

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

**Certified, Return Receipt Requested**

**TO: Credit Suisse Securities (USA) LLC  
Ms. Lara M. Leaf  
Director  
11 Madison Avenue  
New York, New York 10010**

**FROM: The NASDAQ Options Market LLC ("Nasdaq")  
c/o Financial Industry Regulatory Authority ("FINRA")  
Department of Enforcement  
15200 Omega Drive, Suite 300  
Rockville, MD 20850**

**DATE: December 23, 2019**

**RE: Notice of Acceptance of Letter of Acceptance, Waiver and Consent No. 2012034734505**

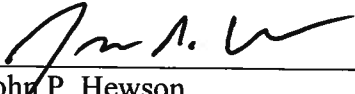
**Please be advised** that your above-referenced Letter of Acceptance, Waiver and Consent ("AWC") has been accepted on **December 23, 2019** by the Nasdaq Review Council's Review Subcommittee, or by the Office of Disciplinary Affairs on behalf of the Nasdaq Review Council, pursuant to Nasdaq Rule 9216. 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, Department of Enforcement, 15200 Omega Drive, Suite 300, Rockville, MD 20850, of completion of the undertaking.

You will be notified by the Registration and Disclosure Department regarding sanctions, and Nasdaq's Finance Department will send you an invoice regarding the payment of any fine.

If you have any questions concerning this matter, please contact me at (646) 430-7030.

  
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John P. Hewson  
Senior Counsel  
Department of Enforcement, FINRA  
Signed on behalf of Nasdaq

Enclosure

cc: FINRA District 10 – New York  
William St. Louis  
Senior Vice President and Regional Director  
(Via email)

Andrew J. Geist  
Counsel for Respondent  
O'Melveny & Myers LLP  
Seven Times Square  
New York, NY 10036

**THE NASDAQ OPTIONS MARKET LLC  
LETTER OF ACCEPTANCE, WAIVER AND CONSENT  
NO. 2012034734505**

**TO:** The NASDAQ Options Stock Market LLC  
c/o Department of Enforcement  
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”)<sup>1</sup> Code of Procedure, Credit Suisse Securities (USA) LLC (“Credit Suisse” or 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**

1. Credit Suisse is a U.S. broker-dealer and a subsidiary of Credit Suisse Group, a global financial services company with subsidiaries around the world. Credit Suisse has been registered with FINRA since 1936 and with The NASDAQ Options Market LLC (“NOM”) on March 28, 2008. The firm’s registrations remain in effect. The firm’s principal place of business is New York, New York, and it currently has over 2,500 registered persons and 34 branch offices. The firm does not have any relevant disciplinary history.

**OVERVIEW**

2. During the period of July 2010 through 2016 (the “review period”), Credit Suisse offered its clients, which included FINRA registered broker-dealers and other institutional entities, some of whom were foreign unregistered entities, direct market access (“DMA”) to NOM.
3. During the review period, the Securities and Exchange Commission adopted the Market

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<sup>1</sup> All NASDAQ Options Market LLC disciplinary matters are governed by the Nasdaq Code of Procedure.

Access Rule on November 3, 2010, which requires brokers or dealers with access to trading securities directly on an exchange, including those providing sponsored or direct market access to customers, to establish, document, and maintain a system of risk management controls and supervisory procedures reasonably designed to manage the financial, regulatory and other risks associated with market access. Rule 15c3-5 became effective on July 14, 2011.<sup>2</sup> During the review period, Credit Suisse did not implement effective post-trade controls and procedures to monitor for potential marking the close in equity options by its DMA clients, and thereby the firm did not establish, document, and maintain risk management controls and supervisory procedures reasonably designed to ensure compliance with all regulatory requirements as required by Rule 15c3-5(c)(2)(iv). Additionally, as a result of the above, the firm did not satisfy its supervisory obligations pursuant NOM Rule Chapter III, Sec. 2, NOM Rule Chapter XI, Sec. 8 and Nasdaq Rules 2110 (for conduct prior to November 21, 2012) and 2010A (for conduct on or after November 21, 2012) during the review period.

