisting of approximately \$52.6 million in securities assets under management.

13. The assets under management associated with, and pre-tax income generated from, the U.S. clients and U.S. client accounts referred to in Paragraphs 10 through 12 were booked in Switzerland.

14. With respect to certain of these accounts, certain RMs used a variety of U.S. jurisdictional means to engage unlawfully in the U.S. cross-border securities business without appropriate registration. For example, certain RMs traveled to the United States to meet with existing and prospective clients to provide investment advice and/or solicit securities transactions. SALN's management encouraged that travel; minutes from an SALN meeting that occurred on January 1, 2003 stated SALN management's view that "business trips will no longer be allowed if no prospecting is included. *Every trip will involve at least one prospect per day (travelling days included).*"

15. From 2001 through 2008, certain SALN RMs made approximately 107 trips to the United States. Certain of these trips involved visits with dozens of U.S. clients and prospective U.S. clients, and the provision or solicitation of broker-dealer and/or investment adviser services.

a. For example, between April 29 and May 4, 2003, the head of SALN traveled to New York in order to visit with 32 U.S. clients with assets under management in the amount of approximately \$129 million. He also visited with 5 prospective U.S. clients; one of the 5 prospective U.S. clients opened an account with CSAG valued at approximately \$744,000. The head of SALN submitted a travel report that stated that retention of existing clients and prevention of account closings as one of the reasons for the trip.

b. In 2004, the deputy head of SALN traveled to New York, Washington, D.C., and Florida in order to visit with 39 U.S. clients with assets under management in the amount of approximately \$111 million. She also visited with 2 prospective U.S. clients; the prospects opened accounts with CSAG which were estimated to have a potential value of approximately \$2 million.

c. In April 2005, the head of SALN traveled to the United States and Canada, in order to visit with 30 current U.S. clients with assets under management in the amount of approximately \$67 million. He also visited with 2 prospective U.S. clients; the prospects opened accounts with CSAG collectively valued at approximately \$4 million. In October 2005, an SALN RM traveled to California in order to visit with 30 U.S. clients with assets under management in the amount of approximately \$39 million. The RM also visited with 2 prospective U.S. clients; the

prospects opened accounts with CSAG which were estimated to have a potential value of approximately \$3 million. The RM noted that “[r]etention [m]anagement,” “[i]ncreas[ing] asset base from existing clients,” and “[a]ccount openings with new clients (prospects)” were among the goals of the trip.

d. In 2006, SALN personnel traveled to Florida, New York, and two locations in Canada, in order to visit with up to 336 U.S. clients with assets under management valued at up to approximately \$865 million. They also visited with up to 51 prospective U.S. clients; 21 prospects were expected to potentially open accounts with CSAG which were estimated to have a potential value of approximately \$41 million.

e. As late as June 2007, another SALN RM traveled to California in order to visit with 40 U.S. clients with assets under management valued at approximately \$88 million. One purpose of the SALN RM’s visits with the U.S. clients was to provide broker-dealer and investment adviser services. The RM also discussed with some of the existing U.S. clients the possibility that they might deposit additional assets with CSAG which were estimated to have a potential value of at least approximately \$29 million.

16. In addition to traveling to the United States, certain RMs with U.S. clients also communicated securities-related information to their U.S. clients by means of interstate commerce while the clients were present in the United States, including through mails, telephone and e-mail. Certain RMs provided investment adviser and broker-dealer services to these U.S. clients and made recommendations as to what types of accounts would be most appropriate for them, as well as advice as to the merits of various types of investments.

#### **D. CSAG Charged Certain U.S. Clients Broker-Dealer and Investment Adviser Fees**

17. From 2002 through 2008, CSAG had as many as 8,500 U.S. client accounts which held securities. During that time period, the total securities assets under management across all of the U.S. client accounts that held securities averaged approximately \$5.6 billion. In 2008, CSAG commenced the process of exiting from the U.S. cross-border securities business. In 2009, the securities assets under management had declined to under \$4 billion, and in 2010 to under \$2 billion. CSAG’s securities assets under management across U.S. client accounts continued to decline in 2011 and 2012 and, by mid-2013, had decreased to approximately \$34 million. During this time period, CSAG continued to collect some broker-dealer and investment adviser fees on certain U.S. client accounts.

