

OFFICE OF THE ATTORNEY GENERAL
BUREAU OF SECURITIES
STATE OF NEW JERSEY
153 HALSEY STREET
P.O. BOX 47029
NEWARK, NEW JERSEY 07101

IN THE MATTER OF: :

Credit Suisse Securities (USA) LLC :

CRD #816. :

CONSENT ORDER

BEFORE ABBE R. TIGER, BUREAU CHIEF

Pursuant to the authority granted to the Chief of the New Jersey Bureau of Securities (“Bureau Chief”) by the Uniform Securities Law (1997), N.J.S.A. 49:3-47 et seq. (“Securities Law”), and after investigation, review, and due consideration of the facts and statutory provisions set forth below, the Bureau Chief has determined that civil monetary penalties and additional monetary and other remedies be assessed against Credit Suisse Securities (USA) LLC (“Credit Suisse”).

WHEREAS, the New Jersey Bureau of Securities (the “Bureau”) is the State agency with the responsibility to administer and enforce the Securities Law; and

WHEREAS, N.J.S.A. 49:3-67 authorizes the Bureau Chief from time to time to issue such Orders as are necessary to carry out the provisions of the Securities Law, upon a finding that the action is necessary or appropriate in the public interest or for the protection of investors and consistent with the purposes fairly intended by the provisions of the Securities Law; and

WHEREAS, Credit Suisse is a broker-dealer registered with the Bureau; and

WHEREAS, coordinated investigations of the activities of Credit Suisse in connection with its marketing and sales practices for investment products generally known as “auction rate securities” have been conducted by a multistate task force composed of members of the North American Securities Administrators Association, Inc. (“NASAA”); and

WHEREAS, Credit Suisse has cooperated with regulators conducting the investigations by responding to inquiries, providing documentary evidence and other materials, and providing regulators with access to facts relating to the investigations; and

WHEREAS, Credit Suisse has advised regulators of its agreement to resolve the investigations relating to its marketing and sales practices to certain investors in auction rate securities; and

WHEREAS, Credit Suisse consents to the form and entry on this Consent Order without admitting or denying the Findings of Fact and Conclusions of Law set forth herein.

WHEREAS, Credit Suisse agrees to take certain actions described herein and to make certain payments; and

WHEREAS, Credit Suisse elects to waive permanently any right to a hearing and appeal under N.J.S.A. 52:14B-1 et seq., with respect to this Consent Order; and

WHEREAS, Credit Suisse and the Bureau Chief wish to resolve these issues in accordance with the terms of the Settlement and without the expense and delay that formal administrative proceedings would involve; and

Accordingly, Credit Suisse waives the following rights:

- a. To be afforded an opportunity for hearing on the Bureau Chief's findings and conclusions of law in this Consent Order after reasonable notice within the meaning of N.J.S.A. 49:3-58(c)(2); and
- b. To seek judicial review of, or otherwise challenge or contend, the validity of this Consent Order; and

WHEREAS, the provisions set forth in this Consent Order constitute the entire agreement between the Bureau and Credit Suisse.

FINDINGS OF FACT

The Bureau Chief makes the following findings of fact:

1. Credit Suisse admits the jurisdiction of the Bureau, neither admits nor denies the findings of fact and conclusions of law contained in this Consent Order, and consents to the entry of this Consent Order by the Bureau.

DEFINITIONS

2. "Individual Investor" means any natural person who purchased auction rate securities from or through a Credit Suisse account prior to February 14, 2008, and also includes:

- a. legal entities acting as an investment vehicle for family members, including but not limited to IRA accounts, Trusts, Family Limited Partnerships, and other legal entities performing a similar function;
- b. charities and non-profits; and

c. small- to medium-sized businesses with up to \$10 million in assets in accounts with Credit Suisse Securities (USA) LLC, any of which purchased auction rate securities from or through Credit Suisse prior to February 14, 2008. Notwithstanding any other provision, "Individual Investor" does not include broker-dealers, banks, registered investment advisers, other investment firms or investment institutions regardless of whether any of the foregoing were acting for their own account or as conduits for their customers.

3. "Institutional Investor" means any other legal entity not meeting the definition of "Individual Investor" in paragraph 2 above, and which purchased auction rate securities from or through a Credit Suisse account.

