

1 STATE OF ALASKA  
2 DEPARTMENT OF COMMERCE, COMMUNITY, AND ECONOMIC DEVELOPMENT  
3 DIVISION OF BANKING AND SECURITIES

4 IN THE MATTER OF: )

5 Credit Suisse Securities (USA) LLC )  
6 1 Madison Avenue, 9<sup>th</sup> Floor )  
7 New York, New York 10010, )

8 Respondent. )

ADMINISTRATIVE CONSENT ORDER

ORDER NO: 10-09-S

9 WHEREAS, at all times relevant herein, the Respondent, CREDIT SUISSE SECURITIES  
10 (USA) LLC (hereinafter “Respondent Credit Suisse”), a limited liability company organized under  
11 the laws of the state of Delaware, has been and remains a broker-dealer registered with the State of  
12 Alaska, Department of Commerce, Community, and Economic Development, Division of Banking  
13 and Securities (“Division”), under the Alaska Securities Act, Alaska Statutes (“AS”) 45.55 (“the  
14 Act”). In addition, Credit Suisse Securities (USA) LLC is a registered securities broker-dealer and  
15 an investment adviser covered under federal law offering brokerage and investment products and  
16 services to investors across the United States of America; and

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

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



1 of 20 years or longer; auction rate preferred shares of certain closed-end funds have no maturity  
2 date whatsoever. While auction rate securities are all long-term instruments, one significant  
3 feature of auction rate securities, which historically provided the potential for short-term liquidity,  
4 is that the variable interest rates reset through a bidding process known as a Dutch auction that  
5 occurred in varying increments, generally between seven (7) and forty-two (42) days. At a Dutch  
6 auction, bidders generally state the number of auction rate securities they wish to purchase and the  
7 minimum interest rate they are willing to accept. Bids are then ranked, from lowest to highest,  
8 according to the minimum interest rate each bidder is willing to accept. The lowest interest rate  
9 required to sell all of the auction rate securities available at auction, known as the “clearing rate,”  
10 becomes the rate paid to all holders of that particular security until the next auction. If an auction  
11 is successful, investors wishing to sell are able to exit the auction rate securities market on a short-  
12 term basis. When there are not enough orders to purchase all of the auction rate securities being  
13 sold, a “failed” auction occurs. If an auction fails, investors are required to hold all or some of  
14 their auction rate securities until the next successful auction in order to liquidate their funds, or  
15 they may attempt to sell those auction rate securities in a secondary market transaction, if such a  
16 secondary market even exists and is functioning. Beginning in February 2008, the auction rate  
17 securities market experienced widespread and repeated failed auctions.

18 (b) “Individual Investor” means any natural person who purchased auction rate  
19 securities from or through a Respondent Credit Suisse account prior to February 14, 2008, and also  
20 includes

21 (i) legal entities acting as an investment vehicle for family members,  
22 including but not limited to IRA accounts, trusts, family limited partnerships, and  
23 other legal entities performing a similar function;

24 (ii) charities and non-profits; and

1 (iii) small to medium-sized businesses with up to \$10 million in assets in  
2 accounts with Respondent Credit Suisse, any of which purchased auction rate  
3 securities from or through Respondent Credit Suisse prior to February 14, 2008.  
4 Notwithstanding any other provision, "Individual Investor" does not include a  
5 broker-dealer, bank, registered investment adviser, or other investment firm or  
6 investment institution regardless of whether any of the foregoing is acting for its  
7 own account or as a conduit for its customers.

8 (c) "Institutional Investor" means any other legal entity not meeting the  
9 definition of "Individual Investor" in paragraph I.3(b), above, that purchased auction rate securities  
10 from or through a Respondent Credit Suisse account.

11 (d) "Proceedings" include, but are not limited to, any meetings, interviews,  
12 depositions, hearings, trials, grand jury proceedings, or any other proceedings.

13 (e) "The representative specified by NASAA" is the North Carolina Secretary  
14 of State as Securities Administrator, or her lawfully authorized designee.

