UNITED STATES OF AMERICA
Before the
SECURITIES AND EXCHANGE COMMISSION

SECURITIES ACT OF 1933
Release No. 10014 / January 31, 2016

SECURITIES EXCHANGE ACT OF 1934
Release No. 77003 / January 31, 2016

ADMINISTRATIVE PROCEEDING
File No. 3-17079

In the Matter of Credit Suisse Securities (USA) LLC, Respondent.	ORDER INSTITUTING ADMINISTRATIVE AND CEASE-AND-DESIST PROCEEDINGS, PURSUANT TO SECTION 8A OF THE SECURITIES ACT OF 1933 AND SECTIONS 15(b) AND 21C OF THE SECURITIES EXCHANGE ACT OF 1934, MAKING FINDINGS, AND IMPOSING REMEDIAL SANCTIONS AND A CEASE-AND-DESIST ORDER

I.

The Securities and Exchange Commission ("Commission") deems it appropriate and in the public interest that public administrative and cease-and-desist proceedings be, and hereby are, instituted pursuant to Section 8A of the Securities Act of 1933 ("Securities Act") and Sections 15(b) and 21C of the Securities Exchange Act of 1934 ("Exchange Act") against Credit Suisse Securities (USA) LLC, ("Respondent" or "CSSU").

II.

In anticipation of the institution of these proceedings, Respondent has submitted an Offer of Settlement (the "Offer") which the Commission has determined to accept. Solely for the purpose of these proceedings and any other proceedings brought by or on behalf of the Commission, or to which the Commission is a party, and without admitting or denying the findings herein, except as to the Commission's jurisdiction over it and the subject matter of these proceedings, which are admitted, Respondent consents to the entry of this Order Instituting Administrative and Cease-and-Desist Proceedings, Pursuant to Section 8A of the Securities Act of 1933 and Sections 15(b) and 21C of the Securities Exchange Act of 1934 Making Findings, and Imposing Remedial Sanctions and a Cease-and-Desist Order ("Order"), as set forth below.

III.

On the basis of this Order and Respondent's Offer, the Commission finds[1] that:

<u>Summary</u>

1.   CSSU, a registered broker-dealer, is the owner and operator of Light Pool, an alternative trading system ("ATS")[2] and electronic communications network ("ECN").[3] Light Pool, part of CSSU's Advanced Execution Services ("AES") business, accepts, matches, and executes orders to buy and sell equity securities that it receives from CSSU customers who access Light Pool either directly ("direct subscribers"), or by sending orders to CSSU algorithms that are then routed through the AES "Smart Order Router" ("AES SOR") to Light Pool ("indirect subscribers"). As of June 30, 2014, Light Pool was approximately the 21st largest equities ATS (out of 42) as measured by dollar volume of executions.

2.   Since January 2011, CSSU violated certain provisions of the federal securities laws and regulations with regard to its operation of and disclosures regarding Light Pool.

3.   CSSU violated Section 17(a)(2) of the Securities Act by making misrepresentations regarding CSSU's use and application of an "Alpha Formula/Scorecard" ("Alpha Formula"), which CSSU used to measure trading by subscribers that executed trades in Light Pool and to deny direct access to subscribers whose trading was determined to be "opportunistic." CSSU represented to existing and prospective clients that the Alpha Formula would be in use when Light Pool became operational. Although Light Pool was fully operational for trading and was trading in NMS stocks by at least June 2011, CSSU did not begin applying the Alpha Formula until June

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[1] The findings herein are made pursuant to Respondent's Offer of Settlement and are not binding on any other person or entity in this or any other proceedings.

