BerkeleyLaw
UNIVERSITY OF CALIFORNIA

Berkeley Center for Law, Business and the Economy

University of California, Berkeley
School of Law
2850 Telegraph Ave, Suite 500
Berkeley, CA 94705-7220

Ph: 510.642.0532 – Fax: 510.643.7095
E-mail: BCLBE@law.berkeley.edu
http://www.law.berkeley.edu/bclbe.htm

More Problems for Credit Suisse
Friday, August 1, 2014
by Roxana Guidero, J.D. Candidate 2016

Credit Suisse just confirmed that it is facing regulatory inquiries over its dark pools (private stock trading platforms). Credit Suisse is one of the largest dark pool operators, joined by Barclays and UBS. Credit Suisse has now joined more than 30 defendants in lawsuits over high-frequency trading currently pending in the U.S. District Court for the Southern District of New York. UBS and Deutsche Bank are also facing inquiries from regulators, including the Securities and Exchange Commission ("SEC") and Eric T. Schneiderman, the New York Attorney General. Credit Suisse has not commented on which regulators are investigating the Zurich-based bank.

The investigations began when Schneiderman sued Barclays alleging that the bank favored high-frequency traders over other investors in the Barclays dark pool. Regulators have recently been scrutinizing dark pools—trading systems that are historically lightly regulated—due to concerns that high-frequency traders are using them to their advantage.

Why dark pools?

Dark pools are attractive to investors because they allow private orders without alerting the rest of the market to the investors' actions. Dark pools have no obligation to post pricing or trading-volume information, adding to their appeal. Credit Suisse attracted media attention last year when it announced that it will not send its dark pool data to the Tabb Group or Rosenblatt Securities research firms that publish monthly statistics on dark pools.

An article detailing Credit Suisse's recent financial loss is available here.