



Bryan C. Wallace
Principal Counsel

Department of Enforcement

FINRA | Brookfield Place
200 Liberty Street
New York, NY 10281
Phone: 646-430-7060
Email: bryan.wallace@FINRA.org

**Via Certified Mail, Return Receipt Requested (9314 8699 0430 0077 8285 25), First Class
Mail and Email (lara.leaf@credit-suisse.com)**

December 18, 2020

Credit Suisse Securities (USA) LLC
Lara Leaf
Director
11 Madison Avenue
New York, NY 10010

**RE: Payment of Fine in Connection with Executed Letter of Consent
FINRA Matter No. 2017055996501**

Dear Ms. Leaf:

Enclosed is an executed copy of the Letter of Consent ("LOC"), signed by you on behalf of Credit Suisse Securities (USA) LLC (the "Firm"), and countersigned by Edward Deitzel, Executive Vice President and Chief Regulatory Officer, for the Business Conduct Committee, at the Miami International Securities Exchange, LLC ("MIAX" or the "Exchange") on December 18, 2020. Please consider this correspondence as notice to the Firm that this LOC has been accepted, and as a result, the Firm must promptly remit payment of the agreed upon sanction. Please make the payment to Miami International Securities Exchange, LLC.

By Mail:

Make a Firm check or Bank check payable to "MIAX Options" and return your payment to the following address:

MIAX Options
Attn: Tia Toms
7 Roszel Road, Suite 1A
Princeton, NJ 08540
Reference Number: MIAX Matter No. 2017055996501

By Wire:

If payment is by wire, wiring instructions are as follows:

Credit Suisse Securities (USA) LLC

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Pursuant to MIAX Rule 1011, after seven calendar days' notice in writing, the Exchange may summarily suspend a Member that fails to pay promptly a fine when such fine becomes finally due and payable.

If you have any questions regarding this matter, please contact me at 646-430-7060.

Sincerely,

Bryan Wallace

Bryan C. Wallace
Principal Counsel

Enclosure

cc: Larry O'Leary, VP Regulation, Miami International Securities Exchange, LLC
(via e-mail to loley@miaxoptions.com)

Stephen Sandover
Partner
Foley & Lardner LLP
90 Park Avenue
New York, NY 10016-1314

This letter is issued on behalf of the Miami International Securities Exchange, LLC, by FINRA Department of Enforcement pursuant to a grant of authority to FINRA. Accordingly, this constitutes a letter by the Miami International Securities Exchange, LLC.

MIAMI INTERNATIONAL SECURITIES EXCHANGE, LLC
LETTER OF CONSENT
NO. 2017055996501

TO: Miami International Securities Exchange, 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 1003 of the Rules of the Miami International Securities Exchange, LLC (“MIAX”), Credit Suisse Securities (USA) LLC (the “firm”) submits this Letter of Consent (“LOC”) for the purpose of proposing a settlement of the alleged rule violations described below. This LOC is submitted on the condition that, if accepted, MIAX 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 MIAX, or to which MIAX 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 MIAX:

BACKGROUND AND RELEVANT DISCIPLINARY HISTORY

The firm became a member of MIAX on December 7, 2012 and its registration remains in effect. The firm is headquartered in New York City. The firm has no relevant disciplinary history.

SUMMARY

Between November 30, 2016 and December 15, 2016, the firm submitted 87 erroneous position adjustments to the Options Clearing Corporation (“OCC”), in violation of MIAX Rule 300. In addition, during the same period, the firm failed to adequately supervise, and to provide for appropriate written procedures to supervise, the accuracy of OCC adjustments, in violation of MIAX Rules 500(b) and 1308(a)(1).