[2] Rule 300(a) of Regulation ATS promulgated under the Exchange Act provides that an ATS is "any organization, association, person, group of persons, or system: (1) [t]hat constitutes, maintains, or provides a market place or facilities for bringing together purchasers and sellers of securities or for otherwise performing with respect to securities the functions commonly performed by a stock exchange within the meaning of [Exchange Act Rule 3b-16]; and (2) [t]hat does not: (i) [s]et rules governing the conduct of subscribers other than the conduct of subscribers' trading on such [ATS]; or (ii) [d]iscipline subscribers other than by exclusion from trading." Rule 301(a) of Regulation ATS provides that an ATS must comply with Rule 301(b) of Regulation ATS, unless the ATS is registered as a national securities exchange or qualifies for another enumerated exclusion. During the relevant period, Light Pool was not registered as a national securities exchange and did not qualify for an enumerated exclusion. Therefore, it was required to comply with Regulation ATS, including Rule 301(b) thereunder, in order to benefit from the exemption from the definition of "exchange" provided by Rule 3a1-1(a)(2) under the Exchange Act.

[3] The subset of ATSs known as ECNs, including Light Pool, generally display the top of their order book (e.g., best bid, best offer) in the national market system (See Rule 600(b)(23) of Regulation NMS, 17 CFR § 242.600(b)(23)), while other ATSs, colloquially known as "dark pools," generally do not display their best bids and offers.

2012. During this 12-month period, CSSU did not correct its previous statements and did not inform most subscribers that the Alpha Formula had not been finalized and was not in use.

4. CSSU also represented to clients and prospective subscribers that all Light Pool "participants," "traders," or "clients," including high frequency trading firms ("HFTs"), who were classified as opportunistic would be "kicked out" of or "lose access to" Light Pool other than accessing it through the National Stock Exchange ("NSX"). CSSU's representations were not accurate because CSSU did not apply the Alpha Formula to a subscriber's trading as a whole, but instead applied it separately to the order flow submitted under each system ID of a subscriber. If a subscriber's trading resulted in an "opportunistic" score for one of that subscriber's system IDs, the subscriber would continue to have direct access to Light Pool through other system IDs that did not score as "opportunistic." Further, although CSSU suspended from Light Pool the few direct subscribers who were categorized as "opportunistic," they were not "kicked out" because CSSU allowed them to resume direct trading in Light Pool if they represented that they would improve the quality of their Light Pool trading, and they could also trade directly in Light Pool through other system IDs. Direct subscribers were also given the opportunity to adjust their trading to avoid being labeled as "opportunistic." In contrast, CSSU did kick out several indirect subscribers, who accessed Light Pool via CSSU algorithms and the AES SOR. Those indirect subscribers, whose trading scored "opportunistic" only because of the use of CSSU's own algorithms and AES SOR, were blocked from having their orders routed directly to Light Pool and not given the opportunity to resume trading in Light Pool. Indirect subscribers also were not given the opportunity to improve the quality of their Light Pool trading to avoid being labeled as "opportunistic."

5. CSSU also violated Rule 301(b)(2) of Regulation ATS promulgated under the Exchange Act by not disclosing in its Forms ATS and ATS-R that the Alpha Formula was not applied from July 2011 through June 2012. CSSU also violated that rule by inaccurately representing in its Forms ATS that subscribers whose order flow was identified as opportunistic would be suspended but could regain direct access to Light Pool after making changes to the quality of their order flow. The Forms ATS did not disclose that subscribers who had a system ID that scored opportunistic would continue to have direct access to Light Pool through other system IDs that had not scored as opportunistic. CSSU also did not update its Forms ATS to disclose the differences in how the Alpha Formula was applied to direct and indirect subscribers, including in their ability to regain access to Light Pool. CSSU also did not timely update its Form ATS to reflect certain changes to the application of the Alpha Formula that were first implemented in the fall of 2012.

6. Finally, from January 2011 through April 1, 2013, CSSU violated Rule 602(b) of Regulation NMS promulgated under the Exchange Act by "backing away" from Light Pool quotes that CSSU displayed on the NSX using the order delivery functionality offered by NSX. CSSU did not execute those after they were matched on NSX based on national best bid and offer ("NBBO") checks that CSSU conducted even though NSX already had performed such checks.

