NASD
LETTER OF ACCEPTANCE, WAIVER AND CONSENT

20050000028-01

TO: Market Regulation Department
NASD

RE: Credit Lyonnais Securities (USA), Inc. ("LYON"), Respondent
Broker-Dealer
CRD No. 190

Pursuant to Rule 9216 of NASD Code of Procedure, Credit Lyonnais Securities (USA), Inc. ("LYON") submits this Letter of Acceptance, Waiver and Consent ("AWC") for the purpose of proposing a settlement of the alleged rule violations described in Part II below. This AWC is submitted on the condition that, if accepted, NASD will not bring any future actions against LYON alleging violations based on the same factual findings.

LYON understands that:

1. Submission of this AWC is voluntary and will not resolve this matter unless and until it has been reviewed and accepted by NASD's Department of Market Regulation and National Adjudicatory Council ("NAC") Review Subcommittee or Office of Disciplinary Affairs, pursuant to NASD Rule 9216;

2. If this AWC is not accepted, its submission will not be used as evidence to prove any of the allegations against LYON; and

3. If accepted:

   a. this AWC will become part of LYON's permanent disciplinary record and may be considered in any future actions brought by NASD or any other regulator against LYON;

   b. this AWC will be made available through NASD's public disclosure program in response to public inquiries about LYON's disciplinary record;

   c. NASD may make a public announcement concerning this agreement and the subject matter thereof in accordance with NASD Rule 8310 and IM-8310-2; and

   d. LYON may not take any action or make or permit to be made any public statement, including in regulatory filings or otherwise, denying, directly or indirectly, any allegation in this AWC or create

the impression that the AWC is without factual basis. Nothing in this provision affects LYON's testimonial obligations or right to take legal or factual positions in litigation or other legal proceedings in which NASD is not a party.

LYON also understands that its experience in the securities industry and disciplinary history may be factors that will be considered in deciding whether to accept this AWC. That experience and history are as follows:

LYON has been a member of NASD since March 18, 1968 and its registration remains effective. LYON has no relevant disciplinary history.

I.

WAIVER OF PROCEDURAL RIGHTS

LYON specifically and voluntarily waives the following rights granted under NASD's Code of Procedure:

A. To have a Formal Complaint issued specifying the allegations against LYON;

B. To be notified of the Formal Complaint and have the opportunity to answer the allegations in writing;

C. To defend against the allegations in a disciplinary hearing before a hearing panel, to have a written record of the hearing made and to have a written decision issued; and

D. To appeal any such decision to the NAC and then to the U.S. Securities and Exchange Commission and a U.S. Court of Appeals.

Further, LYON specifically and voluntarily waives any right to claim bias or prejudgment of the General Counsel, the NAC, or any member of the NAC, in connection with such person's or body's participation in discussions regarding the terms and conditions of this AWC, or other consideration of this AWC, including acceptance or rejection of this AWC.

LYON further specifically and voluntarily waives any right to claim that a person violated the ex parte prohibitions of Rule 9143 or the separation of functions prohibitions of Rule 9144, in connection with such person's or body's participation in discussions regarding the terms and conditions of this AWC, or other consideration of this AWC, including its acceptance or rejection.

II.

ACCEPTANCE AND CONSENT

In connection with 20050000028 (MRD200446136), the staff of NASD's Department of Market Regulation (the "staff") conducted a review of LYON's compliance with the rules applicable to the Order Audit Trail System ("OATS") during the period of January 1, 2004 through March 31, 2004 (the "review period").

