UNITED STATES OF AMERICA
Before the
SECURITIES AND EXCHANGE COMMISSION

SECURITIES EXCHANGE ACT OF 1934
Release No. 75992 / September 28, 2015

ADMINISTRATIVE PROCEEDING
File No. 3-16835

In the Matter of **Credit Suisse Securities (USA) LLC** **Respondent.**	**ORDER INSTITUTING ADMINISTRATIVE AND CEASE-AND-DESIST PROCEEDINGS PURSUANT TO SECTIONS 15(b) AND 21C OF THE SECURITIES EXCHANGE ACT OF 1934, MAKING FINDINGS, AND IMPOSING REMEDIAL SANCTIONS AND A CEASE-AND-DESIST ORDER**

I.

The Securities and Exchange Commission ("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) and 21C of the Securities Exchange Act of 1934 ("Exchange Act"), against Credit Suisse Securities (USA) LLC ("Credit Suisse" or "Respondent").

II.

In anticipation of the institution of these proceedings, Credit Suisse has submitted an Offer of Settlement ("Offer") that the Commission has determined to accept. Credit Suisse admits the facts set forth in Section III 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) and 21C of the Securities Exchange Act of 1934, Making Findings, and Imposing Remedial Sanctions and a Cease-and-Desist Order ("Order"), as set forth below.

III.

On the basis of this Order and Respondent's Offer, the Commission finds that:

Summary

It is a fundamental obligation of broker-dealers to provide complete and accurate blue sheet data when requested by representatives of the Commission to do so. The submission of complete and accurate blue sheet data is critical to many aspects of the Commission's operations and its ability to discharge its enforcement and regulatory mandates. The failure of a broker-dealer to provide complete and accurate blue sheet information in response to a Commission request can impact the Commission's ability to discharge its statutory obligations, undermine the integrity of its investigations and examinations, and ultimately interfere with the Commission's ability to protect investors.

This action results from Credit Suisse's violation of the recordkeeping and reporting requirements of Section 17(a) of the Exchange Act and Rules 17a-4(j) and 17a-25 thereunder. From January 2012 to January 2014 (the "relevant period"), Credit Suisse failed to provide required accurate and complete blue sheet submissions to the Commission, resulting in at least 593 deficient blue sheet submissions to the Commission by the firm, thereby omitting more than 553,400 reportable trades representing 1.3 billion shares.[1]

Section 17 of the Exchange Act imposes on broker-dealers recordkeeping and reporting requirements that are essential to the Commission's ability to enforce the federal securities laws and to protect investors. To ensure the continued effectiveness of the Commission's enforcement and regulatory programs, broker-dealers must comply with, among other things: Rule 17a-25, requiring that broker-dealers submit electronically securities transaction information upon request by the Commission; and Rule 17a-4(j), requiring broker-dealers to furnish promptly legible, true, complete, and current copies of required records upon request by a representative of the Commission. Credit Suisse failed to comply with these requirements, as described below.

Respondent

1. **Credit Suisse Securities (USA) LLC** ("Credit Suisse") is a Delaware limited liability company with headquarters in New York, New York. Credit Suisse is a broker-dealer registered with the Commission. Credit Suisse is a wholly-owned subsidiary of Credit Suisse (USA), Inc., which is an indirect wholly-owned subsidiary of Credit Suisse Group AG.

Facts

A. Credit Suisse's Blue Sheet Discrepancies

Discovery of the Blue Sheet Discrepancies

2. In connection with a related investigation, the staff compared the blue sheet submissions from certain broker-dealers to equity cleared data from the National Securities

[1] Blue sheets are electronic forms that are generated by market makers, brokers and/or clearing firms in response to requests by the Commission and/or securities industry self-regulatory organizations ("SROs"), that provide detailed information about trades performed by a firm and its customers.

Clearing Corporation ("NSCC") for the same broker-dealers and the same period of time. If accurate, the reported transactions reflected on the broker-dealer's blue sheet submissions should have matched the transactions set forth in NSCC's equity cleared data. Through this analysis, the staff discovered apparent discrepancies in Credit Suisse's blue sheet submissions.

3. On March 28, 2013, the staff contacted Credit Suisse concerning the apparent discrepancies. Independently, on February 21, 2013, more than one month earlier, Credit Suisse disclosed to FINRA certain blue sheet discrepancies. In response to the staff's inquiry, Credit Suisse acknowledged blue sheet data discrepancies, advised the staff of the disclosure to FINRA, and maintained that it was in the process of correcting the issues. As part of this disclosure, Credit Suisse identified certain technological and human errors as the root cause of the deficient blue sheet submissions to the Commission and FINRA.

4. Credit Suisse notified the Commission staff on July 13, 2015, that it had corrected and fully remediated the errors responsible for its deficient blue sheet submissions.

Causes of the Blue Sheet Discrepancies

Migration to New Blue Sheets Reporting System

5. In November of 2012, Credit Suisse migrated to a new blue sheets reporting system and experienced a number of processing problems that resulted in a total of approximately 347 deficient blue sheet submissions to the Commission and approximately 163 deficient blue sheet submissions to FINRA.

6. In December 2012 and January 2013, another migration issue resulting from a coding error caused 51 additional deficient submissions to the Commission and 98 deficient submissions to FINRA.

7. Further, from November of 2013 to January of 2014, certain trades were not uploaded into the blue sheets reporting system as a result of the inadvertent failure to remove a "dry run" flag following certain testing procedures of the then-new system, which impacted an additional 42 blue sheet submissions to the Commission and 116 blue sheet submissions to FINRA.

Order Management System Errors

8. During the relevant period, Credit Suisse employed an order management system. One of the functions of the order management system was to interact with the blue sheets reporting system and provide the underlying data for the blue sheet submissions.