### **Facts and Violative Conduct**

#### **Credit Suisse Did Not Reasonably Monitor and Surveil for Potentially Manipulative Trading by DMA Clients**

4. Rule 15c3-5(b) requires a broker-dealer with market access, or that provides a customer or any other person with access to an exchange or alternative trading system through use of its market participant identifier, to establish, document, and maintain a system of risk management controls and supervisory procedures reasonably designed to manage the financial, regulatory, and other risks of this business activity.
5. Rule 15c3-5(c)(2)(iv) requires such broker-dealers to have regulatory risk management controls and supervisory procedures that are reasonably designed to ensure compliance with all regulatory requirements, including being reasonably designed to assure that appropriate surveillance personnel receive immediate post-trade execution reports that result from market access. In the Rule 15c3-5 Adopting Release dated November 3, 2010, the SEC stated that the “regulatory requirements” described in Rule 15c3-5(a)(2) and (c)(2) include “post-trade obligations to monitor for manipulation and other illegal activity.”<sup>3</sup>
6. NOM Rule Chapter III, Sec. 1 requires members to supervise persons associated with the member, including with respect to compliance with the Securities Exchange Act of 1934 and rules thereunder and NOM rules.
7. NOM Rule Chapter XI, Sec. 8 requires that members that conduct a public customer options business ensure that its written supervisory system policies and procedures adequately address the member's public customer options business.

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<sup>2</sup> The July 14, 2011 compliance date was extended to November 30, 2011 for Rule 15c3-5(c)(1)(i) and all requirements of Rule 15c3-5 for fixed income securities.

<sup>3</sup> SEC Rule 15c3-5 Adopting Release, 75 Fed. Reg. 69792, 69797-69798 (Nov. 15, 2010).

8. Nasdaq Rule 2110 (for conduct prior to November 21, 2012) and Rule 2010A (for conduct on or after November 21, 2012) require that a member, in the conduct of its business, observe high standards of commercial honor and just and equitable principles of trade
9. During the review period, the firm did not establish, document, and maintain a system of risk management controls and supervisory procedures reasonably designed to monitor for potential marking the close conduct in equity options by its DMA clients.
10. During the review period, a Credit Suisse client engaged in potential marking of the close on NOM in three different options in 30 instances. Specifically, over the course of 18 days in June 2014, the client sent buy orders (between 1 and 10 contracts) through the firm immediately prior to the close seemingly to improve the mark in ABCD<sup>4</sup> January 15, 2016 115 Puts.<sup>5</sup> At all times, the DMA client held a position of 524 of the puts. The marks appeared to improve the position of the DMA client by between \$6,550 and \$53,710. The same client engaged in similar potential marking the close activity on NOM in two other options on 12 other days during June 2014 as well. The firm did not implement a surveillance or control specifically designed to detect or prevent marking the close conduct in options until 2016.<sup>6</sup>
11. The acts, practices and conduct described in paragraphs 9 through 10 constitute a violation of Rule 15c3-5(b) and (c)(2)(iv), NOM Rules Chapter XI, Sec. 8 and Chapter III, Sec. 1 and Nasdaq Rule 2110 (for conduct prior to November 21, 2012), and Rule 2010A (for conduct on or after November 21, 2012).

#### **Written Supervisory Procedures (“WSPs”)**

12. Throughout the review period, the firm did not establish, maintain, and enforce reasonably designed WSPs to supervise its DMA activities and to achieve compliance with applicable securities laws. For example, the firm maintained a “Market Access Policy” that stated the firm would “conduct regular surveillance and systems reviews,” but the Policy did not describe the supervisory reviews at all and is not supervisory in nature otherwise. Similarly, the firm’s “U.S. Equity and Global Arbitrage Trading Supervisory Manual” included a Rule 15c3-5 section that also stated that the firm would “conduct regular surveillance and systems reviews,” but the Manual did not provide any details about the reviews, such as who would conduct them, how often they would be conducted and in what manner.
13. The acts, practices and conduct described in paragraph 12 constitute a violation of Rule 15c3-5(b) and NOM Rules Chapter XI, Sec. 8 and Chapter III, Sec. 1 and Nasdaq Rule

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<sup>4</sup> A generic modifier has been used in place of the name of referenced securities.