A. LYON hereby accepts and consents, without admitting or denying the allegations or findings, and solely for the purposes of this proceeding and any other proceeding brought by or on behalf of NASD, or to which NASD is a party, prior to a hearing and without an adjudication of any issue of law or fact, to the entry of the following findings by NASD:

1. During the review period, the firm submitted to OATS 124,383 reports with respect to equity securities traded on the Nasdaq Stock Market (the "subject reports") that were not in the electronic form prescribed by NASD and were repairable. The subject reports were rejected by the OATS system and notice of such rejection was made available to the firm on the OATS website. The firm did not correct or replace 100,647 of the subject reports, or 80.92 percent of the subject reports.
2. The conduct described in paragraph one above constitutes separate and distinct violations of NASD Marketplace Rule 6955(a) and NASD Conduct Rule 2110.
3. LYON's supervisory system did not provide for supervision reasonably designed to achieve compliance with respect to the applicable securities laws and regulations, and the Rules of NASD concerning OATS. Specifically, the firm's supervisory system did not include written supervisory procedures providing for a supervisory statement as to how the completion of the step(s) included in the written supervisory procedures should be document.
4. The conduct described in paragraph three above constitutes separate and distinct violations of NASD Conduct Rules 2110 and 3010.

B. LYON also consents to the imposition, at a maximum, of the following sanctions:

A censure and fine of $15,000 (comprised of a $10,000 fine for the OATS violations and $5,000 for supervisory procedures) and an undertaking to revise the firm's written supervisory procedures with respect to the areas

described in paragraph three above. Within 30 business days of acceptance of this AWC by the NAC, a registered principal of the firm shall submit to the **COMPLIANCE ASSISTANT, LEGAL SECTION, MARKET REGULATION DEPARTMENT, 9509 KEY WEST AVENUE, ROCKVILLE, MD 20850**, a signed, dated letter, providing the following information: (1) reference to this matter; (2) a representation that the firm has revised its written supervisory procedures to address the deficiencies described in paragraph three above; and (3) the date the revised procedures were implemented.

The sanctions imposed herein shall be effective on a date set by NASD staff.

III.

OTHER MATTERS

A. LYON understands that LYON may attach a Corrective Action Statement to this AWC that is a statement of demonstrable corrective steps taken to prevent future misconduct. LYON understands that LYON may not deny the charges or make any statement that is inconsistent with the AWC in this Statement. This Statement does not constitute factual or legal findings by NASD, nor does it reflect the views of NASD or its staff.

B. LYON agrees to pay any monetary sanctions imposed on LYON upon notice that this AWC has been accepted and that such payments are due and payable and has attached an Election of Payment form showing the method by which LYON proposes to pay any fine imposed.

C. LYON specifically and voluntarily waives any right to claim that LYON is unable to pay, now or at any time hereafter, any monetary sanction imposed in this matter.

LYON certifies that LYON has read and understands all of the provisions of this AWC and has been given a full opportunity to ask questions about it, and that no offer, threat, inducement, or promise of any kind, other than the terms set forth herein, has been made to induce LYON to submit it.

8/24/2005
Date

Respondent
Credit Lyonnais Securities (USA), Inc.

By: _____
Name: Christian Billet
Title: VP Compliance

Reviewed by:

_____
Counsel for Respondent

Accepted by NASD:

11/14/05
Date

_____
Thomas R. Gira
Executive Vice President & Deputy
Department of Market Regulation

Signed on behalf of the Director of ODA, by delegated authority

CALYON SECURITIES
CRÉDIT AGRICOLE GROUP

Statement of Corrective Action

This Corrective Action Statement is submitted by the Respondent. It does not constitute factual or legal findings by NASD, nor does it reflect the views of NASD, or its staff.

On May 17, 2004, Calyon Securities (USA) Inc. ("CSI") was contacted by Mr. Paul J. McKinney of the NASD about several violations of Order Audit Trail System ("OATS") reporting through the review period of January 1, 2004 through March 31, 2004. Upon further investigation, CSI determined that there were over 118,000 rejections between January 2, 2004 and January 13, 2004 (less than a two week period) accounting for all of the violations in the NASD's review period (January 1, 2004 through March 31, 2004).