Respondent

7.   CSSU is a Delaware limited liability company with headquarters in New York, New York. CSSU is a broker-dealer and investment adviser registered with the Commission. CSSU operates Light Pool, an ATS that during the relevant period, also operated as an ECN. Light Pool has been operating pursuant to Regulation ATS under the Exchange Act since December 20, 2010. Light Pool has a "taker-maker" pricing model, under which makers of liquidity have to pay a fee and takers of liquidity receive a rebate. Light Pool is part of CSSU's AES business unit, which, among other functions, conducts electronic trading on an agency basis for CSSU customers.

Facts

CSSU's Representations About Light Pool and the Alpha Formula

8.   On January 11, 2011, CSSU announced Light Pool in an email sent to certain existing CSSU clients and potential Light Pool subscribers. The email was entitled "Credit Suisse announces Light Pool – the Market for the Long-term Investors." In the email, CSSU represented, among other things, that "Light Pool identifies and discourages short-term opportunistic traders" by "[u]sing an objective and transparent formula" that "classifies traders based on their short-term alpha." The email further represented that "[o]nce clients have done a significant number of trades, their order flow is analyzed and clients are divided into three categories: Contributory, Neutral, and Opportunistic. Opportunistic clients cannot connect directly to Light Pool."

9.   CSSU attached to the January 11, 2011 email a link to a news article that quoted CSSU as stating that there was a real need for "a new kind of displayed market where all the rules are set with long-term investors in mind," and that CSSU's idea was to forgo the high-frequency trading chunk of the market and "create a niche market with rules aimed at long-term investors." The article further reported that, according to CSSU, "Light Pool's volume will initially come mainly from Credit Suisse algorithms." The article also reported that CSSU "will begin operating [Light Pool] by the end of March."

10.   The article also reported that "[t]he aim [of Light Pool] is to reduce what traders call negative selection, or the likelihood of getting executions when the market is moving against them, by banning certain users[.]" In the article, CSSU described the Alpha Formula as follows: "The broker's clients and firms accessing Light Pool directly will be automatically classified based on an initial period of trading behavior and placed in one of three categories: contributors, neutral users, and opportunistic traders. The criteria for defining a firm will be automated and objective, 'with no human intermediation,' as is required for public markets . . . . The aim is to determine whether firms are systematically profiting from their trading activity in ways that could hurt institutional clients." The article further reported that opportunistic firms, which CSSU said included some HFTs, will be kicked off the platform and prevented from providing orders or

executing against bids and offers directly through Light Pool, and would instead have to access Light Pool's Regulation NMS-protected quotes through the NSX.[4]

11.   Two months later, in March, 2011, CSSU promoted Light Pool during a presentation to numerous existing clients and potential subscribers. During this presentation, CSSU explained that the Alpha Formula would operate as follows: "… what we're going to do is, using an objective formula that classifies how - you are a pick-off artist or not, essentially, we're going to split the flow into three groups…. Now, the people who are classified as opportunistic just get kicked out. They can't come to Light Pool, that's it. Now, being that it's a displayed quote, they still have to be able to come in and take it. But they're going to have to do that by going through National Stock Exchange's order delivery service." The PowerPoint that accompanied this presentation stated that "Light Pool will classify clients into 3 categories, and kick out the guys who 'pick off' other clients….Opportunistic flow: kicked out of Light Pool."

12.   In June, 2012, CSSU prepared a one-page marketing piece entitled "Light Pool The Market Where Quality Matters," which it distributed at meetings with certain CSSU clients, including existing and potential Light Pool subscribers. This marketing piece stated, among other things, that "Light Pool monitors for patterns of opportunistic trading and discourages it by removing direct access privileges. Using an objective, quantitative approach, Light Pool classifies participants into three categories: Contributory, Neutral and Opportunistic. Participants identified as Opportunistic will lose direct access to Light Pool and its direct market data feed. They can still access Light Pool's displayed liquidity via a SRO order delivery facility [*i.e.*, the NSX]. Indirect access to Light Pool may result in higher costs and time delays, discouraging behavior detrimental to the quality of the pool."

