

BEFORE THE BUSINESS CONDUCT COMMITTEE
OF THE
CBOE FUTURES EXCHANGE

In the Matter of:)	
)	
Credit Suisse Securities (USA) LLC,)	CFE 18-0006
and Credit Suisse International,)	USFI 141/97
)	
Subjects.)	
)	

DECISION ACCEPTING LETTER OF CONSENT

This proceeding was instituted by the Business Conduct Committee (“BCC”) of the Cboe Futures Exchange (“CFE”), as a result of an investigation by CFE Regulation. In order to resolve this matter, Credit Suisse Securities (USA) LLC and Credit Suisse International have submitted a Letter of Consent for purposes of this proceeding without admitting or denying that a violation of Exchange Rules has been committed. With due regard to the stipulated facts and findings and the proposed sanction contained therein, the BCC believes it is appropriate to accept the Letter of Consent, attached hereto, and made a part of this decision.

So Ordered for the Committee

January 23, 2019

By:/s/ Richard Bruder
Richard Bruder
Chairman
Business Conduct Committee

BEFORE THE BUSINESS CONDUCT COMMITTEE PANEL
OF THE
CBOE FUTURES EXCHANGE, LLC

In the Matter of:)
)
Credit Suisse Securities (USA) LLC, and)
Credit Suisse International)
) File No. CFE 18-0006
Subjects.)
_____)

LETTER OF CONSENT

In order to resolve these proceedings pursuant to the CBOE Futures Exchange, LLC (“CFE” or “Exchange”) Rule 703, Expedited Proceeding, Credit Suisse Securities (USA) LLC, and Credit Suisse International (collectively “CS” or “the firms”), hereby submit this Letter of Consent in the above captioned matter. For purposes of this proceeding and without admitting or denying that a violation of CFE Rules has been committed, the firms consent to the Stipulation of Facts and Findings and the Sanction set forth below.

Stipulation of Facts and Findings:

1. During all relevant periods herein, each firm was a CFE Trading Privilege Holder.
2. During all relevant periods herein, CFE Rules 608 and 620 were in full force and effect, as follows, in relevant part:

CFE Rule 608 – Acts Detrimental to the Exchange; Acts Inconsistent with Just and Equitable Principles of Trade; Abusive Practices

It shall be an offense to engage in any act detrimental to the Exchange, in conduct inconsistent with just and equitable principles of trade or in abusive practices, including without limitation, fraudulent, noncompetitive or unfair actions.

CFE Rule 620 – Disruptive Practices

(a) No Trading Privilege Holder nor any of its Related Parties shall engage in any trading, practice or conduct on the Exchange or subject to the Rules of the Exchange that:

... (ii) Demonstrates intentional or reckless disregard for the orderly execution of transactions during the closing period; or ...

3. On various dates between February 3, 2017 and March 24, 2017, CS submitted a series of market-price orders with a semi-autonomous proprietary algorithm (“execution strategy”) near the end of the day’s trading session (the “closing period”); more precisely at 300 milliseconds prior to the order entry cutoff time of 3:14:59 pm CST. In eleven of the dates,

this execution strategy impacted the daily settlement price between two and four ticks.

Prior to implementation, the execution strategy underwent testing. However, the testing was limited to volume significantly lower from what CS actually executed in the open market. Additionally, CS only considered the market impact of the percentage of volume in the final second of the closing period instead of the last 300 milliseconds. Finally, the execution strategy did not consider other market conditions such as book depth. Consequently, the limited scope of testing of the execution strategy was insufficient for a proper assessment of market impact and led to the altered daily settlement prices.

4. The conduct described above constitutes a violation of CFE Rules 608 and 620 in that the firms did not adequately test its algorithm for market impact prior to deployment, which led to a disruption of the orderly execution of transactions during the closing period.

Sanction: \$85,000 fine, which the firms shall be jointly and severally liable.

The firms acknowledge each has read the foregoing Letter of Consent; no promise or inducement of any kind has been made to either firm by the Exchange or its staff; and this Letter of Consent is voluntary.

The firms understand and acknowledge that the Business Conduct Committee's ("Committee") decision in this matter will become part of its disciplinary record and may be considered in any future Exchange proceeding.

The firms also acknowledges that the Committee's decision to accept or reject this Letter of Consent is final, and that the firms may not seek review thereof in accordance with Exchange Rule 703.

Date

Credit Suisse Securities (USA) LLC

Print Name

Title

Date

Credit Suisse International

Print Name

Title