During that time period, one of CSI's clients began trading pink sheet securities. CSI was reporting to OATS *all* symbols that its customers traded, including the pink sheet securities; the firm was not distinguishing pink sheet securities from NASDAQ securities. Once CSI became aware of the problem, on March 9, 2004, the firm built a table from a list provided by Pink Sheets that effectively eliminated the reporting of any security on that table. Until the list was received and the table put into production, CSI was unable to identify which securities were pink sheet securities and therefore needed to be corrected.

In September 2004, the responsibility for OATS filing was moved to another individual at CSI. The responsibility for making the filings and submitting corrections lies with a staff member of the CSI IT Department, and the responsibility for ensuring that the filings are made lies with CSI Compliance. *Please see attached procedures.*

CSI is aware of the importance of this issue. The Firm takes trade reporting very seriously and is continuing to dedicate the time and resources necessary to ensure accurate reporting.

If you have any questions, or need further information, please contact Christian Billet at 212-408-5719.

Calyon Securities (USA) Inc.'s OATS Reporting Procedures

31.8 Order Audit Trail System (OATS) Reporting

The OATS system was established by the NASD as an integrated audit trail of order, quote and trade information for Nasdaq securities to assist in the monitoring of member firm trading practices. Under NASD Rules 6950 through 6957, the Firm is required to develop a means to electronically capture and report to OATS specific data elements relating to the handling or execution of orders, including recording all times of events in hours, minutes and seconds, and to synchronize all their business clocks.

Order information must be sent electronically to OATS on the same day that the order, or specific information about the order, is received, originated, transmitted, modified, canceled, or executed. Where information about an order is not complete or changed (for example, an order is cancelled), the additional information must be transmitted on the day the information becomes available.

OATS order data may be collected during the day and transmitted to OATS in one or more files during the day or after the market close. Reports for events that occur during a particular OATS Business Day must be reported by 4:00:00 a.m. ET the following calendar day or they are marked late by the NASD. For example, an order received at 2:00:00 p.m. ET on Thursday must be reported to OATS by Friday at 4:00:00 am ET. An order received at 10:00:00 p.m. ET on Friday must be reported by Tuesday at 4:00:00 a.m. ET.

Corrections or deletions must be reported within five days of the original submission (except for GTC or GTC New Order Reports corrections or deletions which must be reported within one year).

OATS accepts file transmissions 24 hours a day, 5 days a week from 8:00 a.m. ET Monday to 8:00 a.m. ET Saturday. The *Technical Specifications* provide additional information regarding how and when data can be transmitted to OATS.

31.8(a) The following rules apply:

- All computer system clocks must be synchronized.
- Electronic orders received by Market Makers or Electronic Communication Networks (ECNs) must be reported to OATS.
- All mechanical clocks must be synchronized.
- All electronic orders must be reported to OATS.
- All non-electronic orders (manual) orders must be reported to OATS.

31.8(b) CSI IT, which is supervised by the COO, will be responsible for:

- Submitting the OATS file daily (on the same day that the order, or specific information about the order is received, originated transmitted, modified, canceled or executed).
- Ensuring all data fields contain accurate information.
- Ensuring ROES are submitted in correct time sequence.

- Ensuring special handling codes are submitted correctly.
- Ensuring Account type codes are populated correctly.
- Ensuring data is properly reported under the correct MPID.
- Repairing ROEs and submitting with appropriate flags.

31.8(c) The CSI Compliance Director, or his designee, will be responsible for reviewing the OATS website daily to ensure that:

- All FORE Order Report (FORE) files are acceptable.
- All Route Reports are acceptable.
- All NES Reports are acceptable.
- All Order Trade Matching Statistics are acceptable.
- All Reportable Order Events (ROEs) that need to be repaired are identified and repaired and resubmitted with the appropriate resubmit flag.
- Receive communications from NASDR regarding OATS availability, announcements, software releases, etc.
- Accurate Firm contact information is maintained.
- The daily surveillance logs are completed, detailing any exceptions or unusual findings.