4. "Proceedings" include, but are not limited to, any meetings, interviews, depositions, hearings, trials, grand jury proceedings, or any other proceedings.

5. "The representative specified by NASAA" is the North Carolina Secretary of State as Securities Administrator, or her lawfully authorized designee.

6. All other words, terms, and phrases used in this Consent Order shall have the usual and ordinary meanings given to them in everyday speech, and are to be taken and understood in their plain, ordinary, and popular sense.

Auction Rate Securities

7. "Auction rate securities" are long-term debt or equity instruments that include auction rate preferred shares of closed-end funds, municipal auction rate bonds, and various asset-backed auction rate bonds. Some auction rate securities products have maturity dates of 20 years or longer; auction rate preferred shares of certain closed-end

funds have no maturity date whatsoever. While auction rate securities are all long-term instruments, one significant feature of auction rate securities, which historically provided the potential for short-term liquidity, is that the variable interest rates reset through a bidding process known as a Dutch auction that occurred in varying increments, generally between seven (7) and forty-two (42) days. At a Dutch auction, bidders generally state the number of auction rate securities they wish to purchase and the minimum interest rate they are willing to accept. Bids are then ranked, from lowest to highest, according to the minimum interest rate each bidder is willing to accept. The lowest interest rate required to sell all of the auction rate securities available at auction, known as the “clearing rate,” becomes the rate paid to all holders of that particular security until the next auction. If an auction is successful, investors wishing to sell are able to exit the auction rate securities market on a short-term basis. When there are not enough orders to purchase all of the auction rate securities being sold, a “failed” auction occurs. If an auction fails, investors are required to hold all or some of their auction rate securities until the next successful auction in order to liquidate their funds, or they may attempt to sell those auction rate securities in a secondary market transaction, if such a secondary market even exists and is functioning. Beginning in February 2008, the auction rate securities market experienced widespread and repeated failed auctions.

Credit Suisse’s Conduct

8. Credit Suisse was an underwriter of a limited number of offerings of auction rate securities. Credit Suisse also acted as a manager for certain issues of auction rate securities. When acting as a sole manager, Credit Suisse was the only firm that could

submit bids into the auction on behalf of its clients and/or other broker-dealers who wanted to buy and/or sell any auction rate securities. When acting as a co-lead manager, Credit Suisse and the other co-lead managers could directly submit orders into the auction, while other broker-dealers were able to submit orders on behalf of their clients and on their own behalf into the auction through a co-lead manager. Credit Suisse received revenue in connection with auction rate securities, including underwriting fees representing a percentage of total issuance and a fee for managing the auctions.

9. From time to time over many years, Credit Suisse submitted support bids, or purchase orders, for some or all of an auction rate security issue for which it acted as the sole or lead manager. Support bids were Credit Suisse's proprietary orders that would be filled, in whole or in part, if there was an otherwise insufficient demand in an auction. When Credit Suisse purchased auction rate securities through support bids, those auction rate securities were then owned by Credit Suisse and were recorded on Credit Suisse's balance sheet.

10. Because investors could not ascertain how much of an auction was filled through proprietary bids of Credit Suisse and other firms acting as sole or lead managers, they could not determine if auctions were clearing because of normal marketplace demand, or because Credit Suisse and other firms acting as lead managers were supporting the auctions through their own proprietary purchase orders. Generally, investors also were not aware of the extent to which the auction rate securities market was dependent upon Credit Suisse's and other broker-dealers' use of support bids for its successful operation. While Credit Suisse could track its own inventory as a measure of the supply and demand for auction rate securities for which it was a sole, lead, or co-lead

manager, ordinary investors had no comparable ability to assess the operation of the market. There was no way for those investors to monitor supply and demand in the market or to assess when broker-dealers might decide to stop supporting the market, which could cause numerous and repeated auction failures.

11. In August 2007, the credit crisis and other deteriorating market conditions strained the auction rate securities market. Some institutional investors withdrew from the market, decreasing demand for auction rate securities.

