

**FINANCIAL INDUSTRY REGULATORY AUTHORITY
LETTER OF ACCEPTANCE, WAIVER AND CONSENT
NO. 2010023872501**

TO: Department of Enforcement
Financial Industry Regulatory Authority ("FINRA")

RE: Lazard Capital Markets LLC, Respondent
CRD No. 134736

Pursuant to FINRA Rule 9216 of FINRA's Code of Procedure, Lazard Capital Markets LLC ("LCM," "Respondent" or the "firm") submits this Letter of Acceptance, Waiver and Consent ("AWC") for the purpose of proposing a settlement of the alleged rule violations described below. This AWC is submitted on the condition that, if accepted, FINRA will not bring any future actions against Respondent alleging violations based on the same factual findings described herein.

I.

ACCEPTANCE AND CONSENT

- A. Respondent hereby accepts and consents, without admitting or denying the findings, and solely for the purposes of this proceeding and any other proceeding brought by or on behalf of FINRA, or to which FINRA 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 FINRA:

BACKGROUND

LCM is headquartered in New York, New York and has been a FINRA member firm since 2005. The firm provides research, sales and trading and underwriting to institutional customers in equity, fixed income and convertible securities. The firm has approximately 136 registered representatives and four branch offices. LCM publishes approximately 7,000 equity research reports per year, including company notes, flash notes, industry notes and daily or "LCM Daily" reports. LCM has no relevant disciplinary history.

OVERVIEW

From January 1, 2007 through May 31, 2011 (the "relevant period") LCM failed to include disclosures required by NASD Rule 2711(h), including that LCM made a market in the securities of covered companies and received compensation for advisory services to covered companies, in over 4,100 equity research reports. LCM's research disclosure violations resulted from LCM's failure to implement procedures reasonably designed to ensure compliance with FINRA disclosure rules in violation of NASD Rule 2711(i). LCM failed to supervise the process by

which required disclosures were added to research reports.

FACTS AND VIOLATIVE CONDUCT

LCM Failed to Include Required Disclosures in Research

During the relevant period, LCM failed to include in over 4,100 equity research reports disclosures required by two provisions of NASD Rule 2711(h): 2711(h)(2)(A)(ii) and 2711(h)(8). LCM failed to disclose in its research reports that it made a market in the securities of covered companies, that it acted as a manager or co-manager in public offerings or that it received compensation for investment banking services (as that term is defined in NASD Rule 2711 (a)(2)) for covered companies.

NASD Rule 2711(h)(2)(A)(ii) provides, in part, that members must disclose in equity research reports whether the member or affiliate (a) managed or co-managed a public offering of securities for the subject company in the past 12 months; or (b) received compensation for investment banking services from the subject company in the past 12 months. From January 1, 2007 to May 31, 2011, LCM failed to disclose in approximately 433 research reports that it acted as a manager or co-manager in public offerings for the subject company in the past 12 months, or that it received compensation for investment banking services (as that term is defined in NASD Rule 2711 (a)(2)) from the subject company in the past 12 months.

NASD Rule 2711(h)(8) provides that members must disclose in equity research reports whether the member was making a market in the subject company's securities at the time the research report was published. From January 1, 2007 to May 31, 2011, LCM failed to disclose in over 3,700 research reports that it made a market in the securities of covered companies at the time the research report was published. This deficiency occurred because LCM began to register as a market maker in NYSE listed securities but the firm inadvertently did not include these securities in the database used to generate this disclosure.

LCM's research disclosure deficiencies particularly affected reports issued during a two-year period, from April 2009 through May 2011, when the firm failed to include required disclosures in approximately 47 percent of all research reports published by the firm.

As a result of the foregoing conduct, LCM violated NASD Rules 2711(h) and 2110 and FINRA Rule 2010.¹

LCM Failed to Implement Written Procedures

LCM did not adopt and implement procedures reasonably designed to ensure compliance with the disclosure provisions of Rule 2711, in violation of Rule 2711(i). Rule 2711(i) provides that each "member must adopt and implement written supervisory procedures reasonably designed to ensure that the member and its employees comply with the provisions" of Rule 2711.

¹ NASD Rule 2110 was superseded by FINRA Rule 2010, effective December 15, 2008.

The firm's written supervisory procedures in effect during the relevant period describe a process for complying with Rule 2711(h) that the firm never implemented during the relevant period. These procedures applied only to a prior system used to update research disclosures, and when LCM changed systems, it did not update its procedures.