18. Beginning in 2008, following the much-publicized civil and criminal tax investigation of UBS arising from its provision of cross-border banking, broker-dealer and investment adviser services to certain of its U.S. clients, CSAG took steps to completely close the U.S. cross-border securities business beginning in 2008 and took additional measures designed to ensure that it was not providing investment advice or broker-dealer services to these clients in violation of the federal securities laws, which are described below in Paragraphs 41 through 44 of this Order. However, during this time, CSAG continued to collect a fee for broker-dealer services from certain U.S. clients until the relevant U.S. client account was terminated.

**E. CSAG Was Not Registered with the Commission to Provide Broker-Dealer or Investment Adviser Services to U.S. Clients**

19. The above-referenced activities were engaged in at a time during which CSAG was not registered as a broker-dealer under Exchange Act Section 15(a) or as an investment adviser under Advisers Act Section 203(a), and CSAG was not exempted from registration as a broker-dealer or investment adviser.

**F. CSAG's Efforts to Address the U.S. Cross-Border Securities Business**

20. Throughout the period in question, CSAG was aware of the broker-dealer and investment adviser registration requirements related to the provision of certain cross-border broker-dealer and investment adviser services to U.S. clients.

**1. "Project OldCo/NewCo" – The Creation of a Switzerland-Based Registered Broker-Dealer and Investment Adviser**

21. At least as early as November 6, 2000, U.S. cross-border issues rose to the attention of the executive board of CSAG's private banking unit (the "PBEB") during a PBEB meeting where the board discussed "the business case for a new model servicing offshore US clients." The participants in the meeting – which included several of the most senior executives of CSAG's private banking unit – were advised that the federal securities laws did not allow entities – like CSAG – that were not registered with the Commission to actively engage in certain marketing activities and provide investment advice to U.S. clients using the means and instrumentalities of interstate commerce. The PBEB agreed to "create a Swiss-based SEC registered vehicle with unrestricted access to the US market" to service W-9 U.S. clients.

22. At a subsequent PBEB meeting on April 24, 2001, the PBEB was provided with more details of what was then called "Project OldCo/NewCo" – the new registered broker-dealer and investment adviser. The PBEB was informed that the new legal entity arising from Project OldCo/NewCo would be named Credit Suisse Private Advisors ("CSPA"). Clients who had submitted W9 forms were expected to be transferred to CSPA. Separately, approximately 6,000 non-W-9 U.S. clients were expected to be centralized at the SALN desk.

23. Although CSAG created CSPA in mid-2002, the transfer and centralization exercise proposed in 2000 and 2001 did not occur as originally scheduled. In fact, it took over six years to complete. By September 2006, less than 20% of the W-9 U.S. clients had agreed to be transferred. In some cases, certain RMs did not want to give up their clients to RMs in the new entity. CSAG did not offer incentives for RMs to transfer their W-9 U.S. clients to CSPA or impose sanctions on RMs if they did not. In other cases, clients resisted the transfer.

**2. U.S. Persons and Cross-Border Directives and Policies**

24. During the time that the PBEB was considering the establishment of CSPA, on November 26, 2002, CSAG enacted a directive governing relationships with U.S. clients (the "U.S. persons directive"). The U.S. persons directive included restrictions governing communications with U.S. persons and travel to the U.S. and also included a prohibition on providing investment

advice in the United States. Thereafter, on January 24, 2004, CSAG enacted a directive governing foreign travel by RMs in CSAG's private banking unit (the "cross-border directive"). The purposes of the U.S. persons and cross-border directives were to provide guidelines to RMs for conducting the U.S. cross-border securities business according to the federal securities laws, to ensure that traveling RMs complied with local laws governing the cross-border provision of financial services, and "to avoid regulatory and reputational risk," "to ensure uniform adherence to the restrictions applicable under US law to bank relationships with US Persons and US Taxpayers," and "to ensure the bank does not trigger the US licensing requirements." CSAG periodically updated these directives.