CSSU Made Misrepresentations To Clients Regarding When the Alpha Formula Would Be Applied

13.   CSSU's January 2011 email to clients and potential subscribers discussed in paragraphs 8 and 9 above represented that the Alpha Formula existed and was available for use and would be applied when Light Pool began operations. Although Light Pool was fully operational for trading and had multiple subscribers and was executing trades in multiple NMS stocks by at least June 2011, CSSU did not apply the Alpha Formula at that time. Prior to June 2012, the Alpha Formula was in "beta mode" and was being refined and tested by CSSU employees.

14.   Contrary to its representations to clients and potential subscribers, CSSU did not classify subscribers pursuant to the Alpha Formula, and no subscribers were assigned to any Alpha Formula category, until June 2012.

15.   During the period March 2011 through June 2012, CSSU did not provide any written disclosures to Light Pool's direct or indirect subscribers that the Alpha Formula was not

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[4] CSSU further represented that because the NSX mechanism was slower and more costly than directly accessing Light Pool, subscribers categorized as opportunistic would be discouraged from using Light Pool.

being applied. CSSU also did not communicate this information to indirect subscribers and did not communicate this information to most Light Pool direct subscribers.

CSSU Made Misrepresentations To Clients Regarding The Operation of the Alpha Formula

16.   The Light Pool Alpha Formula, which CSSU began to apply monthly in June 2012, is geared toward determining whether there is "negative selection," which occurs when the stock price moves against one counterparty to an executed trade within a short period of time after the trade. The Alpha Formula analyzes executions on Light Pool that remove liquidity for direct and indirect subscribers that have at least a certain number of trades during the month that take liquidity and then calculates a "negative selection" score for each subscriber based on the change in price during the one second following those executions. Subscribers who take liquidity in Light Pool and regularly have the price subsequently move in their favor are to be categorized as "opportunistic."

17.   As discussed in paragraphs 8-12, above, CSSU represented to clients and existing and prospective subscribers that all Light Pool participants, including HFTs, would be classified pursuant to an objective formula and those "participants," "traders," or "clients" who were classified as opportunistic would "lose access to" or be "kicked out" of Light Pool other than through NSX.

18.   CSSU's representations that "participants," "traders," or "clients" that received an "opportunistic" score would lose access to Light Pool were not accurate because CSSU did not apply the Alpha Formula to a subscriber's trading as a whole, but instead applied it separately to the order flow submitted under each system ID of a subscriber. Subscribers could request different connections to Light Pool, for example, to designate different trading strategies that they may employ for trading in Light Pool. CSSU would assign different system IDs to these different connections. If a subscriber's trading resulted in an "opportunistic" score for one of that subscriber's system IDs, the subscriber would continue to have direct access to Light Pool through other system IDs that did not score as "opportunistic."

19.   Further, although CSSU suspended the few direct subscribers who were categorized as "opportunistic," they were not "kicked out" because CSSU allowed them to resume trading after they promised to improve the quality of their order flow. The few direct subscribers who were deemed "opportunistic" were also allowed to continue trading through other system IDs that did not score as "opportunistic."[5]

20.   CSSU also gave direct subscribers – including some HFTs - the opportunity to improve their trading to avoid being labeled "opportunistic." CSSU made mid-monthly calls to direct subscribers whose flow was in danger of being characterized as opportunistic. This practice allowed direct subscribers to improve their flow to avoid an opportunistic score at month-end. In contrast, subscribers who accessed Light Pool indirectly and whose trading scored "opportunistic" only because of the use of CSSU's own algorithms and the AES SOR lost direct access to Light

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[5] Although the same was true for indirect subscribers, many indirect subscribers had only one system ID.

Pool and were not given the opportunity to resume trading in Light Pool through their system IDs that had scored "opportunistic."

21.   From July 2012 to May 2014, only five system IDs of direct subscribers were classified as "opportunistic." CSSU suspended these direct subscribers, but allowed them to regain direct access to Light Pool after they represented that they had made changes to improve the quality of their order flow.

22.   CSSU requested that three of these direct subscribers – all of whom were HFTs – cease trading directly in Light Pool for various periods of time, but allowed all three to again access Light Pool after they represented that they had taken steps to improve the quality of their order flow.

