

**THE NASDAQ STOCK MARKET LLC  
NOTICE OF ACCEPTANCE OF AWC**

**Certified, Return Receipt Requested**

**TO: Mr. Alan Reifenberg  
Head of Regulation  
Credit Suisse Securities (USA) LLC  
11 Madison Avenue  
24<sup>th</sup> Floor  
New York, NY 10010**

**FROM: The NASDAQ Stock Market LLC ("Nasdaq")  
c/o Financial Industry Regulatory Authority ("FINRA")  
Department of Market Regulation  
9509 Key West Avenue  
Rockville, MD 20850**

**DATE: April 25, 2013**

**RE: Notice of Acceptance of Letter of Acceptance, Waiver and Consent No. 20090173810-02**

**Please be advised** that your above-referenced Letter of Acceptance, Waiver and Consent ("AWC") has been accepted by the Nasdaq Review Council's Review Subcommittee, or by the Office of Disciplinary Affairs on behalf of the Nasdaq Review Council, pursuant to Nasdaq Rule 9216. A copy of the AWC is enclosed herewith.

You are again reminded of your obligation, if currently registered, immediately to update your Uniform Application for Broker-Dealer Registration ("Form BD") to reflect the conclusion of this disciplinary action. Additionally, you must also notify FINRA (or NASDAQ if you are not a member of FINRA) in writing of any change of address or other changes required to be made to your Form BD.

You are reminded that Section I of the attached Letter of Acceptance, Waiver, and Consent includes an undertaking. In accordance with the terms of the AWC, a registered principal of the firm is required to notify the Compliance Assistant, Legal Section, Market Regulation Department, 9509 Key West Avenue, Rockville, MD 20850, of completion of the undertaking.

You will be notified by the Registration and Disclosure Department regarding sanctions if a suspension has been imposed and by NASDAQ's Finance Department regarding the payment of any fine if a fine has been imposed.

Credit Suisse Securities (USA) LLC  
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If you have any questions concerning this matter, please contact Shannon Rozner, Counsel,  
at (240) 386-6265.



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Thomas R. Gira  
Executive Vice President  
Department of Market Regulation, FINRA

Signed on behalf of NASDAQ

Enclosure

FINRA District 10 – New York  
Michael Solomon  
Regional Director  
One World Financial Center  
200 Liberty Street  
New York, NY 10281

Mr. Nader Salehi  
Sidley Austin LLP  
787 Seventh Avenue  
New York, NY 10019

**THE NASDAQ STOCK MARKET LLC**  
**LETTER OF ACCEPTANCE, WAIVER AND CONSENT**  
**NO. 20090173810-02**

TO: The NASDAQ Stock Market LLC  
c/o Department of Market Regulation ("Market Regulation")  
Financial Industry Regulatory Authority ("FINRA")

RE: Credit Suisse Securities (USA) LLC, Respondent  
Broker-Dealer  
CRD No. 816

Pursuant to Rule 9216 of The NASDAQ Stock Market LLC ("Nasdaq") Code of Procedure, Credit Suisse Securities (USA) LLC (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, Nasdaq will not bring any future actions against the firm alleging violations based on the same factual findings described herein.

**I.**

**ACCEPTANCE AND CONSENT**

- A. The firm 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 Nasdaq, or to which Nasdaq 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 Nasdaq:

**BACKGROUND**

The firm has been a member of FINRA since October 16, 1936 and a member of Nasdaq since July 12, 2006, and both registrations remain in effect.

**RELEVANT PRIOR DISCIPLINARY HISTORY**

The firm has the following relevant disciplinary history:

- On November 27, 2009, the firm consented to a censure and a fine of \$150,000 for violations of NYSE Rule 342 for failing to adequately supervise the development, deployment and operation of a proprietary algorithm, including failure to implement procedures to monitor certain modifications made to that

algorithm, and violations of NYSE Rule 401 for failing to adhere to principles of good business practice in that: (i) a firm proprietary algorithm did not have appropriate checks designed to prevent submission of hundreds of thousands of erroneous messages or to alert the firm in the event of rejected messages; (ii) the proprietary algorithm sent hundreds of thousands of cancel and replace requests for orders that had not been sent to the NYSE; and/or (iii) the firm failed to detect hundreds of thousands of cancel and replace requests and reject messages.

### SUMMARY

This matter is the result of FINRA's Department of Market Regulation's review of the firm's compliance, during the period June 1, 2008 through July 31, 2010 (the "review period"), with respect to the applicable securities laws and regulations concerning the detection of purchase and sale transactions that resulted in no change of beneficial ownership.

