

**UNITED STATES OF AMERICA  
BEFORE THE  
BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM  
WASHINGTON, D.C.**

In the Matter of

Credit Suisse AG  
Zurich, Switzerland

Docket No. 14-009-B-FB  
14-009-CMP-FB

Order to Cease and Desist and Order of  
Assessment of Civil Money Penalty  
Issued Upon Consent Pursuant to the  
Federal Deposit Insurance Act, as  
amended

WHEREAS, the Board of Governors of the Federal Reserve System (the “Board of Governors”) is the host country supervisor in the United States of Credit Suisse AG, Zurich, Switzerland, (“Credit Suisse”), which is a foreign bank as defined in section 3101(7) of the International Banking Act (“IBA”) (12 U.S.C. § 3101(7)) that maintains a branch and other offices in the U.S.;

WHEREAS, Credit Suisse is subject to the jurisdiction of the Board of Governors under the IBA and section 8 of the Federal Deposit Insurance Act (“FDI Act”) (12 U.S.C. § 1818);

WHEREAS, in 1997, Credit Suisse received approval from the Board of Governors under section 10(a) of the IBA, 12 U.S.C. 3107(a), to establish a representative office in New York, New York, to serve as a liaison with its home office in Zurich, Switzerland;

WHEREAS, Credit Suisse’s New York representative office engaged in investment advisory activities that were not permissible for a representative office to conduct under the provisions of the IBA (12 U.S.C. §§ 3107(a), 3101(15)) and Regulation K of the Board of Governors (12 C.F.R. § 211.24(d));

WHEREAS, representatives of Credit Suisse provided information to the Federal Reserve Bank of New York (the “Reserve Bank”) that concealed relevant information about the operations of the representative office;

WHEREAS, Credit Suisse’s representative office in New York facilitated activities of Credit Suisse representatives in opening financial accounts for U.S. taxpayers that were maintained in a foreign country, subject to U.S. tax laws, and in certain instances, were not reported to the U.S. government as required by law;

WHEREAS, in February 2014, the Securities and Exchange Commission (“SEC”) issued an enforcement action against Credit Suisse, finding that Credit Suisse had provided investment services to clients in the U.S. without being registered as required by the Securities Exchange Act and the Investment Advisers Act;

WHEREAS, on May 19, 2014, Credit Suisse entered into a plea agreement (the “Plea Agreement”) with the United States Department of Justice (the “Justice Department”) pursuant to which Credit Suisse agreed to plead guilty to a one count information charging the institution with conspiracy to aid, assist, procure, counsel, and advise the preparation and presentation of false income tax returns to the Internal Revenue Service;

WHEREAS, under the Plea Agreement Credit Suisse has agreed to take specific actions to facilitate future compliance with U.S. tax laws;

WHEREAS, the activities of Credit Suisse regarding opening of foreign accounts for U.S. taxpayers, provision of investment services to U.S. clients, and operation of its New York representative office prior to 2009 indicated that Credit Suisse lacked adequate enterprise-wide risk management and compliance policies and procedures sufficient to ensure

that all of its activities comply with applicable U.S. laws and regulations, including laws and regulations administered by the Federal Reserve, the Internal Revenue Service, and the SEC;

WHEREAS, Credit Suisse has taken certain actions designed to improve compliance with U.S. laws, including:

- a. terminating its New York representative office;
- b. establishing policies and procedures designed to identify, monitor, and report compliance by U.S. citizens and residents with U.S. tax laws; and
- c. establishing policies and procedures to comply with the customer account disclosure and other requirements of the Foreign Account Tax Compliance Act when those requirements become effective later this year;

WHEREAS, the Board of Governors is continuing to investigate whether separate enforcement actions should be taken against individuals who are or were institution-affiliated parties of Credit Suisse and who were involved in the illegal conduct underlying this Order and the Plea Agreement;

WHEREAS, based on its review of the relevant considerations, the Board of Governors has determined not to exercise its discretionary authority under section 7 of the IBA to terminate the activities and operations of Credit Suisse's offices in the U.S.;

WHEREAS, it is the common goal of the Board of Governors and Credit Suisse that Credit Suisse operate in a safe and sound manner and maintain effective corporate governance and oversight, including robust risk management and compliance programs that cover in an appropriate manner all activities concerning the U.S., and foster a strong commitment toward compliance with U.S. laws;