12. The potential for a market dislocation should have been evident to Credit Suisse. In those auctions where Credit Suisse was a lead manager, Credit Suisse's support bids filled the increasing gap between the supply of and the demand for auction rate securities, maintaining the impression that the auction process was functioning normally. From Fall 2007 until February 2008, demand for auction rate securities continued to erode and Credit Suisse's inventory of auction rate securities grew. Credit Suisse was aware of increasing strains on the auction rate securities market and increasingly questioned the viability of the auction rate securities market. On January 28, 2008, Credit Suisse provided written disclosure of these increasing risks of owning or purchasing auction rate securities to its customers; prior to that date, certain of its representatives did not fully disclose those increasing risks to certain of its clients.

13. In February 2008, Credit Suisse and other broker-dealers stopped supporting the auctions. Without the benefit of support bids, the auction rate securities market collapsed, leaving investors who thought they were buying liquid, short-term investments instead holding long-term or perpetual securities that they were unable to sell at par value.

14. In certain instances, Credit Suisse representatives told certain of the firm's customers that auction rate securities were liquid investments that were alternatives to money market funds as part of a strategy for cash management. Specifically, certain employees acting on behalf of Credit Suisse represented to certain investors that auction rate securities were highly liquid, highly rated alternatives to money market investments and other cash-equivalent investments.

15. New Jersey investors purchased auction rate securities in Credit Suisse accounts during the time specified in this Consent Order.

CONCLUSIONS OF LAW

Solely for the purpose of this Consent Order, and without admitting or denying the findings of fact and conclusions of law set forth herein, Credit Suisse consents to the Bureau Chief making the following conclusions of law:

1. Credit Suisse's conduct described above constitutes dishonest or unethical conduct in the securities business, pursuant to N.J.S.A. 49:3-58(a)(2)(vii).
2. Credit Suisse's conduct described above constitutes a failure to reasonably supervise its agents, pursuant to N.J.S.A. 49:3-58(a)(2)(xi).
3. The activities set forth herein are grounds, pursuant to N.J.S.A. 49:3-58(a)(1), N.J.S.A. 49:3-58(a)(2)(vii), and N.J.S.A. 49:3-58(a)(2)(xi), for the initiation of administrative proceedings.

ORDER

On the basis of the Findings of Fact, Conclusions of Law, and Credit Suisse's consent to the entry of this Consent Order,

It is on this 26TH day of JULY 2011, HEREBY ORDERED:

1. Entry of this Consent Order terminates the investigation by the Bureau with respect to Credit Suisse's marketing and sale of auction rate securities to Individual Investors. However, nothing herein limits the ability of the Bureau, individually or jointly with other states, in pursuing any investigation with respect to any individual concerning Credit Suisse's marketing and sale of auction rate securities, whether that individual is associated with Credit Suisse or otherwise; and specifically excluded from and not covered by this paragraph are any claims by the Bureau arising from or relating to the "Order" provisions contained herein.

2. This Consent Order is entered into solely for the purpose of resolving the previously referenced multistate investigation, and is not intended to be used for any other purpose.

3. Credit Suisse will CEASE AND DESIST from violating the Securities Law, and will comply with the provisions of the Securities Law.

4. Credit Suisse is assessed and shall pay the sum of \$1,057,996.56 due and payable within ten days of the entry of this Consent Order to "State of New Jersey, Bureau of Securities," 153 Halsey Street, 6th Floor, Newark, New Jersey 07102, or to be mailed to "Bureau of Securities," P.O. Box 47029, Newark, New Jersey 07101. The civil monetary penalty payment shall be deposited in the Securities Enforcement Fund, pursuant to N.J.S.A. 49:3-66.1. This amount constitutes New Jersey's allocated share of

the \$15 million total settlement payment that Credit Suisse has agreed to make to those states and territories that enter administrative or civil consent orders approving the terms of the NASAA settlement and to the State of New York, allocated according to a formula determined and set by NASAA and the State of New York.

5. In the event another state securities regulator determines not to accept Credit Suisse's offer of settlement and does not enter an administrative or civil consent order approving the terms of the NASAA settlement, the total amount of New Jersey's allocated payment shall not be affected, and shall remain at \$1,057,996.56.

6. Credit Suisse shall not claim, assert, or apply for a tax deduction or tax credit with regard to any state, federal, or local tax for any administrative monetary payment that Credit Suisse shall pay pursuant to this Consent Order.