23.   In October 2012, CSSU blocked one system ID of the fourth direct subscriber – which was a global financial institution – that had scored "opportunistic." However, CSSU allowed that subscriber to continue to trade on Light Pool through its seventeen other existing system IDs that had not scored as "opportunistic."

24.   In November 2012, CSSU made a change to the application of the Alpha Formula after communications with a fifth direct subscriber whose flow had been deemed "opportunistic" and who had been asked to stop trading directly in Light Pool in October 2012. This direct subscriber was permitted to resume trading based on CSSU's determination that, based on all of that subscriber's order flow, the direct participant was primarily a maker of liquidity and that its Alpha Formula score was the result of "accidental taking" activity that represented less than 1% of its trades for that month.

25.   In contrast, when the trading of system IDs for subscribers who placed orders through CSSU algorithms was classified as "opportunistic," CSSU kicked these subscribers out of Light Pool by preventing subsequent orders for those indirect subscribers' system IDs from routing to Light Pool and/or from entering Light Pool directly even though their "opportunistic" score was the result of the operation of CSSU's own algorithms and order router.   From June 1, 2012 to May 2014, 45 system IDs of indirect subscribers, including firms who managed the assets of long-term investors, were labeled "opportunistic" and were prevented from having their orders routed directly to Light Pool. Several of these indirect subscribers had only one system ID, meaning that such subscribers were prevented from trading in Light Pool other than indirectly through NSX.

26.   CSSU did not inform the indirect subscribers that their system IDs had been blocked from routing to Light Pool other than through the NSX or give them the opportunity to adjust their trading to remain in or regain access to Light Pool. CSSU did not make mid-monthly calls to the indirect subscribers whose flow was in danger of being classified as "opportunistic" and did not notify them that their order flow had scored "opportunistic" at month end.

CSSU Made Inaccurate Statements and Did Not Report Material Changes Relating to the Application of the Alpha Formula in Its Forms ATSs

27.   Rule 301(b)(2) of Regulation ATS requires an ATS to file an initial operation report on Form ATS at least 20 days prior to commencing operation as an alternative trading system and to file an amendment on Form ATS at least 20 days prior to implementing a material change to the operation of the ATS, within 30 days after the end of a quarter when information contained in an initial operation report filed on Form ATS becomes inaccurate, and promptly upon discovering that an initial operation report filed on Form ATS or an amendment on Form ATS was inaccurate when filed.[6]

28.   On January 29, 2010, as part of its Form ATS filing obligations, CSSU filed its Initial Operation Report for Light Pool. In December 2010, trading on Light Pool began in a limited number of securities. On January 26, 2011, CSSU filed a Form ATS-R for fourth quarter 2010 for Light Pool which reported, among other things, that Light Pool was currently in beta testing.

29.   On March 17, 2011, CSSU filed a Form ATS - Amendment 1 to the Initial Operation Report. The main modification was to include the first description of Light Pool's Alpha Formula. The letter accompanying Amendment 1 stated, among other things, that "Light Pool is currently in beta testing with a few clients and we anticipate going live in the near future." On April 28, 2011, CSSU filed a Form ATS-R for first quarter 2011 for Light Pool which stated, among other things, that "Light Pool is currently in beta testing and not fully operational."

30.   On June 15, 2011, CSSU filed a Form ATS - Amendment 2 to the Initial Operation Report which contained an expanded discussion of the Alpha Formula. The letter accompanying Amendment 2 did not include a statement that Light Pool was in beta mode and not fully operational. On July 19, 2011, CSSU filed a Form ATS-R for second quarter 2011 for Light Pool which no longer included a statement that Light Pool was in beta testing and was not fully operational and which represented that "During this period, Credit Suisse has not denied any party access to Light Pool." Every Form ATS-R filed by CSSU since July 19, 2011 included the same representation and did not include a statement that Light Pool was in beta testing.