FACTS AND VIOLATIVE CONDUCT

A. The Firm Violated MIAX Rule 300 by Making Erroneous OCC Adjustments

The Relevant MIAX Rule and OCC By-Laws

1. MIAX Rule 300 provides that no member shall violate the Rules of the OCC related to the reporting or clearing of any MIAX transaction.
2. Article VI, Section 1 of the OCC By-Laws states that “[a]ll confirmed trades shall be cleared through the Corporation, and no other transaction shall be cleared through the Corporation without its consent.” Article VI, Section 1.01(a) of the OCC By-Laws permits a Clearing Member to submit adjustments to its positions with the Corporation to, among other things, “correct a bona fide error or omission regarding a confirmed trade previously submitted to the OCC by the Exchange, security futures market, futures market, futures market, international market or OTC Trade Source on which such confirmed trade occurred or was affirmed.” Section 1.01(a) further provides that “[s]uch adjustments shall be treated as confirmed trades for the purposes of Sections 15 and 16 of Article VI of the By-Laws and for the purposes of other sections of Article VI except where the context otherwise requires.”

The Violative Conduct

3. Erroneous OCC adjustments create a risk of inflating an options series’ open interest, which represents the total number of contracts in an option series that are held by traders and investors in active positions. These positions have not been exercised, closed out, or allowed to expire. When traders create new contracts (opening long or short positions), option open interest will increase.
4. By inflating open interest in an options series, erroneous OCC adjustments can impact the integrity of the options markets. A higher open interest tends to reflect greater liquidity for a particular options series, which could cause trading in a particular option based upon a mistaken belief that there is a higher level of liquidity than what actually exists.
5. Between November 30, 2016 and December 15, 2016, the firm made adjustments to various option series positions at the OCC to reconcile discrepancies between its books and records and positions of the firm and its customers as reported to the OCC. These discrepancies were identified on the firm’s daily OCC Reconciliation Report.
6. To correct the discrepancies, the firm entered adjustments transferring positions from account type “Firm” to account type “Customer,” or vice versa. However, on 87 instances, the firm mistakenly entered the incorrect account type, *i.e.*, Firm or Customer, when making adjustments to reconcile these discrepancies.

7. On November 30, 2016, the firm attempted to reconcile a 1,500 contract discrepancy stemming from a closing purchase transaction for a customer who held a short position of 6,875 contracts in an option series. When making the adjustments, instead of conducting (i) a closing sale transaction of 1,500 contracts in the firm account to close out the firm's long position; and (ii) a closing purchase transaction of 1,500 contracts in the Customer account to close the customer's corresponding short position, the firm reversed them. The firm entered the Customer account when effected the closing sale transaction, and the firm account when effecting the closing purchase transaction.
8. As a result of the erroneous adjustments, the OCC Reconciliation Report for the next day showed a discrepancy of 3,000 contracts. Unaware of the reason for that discrepancy, the firm attempted to correct it with a further adjustment, which resulted in a new discrepancy of 6,000 contracts, twice the size of the previous day's discrepancy. For 11 consecutive trading days, the firm entered erroneous adjustments, each day doubling the discrepancy, and inflating the open interest in the option series by a corresponding amount. As of December 14, 2016, the firm's long position at the OCC in the option series was 1,536,000 contracts, and the customer's short position at the OCC was 1,541,505 contracts.
9. On December 15, 2016, the firm became aware of these erroneous adjustments through contact with the OCC and immediately entered adjustments to correct the positions so that they matched the actual position on its books and records, *i.e.*, zero contracts for the firm and 5,505 contracts for the customer.
10. Between November 30 and December 14, the firm made the same type of erroneous OCC adjustments on 19 other option series. In total, the firm made 87 erroneous adjustments in 20 options series across 9 symbols. These adjustments inflated the open interest in these options series, in aggregate, by a total of approximately 2 million contracts.
11. As a result of the foregoing conduct, the firm violated MIAX Rule 300.

B. The Firm's Supervisory Violations

MIAX Rules 500(b) and 1308

12. MIAX Rule 500(b) prohibits members from engaging in conduct (1) inconsistent with the maintenance of a fair and orderly market; (2) apt to impair public confidence in the operations of the Exchange; or (3) inconsistent with the ordinary and efficient conduct of business. Activities that may violate Rule 500(b) include, but are not limited to, failure of a member to supervise an employee or associated person "adequately to ensure that person's compliance with [Rule 500(b)]".

13. MIAX Rule 1308(a)(1) requires, among other things, that members who conduct a non-member customer business “provide for appropriate supervisory control” and “provide for appropriate written procedures of supervision and control.”