7. Credit Suisse shall fully and fairly comply with all of the following requirements:

a. As soon as practicable after September 23, 2008, Credit Suisse will have offered to purchase at par auction rate securities that since February 14, 2008, have not been successfully auctioning from Individual Investors who purchased those auction rate securities from or through a Credit Suisse account prior to February 14, 2008;

b. Credit Suisse shall have purchased such securities from investors who accepted this offer prior to December 11, 2008, by that date;

c. Credit Suisse shall have kept such offer open until December 31, 2009, and promptly shall have purchased such securities from any Individual Investor who accepts the offer between December 11, 2008, and December 31,

2009;

d. Credit Suisse promptly will have provided notice to customers of the settlement terms publicly announced on September 16, 2008, and Credit Suisse promptly will have established a dedicated telephone assistance line, with appropriate staff, to respond to questions from customers concerning the terms of the settlement;

e. No later than December 11, 2008, any Individual Investor that Credit Suisse could reasonably identify who sold auction rate securities in a Credit Suisse account below par between February 14, 2008, and September 16, 2008, will have been paid by Credit Suisse the difference between par and the price at which the Individual Investor sold those auction rate securities;

f. No later than December 11, 2008, Credit Suisse shall have notified all Individual Investors that a public arbitrator (as defined by section 12100(u) of the *NASD Code of Arbitration Procedure for Customer Disputes*, effective April 16, 2007), under the auspices of the Financial Industry Regulatory Authority (“FINRA”), will be available for the exclusive purpose of arbitrating any Individual Investor’s consequential damages claim. Arbitration shall be conducted by public arbitrators and Credit Suisse will pay all applicable forum and filing fees. Any Individual Investors who choose to pursue such claims shall bear the burden of proving that they suffered consequential damages and that such damages were caused by investors’ inability to access funds consisting of investors’ auction rate securities holdings in Credit Suisse accounts. Credit Suisse shall be able to defend itself against such claims; provided, however, that Credit

Suisse shall not contest in these arbitrations liability related to the sale of auction rate securities; and further provided that Credit Suisse shall not be able to use as part of its defense an Individual Investor's decision not to borrow money from Credit Suisse. Punitive damages shall not be available in the arbitration proceedings;

g. Credit Suisse shall endeavor to work with issuers and other interested parties, including regulatory and governmental entities, to expeditiously provide liquidity solutions for Institutional Investors;

h. Beginning December 11, 2008, and then quarterly after that, Credit Suisse shall have submitted a written report to the representative specified by NASAA outlining the efforts in which Credit Suisse has engaged and the results of those efforts with respect to Credit Suisse's Institutional Investors' holdings in auction rate securities;

i. Credit Suisse shall have conferred, as requested, with the representative specified by NASAA no less frequently than quarterly to discuss Credit Suisse's progress to date;

j. Such quarterly reports shall have continued until no later than December 31, 2009;

k. Following every quarterly report, the representative specified by NASAA will advise Credit Suisse of any concerns and, in response, Credit Suisse shall have discussed with the representative specified by NASAA how it plans to address any such concerns;

l. Credit Suisse shall make its best efforts to identify Individual

Investors who took out loans from Credit Suisse, between February 14, 2008, and December 11, 2008, that were secured by auction rate securities that were not successfully auctioning at the time the loan was taken out from Credit Suisse, and who paid interest associated with the auction-rate-securities-based portion of those loans in excess of the total interest and dividends received on the auction rate securities during the duration of the loan. Credit Suisse shall reimburse such customers for the excess expense, plus reasonable interest, of the loan. Such reimbursement shall occur no later than March 31, 2009. This paragraph does not apply to margin loans;

m. Credit Suisse shall, upon request by the Bureau Chief, provide all documentation and information reasonably necessary for the Bureau Chief to verify compliance with this Consent Order;

n. Credit Suisse shall not take any action, or make or permit to be made any public statement, denying, directly or indirectly, any finding in this Consent Order or creating the impression that this Consent Order is without factual basis. Nothing in this paragraph affects Credit Suisse's (a) testimonial obligations; or (b) right to take legal or factual positions in defense of litigation or other legal proceedings to which the Bureau is not a party; and

o. Credit Suisse shall cooperate fully and promptly with the Bureau and shall use its best efforts to ensure that all of the current and former officers, directors, trustees, agents, members, partners, and employees of Credit Suisse (and of any of Credit Suisse's parent companies, subsidiaries, or affiliates) cooperate fully and promptly with the Bureau in any pending or subsequently

initiated investigation, litigation, or other proceeding relating to auction rate securities and/or the subject matter of this Consent Order. Such cooperation shall include, without limitation, and on a best efforts basis:

(1) production, voluntarily and without service of subpoena, upon the request of the Bureau, of all documents or other tangible evidence requested by the Bureau and any compilations or summaries of information or data that the Bureau requests that Credit Suisse (or Credit Suisse's parent companies, subsidiaries, or affiliates) prepare, except to the extent such production would require the disclosure of information protected by the attorney-client and/or work product privileges;

(2) without the necessity of a subpoena, having the current (and making all reasonable efforts to cause the former) officers, directors, trustees, agents, members, partners, and employees of Credit Suisse (and of any of Credit Suisse's parent companies, subsidiaries, or affiliates) attend any proceedings, in New Jersey or elsewhere, at which the presence of any such persons is requested by the Bureau, and having such current (and making all reasonable efforts to cause the former) officers, directors, trustees, agents, members, partners, and employees answer any and all inquiries that may be put by the Bureau to any of them at any proceedings or otherwise, except to the extent such production would require the disclosure of information protected by the attorney-client and/or work product privileges;

(3) fully, fairly, and truthfully disclosing all information and

producing all records and other evidence in its possession, custody, or control (or the possession, custody, or control of Credit Suisse's parent companies, subsidiaries, or affiliates) relevant to all inquiries made by the Bureau concerning the subject matter of this Consent Order, except to the extent such inquiries call for the disclosure of information protected by the attorney-client and/or work product privileges; and

(4) making outside counsel reasonably available to provide comprehensive presentations concerning any internal investigation relating to all matters in this Consent Order and to answer questions, except to the extent such presentations or questions call for the disclosure of information protected by the attorney-client and/or work product privileges.

8. The cooperation provisions set forth in paragraph 7.o. above is not intended, nor is it a reasonable construction of such provisions, to require Credit Suisse (or any of its parent companies, subsidiaries, or affiliates, or any of their current or former officers, directors, or employees) to violate any foreign or domestic law or regulation in complying with those provisions. Credit Suisse shall promptly notify the Bureau if any request under those cooperation provisions has been construed to require that Credit Suisse (or any of its parent companies, subsidiaries, or affiliates, or any of their current or former officers, directors, or employees) violate any foreign or domestic law or regulation. In such circumstances, the Bureau shall act in cooperation with Credit Suisse towards reaching a resolution that would not require a violation of such laws or regulations.

9. In consideration of Credit Suisse's agreement to resolve the previously referenced multistate investigation relating to its marketing and sales practices for auction rate securities, and its agreement to fully comply with all the terms of this Consent Order, the Bureau will have refrained from taking legal action against Credit Suisse with respect to its Institutional Investors until at least December 11, 2008, and will not seek additional monetary payments from Credit Suisse relating to Credit Suisse's marketing and sale of auction rate securities.

10. If payment is not made timely by Credit Suisse, or if Credit Suisse defaults in any of its obligations set forth in this Consent Order, the Bureau may vacate this Consent Order, at its sole discretion, upon ten days notice to Credit Suisse and without opportunity for administrative hearing, or may refer this matter for enforcement as provided in N.J.S.A. 49:3-58 and/or 68.1.

11. Nothing herein shall preclude New Jersey, its departments, agencies, boards, commissions, authorities, political subdivisions, and corporations (collectively, "State Entities"), other than the Bureau, and then only to the extent set forth in paragraphs 1 and 9 above, and the officers, agents, or employees of State Entities from asserting any claims, causes of action, or applications for compensatory, nominal and/or punitive damages, administrative, civil, criminal, or injunctive relief against Credit Suisse in connection with the marketing and sale of auction rate securities by Credit Suisse.

12. This Consent Order does not constitute a final order based on violations of any laws or regulations that prohibit fraudulent, manipulative, or deceptive conduct. This Consent Order is not intended to indicate that Credit Suisse or any of its affiliates or current or former employees shall be subject to any disqualifications contained in the

federal securities law, the rules and regulations thereunder, the rules and regulations of self regulatory organizations or various states' securities laws including any disqualifications from relying upon the registration exemptions or safe harbor provisions. In addition, this Consent Order is not intended to form the basis for any such disqualifications. The Bureau agrees that any disclosure reporting, including on Form U6, concerning this Consent Order will be consistent with this paragraph.

