

UNITED STATES OF AMERICA
Before the
SECURITIES AND EXCHANGE COMMISSION

SECURITIES EXCHANGE ACT OF 1934
Release No. 89947 / September 22, 2020

INVESTMENT ADVISERS ACT OF 1940
Release No. 5587 / September 22, 2020

ADMINISTRATIVE PROCEEDING
File No. 3-20040

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
AND SECTION 203(e) 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 (“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”) and Section 203(e) of the Investment Advisers Act of 1940 (“Advisers Act”) against Credit Suisse Securities (USA) LLC (“Credit Suisse” or “Respondent”).

II.

In anticipation of the institution of these proceedings, Respondent has submitted an Offer of Settlement (“Offer”) that the Commission has determined to accept. Respondent 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 and Section 203(e) of the Investment Advisers Act of 1940, 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

1. These proceedings arise out of Credit Suisse's failure to submit to the Commission true and complete data in response to Commission staff electronic blue sheets ("EBS") requests, resulting in the reporting of EBS that was incomplete or deficient.
2. Commission staff routinely sends requests for securities trading records to market makers, brokers and/or clearing firms in order to identify buyers and sellers of securities, and firms provide the requested records in a universal electronic format known as the EBS format. It is a fundamental obligation of broker-dealers to provide complete and accurate EBS 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 EBS 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.
3. From March 16, 2015 through March 11, 2019, (the "relevant period"), Credit Suisse submitted 135 fixed-income EBS to the Commission, nearly half of which were deficient in one or more ways, resulting in the misreporting of trade data for 2,460 transactions. As a result, Credit Suisse violated the recordkeeping and reporting requirements of Section 17(a)(1) of the Exchange Act and Rules 17a-4(j) and 17a-25 thereunder.
4. 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

5. Credit Suisse Securities (USA) LLC ("Credit Suisse"), is a Delaware limited liability company and has been registered with the Commission as a broker-dealer since 1936 and as an investment adviser since 1999. Credit Suisse has its principal place of business in New York, New York, and is a wholly-owned subsidiary of Credit Suisse (USA), Inc., which is an indirect wholly-owned subsidiary of Credit Suisse Group AG, a financial services company headquartered in Zurich, Switzerland. In 2015, the Commission imposed and Credit Suisse consented to a cease

and desist order, censure and \$4,250,000 penalty for failing to submit complete and accurate EBS submissions. *See Credit Suisse Securities (USA) LLC*, Exchange Act Release No. 75992 (Sept. 28, 2015). In 2011, FINRA imposed and Credit Suisse consented to a censure and a \$1,750,000 fine for submitting inaccurate EBS submissions in connection with the firm's failure to create and maintain an accurate record of long and short sale orders in compliance with the locate and order marking requirements of Reg SHO, as well as FINRA rules. *See* FINRA Disciplinary Proceeding No. 20080144512 (Dec. 27, 2011). In 2006, the New York Stock Exchange imposed and Credit Suisse consented to a censure and \$150,000 fine for failing to submit accurate EBS submissions. *See Credit Suisse First Boston LLC*, Exchange Hearing Panel Decision 06-14 (Jan. 24, 2006).

Facts

A. Credit Suisse's Deficient EBS Submissions

6. From March 15, 2015 through March 11, 2019, Credit Suisse submitted 135 fixed-income EBS to the Commission, nearly half of which were deficient in one or more ways, resulting in the reporting of deficient data for 2,460 transactions.

7. Credit Suisse's fixed-income EBS submissions contained inaccurate fields because the submissions included only allocation level information and did not include execution level information. For example, Credit Suisse failed to report to the Commission order execution times for 1,712 fixed-income transactions. Additionally, Credit Suisse reported incorrect exchange codes and average price account data for all of its 2,460 fixed-income transactions. Credit Suisse's failure to provide execution level information such as order execution times and exchange codes resulted from Credit Suisse's historical automated process of retrieving fixed-income trading data from a back-office repository that included only allocation-level data. Further, Credit Suisse failed to update its process to report certain execution-level data after such data became required in May 2014 under applicable blue sheet reporting requirements.