25. CSAG provided training to SALN RMs with U.S. clients on these directives, in addition to hundreds of other RMs outside of SALN as well as at Clariden Leu. Training was required for RMs in Switzerland with at least one U.S. client. Trainings occurred periodically during the period from 2002 through 2008. Among other things, the training presentations specifically advised the RMs that CSAG was not a broker-dealer or investment adviser registered with the Commission and, as such, the RMs could not solicit any transaction related to securities or travel to the United States to conduct any business that would be deemed solicitation or investment advice. The presentations also warned RMs that violations of the directives potentially could cause CSAG to face "reputational risks" such as "negative publicity," a decline in CSAG's stock price, customer base, revenues, costly litigation, and "'soft costs' (change in business practices, etc.)." CSAG management expected RMs to comply with the various restrictions associated with U.S. clients. However, CSAG did not require RMs to certify that they had completed country-specific cross-border training before they were allowed to travel until a new initiative was implemented in 2008. No such certificates had previously been required.

26. Notwithstanding the enactment of these directives and policies and the training provided, certain RMs continued to engage in behavior that violated not only CSAG's directives and policies, but also the federal securities laws through providing broker-dealer and investment adviser services to U.S. clients and prospective U.S. clients while on travel in the United States and through securities-related communications to U.S. clients, as described in Paragraphs 9 through 16 of this Order.

### **3. Internal Audits of SALN**

27. In addition to enacting the directives and policies described in Paragraphs 24 through 26 of this Order, CSAG also conducted internal audits of SALN to ensure compliance with the directives and policies regarding U.S. clients. In 2006, certain RMs outside of SALN had up to approximately 6,200 U.S. client accounts consisting of up to approximately \$4.6 billion in securities assets under management. CSAG did not conduct any internal audits specifically focused on the U.S. cross-border securities business outside of SALN.

28. CSAG conducted internal audits of SALN in 2001, 2003, 2006 and 2009. The 2001, 2003 and 2009 audits either found "no issues" or "minor issues," despite the fact that some of the travel reports provided to internal audit reflected visits with prospective U.S. clients and the receipt of new money from those clients was estimated to have a potential value of millions of U.S. dollars.



29. During the 2006 internal audit of SALN, CSAG's internal auditors were provided with travel reports that were edited by SALN employees to omit any mention of conduct that violated the federal securities laws. The original versions of the edited reports suggested that RMs provided broker-dealer and investment adviser services to U.S. clients while on travel to the United States. Internal audit also received reports that reflected that certain SALN RMs had met with prospective U.S. clients and had obtained new assets. CSAG's 2006 audit of SALN preliminarily raised concerns that certain SALN RMs may have violated the U.S. persons directive during business trips to the United States. However, following meetings between members of CSAG's internal auditors and the head of SALN, these preliminary findings were excluded from the final audit report.

#### **4. "Project W9"**

30. By 2006, CSAG had made little progress in the transfer of the W-9 U.S. clients to CSPA or the centralization of non-W-9 U.S. clients with SALN; in fact, only approximately \$500 million in assets under management belonging to U.S. clients had been transferred to CSPA, which was less than 20% of the population of W-9 U.S. clients. Furthermore, the transfer and consolidation exercise discussed in executive board meetings in 2000 and 2001, described in more detail above in Paragraphs 21 and 22 of this Order, also was behind plan; only 60% of assets under management belonging to non-W-9 U.S. clients had been transferred. Again, management had not offered sufficient incentives to RMs to effect transfers or imposed penalties for not effecting transfers.