13. Except in an action by the Bureau to enforce the obligations of Credit Suisse in this Consent Order, this Consent Order may neither be deemed nor used as an admission of or evidence of any alleged fault, omission, or liability of Credit Suisse in any civil, criminal, arbitration, or administrative proceeding in any court, administrative agency or tribunal. For any person or entity not a party to this Consent Order, this Consent Order does not limit or create any private rights or remedies against Credit Suisse including, without limitation, the use of any e-mails or other documents of Credit Suisse or of others for auction rate securities practices, limit or create liability of Credit Suisse, or limit or create defenses of or for Credit Suisse to any claims.

14. This Consent Order shall not disqualify Credit Suisse or any of its affiliates or current or former employees from any business that they otherwise are qualified or licensed to perform under applicable state law and this Consent Order is not intended to form the basis for any disqualification.

15. This Consent Order and any dispute related thereto shall be construed and enforced in accordance with, and governed by, the laws of the state of New Jersey without regard to any choice of law principles.

16. This Consent Order shall be binding upon Credit Suisse and its affiliates, its

successors and assigns as well as the successors and assigns of relevant affiliates, with respect to all conduct subject to the provisions above, and all future obligations, responsibilities, undertakings, commitments, limitations, restrictions, events, and conditions under the above provisions.

17. This Consent Order contains, constitutes, and embodies the entire agreement between the undersigned, there being no agreement of any kind, verbal or otherwise, which varies, alters, or adds to this Consent Order; and this Consent Order supersedes any prior communication, understanding, or agreement, whether written or oral, concerning the subject matter of this Consent Order.


18. In the event that one or more provisions contained in this Consent Order shall for any reason be held to be invalid, illegal, or unenforceable in any respect, such invalidity, illegality, or unenforceability shall not affect any other provision of this Consent Order.

19. By its consent to and execution of this Consent Order, Credit Suisse affirmatively represents that it freely agrees to the signing of this Consent Order by the Bureau, and that no threats, promises, representations, inducements, or offers of any kind, other than as stated in this document, have been made by the Bureau, any member of the staff of the Bureau, or any agent or employee of the Bureau in connection with the negotiation and signing of this Consent Order.

20. This Consent Order shall become final upon entry.

Credit Suisse Securities (USA) LLC hereby consents to the form and entry of this Consent Order without admitting or denying the findings of fact and conclusions of law set forth herein.

NEW JERSEY BUREAU OF SECURITIES

By: 
Abbe R. Tiger
Chief, Bureau of Securities

DATED: 7/26/11

CONSENT TO ENTRY OF CONSENT ORDER BY CREDIT SUISSE

Credit Suisse Securities (USA) LLC ("Credit Suisse") hereby acknowledges that it has been served with a copy of this Consent Order, has read the foregoing Consent Order, is aware of its right to a hearing and appeal in this matter, and has waived the same.

Credit Suisse admits the jurisdiction of the Bureau, neither admits nor denies the Findings of Fact and Conclusions of Law contained in this Consent Order; and consents to entry of this Consent Order by the Bureau as settlement of the issues contained in this Consent Order.

Credit Suisse states that no promise of any kind or nature whatsoever was made to it to induce it to enter into this Consent Order and that it has entered into this Consent Order voluntarily.

Alan Reifenberg represents that he/she is Director of Credit Suisse and that, as such, has been authorized by Credit Suisse to enter into this Consent Order for and on behalf of Credit Suisse.

Credit Suisse agrees that it shall not claim, assert, or apply for a tax deduction or tax credit with regard to any state, federal, or local tax for any administrative monetary penalty that Credit Suisse shall pay pursuant to this Consent Order.

Dated this 25th day of July, 2011.

CREDIT SUISSE SECURITIES (USA) LLC

By: [Signature]

Title: Director

SUBSCRIBED AND SWORN TO before me this 25th day of July, 2011, 2011.

[Signature]
Notary Public

My commission expires: May 18, 2014

JOHN J. MacDONALD
Notary Public, State Of New York
No. 01MA6007204
Qualified In New York County
Commission Expires May 18, 2014