31.   CSSU made inaccurate statements in its Forms ATS and ATS-R by not disclosing that the Alpha Formula was not operational from July 2011 through May 2012, and did not timely update its representations to disclose that the formula was not being applied.

32.   CSSU filed Form ATS Amendments 2 and 3 signed on June 15, 2011 and July 2, 2012, respectively, which represented that subscribers who scored as "opportunistic" would initially be suspended from trading on Light Pool, and that they would be given the opportunity to improve their order flow and regain access to Light Pool. CSSU's Form ATS Amendment 4 filed on February 2, 2014 and Amendment 5 filed on April 29, 2014 contained similar representations.

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[6] Forms ATS are not publicly available.

CSSU's statements were inaccurate because CSSU applied the formula to system IDs and not to a subscriber's trading as a whole. CSSU's statements were also inaccurate because indirect subscribers were not given the opportunity to regain access to Light Pool through their system IDs that had scored opportunistic and improve their order flow.

33.   Amendments 4 and 5 also included footnotes describing two modifications to the application of the Alpha Formula, the "accidental takes" and "too late to cancel" modifications.[7] CSSU did not timely update its Form ATS to reflect these modifications, which were both first implemented in the fall of 2012.

CSSU Backed Away From Quotes

34.   Rule 602(b) of Regulation NMS, known as the "firm quote" rule, provides that "each responsible broker or dealer shall be obligated to execute any order to buy or sell a subject security … presented to it by another broker or dealer, or any other person belonging to a category of persons with whom such responsible broker or dealer customarily deals, at a price at least as favorable to such buyer or seller as the responsible broker's or dealer's published bid or published offer … in any amount up to its published quotation size." Among other things, Rule 602(b) prohibits exchange members from "backing away" from quotes that they send to a registered securities exchange, whether acting as principal or agent.[8]

35.   From January 2011 through February 2014, Light Pool received both hidden and displayed orders from direct and indirect subscribers. Using NSX's order delivery functionality as an NSX member, CSSU sent quotes associated with displayed Light Pool subscriber orders to NSX to be displayed on NSX and matched against counter-party orders received by NSX.

36.   When an order was matched by NSX, NSX sent CSSU an order delivery match message ("OD match message") to inform CSSU of the match. When it received an OD match message, Light Pool was required to accept the match and consummate execution of the trade unless the order had already been executed or cancelled on Light Pool.[9] This process precluded the

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[7] In late August 2012, CSSU modified the application of the Alpha Formula to also include consideration of the "Too Late To Cancel" ("TLTC") messages associated with a system ID's executions. The criteria measures the frequency of TLTC messages that a liquidity providing party receives from CSSU's systems after sending a cancel message because the counterparty has already executed against the posted order. A system ID with a "neutral" Alpha Formula score could be deemed "opportunistic" if its trading caused a high incidence of TLTC messages associated with its executions.

[8] *See* Rule 600(b)(65) of Regulation NMS, which defines "responsible broker or dealer" when used with respect to bids or offers communicated on a national securities exchange to include exchange members acting as either principal or agent.

[9] *See* Rule 602(b)(3)(ii) of Regulation NMS, which provides that a responsible broker or dealer is not obligated to execute a transaction in a subject security if, before an order is presented, it has communicated a revised bid or offer for the subject security to the exchange or is in the process of effecting a transaction in the subject security. *See also* Division of Trading and Markets Response to Question 2.04 of its FAQs regarding Regulation NMS, which states,

potential for double liability on that order, e.g., an order executing internally at Light Pool immediately before the quotation reflecting such order was executed as NSX.

37. From January 2011 until October 31, 2011, CSSU treated all OD match messages as incoming Immediate or Cancel ("IOC") orders from NSX and ran surveillances to determine whether the prices on the OD match messages were within the NBBO when the OD match messages were received by Light Pool. CSSU then responded to the NSX OD match messages with cancellations if the prices in the OD match messages were outside of the NBBO when the OD match message was received.

