



**DISCIPLINARY DECISION**  
**Cboe BZX Exchange, Inc.**  
**File Nos. USRI-9030-05 & URE-6-05**  
**Credit Suisse Securities (USA) LLC**

Pursuant to BZX Exchange Rule 8.3, attached to and incorporated as part of this Decision is a Letter of Consent.

**Applicable Rules**

- BZX Rule 3.2 – Violations Prohibited; and
- Rule 15c3-5 under the Securities Exchange Act of 1934, as amended – Risk Management Controls for Brokers or Dealers with Market Access.

**Sanction**

A censure and a monetary fine in the amount of \$5,000.

**Effective Date**

April 14, 2022

/s/ Greg Hoogasian

Greg Hoogasian, CRO, EVP

**Cboe BZX Exchange, Inc.**  
**LETTER OF CONSENT**  
**File No. USRI-9030-05**

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In the Matter of:

Credit Suisse Securities (USA) LLC,

Subject

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Pursuant to the provisions of Cboe BZX Exchange, Inc. (the “Exchange”) Rule 8.3 – Expedited Proceeding, Credit Suisse Securities (USA) LLC (“CSSU” or the “Firm”) submits this Letter of Consent for the purpose of proposing a settlement of the alleged rule violations described below.

The Firm neither admits nor denies that violations of Exchange Rules or the Securities Exchange Act of 1934, as amended (“Exchange Act”) rules have been committed, and the stipulation of facts and findings described herein do not constitute such an admission.

**BACKGROUND**

1. During all relevant periods herein, the Firm was acting as a registered Broker-Dealer and was an Exchange Member. The Firm’s registration remains in effect.

**VIOLATIVE CONDUCT**

**Applicable Rules**

2. During all relevant periods herein, the following rules were in full force and effect: Exchange Rule 3.2 – Violations Prohibited and Rule 15c3-5 – Risk Management Controls for Brokers or Dealers with Market Access, promulgated under the Exchange Act.
3. Exchange Rule 3.2 provided that “[n]o Member shall engage in conduct in violation of the Act, the rules or regulations thereunder, the By-Laws, Exchange Rules or any policy or written interpretation of the By-Laws or Exchange Rules by the Board or an appropriate Exchange committee. Every Member shall so supervise persons associated with the Member as to assure compliance with those requirements.”
4. Exchange Act Rule 15c3-5(a)(1)(i) defined “market access” as “[a]ccess to trading in securities on an exchange or alternative trading system as a result of being a member or subscriber of the exchange or alternative trading system, respectively.”
5. Exchange Act Rule 15c3-5(b) required that a “broker or 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 or

otherwise, shall 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.”

6. Exchange Act Rule 15c3-5(c)(1)(ii) required broker-dealers to establish, document, and maintain financial risk management controls and supervisory procedures reasonably designed to “[p]revent the entry of erroneous orders, by rejecting orders that exceed appropriate price or size parameters, on an order-by-order basis or over a short period of time, or that indicate duplicative orders.” The Exchange Act Rule 15c3-5 Adopting Release states that erroneous order controls should be reasonably designed to prevent orders from erroneously being entered as a result of both technological malfunctions and manual errors. The Commission noted the rule “allows flexibility for the details of the controls and procedures to vary from broker-dealer to broker-dealer, depending on the nature of the business and customer base, so long as they are reasonably designed to achieve the goals articulated in the” rule.<sup>1</sup> As one example, the Commission cited “a systematic, pre-trade control reasonably designed to reject orders that are not reasonably related to the quoted price of the security....”<sup>2</sup>

#### **Market Access Risk Controls and Procedures**

7. During February, March, and September 2020 and May 2021, (the “Review Period”), the Firm failed 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 the Firm’s market access. In particular, the Firm failed to establish, document, and maintain reasonably designed risk management controls and supervisory procedures to prevent the entry of erroneous orders, by rejecting orders that exceed appropriate price or size parameters, on an order-by-order basis or over a short period of time, or that indicate duplicative orders. Specifically, the Firm failed to maintain reasonably designed order-by-order size controls in its algorithmic trading systems, in that certain controls were set with size thresholds that were higher than the default order size allowed by the Exchange and the Firm failed to document the rationale supporting the reasonableness of these thresholds.
8. In addition, during the Review Period, the Firm maintained certain of the above-mentioned order-by-order size controls as soft blocks, however, these soft block controls were unreasonably designed. Specifically, the Firm failed to document evidence that the review process for orders paused by these soft block controls was reasonably designed to ensure that orders released were reasonable<sup>3</sup>

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<sup>1</sup> Exchange Act Release No. 63241, RISK MANAGEMENT CONTROLS FOR BROKERS OR DEALERS WITH MARKET ACCESS (Nov. 3, 2010), 75 Fed. Reg. 69792, at 69802 (Nov. 15, 2010).