31. As a result, in September 2006, CSAG's management initiated "Project W9." The purpose of Project W9 was to execute the executive board decision of 2000 in two phases: the first phase, dubbed "QuickWin," involved identifying all W-9 U.S. clients throughout CSAG and asking them to agree to a move to CSPA. W-9 U.S. clients that were not willing to move their accounts to CSPA would be required to close their accounts. The second phase, dubbed "Phase 2," involved transferring the non-W-9 U.S. clients to SALN and to provide specialized training for certain of the SALN RMs on what they could – and could not – do with respect to such accounts.

32. CSAG anticipated completing the QuickWin phase of Project W9 by the end of October 2007 and the Phase 2 phase of Project W9 by the end of December 2007.

33. As with the efforts in 2000, the 2006 Project W9 proved difficult. At the outset of Project W9, the head of SALN wrote an e-mail to his immediate supervisor on September 12, 2006, stating: "The 'Centralization of W9 in CSPA' exercise is becoming a real struggle. If clients are to be centralized in the intended manner, it needs to be clear from the outset that the transferring area will be compensated/who has to bear the expected losses."

34. By March 2007, ten months before the anticipated completion of the QuickWin phase of Project W9, the head of Project W9 reported to CSAG's Private Banking Management Committee that the transfer of the W-9 U.S. clients was behind schedule. Part of the delay was attributed to the fact that certain of the RMs had sought exceptions to the directive to move their W-9 U.S. client accounts to CSPA or close them. Although the vast majority of the exceptions

was denied, it took management several months to complete the process of receiving and reviewing exceptions.

35. While there was slow progress on the QuickWin phase of Project W9 during this period, there was no discernible progress on the Phase 2 migration of non-W-9 U.S. clients to SALN.

36. Moreover, at the same time that CSAG was working on Project W9, SALN faced internal pressures to continue to grow the U.S. cross-border securities business. For example, in November 8, 2007, an SALN presentation regarding collaboration between SALN and a Miami-based group of RMs responsible for Latin-American clients highlighted the following three “project goals,” each of which contemplates expanding the U.S. cross-border securities business:

a. “Each team-member acquires one client with AuM > USD 5 mn [sic] within the next 12 months[;]”

b. “Each team introduces at least one existing client to the other team (US -> offshore and Offshore -> US) until the next workshop[;]” and

c. “Each team has met at least one project-relevant new prospect until the next workshop[.]”

37. From 2005 through 2007, CSAG did, in fact, grow its business with U.S. clients: In 2005, CSAG acquired net new assets of approximately \$296 million; in 2006, approximately \$714 million; and in 2007, approximately \$177 million.

## **5. The “Cross-Border+ (Plus) Project”**

38. In 2006, CSAG initiated another project – the “Cross-Border+ (Plus) Project” (the “CB+ Project”). An impetus for the CB+ Project was the March 2006 arrest of several CSAG bankers in Brazil, including the head of CSAG’s private banking unit in Brazil, for conducting business in violation of Brazil’s laws. The CB+ Project is an ongoing global initiative covering over 80 countries, including the United States, and was described internally as an effort to “set out how CS and its business units should conduct cross-border business going forward with clear guidance on acceptable business activities,” and it was divided into various “workstreams” to cover all of the regions where CSAG did business. The end deliverables were “country manuals” designed to provide RMs with guidance on how to conduct business in all of the countries where CSAG had a presence, as well as training modules and revisions to existing cross-border policies.

39. The CB+ Project included a review of CSAG’s policies regarding the U.S. cross-border securities business. As a result of the CB+ Project, CSAG’s U.S. persons policy was revised to provide that “RMs may travel to the US to visit existing clients only if the visit is initiated by the client is for a purely and exclusively social nature and no discussion is had relating to securities or investments. As a prerequisite for such travel, the RM must complete a US Cross-Border training session and follow the procedures for obtaining the relevant travel approval. Visits to prospective clients are not permitted.”

40. During the CB+ Project, in September 2007, the then-head of SALN complained to his direct superior that “the altered parameters the bank wants to do business on, not only is the scope of action getting very constrained, but people have no air left to breathe. . . . The latest changes will make this business impossible.”

