

KANSAS

OFFICE OF THE SECURITIES COMMISSIONER

MARK PARKINSON, GOVERNOR
CHRIS BIGGS, COMMISSIONER

January 15, 2010

Alan M. Parness, Esq.
Cadwalader, Wickersham & Taft LLP
One World Financial Center
New York, New York 10281

RE: Interpretive Opinion No. 2010-003
Credit Suisse Prime Securities Services (USA) LLC
File No. 2010X0000001

Synopsis: A firm is not exempt from registration under K.S.A. 17-12a401(b)(1)(B) if it loans securities to customers of an affiliated broker-dealer who are high net worth individuals.

Dear Mr. Parness,

In your letter dated October 29, 2009, as supplemented on December 9, 2009, you request confirmation that our agency will not require registration of Credit Suisse Prime Securities Services (USA) LLC (the "Firm") or its personnel under the Kansas Uniform Securities Act. More specifically, you request confirmation that the Firm is eligible for exemption from broker-dealer registration pursuant to K.S.A. 17-12a401(b)(1)(B), which provides an exemption for out-of-state broker-dealers whose only transactions in Kansas are with other broker-dealers who are either registered or not required to be registered in Kansas. You also request confirmation that the employees of the Firm are exempt from agent registration under the corresponding provisions of K.S.A. 17-12a402(b)(2).

I incorporate by reference the facts presented in your letters and the attachments, including the Business Plan of the Firm. In short, the Firm has been organized for the sole purpose of lending stock to prime brokerage clients of Credit Suisse Securities (USA) LLC ("CSSU"), a broker-dealer registered in Kansas, to facilitate short sales. The prime brokerage customers of CSSU are typically institutions, but may include high net worth individuals. When a prime brokerage customer of CSSU wishes to borrow stock, CSSU will transmit the stock loan order to the Firm, and the Firm's staff will process the order. In order to obtain the securities it lends to CSSU customers, the Firm will borrow securities as principal from CSSU.

Based on the facts as stated in your letters and the attachments, it is the position of staff for the Office of the Kansas Securities Commissioner that the Firm is not exempt from broker-dealer registration pursuant to K.S.A. 17-12a401(b)(1)(B) and, accordingly, that the agents of the Firm would not qualify for an exemption under K.S.A. 17-12a402(b)(2). Although much of the borrower's contact is with CSSU and the Firm deals primarily with CSSU, the Firm also deals directly with the borrower in some important respects. For example, page 7 of the Business Plan indicates that the borrower pledges collateral to the Firm and that the Firm may pay rebates as individually negotiated with the borrowers. Therefore, the Firm's transactions would not be solely "with" CSSU, a registered broker-dealer.

We respectfully decline to give your client assurance of no action if it lends securities to Kansas customers without registration of the Firm and its personnel. As you noted in your letter dated December 9, 2009, lending to institutional investors and a limited number of high net worth individuals may qualify for other exemptions from broker-dealer and agent registration. However, this interpretive opinion is limited to K.S.A. 17-12a401(b)(1)(b), and we currently express no opinion regarding other exemptions.

As you know, I have facilitated communication concerning your request with other states. However, please note that I speak only for the State of Kansas and I do not purport to represent the views of any other state.

Sincerely,

A black rectangular redaction box covering the signature of Rick A. Fleming.

Rick A. Fleming
General Counsel