<sup>2</sup> *Id.* at 24.

<sup>3</sup> By way of example, the Firm’s Written Supervisory Procedures for one of these soft block controls directed coverage personnel to consider the following elements when considering the reasonability of an order that triggered a soft block control: (a) the goals of the tactic, (b) the confines of the market, or (c) the client’s pre-existing soft block limits.

9. The acts, practices, and conduct described in paragraphs 7 and 8 constitute a violation of Exchange Rule 3.2 and Rule 15c3-5 by the Firm in that the Firm failed to establish, document, and maintain reasonably designed risk management controls and supervisory procedures to prevent the entry of erroneous orders.<sup>4</sup>

### **SANCTION**

10. The Firm has a prior relevant disciplinary case (USRI-2820, December 2019) for, among other things, failing to accurately document the nature of its controls, including the soft block review process.
11. In light of the alleged rule violations described above the Firm consents to the imposition of the following sanctions:
- a. A censure; and
  - b. A monetary fine in the amount of \$5,000<sup>5</sup>

If this Letter of Consent is accepted, the Firm acknowledges that it shall be bound by all terms, conditions, representations, and acknowledgements of this Letter of Consent, and, in accordance with the provisions of Exchange Rule 8.3, waives the right to review or to defend against any of these allegations in a disciplinary hearing before a Hearing Panel. The Firm further waives the right to appeal any such decision to the Board of Directors, the U.S. Securities and Exchange Commission, a U.S. Federal District Court, or a U.S. Court of Appeals.

The Firm waives any right to claim bias or prejudgment of the Chief Regulatory Officer ("CRO") in connection with the CRO's participation in discussions regarding the terms and conditions of this Letter of Consent, or other consideration of this Letter of Consent, including acceptance or rejection of this Letter of Consent. The Firm further waives any claim that a person violated the ex parte prohibitions of Exchange Rule 8.16, in connection with such person's participation in discussions regarding the terms and conditions of this Letter of Consent, or other consideration of this Letter of Consent, including its acceptance or rejection.

The Firm agrees to pay the monetary sanction(s) upon notice that this Letter of Consent has been accepted and that such payment(s) are due and payable. 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 Firm understands that submission of this Letter of Consent is voluntary and will not resolve this matter unless and until it has been reviewed and accepted by the CRO, pursuant to Exchange Rule 8.3. If the Letter of Consent is not accepted, it will not be used as evidence to prove any of the allegations against the Firm.

The Firm understands and acknowledges that acceptance of this Letter of Consent will become part of its disciplinary record and may be considered in any future actions brought by the Exchange or

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<sup>4</sup> The Firm represents that it will remediate the alleged violative controls described herein.

<sup>5</sup> This settlement relates to other settlements the Firm reached with EDGA, EDGX and BYX.

any other regulator against the Firm. The Letter of Consent will be published on a website maintained by the Exchange in accordance with Exchange Rule 8.18.

The Firm understands that it may not deny the charges or make any statement that is inconsistent with the Letter of Consent. The Firm may attach a Corrective Action Statement to this Letter of Consent that is a statement of demonstrable corrective steps taken to prevent future misconduct. Any such statement does not constitute factual or legal findings by the Exchange, nor does it reflect the views of the Exchange 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 Letter of Consent and has been given a full opportunity to ask questions about it; that it has agreed to the Letter of Consent's provisions voluntarily; and that no offer, threat, inducement, or promise of any kind, other than the terms set forth herein, has been made to induce the Firm to submit it.**

**Date:** April 4, 2022

**Credit Suisse Securities (USA) LLC**

**By:** 

**Name:** Lara Leaf

**Title:** Director