Violative Conduct

14. The firm’s supervisory system and written supervisory procedures (“WSPs”) concerning OCC adjustments did provide for a supervisory review of all OCC adjustments after they were entered. However, the firm’s supervisory system and WSPs did not provide adequate guidance or methodology for reviewing the accuracy and completeness of OCC adjustments. The firm’s WSPs only required the relevant reports reflecting the adjustments be provided to a supervisor “for review and sign off.”
 15. While the firm did review all OCC adjustments after they were entered, the firm only determined whether the daily number of adjustments required equaled the daily number of adjustments made, without reviewing the accuracy of the adjustment calculations themselves. Accordingly, the firm failed to appropriately supervise the erroneous OCC adjustments and failed to provide for appropriate supervisory control and appropriate WSPs to achieve compliance with MIAX Rule 300 and the relevant OCC By-Laws.
 16. As a result of the foregoing, the firm violated MIAX Rules 500(b) and 1308(a)(1).
- B. The firm also consents to the imposition of the following sanctions:

A censure and fine in the amount of \$115,000.

The firm agrees to pay the monetary sanction(s) upon notice that this LOC has been accepted and that such payment(s) are due and payable. It has submitted an Election of Payment form showing the method by which it proposes to pay the fine imposed.

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 MIAX. A bar or expulsion shall become effective upon approval or acceptance of this LOC.

II.

WAIVER OF PROCEDURAL RIGHTS

The firm specifically and voluntarily waives the following rights granted under MIAX Rules:

- A. To have a Statement of Charges issued specifying the allegations against the firm;
- B. To be notified of the Statement of Charges 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 MIAX's Board of Directors 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 ("CRO"), as well as the Business Conduct Committee ("BCC"), in connection with participation in discussions regarding the terms and conditions of this LOC, or other consideration of this LOC, including acceptance or rejection of this LOC.

The firm further specifically and voluntarily waives any right to claim that a person violated the ex parte prohibitions of MIAX Rule 1006, in connection with such person's or body's participation in discussions regarding the terms and conditions of this LOC, or other consideration of this LOC, including its acceptance or rejection.

III.

OTHER MATTERS

The firm understands that:

- A. Submission of this LOC is voluntary and will not resolve this matter unless and until it has been reviewed and accepted by the CRO and the BCC, pursuant to MIAX Rule 1003;
- B. If this LOC 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 LOC will become part of the firm's permanent disciplinary record and may be considered in any future actions brought by MIAX or any other regulator against the firm;
 - 2. This AWC will be published on a website maintained by MIAX; 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 LOC or create the impression that the LOC is without factual basis. The firm may not take any position in any proceeding brought by or on behalf of MIAX, or to which MIAX is a party, that is inconsistent with any part of this LOC. Nothing in this provision affects the firm's: (i) testimonial obligations; or (ii) right to take legal or factual positions in litigation or other legal proceedings in which MIAX is not a party.
- D. The firm may attach a Corrective Action Statement to this LOC 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 LOC

in this Statement. This Statement does not constitute factual or legal findings by MIAX, nor does it reflect the views of MIAX 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 LOC and has been given a full opportunity to ask questions about it; that it has agreed to the LOC'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.

October 29, 2020

Date

Respondent
Credit Suisse Securities (USA) LLC

By: _____

Name: Lara Leaf

Title: Director

Reviewed by:



Stephen Sandover
Partner
Counsel for Respondent
Foley & Lardner LLP
90 Park Avenue
New York, NY 10016-1314
P 212.338.3647

Accepted by Miami International Securities Exchange, LLC:

December 18, 2020

Date

Edward Deitzel

Edward Deitzel
Executive Vice President and
Chief Regulatory Officer
Miami International Securities Exchange, LLC

Decision of the Business Conduct Committee:

Accept Decline

December 18, 2020

Date

Edward Deitzel

By: Edward Deitzel
For the Business Conduct Committee

ELECTION OF PAYMENT FORM

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

- A firm check or bank check for the full amount;
- Wire transfer;

Respectfully submitted,
Respondent
Credit Suisse Securities (USA) LLC

October 29, 2020

Date


By: _____

Name: Lara Leaf

Title: Director