In fact, no one at the firm reviewed or audited the process by which firm employees collected and input relevant information into the firm's research disclosure databases. Had the firm conducted such audits or reviews, it could have discovered the Rule 2711(h) violations described above. Instead, the firm's research disclosure violations continued for over four years. The firm addressed the violations when FINRA alerted the firm to certain Rule 2711(h) violations during the 2011 examination.

As a result of the foregoing conduct, LCM violated NASD Rules 2711(i) and 2110 and FINRA Rule 2010.

B. Respondent consents to the imposition of the following sanctions:

- A censure; and
- A fine in the amount of \$300,000.

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

Respondent agrees to pay the monetary sanction upon notice that this AWC has been accepted and that such payment is due and payable.

Respondent has submitted an Election of Payment form showing the method by which Respondent proposes to pay the fine imposed. Respondent specifically and voluntarily waives any right to claim that Respondent is unable to pay, now or at any time hereafter, the monetary sanction imposed in this matter.

II.

WAIVER OF PROCEDURAL RIGHTS

Respondent specifically and voluntarily waives the following rights granted under FINRA's Code of Procedure:

- A. To have a Complaint issued specifying the allegations against it;
- B. To be notified of the 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 National Adjudicatory Council ("NAC") and then to the U.S. Securities and Exchange Commission and a U.S. Court of Appeals.

Further, Respondent 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.

Respondent further specifically and voluntarily waives any right to claim that a person violated the ex parte prohibitions of FINRA Rule 9143 or the separation of functions prohibitions of FINRA 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.

III.

OTHER MATTERS

Respondent understands that:

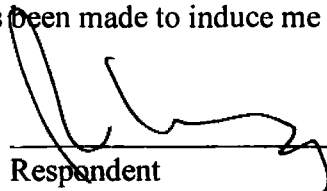
- A. Submission of this AWC is voluntary and will not resolve this matter unless and until it has been reviewed and accepted by the NAC, a Review Subcommittee of the NAC, or the Office of Disciplinary Affairs ("ODA"), pursuant to FINRA Rule 9216;
- B. If this AWC is not accepted, its submission will not be used as evidence to prove any of the allegations against Respondent; and
- C. If accepted:
1. this AWC will become part of Respondent's permanent disciplinary record and may be considered in any future actions brought by FINRA or any other regulator against it;
 2. this AWC will be made available through FINRA's public disclosure program in response to public inquiries about Respondent's disciplinary record;
 3. FINRA may make a public announcement concerning this agreement and the subject matter thereof in accordance with FINRA Rule 8313; and
 4. Respondent 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 finding in this AWC or create the impression

that the AWC is without factual basis. Respondent may not take any position in any proceeding brought by or on behalf of FINRA, or to which FINRA is a party, that is inconsistent with any part of this AWC. Nothing in this provision affects Respondent's: (i) testimonial obligations; or (ii) right to take legal or factual positions in litigation or other legal proceedings in which FINRA is not a party.

- D. Respondent may attach a Corrective Action Statement to this AWC that is a statement of demonstrable corrective steps taken to prevent future misconduct. Respondent understands that it 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 FINRA, nor does it reflect the views of FINRA or its staff.

The undersigned, on behalf of the firm, certifies that a person duly authorized to act on its behalf has read and understands all of the provisions of this AWC and has been given a full opportunity to ask questions about it; that the firm has agreed to its provisions voluntarily; and that no offer, threat, inducement, or promise of any kind, other than the terms set forth herein and the prospect of avoiding the issuance of a Complaint, has been made to induce me the firm to submit it.

September 27, 2013
Date


Respondent
Lazard Capital Markets LLC

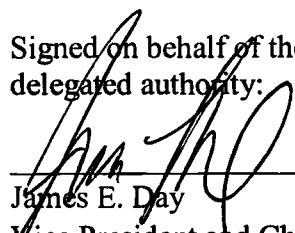
Reviewed by:


Louis J. Barash
Wachtell, Lipton, Rosen & Katz
Counsel for Respondent
51 West 52nd Street
New York, NY 10019-6150
212-403-1346

Accepted by FINRA

10/1/13
Date

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


James E. Day
Vice President and Chief Counsel
FINRA Department of Enforcement
15200 Omega Drive, Third Floor
Rockville, MD 20850
301-258-8520