

**FINANCIAL INDUSTRY REGULATORY AUTHORITY  
LETTER OF ACCEPTANCE, WAIVER, AND CONSENT  
NO. 2018060780401**

TO: Department of Enforcement  
Financial Industry Regulatory Authority (FINRA)

RE: Credit Suisse Securities (USA) LLC (Respondent)  
Member Firm  
CRD No. 816

Pursuant to FINRA Rule 9216, Respondent Credit Suisse Securities (USA) LLC 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, FINRA will not bring any future actions against Respondent alleging violations based on the same factual findings described in this AWC.

**I.**

**ACCEPTANCE AND CONSENT**

- A. Respondent 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 FINRA, or to which FINRA 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 FINRA:

**BACKGROUND**

The firm is a U.S. broker-dealer and a subsidiary of Credit Suisse Group, a global financial services company with subsidiaries around the world. The firm has been a FINRA member since 1936. Its principal place of business is New York, New York, and it currently has approximately 2,500 registered persons and 31 branch offices.

Respondent does not have any relevant disciplinary history.

**OVERVIEW**

During the period from at least July 2016 to April 2019, Respondent failed to establish and maintain a supervisory system, including written supervisory procedures, reasonably designed to monitor its employees' outside brokerage accounts. The firm's supervisory deficiencies led to its failure to timely monitor thousands of employee outside brokerage accounts for compliance with the firm's trading restrictions designed to identify self-dealing and other potentially deceptive trading practices. Accordingly, the firm violated FINRA Rules 3110(a), 3110(b), and 2010.

## FACTS AND VIOLATIVE CONDUCT

This matter originated from FINRA's 2018 cycle exam of the firm.

FINRA Rule 3110(a) requires members to "establish and maintain a system to supervise the activities of each associated person that is reasonably designed to achieve compliance with applicable securities laws and regulations, and with applicable FINRA rules."

FINRA Rule 3110(b)(1) provides that "each member shall establish, maintain, and enforce written procedures to supervise the types of business in which it engages and the activities of its associated persons that are reasonably designed to achieve compliance with applicable securities laws and regulations, and with applicable FINRA rules."

FINRA Rule 2010 provides that "[a] member in the conduct of its business, shall observe high standards of commercial honor and just and equitable principles of trade."

FINRA Rule 3210 requires associated persons to obtain the prior written consent of their employer firm before opening or establishing an account at another member. As set forth in FINRA Regulatory Notice 16-22,<sup>1</sup> "[s]ound supervisory practices require that a member firm monitor personal accounts opened or established outside of the firm by its associated persons."

During the relevant period, the firm required employees to disclose their outside accounts when they joined the firm. After the employee disclosed an outside personal brokerage account to the firm, and the firm approved the account, the account was entered into the firm's Global Personal Account Trading system (GPAT). The GPAT system periodically ingested trade data from the brokerage firm at which the employee account was located and matched trade and account data to specific employee accounts. If an employee failed to disclose an account, the firm could not approve or monitor the account because it would not be ingested into the GPAT system.

The firm required certain employees to obtain permission prior to making certain trades in their outside personal brokerage accounts, and to comply with certain holding period requirements, to ensure that personal account trading was conducted for legitimate investment purposes. The firm's Personal Account Trading (PAT) team was responsible for approving the accounts and monitoring trades for pre-clearance and holding period violations.

During the relevant period, the firm failed to have in place a supervisory system or written supervisory procedures reasonably designed to ensure that employees disclosed their outside brokerage accounts. For example, the firm had no automated system for tracking whether new hires made the required disclosures, firm employees were not required to certify on an annual basis that they had disclosed all of their outside brokerage accounts, and the PAT team often worked from incomplete or inaccurate new-

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<sup>1</sup> See FINRA Regulatory Notice 16-22, *SEC Approves Consolidated FINRA Rule 3210 (Accounts at Other Broker-Dealers and Financial Institutions)* (June 2016).

hire lists, which were then used by the firm to notify employees of their disclosure obligations. As a result, the PAT team had incomplete or inaccurate information with which to conduct its surveillance.

