U.S. Securities and Exchange Commission

Press Release

Credit Suisse Agrees to Pay $196 Million and Admits Wrongdoing in Providing Unregistered Services to U.S. Clients

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Washington D.C., Feb. 21, 2014

The Securities and Exchange Commission today announced charges against Zurich-based Credit Suisse Group AG for violating the federal securities laws by providing cross-border brokerage and investment advisory services to U.S. clients without first registering with the SEC.

Credit Suisse agreed to pay $196 million and admit wrongdoing to settle the SEC’s charges.

According to the SEC’s order instituting settled administrative proceedings, Credit Suisse provided cross-border securities services to thousands of U.S. clients and collected fees totaling approximately $82 million without adhering to the registration provisions of the federal securities laws. Credit Suisse relationship managers traveled to the U.S. to solicit clients, provide investment advice, and induce securities transactions. These relationship managers were not registered to provide brokerage or advisory services, nor were they affiliated with a registered entity. The relationship managers also communicated with clients in the U.S. through overseas e-mails and phone calls.

“The broker-dealer and investment adviser registration provisions are core protections for investors,” said Andrew J. Ceresney, director of the SEC’s Division of Enforcement. “As Credit Suisse admitted as part of the settlement, its employees for many years failed to comply with these requirements, and the firm took far too long to achieve compliance.”

According to the SEC’s order, Credit Suisse began conducting cross-border advisory and brokerage services for U.S. clients as early as 2002, amassing as many as 8,500 U.S. client accounts that contained an average total of $5.6 billion in securities assets. The relationship managers made approximately 107 trips to the U.S. during a seven-year period and provided broker-dealer and advisory services to hundreds of clients they visited. Credit Suisse was aware of the registration requirements of the federal securities laws and undertook initiatives designed to prevent such violations. These initiatives largely failed, however, because they were not effectively implemented or monitored.

“As a multinational firm with a significant U.S. presence, Credit Suisse was well aware of the steps that a firm needs to take to legally conduct advisory or brokerage business with U.S. clients,” said Scott W. Friestad, an associate director in the SEC’s Division of

Enforcement. “Credit Suisse failed to effectively implement internal controls designed to keep its employees from crossing the line and being non-compliant with the federal securities laws.”

According to the SEC’s order, it was not until after a much-publicized civil and criminal investigation into similar conduct by Swiss-based UBS that Credit Suisse began to take steps in October 2008 to exit the business of providing cross-border advisory and brokerage services to U.S. clients. Although the number of U.S. client accounts decreased beginning in 2009 and the majority were closed or transferred by 2010, it took Credit Suisse until mid-2013 to completely exit the cross-border business as the firm continued to collect broker-dealer and investment adviser fees on some accounts.

The SEC’s order finds that Credit Suisse willfully violated Section 15(a) of the Securities Exchange Act of 1934 and Section 203(a) of the Investment Advisers Act of 1940. Credit Suisse admitted the facts in the SEC’s order, acknowledged that its conduct violated the federal securities laws, accepted a censure and a cease-and-desist order, and agreed to retain an independent consultant. Credit Suisse agreed to pay $82,170,990 in disgorgement, $64,340,024 in prejudgment interest, and a $50 million penalty.

The SEC’s investigation was conducted by senior attorneys David S. Karp and Matthew R. Estabrook under the supervision of assistant director Laura B. Josephs and associate director Scott W. Friestad. The SEC appreciates the assistance of the Swiss Financial Market Supervisory Authority.

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