15 (f) All other words, terms, and phrases used in this Order shall have the usual  
16 and ordinary meanings given to them in everyday speech and are to be taken and understood in  
17 their plain, ordinary, and popular sense.

## 18 **EVENTS**

19 4. Respondent Credit Suisse was an underwriter of a limited number of offerings of  
20 auction rate securities. Respondent Credit Suisse also acted as a manager for certain issues of  
21 auction rate securities. When acting as a sole manager, Respondent Credit Suisse was the only  
22 firm that could submit bids into the auction on behalf of its clients and/or other broker-dealers who  
23 wanted to buy and/or sell any auction rate securities. When acting as a co-lead manager,  
24 Respondent Credit Suisse and the other co-lead managers could directly submit orders into the

1 auction, while other broker-dealers were able to submit orders on behalf of their clients and on  
2 their own behalf into the auction through a co-lead manager. Respondent Credit Suisse received  
3 revenue in connection with auction rate securities, including underwriting fees representing a  
4 percentage of total issuance and a fee for managing the auctions.

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

12 6. Because investors could not ascertain how much of an auction was filled through  
13 proprietary bids of Respondent Credit Suisse and other firms acting as sole or lead managers, they  
14 could not determine if auctions were clearing because of normal marketplace demand, or because  
15 Respondent Credit Suisse and other firms acting as lead managers were supporting the auctions  
16 through their own proprietary purchase orders. Generally, investors also were not aware of the  
17 extent to which the auction rate securities market was dependent upon Respondent Credit Suisse's  
18 and other broker-dealers' use of support bids for its successful operation. While Respondent Credit  
19 Suisse could track its own inventory as a measure of the supply and demand for auction rate  
20 securities for which it was a sole, lead, or co-lead manager, ordinary investors had no comparable  
21 ability to assess the operation of the market. There was no way for those investors to monitor  
22 supply and demand in the market or to assess when broker-dealers might decide to stop supporting  
23 the market, which could cause numerous and repeated auction failures.

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

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

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

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





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

3           3.       Respondent Credit Suisse will CEASE AND DESIST from violating the Act and  
4 will comply with the provisions of the Act.

5           4.       Within ten (10) days following the entry of this Order, by check made payable to  
6 the State of Alaska, Respondent Credit Suisse shall pay the sum of thirty thousand, three hundred  
7 seventy-two dollars and 98 cents (\$30,372.98), such amount to be restricted to the following  
8 specific use by the division: promoting investor education, investor protection, and compliance  
9 with the securities laws. This amount constitutes Alaska's allocated share of the \$15 million total  
10 settlement payment that Respondent Credit Suisse has agreed to make to those states and territories  
11 that enter administrative or civil consent orders approving the terms of the NASAA settlement and  
12 to the state of New York, allocated according to a formula determined and set by NASAA and the  
13 State of New York.

14           5.       In the event another state securities regulator determines not to accept Respondent  
15 Credit Suisse's offer of settlement and does not enter an administrative or civil consent order  
16 approving the terms of the NASAA settlement, the total amount of the Division's allocated  
17 payment shall not be affected, and shall remain at thirty thousand, three hundred seventy-two  
18 dollars (\$30,372).

19           6.       Respondent Credit Suisse shall not claim, assert, or apply for a tax deduction or tax  
20 credit with regard to any state, federal, or local tax for any payment that Respondent Credit Suisse  
21 shall make pursuant to this Order.

22           7.       Respondent Credit Suisse shall fully and fairly comply with all of the following  
23 requirements:  
24

1           A.     As soon as practicable after September 23, 2008, Respondent Credit  
2     Suisse will have offered to purchase at par auction rate securities that since February 14,  
3     2008, have not been successfully auctioning from Individual Investors who purchased  
4     those auction rate securities from or through a Respondent Credit Suisse account prior to  
5     February 14, 2008;

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

8           C.     Respondent Credit Suisse shall keep such offer open until  
9     December 31, 2009, and promptly shall purchase such securities from any Individual  
10    Investor who accepts the offer between December 11, 2008, and December 31, 2009;