In addition, GPAT was also often unable to match trade data received from the brokerage firm feeds to a specific employee. In such cases, the firm's system identified account exceptions to be reviewed and resolved, so that the data feed could be matched to an employee, and the trading activity reviewed as intended. Account exceptions occurred, for example, when GPAT received from the brokerage firm trade information for an account that had not been disclosed, or where account information provided by the employee did not match information on the feed from the brokerage firm. As of September 2017, the firm had a backlog of approximately 8,000 accounts (and approximately 52,000 trades associated with those accounts) that could not be matched to a specific employee. While the firm ultimately was able to review the relevant trading activity, the inability to do so earlier led to the firm's failure to timely monitor trading in these accounts.

In 2019, when the firm first implemented a requirement that its employees certify, on an annual basis, that they had disclosed all of their outside accounts, the firm discovered approximately 2,700 previously undisclosed accounts. The firm discovered another approximately 400 previously undisclosed accounts during its reconciliation of its account exceptions. Because these approximately 3,100 accounts were never ingested into the GPAT system, the firm was unable to monitor them for pre-clearance and holding period violations.<sup>2</sup>

Therefore, Respondent violated FINRA Rules 3110(a), 3110(b), and 2010.

B. Respondent also consents to the imposition of the following sanctions:

- a censure; and
- a \$345,000 fine.

Respondent agrees to pay the monetary sanction upon notice that this AWC has been accepted and that such payment is due and payable. Respondent has submitted an Election of Payment form showing the method by which it proposes to pay the fine imposed.

Respondent specifically and voluntarily waives any right to claim an inability to pay, now or at any time after the execution of this AWC, the monetary sanction imposed in this matter.

The sanctions imposed in this AWC shall be effective on a date set by FINRA.

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<sup>2</sup> The firm added the newly-disclosed accounts to the GPAT system for prospective review, and took other remedial measures addressing the deficiencies in its processes for reviewing employee personal accounts for pre-clearance and holding period violations.

## II.

### **WAIVER OF PROCEDURAL RIGHTS**

Respondent specifically and voluntarily waives the following rights granted under FINRA's Code of Procedure:

- A. To have a complaint issued specifying the allegations against it;
- B. To be notified of the 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 National Adjudicatory Council (NAC) and then to the U.S. Securities and Exchange Commission and a U.S. Court of Appeals.

Further, Respondent specifically and voluntarily waives any right to claim bias or prejudice of the Chief Legal Officer, the NAC, or any member of the NAC, 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.

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

Respondent 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 the NAC, a Review Subcommittee of the NAC, or the Office of Disciplinary Affairs (ODA), pursuant to FINRA Rule 9216;
- B. If this AWC is not accepted, its submission will not be used as evidence to prove any of the allegations against Respondent; and
- C. If accepted:

1. this AWC will become part of Respondent's permanent disciplinary record and may be considered in any future action brought by FINRA or any other regulator against Respondent;
2. this AWC will be made available through FINRA's public disclosure program in accordance with FINRA Rule 8313;
3. FINRA may make a public announcement concerning this agreement and its subject matter in accordance with FINRA Rule 8313; and
4. Respondent 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. Respondent may not take any position in any proceeding brought by or on behalf of FINRA, or to which FINRA is a party, that is inconsistent with any part of this AWC. Nothing in this provision affects Respondent's testimonial obligations or right to take legal or factual positions in litigation or other legal proceedings in which FINRA is not a party.

D. Respondent may attach a corrective action statement to this AWC that is a statement of demonstrable corrective steps taken to prevent future misconduct. Respondent 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 FINRA, nor does it reflect the views of FINRA.

The undersigned, on behalf of Respondent, certifies that a person duly authorized to act on Respondent's 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 Respondent 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 in this AWC and the prospect of avoiding the issuance of a complaint, has been made to induce Respondent to submit this AWC.

April 1, 2021

Date



Credit Suisse Securities (USA) LLC  
Respondent

Print Name: Lara Leaf

Title: Director

Reviewed by:

Matthew J. Hakki

Adam Hakki  
Matthew Craner  
Counsel for Respondent  
Shearman & Sterling LLP  
599 Lexington Avenue  
New York, NY 10022-6069

Accepted by FINRA:

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

April 5, 2021

Date

Bruce Sabados

Bruce M. Sabados  
Senior Counsel  
FINRA  
Department of Enforcement  
200 Liberty Street  
New York, NY 10281-1003