If there are any exceptions found, CSI Compliance will notify CSI Technical support immediately via email, work to get the issues resolved and keep all notes on the surveillance logs.

31.8 (d) Orders NOT Covered by OATS

The following types of orders are never required to be reported in OATS:

- The orders a market maker places for its proprietary market making account.
- Proprietary orders executed through SOES and SelectNet in the normal course of market making activities.
- Proprietary orders placed on an ECN during the normal course of market making.
- Orders received from another market maker in the same security as the Firm makes a market.
- Orders received as part of an IPO or secondary offering are not subject to OATS.
- Orders for OTC Bulletin Board, OTC Pink Sheets, mutual funds, and listed securities may not be reported to OATS. (A file containing Nasdaq symbols can be downloaded from www.nasdaqtrader.com.)

31.8(e) Additional Information:

- Convertible bonds listed on Nasdaq are subject to OATS reporting. Nasdaq Trading and Market Services (301-978-5313) can provide a list of NASDAQ

convertible bonds; turnaround time is usually one to two business days. The list must be updated daily to remain accurate. It is possible to update the list by referring to www.nasdaqtrader.com and clicking on the Daily List.

31.8(f)Testing Environment

Any "testing" of our reporting that needs to be made should not be conducted in "Production" environment; instead it should be conducted in the OATS *Test* Environment, which is located at: https://oatstest.nasdr.com.

31.8(g) References

The following resources are available for more information regarding OATS requirements.

- OATS web page at *www.nasdr.com,* click on members
- OATS Subscriber Manual at *www.nasdr.com/3380.htm*
- OATS Reporting Technical Specifications at *www.nasdr.com/3340.htm*
- Frequently Asked Questions about OATS at: *http://www.nasd.com/web/idcplg?IdcService=SS_GET_PAGE&ssDocName=NASDW_010289*
- Frequently Asked Technical Questions about OATS at: http://www.nasd.com/web/idcplg?IdcService=SS_GET_PAGE&nodeId=1072
- OATS Support Center at 888-700-OATS
- Technology support is available from 8 a.m. Monday to 7:30 a.m. Saturday. Business support is available from 8 a.m. to 6 p.m. Monday through Friday. Phone is (800) 321-NASD and fax # is (888) 345-6275.
- Announcement in Oats Production Environment- Located at https://oats.nasdr.com, these pages contain important information specifically for entities using the OATS system. They are updated frequently. The date they were last updated is listed on the first page as you enter OATS.
- NASD interpretive letter, 7/2/98 to Kenneth Leopold (Neuberger, Berman) regarding receiving assurances from third party vendors (specifically BRASS in this instance) regarding their computer system clock synchronization procedures and reliance upon those procedures.
- NASD interpretive letter, 7/17/98 (no addressee) regarding a firm that engages solely in proprietary market making is required to comply with OATS requirements.
- NASD Notices to Members 01-85, 02-29, 04-80, 04-85, 04-46, 04-69

31.10(h) Supervision of OATS

OATS Compliance Report Card

The OATS Compliance report card is a monthly status report on the number and percentage of: Late OATS submissions; unmatched execution reports; unmatched

NASDAQ Execution System route reports and unrepaired repairable rejected order events. Member firms are required to submit Reportable Order Events ("ROEs") to OATS in accordance with established NASD rules and regulations. Firms that engage in a pattern or practice of late OATS reporting or improperly reporting order events, may be found to be in violation of NASD Conduct Rule 2110 and applicable OATS rules. Questions concerning access to these reports, may be directed to NASDAQ Trader Web Help Desk at (800) 777-5606.

The OATS Compliance report card for each month will be made available on the site on the 24th of the following calendar month, or the first business day after the 24th if that day falls on a weekend or holiday. OATS Compliance report cards remain online for 13 months.

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