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

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

21          F.     No later than December 11, 2008, Respondent Credit Suisse shall  
22    have notified all Individual Investors that a public arbitrator (as defined by section  
23    12100(u) of the *NASD Code of Arbitration Procedure for Customer Disputes*, effective  
24    April 16, 2007), under the auspices of the Financial Industry Regulatory Authority

1 (“FINRA”), will be available for the exclusive purpose of arbitrating any Individual  
2 Investor’s consequential damages claim. Arbitration shall be conducted by public  
3 arbitrators and Respondent Credit Suisse will pay all applicable forum and filing fees. Any  
4 Individual Investors who choose to pursue such claims shall bear the burden of proving that  
5 they suffered consequential damages and that such damages were caused by the investors’  
6 inability to access funds consisting of investors’ auction rate securities holdings in Credit  
7 Suisse accounts. Respondent Credit Suisse shall be able to defend itself against such  
8 claims; provided, however, that Respondent Credit Suisse shall not contest in these  
9 arbitrations liability related to the sale of auction rate securities; and further provided that  
10 Respondent Credit Suisse shall not be able to use as part of its defense an Individual  
11 Investor’s decision not to borrow money from Respondent Credit Suisse. Punitive  
12 damages, or any other type of damages other than consequential damages, shall not be  
13 available in the arbitration proceedings;

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

17 H. Beginning December 11, 2008, and then quarterly after that,  
18 Respondent Credit Suisse shall submit a written report to the representative specified by  
19 NASAA outlining the efforts in which Respondent Credit Suisse has engaged and the  
20 results of those efforts with respect to Respondent Credit Suisse’s Institutional Investors’  
21 holdings in auction rate securities;

22 I. Respondent Credit Suisse shall confer with the representative  
23 specified by NASAA no less frequently than quarterly to discuss Respondent Credit  
24 Suisse’s progress to date;

1 J. Such quarterly reports shall continue until no later than  
2 December 31, 2009;

3 K. Following every quarterly report, the representative specified by  
4 NASAA will advise Respondent Credit Suisse of any concerns and, in response,  
5 Respondent Credit Suisse shall discuss with the representative specified by NASAA how it  
6 plans to address such concerns;

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

17 M. Respondent Credit Suisse shall, upon request by the Division,  
18 provide all documentation and information reasonably necessary for the Division to verify  
19 compliance with this Order;

20 N. Respondent Credit Suisse shall not take any action, or make or  
21 permit to be made any public statement, denying, directly or indirectly, any finding in this  
22 Order or creating the impression that this Order is without factual basis. Nothing in this  
23 paragraph affects Respondent Credit Suisse's (a) testimonial obligations; or (b) right to take  
24

1 legal or factual positions in defense of litigation or other legal proceedings to which the  
2 Division is not a party; and

3 O. Respondent Credit Suisse shall cooperate fully and promptly with  
4 the Division and shall use its best efforts to ensure that all of the current and former  
5 officers, directors, trustees, agents, members, partners, and employees of Respondent  
6 Credit Suisse (and of any of Respondent Credit Suisse's parent companies, subsidiaries, or  
7 affiliates) cooperate fully and promptly with the Division in any pending or subsequently  
8 initiated investigation, litigation, or other proceeding relating to auction rate securities  
9 and/or the subject matter of this Order. Such cooperation shall include, without limitation,  
10 and on a best efforts basis:

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

18 (2) without the necessity of a subpoena, having the current (and making  
19 all reasonable efforts to cause the former) officers, directors, trustees, agents,  
20 members, partners, and employees of Respondent Credit Suisse (and of any of  
21 Respondent Credit Suisse's parent companies, subsidiaries, or affiliates) attend any  
22 proceedings, in the state of Alaska or elsewhere, at which the presence of any such  
23 persons is requested by the Division, and having such current (and making all  
24 reasonable efforts to cause the former) officers, directors, trustees, agents, members,