WHEREAS, the Board of Governors and Credit Suisse have agreed to the issuance of this consent Cease and Desist Order and Civil Money Penalty Assessment (the “Order”) against Credit Suisse;

WHEREAS, on May 18, 2014, the Board of Directors of Credit Suisse adopted a resolution authorizing and directing Alan Reifenberg, Managing Director, Credit Suisse AG, New York Branch, to enter into this Order on behalf of Credit Suisse, consenting to compliance by Credit Suisse, with each and every provision of this Order, and waiving any and all rights that Credit Suisse may have pursuant to 12 U.S.C. § 1818, 12 C.F.R. Part 263, or otherwise to:

(i) the issuance of a Notice of Charges and of Hearing on any matter set forth in this Order; (ii) a hearing for the purpose of taking evidence of any matters set forth in this Order; (iii) judicial review of this Order; and (iv) challenge or contest, in any manner, the basis, issuance, validity, terms, effectiveness or enforceability of this Order or any provision hereof.

NOW, THEREFORE, before the filing of any notices, or taking of any testimony or adjudication of or finding on any issues of fact or law herein, and solely for the purpose of settling this matter without a formal proceeding being filed and without the necessity for protracted or extended hearings or testimony, it is hereby ordered, pursuant to sections 8(b)(1) and (4), and (i)(2) of the FDI Act (12 U.S.C. §§ 1818(b)(1), 1818(b)(4), and 1818(i)(2)), that:

**Corporate Governance and Management Oversight**

1. Within 60 days of this Order, Credit Suisse’s Board of Directors shall submit to the Board of Governors a written plan acceptable to the Board of Governors (the “Management Oversight Plan”) to enhance management’s oversight of Credit Suisse’s compliance with applicable U.S. laws, including in the operation of its U.S. representative offices, in connection with financial account services and products provided by Credit Suisse to

U.S. customers (“U.S. Customer Activities”). The Management Oversight Plan shall provide for a sustainable governance framework that, at a minimum, addresses, considers, and includes:

(a) actions the Board of Directors will take to maintain effective oversight of all actions taken by Credit Suisse to correct deficiencies regarding compliance with applicable U.S. laws in U.S. Customer Activities;

(b) measures to ensure that Credit Suisse maintains ongoing, effective oversight of all actions taken by Credit Suisse to correct deficiencies regarding compliance with applicable U.S. law in U.S. Customer Activities;

(c) policies to ensure that U.S. law compliance has the appropriate status within Credit Suisse and to instill a proactive approach throughout Credit Suisse in identifying, communicating, and managing U.S. law compliance risks in U.S. Customer Activities;

(d) clearly defined roles, responsibilities, and accountability regarding compliance with applicable U.S. law in U.S. Customer Activities for Credit Suisse’s management, U.S. law compliance personnel, and internal audit staff;

(e) measures to continue to ensure that U.S. law compliance issues in U.S. Customer Activities are appropriately escalated to Credit Suisse’s senior management for U.S. operations;

(f) measures to continue to ensure that the persons or groups at Credit Suisse charged with the responsibility of overseeing the bank's compliance with applicable U.S. laws related to U.S. Customer Activities possess appropriate subject matter expertise and are actively involved in carrying out such responsibilities;

(g) steps to ensure compliance with applicable U.S. laws and regulations by Credit Suisse and its global business lines related to U.S. Customer Activities, including a

timetable for implementation of the requirements imposed under the Plea Agreement entered into between Credit Suisse and the Justice Department; and

(h) adequate resources to ensure Credit Suisse's compliance with this Order and applicable U.S. law in U.S. Customer Activities.

### **Limitation on Representative Office Activities**

2. Credit Suisse shall operate its representative offices in the U.S. in compliance with the activity restrictions applicable to representative offices under section 10(a) of the IBA, 12 U.S.C. § 3107(a), and Regulation K, 12 C.F.R. § 211.24, and shall not open a new representative office without the prior approval of the Board of Governors.

### **Compliance with the Order**

3. Within 30 days after the end of the first calendar quarter ending at least 30 days after the date of this Order, and within 30 days after the end of each calendar quarter thereafter, Credit Suisse shall submit to the Reserve Bank written progress reports detailing the form and manner of all actions taken to secure compliance with this Order and the results thereof.