<sup>5</sup> On 12 days, the DMA client entered the orders within a minute of the close. On all but one day, the DMA client entered the orders within two and half minutes of the close.

<sup>6</sup> The Firm’s Compliance manual, its US Equities Surveillance Manual and its Desk appendices did not reference Marking the Close for Options, although it did have a Marking the Close Review in place for equities.

2110 (for conduct prior to November 21, 2012), and Rule 2010A (for conduct on or after November 21, 2012).

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

1. A censure;
2. A total fine of \$6,500,000 (of which \$50,917 shall be paid to NOM for the violations of Rule 15c3-5 and NOM Rules Chapter XI, Sec. 8 and Chapter III, Sec. 1 and Nasdaq Rules 2110 (for conduct prior to November 21, 2012), and 2010A (for conduct on or after November 21, 2012));<sup>7</sup>
3. Credit Suisse agrees to confirm in writing, within 180 days of the date of the issuance of the Notice of Acceptance of this AWC, that the Firm has:
  - a. Updated and/or implemented surveillances and procedures reasonably designed to monitor for potentially manipulative trading;
  - b. Updated and/or implemented pre-trade controls and procedures reasonably designed to prevent erroneous orders for all Firm desks and systems that provide direct market access;
  - c. Updated and/or implemented pre-trade controls and procedures reasonably designed to prevent the entry of orders that exceed appropriate pre-set credit thresholds for all Firm desks and systems that provide direct market access;
  - d. Incorporated into its annual market access certification process an evaluation of the effectiveness of its post-trade anti-manipulation surveillances; and
  - e. Updated its written supervisory procedures relevant to items a through d.

In conjunction with the above-described confirmation, Credit Suisse also agrees to provide a written description of, or documentation reflecting, as of December 31, 2019: the desks that provide market access services to clients; the status and rationale for its existing pre-trade erroneous order and credit controls and post-trade anti-manipulation surveillances for potential spoofing, layering, wash sales, pre-arranged trading, and marking the open/close that are used by or for desks that provide market access services; procedures for setting, modifying, and enforcing credit limits applicable to market access customers; and which pre-trade controls and post-trade anti-manipulation surveillances apply to products other than equities.

The above materials shall be submitted to FINRA's Department of Enforcement, which may, upon a showing of good cause and in its sole discretion, extend the time for compliance with these provisions.

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<sup>7</sup> FINRA investigated this matter on behalf of NOM and various self-regulatory organizations, including Nasdaq, Nasdaq BX, Inc. ("BX"), Nasdaq PHLX LLC ("PHLX"), the New York Stock Exchange LLC ("NYSE"), NYSE Arca, Inc. ("NYSE Arca"), NYSE American LLC ("NYSE American"), Cboe BYX Exchange, Inc. ("BYX"), Cboe BZX Exchange, Inc. ("BZX"), Cboe EDGA Exchange, Inc. ("EDGA") and Cboe EDGX Exchange, Inc. ("EDGX") as well as FINRA.

4. Acceptance of this AWC is conditioned upon acceptance of a similar agreement in related matters between the firm and Nasdaq, BX, PHLX, NYSE, NYSE Arca, NYSE American, BYX, BZX, EDGA, EDGX and FINRA. The aggregate settlement amount across all markets is \$6,500,000.

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 prejudgment 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 Enforcement 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. Nasdaq may release this AWC or make a public announcement concerning this agreement and the subject matter thereof in accordance with Nasdaq Rule 8310 and IM-8310-3; and
  - 3. 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.
- D. 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.

11/18/19  
Date

Credit Suisse Securities (USA) LLC  
Respondent

By: Lara Leaf  
Name: Lara Leaf  
Title: Director

Reviewed by:

Andrew J. Geist 11/18/19

Andrew J. Geist  
O'Melveny & Myers LLP  
Seven Times Square  
New York, NY 10036  
Counsel for Respondent

Accepted by Nasdaq:

12/23/19  
Date

John P. Hewson  
John P. Hewson  
Senior Counsel  
Department of Enforcement

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

Respectfully submitted,

Credit Suisse Securities (USA) LLC  
Respondent

11/18/19

Date

By: Lara Leaf

Name: Lara Leaf

Title: Director