1 partners, and employees answer any and all inquiries that may be put by the  
2 Division to any of them at any proceedings or otherwise, except to the extent such  
3 production would require the disclosure of information protected by the attorney-  
4 client and/or work product privileges;

5 (3) fully, fairly, and truthfully disclosing all information and producing  
6 all records and other evidence in its possession, custody, or control (or the  
7 possession, custody, or control of Respondent Credit Suisse's parent companies,  
8 subsidiaries, or affiliates) relevant to all inquiries made by the Division concerning  
9 the subject matter of this Order, except to the extent such inquiries call for the  
10 disclosure of information protected by the attorney-client and/or work product  
11 privileges; and

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

17 8. The cooperation provisions set forth in paragraph III.7.O, above, is not intended,  
18 nor is it a reasonable construction of such provisions, to require Respondent Credit Suisse (or any  
19 of its parent companies, subsidiaries, or affiliates, or any of their current or former officers,  
20 directors, or employees) to violate any foreign or domestic law or regulation in complying with  
21 those provisions. Respondent Credit Suisse shall promptly notify the Division if any request under  
22 those cooperation provisions has been construed to require that Respondent Credit Suisse (or any  
23 of its parent companies, subsidiaries, or affiliates, or any of their current or former officers,  
24 directors, or employees) violate any foreign or domestic law or regulation. In such circumstances,

1 the Division shall act in cooperation with Respondent Credit Suisse towards reaching a resolution  
2 that would not require a violation of such laws or regulations.

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

10 10. If payment is not made timely by Respondent Credit Suisse, or if Respondent Credit  
11 Suisse defaults in any of its obligations set forth in this Order, the Division may vacate this Order,  
12 at its sole discretion, upon ten (10) days' notice to Respondent Credit Suisse and without  
13 opportunity for administrative hearing, or may refer this matter for enforcement as provided in the  
14 Act.

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

22 12. This Order is not intended to indicate that Respondent Credit Suisse or any of its  
23 affiliates or current or former employees shall be subject to any disqualifications contained in the  
24 federal securities law, the rules and regulations thereunder, the rules and regulations of self

1 regulatory organizations or various states' securities laws including any disqualifications from  
2 relying upon the registration exemptions or safe harbor provisions. In addition, this Order is not  
3 intended to form the basis for any such disqualifications.

4 13. For any person or entity not a party to this Order, this Order does not limit or create  
5 any private rights or remedies against Respondent Credit Suisse including, without limitation, the  
6 use of any e-mails or other documents of Respondent Credit Suisse or of others for auction rate  
7 securities practices, limit or create liability of Respondent Credit Suisse, or limit or create defenses  
8 of or for Respondent Credit Suisse to any claims.

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

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

16 16. This Order shall be binding upon Respondent Credit Suisse and its affiliates, its  
17 successors and assigns as well as the successors and assigns of relevant affiliates, with respect to  
18 all conduct subject to the provisions above, and all future obligations, responsibilities,  
19 undertakings, commitments, limitations, restrictions, events, and conditions under the above  
20 provisions.

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



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**CONSENT TO ENTRY OF FINAL ORDER  
BY CREDIT SUISSE SECURITIES (USA) LLC**

Credit Suisse Securities (USA) LLC (hereinafter "Credit Suisse") hereby acknowledges that it has been served with a copy of this Administrative Consent Order ("Order"), has read this 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 Division, neither admits nor denies the Findings of Fact and Conclusions of Law contained in this Order, and consents to entry of this Order by the Division.

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

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 payment that Credit Suisse shall make pursuant to this Order.

Pierre M. Gentin represents that he/she is the Managing Director of Credit Suisse and that, as such, has been authorized by Credit Suisse to enter into this Order for and on behalf of Credit Suisse.

Dated this 29<sup>th</sup> day of September, 2010.

CREDIT SUISSE SECURITIES (USA) LLC

By: /s/ Pierre M. Gentin

Title: Managing Director

SUBSCRIBED AND SWORN TO before me this 29<sup>th</sup> day of September, 2010.

/s/ John J. MacDonald  
Notary Public for New York

My commission expires: May 18, 2014