### FACTS AND VIOLATIVE CONDUCT

During the review period:

1. The firm failed to establish and maintain a system to supervise the trading activity of two of its proprietary electronic trading systems that was reasonably designed to achieve compliance with applicable securities laws and regulations and the Rules of Nasdaq concerning the detection of purchase and sale transactions that resulted in no change of beneficial ownership.
2. The firm failed to properly supervise and adequately monitor the trading activity of the proprietary electronic trading systems related to the prevention of exchange-level crosses. Specifically, the firm's supervisory system failed to alert the appropriate individuals as to the quantity and frequency with which exchange-level crosses of orders generated by the electronic trading systems were occurring.
3. The firm failed to establish, maintain and enforce reasonable written supervisory procedures related to the supervision of the trading activity generated by its proprietary electronic trading systems. Specifically, the firm's supervisory system did not include reasonable written supervisory procedures related to proprietary electronic trading providing for: (a) the frequency of supervisory reviews; (b) the supervisory steps and reviews to be taken by the appropriate supervisor; and (c) how such reviews shall be documented. The firm did have written supervisory procedures related generally to monitoring the trading activity generated by proprietary electronic trading systems, but those procedures were not adequately tailored to identifying potential exchange-level crosses.
4. The firm failed to provide adequate documentary evidence of supervisory reviews conducted on the trading activity generated by the proprietary electronic trading systems.

The foregoing conduct constitutes violations of Nasdaq Rules 2110 and 3010.

- B. The firm also consents to the imposition of the following sanctions:

A censure; a fine of \$250,000, to be paid jointly to FINRA, The NASDAQ Stock Market LLC, BATS Exchange, Inc. and NYSE Arca, Inc.; and an undertaking to revise its supervisory system with respect to the deficiencies described in paragraphs A.2 and 3 above. Within 30 business days of acceptance of this AWC by Nasdaq, a registered principal of the Respondent shall submit to the COMPLIANCE ASSISTANT, LEGAL SECTION, MARKET REGULATION DEPARTMENT, 9509 KEY WEST AVENUE, ROCKVILLE, MD 20850, a signed, dated letter, or an e-mail from a work-related account of the registered principal to MarketRegulationComp@finra.org, providing the following information: (1) a reference to this matter; (2) a representation that the firm has revised its supervisory system with respect to the deficiencies described in paragraphs A.2 and 3 above; and (3) the date the revised procedures were implemented.

The firm agrees to pay the monetary sanction(s) in accordance with its executed Election of Payment Form.

The firm 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

The firm specifically and voluntarily waives the following rights granted under Nasdaq's Code of Procedure:

- A. To have a Formal Complaint issued specifying the allegations against the firm;
- B. To be notified of the Formal 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 Nasdaq Review Council and then to the U.S. Securities and Exchange Commission and a U.S. Court of Appeals.

Further, the firm specifically and voluntarily waives any right to claim bias or prejudice of the Chief Regulatory Officer, the Nasdaq Review Council, or any member of the Nasdaq Review Council, 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.

The firm further specifically and voluntarily waives any right to claim that a person violated the ex parte prohibitions of Rule 9143 or the separation of functions prohibitions of 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

The firm 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 FINRA's Department of Market Regulation and the Nasdaq Review Council, the Review Subcommittee, or the Office of Disciplinary Affairs ("ODA"), pursuant to Nasdaq Rule 9216;
- B. If this AWC is not accepted, its submission will not be used as evidence to prove any of the allegations against the firm; 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 Nasdaq or any other regulator against the firm;
  2. this AWC will be made available through FINRA's public disclosure program in response to public inquiries about the firm's disciplinary record;
  3. Nasdaq may make a public announcement concerning this agreement and the subject matter thereof in accordance with Nasdaq Rule 8310 and IM-8310-3; and
  4. The firm 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. The firm may not take any position in any

proceeding brought by or on behalf of Nasdaq, or to which Nasdaq is a party, that is inconsistent with any part of this AWC. Nothing in this provision affects the firm's right to take legal or factual positions in litigation or other legal proceedings in which Nasdaq is not a party.

5. The firm 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 Nasdaq, nor does it reflect the views of Nasdaq or its staff.

The undersigned, on behalf of the firm, 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 the firm to submit it.

April 4, 2013  
Date

Credit Suisse Securities (USA) LLC  
Respondent

By: [Signature]  
Name: A. Reitano  
Title: Vice of Regulatory

Reviewed by:  
[Signature]  
Nader Salehi  
Counsel for Respondent  
Bingham McCutchen LLP  
399 Park Avenue  
New York, NY 10022-4689  
(212) 705-7230

Accepted by Nasdaq:

4/25/13  
Date

Thomas R. Gira  
Thomas R. Gira  
Executive Vice President  
Department of Market Regulation

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



**ELECTION OF PAYMENT FORM**

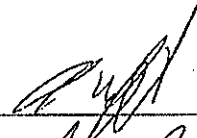
The firm intends to pay the fine proposed in the attached Letter of Acceptance, Waiver and Consent by the following method (check one):

- A firm check or bank check for the full amount;
- Wire transfer;
- The installment payment plan.<sup>1</sup>
  - Monthly
  - Quarterly

Respectfully submitted,

Respondent  
Credit Suisse Securities (USA) LLC

April 4, 2013  
Date

By:   
Name: Mary Breche  
Title: Managing Director

<sup>1</sup> The installment payment plan is only available for a fine of \$50,000 or more. Certain requirements apply.