38. In October 2011, NSX notified CSSU that NSX, as the venue displaying and matching the Light Pool subscriber quotes, was running the NBBO checks for the trades, and that CSSU should stop canceling quotes based on its own NBBO checks and execute the trades if the quotes had not already been matched or canceled.[10]

39. In response to NSX's instruction, beginning on November 1, 2011, upon receipt of the OD match message, Light Pool conducted an "auction" to determine whether there were any quotes that matched the price reflected in the OD match message in the entire Light Pool order book. If so, Light Pool executed a trade against the Light Pool order that was first in line in the Light Pool order book queue in terms of price/time priority, regardless of whether the OD match message was within the NBBO. If after the auction, the NSX OD order was not fully executed, then Light Pool searched for the specific order that the quote sent to NSX was associated with (the "quoted order"). However, between May 31, 2012 and April 1, 2013, Light Pool would not execute against the quoted order if the NBBO had moved against the quoted order that was resting in Light Pool.

40. From January 2011 through October 31, 2011 and May 31, 2012 through April 1, 2013, CSSU backed away from quotes that it sent to be displayed on NSX when it did not execute orders on the basis that the price was outside of the NBBO or because the NBBO had moved against the Light Pool subscriber.

41. In addition, from January 2011 through May 31, 2012, CSSU would not execute a trade in Light Pool if the market was crossed at the time that it received an OD match notification

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among other things, that "[t]o preclude the potential for double liability on a single order (e.g., an order executing internally in the ECN immediately before the quotation that reflects such order is executed in the SRO trading facility), the SRO trading facility does not immediately execute orders against the ECN quotation, but delivers the orders to the ECN to assure that the quotation is still available. If so, the order is executed automatically at the ECN and reported back through the SRO execution facility."

[10] Pursuant to Rule 611(a) of Regulation NMS, NSX, the exchange that displayed the Light Pool customer quote, was responsible for implementing policies and procedures reasonably designed to prevent trade-throughs on the exchange, such as conducting NBBO checks to make sure that an execution would not trade through a protected quotation.

message from NSX. The fact that the market was crossed was not a valid reason for declining these executions.[11]

Violations

42. As a result of the conduct described above, CSSU willfully[12] violated:

a. Section 17(a)(2) of the Securities Act, which prohibits, directly or indirectly, in the offer or sale of securities, obtaining money or property by means of any untrue statement of a material fact or any omission to state a material fact necessary in order to make the statements made, in light of the circumstances under which they were made, not misleading;

b. Rule 301(b)(2) of Regulations ATS, which requires an ATS to file an amendment on Form ATS at least 20 days prior to implementing a material change to the operation of the ATS, within 30 days after the end of a quarter when information contained in an initial operation report filed on Form ATS becomes inaccurate, and promptly upon discovering that an initial operation report filed on Form ATS or an amendment on Form ATS was inaccurate when filed; and

c. Rule 602(b) of Regulation NMS, which requires each responsible broker or dealer to execute any order to buy or sell a subject security, other than an odd-lot order, presented to it by another broker or dealer, or any other person belonging to a category of persons with whom such responsible broker or dealer customarily deals, at a price at least as favorable to such buyer or seller as the responsible broker's or dealer's published bid or published offer (exclusive of any commission, commission equivalent or differential customarily charged by such responsible broker or dealer in connection with execution of any such order) in any amount up to its published quotation size.

CSSU's Remedial Efforts

43. In determining to accept the Offer, the Commission considered remedial measures undertaken by Respondent. CSSU stopped cancelling quotes displayed on NSX based on its own NBBO checks in April 2013 and on May 31, 2012, began executing orders that had been matched on NSX and subsequently delivered by NSX to Light Pool for execution when a cross market existed. CSSU also began monthly scoring of Light Pool system IDs in June 2012. CSSU has also provided additional disclosures to all Light Pool subscribers regarding Light Pool's Alpha

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[11] A crossed market is not a basis for cancelation of a quote. Regulation NMS Rule 611(b)(4), which requires trading centers to have reasonable procedures designed to prevent trade throughs on that trading center of protected quotations, contains an exception for transactions constituting trade throughs that are executed at a time when a protected bid was priced higher than a protected offer (i.e., the market is crossed).