## **6. CSAG’s Closure of its U.S. Cross-Border Securities Business**

41. In January 2008, UBS publicly announced that it would no longer allow new U.S. clients seeking securities-related services; rather, it would only allow U.S. clients seeking banking services to open accounts. Following a much-publicized U.S. Department of Justice criminal tax investigation, in July 2008, UBS formally announced that it would cease providing banking services to U.S. clients through its non-U.S. regulated entities.

42. Following UBS’s July 2008 announcement, CSAG circulated a legal and compliance alert that prohibited inflows of funds into existing or newly opened accounts from UBS and another Swiss bank that had come under fire for helping U.S. citizens shelter assets from the IRS and evade taxes. The alert also required accounts for non-U.S. domiciled companies with a U.S. taxpayer beneficial owner to demonstrate U.S. tax compliance and be opened with a U.S.-licensed arm of CSAG.

43. During this time period, in the wake of the news regarding UBS, CSAG’s management began an examination of CSAG’s U.S. cross-border securities business. The examination was internally referred to as the “US Project.” As a result of this analysis, in late 2008 CSAG’s management decided to only retain those non-U.S. domiciliary companies with U.S. beneficial owners who could prove tax compliance. In Spring 2009, CSAG stopped opening new U.S. client accounts for U.S. residents and existing U.S. resident clients were offered a choice: transfer to CSPA and become tax compliant (if they had not done so already) or leave the bank.

44. By 2010, CSAG had either transferred or terminated the vast majority of its relationships with U.S. clients. Until the termination of the accounts, CSAG continued to collect some broker-dealer and investment adviser fees from certain U.S. clients through at least June 2013. However, during this period, CSAG took certain measures designed to prevent violations of the federal securities laws, including, but not limited to, not charging, or limiting the collection of, fees or commissions for certain U.S. client accounts, corresponding with the U.S. clients and suggesting that they take action to close or transfer their accounts, and placing a “no service” flag on certain U.S. client accounts that blocked broker-dealer transactions with respect to the account. From 2002 to 2010, CSAG realized pre-tax income of approximately \$82 million from the U.S. cross-border securities business. From January 2011 onwards, CSAG realized pre-tax income of less than \$409,000.

## **G. Violations**

45. As a result of the conduct described above, CSAG willfully violated Exchange Act Section 15(a) and Advisers Act Section 203(a).

## **H. Undertakings**

46. Respondent CSAG undertakes to take the following actions set forth below in Paragraphs 47 and 48 of this Order:

47. Within sixty (60) days of entry of this Order, Respondent shall retain an independent consultant (the “Independent Consultant”), not unacceptable to the Commission staff, to conduct an examination of the broker-dealer and investment adviser activities of Respondent to:

a. Verify that Respondent has completed the termination of the business described in this Order; and

b. Evaluate Respondent’s existing policies and procedures, to ensure that they are reasonably capable of detecting and preventing any similar violative activity in the future.

48. In retaining the Independent Consultant, Respondent shall:

a. Require the Independent Consultant and any qualified persons working for the Independent Consultant (the “Qualified Persons”) to have or to acquire within a reasonable period of time adequate knowledge and understanding of the relevant broker-dealer and investment adviser activities of Respondent and to possess sufficient competence and resources necessary to assess Respondent’s termination of the business described in this Order;

b. Require the Independent Consultant to develop a written plan of sufficient scope and detail to enable the Independent Consultant to achieve the examination objectives described in this Order;

c. Require the Independent Consultant and any Qualified Persons to exercise due professional care and independence;

d. Cooperate fully with the Independent Consultant and any Qualified Persons and provide the Independent Consultant and Qualified Persons with access to files, books, records, and staff as requested for the Independent Consultant’s examination;

e. Bear the full expense of the Independent Consultant’s examination;

f. Require the Independent Consultant to complete its examination within one hundred twenty (120) days following retention by Respondent;