8. Credit Suisse did not detect the errors in its fixed-income EBS submissions because it did not have reasonable pre-submission controls to validate that the information in its fixed-income EBS submissions was complete and accurate. The firm's pre-submission controls were primarily limited to ensuring that equities-related EBS were reported accurately. The firm did not have similar controls in place for fixed-income EBS. Because Credit Suisse did not have a reasonable process for validating the accuracy of the information reported in its fixed-income EBS submissions, the firm failed to identify the systemic issues that led to the firm's regular reporting of deficient EBS information for fixed-income trading for approximately four years.

B. Credit Suisse's Remedial Efforts

9. Credit Suisse engaged in remedial efforts to address the causes for its deficient EBS submissions. Specifically, Credit Suisse self-identified the issue impacting its reporting of fixed-income EBS and took steps to implement a new process intended to ensure the completeness and accuracy of its fixed-income EBS submissions. Additionally, Credit Suisse retained a consultant to conduct an in-depth review of its fixed-income reporting process, including by using the

consultant's software to perform a full reconciliation of fixed-income EBS data with other sources, such as Credit Suisse's execution and allocation level data, to confirm that Credit Suisse's new fixed-income EBS process was sufficient to ensure the completeness and accuracy of its fixed-income EBS submissions. Additionally, Credit Suisse now performs pre-submission quality assurance checks on all EBS submissions, including fixed-income submissions; quarterly post-submission validations that compare samples of EBS submissions with independent data sources; and twice-annual reviews of its fixed-income EBS submissions by manually reviewing a sample of the submissions and comparing them to independent sources of data.

Violations of the Federal Securities Laws

10. Section 17(a)(1) of the Exchange Act requires, among other things, that broker-dealers make and keep for prescribed periods such records, furnish such copies thereof, and make and disseminate such reports as the Commission, by rule, prescribes as necessary or appropriate in the public interest, for the protection of investors, or otherwise in furtherance of the securities laws. Exchange Act Rule 17a-4(j), promulgated thereunder, requires, in part, broker-dealers such as Credit Suisse to furnish promptly legible, true, complete, and current copies of those records of the member, broker or dealer that are required to be preserved under Exchange Act Rule 17a-4 and any other (i.e., non-required) records of the member, broker or dealer subject to examination under Section 17(b) of the Exchange Act that are requested by a representative of the Commission. Likewise, Exchange Act Rule 17a-25 requires that broker-dealers such as Credit Suisse shall, upon request, electronically submit to the Commission the securities transaction information as required in the rule.

11. As described above, Credit Suisse failed to furnish complete and accurate records to the Commission staff that were requested by the Commission in its blue sheet requests. Therefore, Credit Suisse willfully violated the recordkeeping and reporting requirements of Section 17(a)(1) of the Exchange Act and Rule 17a-4(j) thereunder by failing to furnish promptly true and complete trading information as requested by Commission staff over a period of approximately four years. In addition, Credit Suisse willfully violated Exchange Act Rule 17a-25 by failing to submit electronically certain securities transaction information to the Commission through the EBS system in response to requests made by the Commission.

Credit Suisse's Remedial Efforts

In determining whether 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) and 21C of the Exchange Act and Section 203(e) of the Advisers Act, it is hereby ORDERED that:

A. Respondent Credit Suisse cease and desist from committing or causing any violations and any future violations of Section 17(a)(1) of the Exchange Act and Rules 17a-4(j) and 17a-25 promulgated thereunder.

B. Respondent Credit Suisse is censured.

C. Respondent Credit Suisse shall, within ten (10) days of the entry of this Order, pay a civil money penalty in the amount of \$600,000 to the Securities and Exchange Commission for transfer to the general fund of the United States Treasury, subject to Exchange Act 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 the 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 Joseph G. Sansone, Chief, Market Abuse Unit, Division of Enforcement, Securities and Exchange Commission, Brookfield Place, 200 Vesey Street, Suite 400, New York, NY 10281.

D. 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.

Vanessa A. Countryman
Secretary