### **Approval and Implementation of Plan**

4. (a) Within 10 days of approval by the Board of Governors of the Management Oversight Plan required in paragraph 1 of this Order, Credit Suisse shall adopt the approved Plan. Upon adoption, Credit Suisse shall promptly implement the approved Plan, and thereafter fully comply with it.

(b) During the term of this Order, the approved program and engagement letter shall not be amended or rescinded without the prior written approval of the Board of Governors.

## **Accountability for Employees Involved in Misconduct**

5. (a) Credit Suisse shall, by no later than May 30, 2014, notify any employee who, based on the investigative record compiled by U.S. authorities, participated in the illegal conduct underlying this Order and the Plea Agreement and who has been indicted by U.S. authorities that their employment with Credit Suisse will be terminated no later than August 31, 2014.

(b) Credit Suisse shall not in the future directly or indirectly retain any individual who, based on the investigative record compiled by U.S. authorities, participated in the illegal conduct underlying this Order and the Plea Agreement and who has been indicted or convicted by U.S. authorities as an officer, employee, agent, consultant, or contractor of Credit Suisse or of any affiliate of Credit Suisse.

(c) Credit Suisse shall not enter into any direct or indirect contract, agreement, or other business relationship with any individual who, based on the investigative record compiled by U.S. authorities, participated in the illegal conduct underlying this Order and the Plea Agreement and who has been indicted or convicted by U.S. authorities, or with any entity affiliated with such an individual, regarding the provision of services to customers or clients of Credit Suisse or of an affiliate of Credit Suisse.

6. Credit Suisse agrees to lawfully undertake to provide assistance to the Justice Department and the Board of Governors, including evidence, information, and testimony as requested by the Government, in connection with their investigations of whether separate remedial or punitive actions should be taken against individuals who are or were institution-affiliated parties of Credit Suisse and who were involved in the illegal conduct underlying this Order and the Plea Agreement.

### **Civil Money Penalty Assessment**

7. The Board of Governors hereby assesses Credit Suisse a civil money penalty in the amount of \$100,000,000 to be paid to the Board of Governors at the time of the execution of this Order by Fedwire transfer of immediately available funds to the Federal Reserve Bank of Richmond, ABA No. 051000033, beneficiary, Board of Governors of the Federal Reserve System. The Board of Governors or the Federal Reserve Bank of Richmond on its behalf shall remit the funds to the United States Treasury, pursuant to section 8(i) of the FDI Act, 12 U.S.C. § 1818(i).

### **Communications**

8. All communications regarding this Order shall be addressed to:

- (a) Richard M. Ashton  
Deputy General Counsel  
Board of Governors of the Federal Reserve  
System  
Washington, D.C. 20551
- b) Pierre Schreiber  
Corporate Secretary  
Credit Suisse AG  
RX  
CH-8070 Zurich  
Zurich, Switzerland

### **Miscellaneous**

9. Notwithstanding any provision of this Order to the contrary, the Board of Governors or the Reserve Bank may grant written extensions of time to Credit Suisse to comply with this Order.

10. The provisions of this Order shall be binding upon Credit Suisse and its institution-affiliated parties, in their capacities as such, and their successors and assigns.

11. Each provision of this Order shall remain effective and enforceable until stayed, modified, terminated, or suspended in writing by the Board of Governors.

12. Except as otherwise provided in this paragraph 12, the Board of Governors hereby agrees not to initiate any further enforcement actions, including for civil money penalties, against Credit Suisse, and its affiliates, successors and assigns, with respect to the conduct described in the WHEREAS clauses of this Order to the extent known by the Board of Governors as of the effective date of this Order. This release and discharge shall not preclude or affect (i) any right of the Board of Governors to determine and ensure compliance with this Order, (ii) any proceedings brought by the Board of Governors to enforce the terms of this Order, or (iii) any proceedings brought by the Board of Governors against individuals who are or were institution-affiliated parties of Credit Suisse.

By order of the Board of Governors of the Federal Reserve System, effective this 19th day of May, 2014.

CREDIT SUISSE AG

BOARD OF GOVERNORS OF THE  
FEDERAL RESERVE SYSTEM

By: \_\_\_\_\_/S/\_\_\_\_\_  
Alan Reifenberg  
Managing Director

By: \_\_\_\_\_/S/\_\_\_\_\_  
Robert deV. Frierson  
Secretary of the Board