g. Require that, within thirty (30) days of completion of the examination, the Independent Consultant shall provide a final report as to whether Respondent fully has terminated the business described in this Order; and further require that the final report shall be provided to designated persons in the Division of Enforcement of the Commission;

h. Require the Independent Consultant and any Qualified Persons to provide the Commission staff with any documents or other information that the Commission requests regarding the Independent Consultant’s work; provided that Respondent shall not assert, and shall

require the Independent Consultant and Qualified Persons not to assert, any privilege or work product claims in response to any of the Commission staff's requests; and provided further, that, in responding to requests from the Commission staff pursuant to this Paragraph of the Order, the Independent Consultant and Qualified Persons shall not be required to provide any information that they are prohibited from providing under the laws or regulations of Switzerland or other applicable foreign law; and

i. Require the Independent Consultant and any Qualified Persons to enter into an agreement that provides that:

1. For the period of the engagement and for a period of two (2) years from completion of the engagement, the Independent Consultant and any Qualified Persons shall not, without prior written consent of the Commission staff, enter into any employment, consultant, attorney-client, auditing or other professional relationship with Respondent, or any of its present or former affiliates, directors, officers, employees, or agents acting in their capacity; and

2. The Independent Consultant and any Qualified Persons will require that any firm with which he/she/they is or are affiliated or of which he/she/they is or are a member shall not, without prior written consent of the Commission staff, enter into any employment, consultant, attorney-client, auditing or other professional relationship with Respondent, or any of its present or former affiliates, directors, officers, employees, or agents acting in their capacity as such for the period of the engagement and for a period of two years after the engagement.

49. Respondent shall complete the undertakings specified in Paragraphs 47 and 48 of this Order within the time period specified herein unless, upon written request, and for good cause shown by Respondent, the Commission staff grants Respondent such additional time as the Commission staff deems reasonable and necessary to implement the undertakings.

50. In determining whether to accept Respondent's Offer, the Commission has considered the undertakings described in Paragraphs 47 and 48 of this Order.

#### IV.

In view of the foregoing, the Commission deems it appropriate and in the public interest to impose the sanctions agreed to in Respondent's Offer.

Accordingly, pursuant to Sections 15(b)(4) and 21C of the Exchange Act and Sections 203(e) and (k) of the Advisers Act, it is hereby ORDERED that:

A. Respondent CSAG is censured;

B. Respondent CSAG cease-and-desist from committing or causing any violations and any future violations of Section 15(a) of the Exchange Act or Section 203(a) of the Advisers Act; and

C. Respondent shall, within ninety (90) days of the entry of this Order, pay disgorgement of \$82,170,990, prejudgment interest of \$64,340,024, and a civil money penalty in

the amount of \$50,000,000 to the Securities and Exchange Commission for remission to the United States Treasury. If timely payment is not made, additional interest shall accrue pursuant to SEC Rule of Practice 600. Payment must be made in one of the following ways:

(1) Respondent may transmit payment electronically to the Commission, which will provide detailed ACH transfer/Fedwire instructions upon request;

(2) Respondent may make direct payment from a bank account via Pay.gov through the SEC website at <http://www.sec.gov/about/offices/ofm.htm>; or

(3) Respondent may pay by certified check, bank cashier's check, or United States postal money order, made payable to the Securities and Exchange Commission and hand-delivered or mailed to:

Enterprise Services Center  
Accounts Receivable Branch  
HQ Bldg., Room 181, AMZ-341  
6500 South MacArthur Boulevard  
Oklahoma City, OK 73169

Payments by check or money order must be accompanied by a cover letter identifying CSAG as a Respondent in these proceedings, and the file number of these proceedings; a copy of the cover letter and check or money order must be sent to Scott W. Friestad, Associate Director, Division of Enforcement, Securities and Exchange Commission, 100 F Street, N.E., Washington, D.C. 20549-5010.

D. Respondent shall comply with the undertakings enumerated in Paragraphs 47 and 48 of this Order.

By the Commission.

Elizabeth M. Murphy  
Secretary