9. In August 2012, when Credit Suisse launched the next generation of the order management system, the blue sheets reporting system utilized by the company at the time failed to properly extract blue sheet data, which impacted a total of 70 blue sheet submissions to the Commission and 79 blue sheet submissions to FINRA.

10. Further, from September 2012 through January 2013, Credit Suisse's blue sheets reporting system was unable to properly recognize otherwise reportable transactions because of a coding error in one of the order management system's applications. This error resulted in Credit Suisse omitting trades in 83 blue sheet submissions to the Commission and 190 blue sheet submissions to FINRA.

<u>Inadequate System for Validating Accuracy of Blue Sheets</u>

11. The technological and human errors that caused Credit Suisse's blue sheet reporting failures persisted for an extended period due in part to Credit Suisse's system for validating the accuracy of its blue sheet submissions, which spread the responsibility for overseeing the accuracy and completeness of blue sheet reporting across multiple departments in different geographic locations. Further, the selection of testing criteria to validate the accuracy of blue sheet submissions, such as sample size, was not uniform but, rather, left to the discretion of a front line manager.

12. In April 2013, Credit Suisse retained an information technology consulting firm to assist it in diagnosing and remediating the problems with its blue sheets reporting system and to analyze the flow of data through the system to strengthen its reliability. In November 2013, Credit Suisse retained a consulting firm that specialized in regulatory compliance to review its blue sheets reporting system.

13. In February 2015, Credit Suisse notified the Commission staff that it had implemented several changes to ensure the accuracy of its blue sheets including measures designed to prevent, detect, and correct any possible blue sheet data errors. These changes included, among other things, installation of controls designed to detect incomplete data transfers and the implementation of enhancements to its validation procedures.

<u>Additional Data Discrepancies Reported by Credit Suisse</u>

14. On June 25, 2015, Credit Suisse notified the staff that it had discovered four additional issues that impacted 502 blue sheet submissions to the Commission and 260 blue sheet submissions to FINRA. All four of the issues were discovered as a result of Credit Suisse's recent modifications to its blue sheets reporting system architecture, controls, and oversight.

15. Three of the problems were caused by legacy issues relating to the transfer of data between the firm's trade capture system for processing prime brokerage services activity and the firm's blue sheets reporting system. These issues occurred before Credit Suisse completed the installation of its new system modifications and were detected by the firm's modified validation procedures.

16. The fourth issue was due to human error in manually uploading data to the archival data repository from which Credit Suisse generates its blue sheet submissions. This

problem was also detected by Credit Suisse's modified validation procedures. Credit Suisse has made additional changes to its front office order management system that are designed to reduce the risk of such errors.

B. Violations of the Federal Securities Laws

17. As described above, Credit Suisse failed to furnish complete records to the Commission staff that were requested by the Commission staff in its blue sheet requests. Therefore, Credit Suisse willfully violated Section 17(a) of the Exchange Act and Exchange Act Rule 17a-4(j), which require a broker-dealer to "furnish promptly to a representative of the Commission legible, true, complete, and current copies of those records of the [broker-dealer] that are required to be preserved under [Rule 17a-4], or any other records of the [broker-dealer] subject to examination under section 17(b) of the [Exchange Act] that are requested by the representative of the Commission."[2]

18. Additionally, Credit Suisse willfully violated Section 17(a) of the Exchange Act and Exchange Act Rule 17a-25 by failing to electronically submit certain securities transaction information to the Commission upon request through the blue sheets reporting system.

C. Credit Suisse's Remedial Efforts

19. In determining to accept the Offer, the Commission considered remedial acts undertaken by Respondent and cooperation afforded the Commission staff.

IV.

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

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

A. Respondent Credit Suisse shall cease and desist from committing or causing any violations and any future violations of Section 17(a) of the Exchange Act and Rules 17a-4(j) and 17a-25 thereunder.

B. Respondent Credit Suisse is censured.

C. Respondent Credit Suisse shall, within 10 days of the entry of this Order, pay a civil money penalty in the amount of $4,250,000 ($4.25 million) to the Securities and Exchange Commission for transfer to the general fund of the United States Treasury, subject to Exchange Act

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[2] 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)).

Section 21F(g)(3). If timely payment is not made, additional interest shall accrue pursuant to 31 U.S.C. § 3717. 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 Credit Suisse 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 Sharon B. Binger, Regional Director, Philadelphia Regional Office, Securities and Exchange Commission, One Penn Center, 1617 John F. Kennedy Blvd., Suite 520, Philadelphia, Pennsylvania 19103-1844.

Amounts ordered to be paid as civil money penalties pursuant to this Order shall be treated as penalties paid to the government for all purposes, including all tax purposes. To preserve the deterrent effect of the civil penalty, Respondent agrees that in any Related Investor Action, it shall not argue that it is entitled to, nor shall it benefit by, offset or reduction of any award of compensatory damages by the amount of any part of Respondent's payment of a civil penalty in this action ("Penalty Offset"). If the court in any Related Investor Action grants such a Penalty Offset, Respondent agrees that it shall, within 30 days after entry of a final order granting the Penalty Offset, notify the Commission's counsel in this action and pay the amount of the Penalty Offset to the Securities and Exchange Commission. Such a payment shall not be deemed an additional civil penalty and shall not be deemed to change the amount of the civil penalty imposed in this proceeding. For purposes of this paragraph, a "Related Investor Action" means a private damages action brought against Respondent by or on behalf of one or more investors based on substantially the same facts as alleged in the Order instituted by the Commission in this proceeding.

By the Commission.

Brent J. Fields
Secretary