[12] A willful violation of the securities laws means merely "'that the person charged with the duty knows what he is doing.'" *Wonsover v. SEC*, 205 F.3d 408, 414 (D.C. Cir. 2000) (quoting *Hughes v. SEC*, 174 F.2d 969, 977 (D.C. Cir. 1949)). There is no requirement that the actor "'also be aware that he is violating one of the Rules or Acts.'" *Id.* (quoting *Gearhart & Otis, Inc. v. SEC*, 348 F.2d 798, 803 (D.C. Cir. 1965)).

Formula scoring methodology, which, among other things, disclose the differences in how the Alpha Formula is applied to direct and indirect subscribers and that Alpha Formula scoring applies to system IDs. CSSU has also updated its Form ATS for Light Pool to include such disclosures. CSSU has also enhanced its policies and procedures related to the preparation of its Forms ATS and marketing materials provided to Light Pool subscribers.

<p style="text-align:center">IV.</p>

In view of the foregoing, the Commission deems it appropriate, in the public interest to impose the sanctions agreed to in Respondent's Offer.

Accordingly, pursuant to Section 8A of the Securities Act and Section 15(b) and 21C of the Exchange Act, it is hereby ORDERED that:

A.   CSSU shall cease and desist from committing or causing any violations and any future violations of Section 17(a)(2) of the Securities Act;

B.   CSSU shall cease and desist from committing or causing any violations and any future violations of Rule 301(b)(2) of Regulations ATS;

C.   CSSU shall cease and desist from committing or causing any violations and any future violations of Rule 602(b) of Regulation NMS;

D.   CSSU is censured;

E.   CSSU shall, within 14 days of the entry of this Order, pay a civil money penalty in the amount of $10,000,000 to the Securities and Exchange Commission for transfer to the general fund of the United States Treasury, subject to Exchange Act Section 21F(g)(3). If timely payment is not made, additional interest shall accrue pursuant to 31 U.S.C. §3717. Payment must be made in one of the following ways:

(1)   Respondent may transmit payment electronically to the Commission, which will provide detailed ACH transfer/Fedwire instructions upon request;

(2)   Respondent may make direct payment from a bank account via Pay.gov through the SEC website at http://www.sec.gov/about/offices/ofm.htm; or

(3)   Respondent may pay by certified check, bank cashier's check, or United States postal money order, made payable to the Securities and Exchange Commission and hand-delivered or mailed to:

Enterprise Services Center
Accounts Receivable Branch
HQ Bldg., Room 181, AMZ-341
6500 South MacArthur Boulevard
Oklahoma City, OK 73169

Payments by check or money order must be accompanied by a cover letter identifying CSSU as a Respondent in these proceedings, and the file number of these proceedings; a copy of the cover letter and check or money order must be sent to Kathryn A. Pyszka, Assistant Regional Director, Securities and Exchange Commission, 175 W. Jackson Blvd., Suite 900, Chicago, IL 60604.

Amounts ordered to be paid as civil money penalties pursuant to this Order shall be treated as penalties paid to the government for all purposes, including all tax purposes. To preserve the deterrent effect of the civil penalty, Respondent agrees that in any Related Investor Action, it shall not argue that it is entitled to, nor shall it benefit by, offset or reduction of any award of compensatory damages by the amount of any part of Respondent's payment of a civil penalty in this action ("Penalty Offset"). If the court in any Related Investor Action grants such a Penalty Offset, Respondent agrees that it shall, within 30 days after entry of a final order granting the Penalty Offset, notify the Commission's counsel in this action and pay the amount of the Penalty Offset to the Securities and Exchange Commission. Such a payment shall not be deemed an additional civil penalty and shall not be deemed to change the amount of the civil penalty imposed in this proceeding. For purposes of this paragraph, a "Related Investor Action" means a private damages action brought against Respondent by or on behalf of one or more investors based on substantially the same facts as alleged in the Order instituted by the Commission in this proceeding.

By the Commission.

Brent J. Fields
Secretary

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