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VIA E-MAIL & FEDERAL EXPRESS

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RE: CREDIT SUISSE’S VIOLATIONS OF FINRA RULES

Dear Messrs. Ketchum, Bennett, Berry, and Colby:

On March 7, 2016, our law firms wrote you a letter notifying you of the deteriorating situation many of our clients are encountering in their dealings with their former employer, Credit Suisse Securities (USA) LLC (“Credit Suisse”), a FINRA member firm. The letter detailed Credit Suisse’s flagrant violations of FINRA Rules 13200, 13000-IM and 2010 requiring arbitration of employment disputes. In light of the potentially disastrous consequences for our clients, the tens of thousands of Associated Persons and member firms who rely upon them, and FINRA’s integrity as a regulator, we asked FINRA to enforce the mandatory arbitration system that has been an essential part of the financial services industry for decades.

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On April 8, 2016, we had a productive meeting with FINRA executives regarding the history of Credit Suisse's Employment Dispute Resolution Program ("EDRP") and its use against our clients. For more than a decade, Credit Suisse has crafted the EDRP to evade regulatory oversight and circumvent what it believes are the excessively even-handed arbitration rules of the FINRA forum. Its recent conduct toward its customers and our clients illustrates why: When Credit Suisse announced it was closing its private wealth management division, it forced its brokers to choose between staying on until the lights went out or risking hundreds of thousands and, in some cases, millions of dollars in earned compensation. For the brokers, whose clients' interests were obviously best-served by a firm that intended to stay in business, this was not a genuine choice. As a practical matter, the brokers could not serve their clients at a firm that was dismantling itself. As an ethical matter, this meant they had to leave.

The firm itself could not seriously have expected, and indeed could not have permitted, the brokers and their clients to stay to the end, which would have put billions of dollars in client assets at serious risk. Credit Suisse ceased to be a fully functional broker-dealer more than seven months before it closed. Management in the New York branch, for example, sent an e-mail on November 10, 2015 (attached) inviting staff to a "final office meeting" on November 13 and noting that Credit Suisse "has been a great place to work—top RM's, great Product Team, and the best support staff." Pizza and "special entertainment" were planned to "celebrate the good times and good friendships, and forget about this miserable ending !!!" Credit Suisse's wealth management division was in turmoil from its 2014 guilty plea to criminal conspiracy and tax charges onward, on sale by the summer of 2015, and closing in October. Meetings stopped, support staff were let go or moved on, resources dried up. While it was dismantling infrastructure and bidding farewell to all of its employees, however, the firm took the position that its brokers, and thus its customers, were required to stay on until March 31, 2016.¹

Credit Suisse has taken the position that its brokers were required stay after clients learned the firm was shutting down and their assets would be at risk. Credit Suisse has taken the position that its brokers were required to stay after it became impossible to service their clients, with trade execution, research, oversight, and compliance hemorrhaging staff and winding up. Credit Suisse has taken the position that its brokers were required to stay after their clients sought to move their assets to other firms. Credit Suisse has taken the position that its brokers were required to stay even after the firm itself began transitioning clients off its books and records.

Credit Suisse took this position knowing its brokers could not stay. When they left, it unlawfully withheld hundreds of millions of dollars of their earned compensation by classifying the brokers' terminations by a liquidating firm "voluntary." This necessarily involved filing materially false information on their U-5s, where it remains for customers to find on hundreds of broker CRDs.

Given the brazenness of Credit Suisse's misconduct, it clearly acted in the belief that FINRA would not be able to intervene or, indeed, even discover the extent to which a member

¹ And beyond. Credit Suisse brokers were subject to a sixty day garden leave after termination. In this case, that would have left Credit Suisse customers and their assets in a void until the beginning of this month.

firm disregarded the laws, regulations and practices of the industry, the labor laws of dozens of states, and the high standards of commercial honor and just and equitable principles of trade FINRA demands of its member firms. By removing itself from FINRA Arbitration's jurisdiction and multiplying the risk and expense of employment claims against it, Credit Suisse has created a space in which a FINRA member firm can feel comfortable pocketing hundreds of millions of dollars from the earned wages of hundreds of registered employees on the argument that they voluntarily resigned from a division after it announced it was going out of business.

Credit Suisse is sufficiently confident FINRA will do nothing about its EDRP that it has not bothered to be discreet. FINRA Rule IM-13000 is unambiguous: It is "inconsistent with just and equitable principles of trade and a violation of Rule 2010 for a member to require associated persons to waive the arbitration of disputes contrary to the provisions of the Code of Arbitration Procedure." Equally unambiguous is Credit Suisse's contempt for FINRA Rule IM-13000: "A Credit Suisse employee who is (or is required to be) a registered representative is not excused from complying with any aspect of the Program by virtue of such status. Neither Credit Suisse nor an employee may demand or file for arbitration with respect to an Employment-Related Claim in a forum not authorized under the Program."

We continue to believe that the FINRA Rules will not be enforced by any authority but FINRA itself, while Credit Suisse obviously believes the FINRA Rules will not be enforced by anyone. FINRA must take immediate action not simply to protect the rights of our clients, tens of thousands of registered employees, and millions of customers but to preserve its credibility with its member firms. FINRA has for decades been the financial industry's most important self-regulatory organization, in no small part because it is also the financial industry's sole dispute resolution forum. Notwithstanding the mandatory provisions of FINRA's own rules, Credit Suisse is openly dismantling this system.

As before, the undersigned respectfully request a meeting or conference call to further explain our position and the serious effects of FINRA's ongoing inaction on this subject. Thank you in advance for your continued consideration of this matter.

Regards,

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