

NASD
LETTER OF ACCEPTANCE, WAIVER AND CONSENT
CLG050013

**TO: Department of Market Regulation
NASD**

**RE: Calyon Securities (USA) Inc., Respondent
Broker-Dealer
CRD No. 190**

Pursuant to Rule 9216 of NASD Code of Procedure, Calyon 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 ("ODA"), 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

MRD200340408 (MRD200341085) (bb)

- 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 which will be considered in deciding whether to accept this AWC. That experience and relevant history are as follows:

LYON has been a member of NASD since March 18, 1968. On July 24, 2003, an AWC became final wherein LYON was censured, fined \$7,500 and required to review its written supervisory procedures and its compliance with NASD Marketplace Rule 6130(b) for ACT reporting violations. On December 28, 2000, an AWC became final wherein LYON was censured, fined \$15,000 and required to update its written supervisory procedures for trade reporting and supervision violations.

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 MRD200340408, the staff of NASD's Department of Market Regulation ("staff") conducted a review of LYON's compliance with ACT reporting requirements for the period January 1, 2003 through March 31, 2003 ("ACT reporting review period"). The staff also reviewed LYON's written supervisory procedures applicable to ACT reporting.

In connection with MRD200341085, the staff conducted a review of LYON's compliance with Trade Reporting and Compliance Engine ("TRACE") trade reporting requirements for the period January 1, 2003 through March 31, 2003 ("TRACE reporting 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:

MRD200340408

1. LYON failed to accept or decline in ACT 465 transactions in eligible securities within twenty minutes after execution, approximately 72 percent of all transactions that LYON had an obligation to accept or decline in ACT as the OEID during the ACT reporting review period.
2. The conduct described in paragraph one above constitutes constitutes separate and distinct violations of NASD Marketplace Rule 6130(b) and a violation of 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 ACT reporting. Specifically, LYON's supervisory system did not include written supervisory procedures providing for: (1) identification of the person(s) responsible for supervision with respect to the applicable rules; (2) a statement of the supervisory step(s) to be taken by the identified person(s); (3) a statement as to how often such person(s) should take

such step(s); and (4) a statement as to how the completion of the step(s) included in the written supervisory procedures should be documented.

4. The conduct described in paragraph three constitutes a violation of NASD Conduct Rules 2110 and 3010.

MRD200341085

5. LYON failed to report to TRACE 145 transactions in TRACE-eligible securities within 75 minutes after execution. These late transactions constituted 97 percent of all transactions in TRACE securities that LYON was required to report to TRACE during the period January 1, 2003 through March 31, 2003.
 6. The conduct described in paragraph five constitutes separate and distinct violations of NASD Marketplace Rule 6230(a) and a pattern or practice of late reporting without exceptional circumstances in violation of NASD Conduct Rule 2110.
- B. LYON also consents to the imposition, at a maximum, of the following sanctions:

A censure, a fine of \$25,000 (composed of a \$10,000 fine for the ACT reporting violations, a \$7,500 fine for the supervision violation and a \$7,500 fine for the TRACE violations) and an undertaking to revise the firm's written supervisory procedures with respect to the areas described in paragraph three. Within 30 business days of acceptance of this AWC by the NAC, a registered principal of the Respondent 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) a reference to this matter; (2) a representation that the firm has revised its written supervisory procedures to address the deficiencies described in paragraph nine; and, (3) the date the revised procedures were implemented.

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

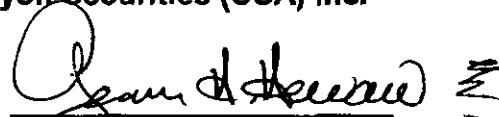
III.**OTHER MATTERS**

- A. LYON understands that it may attach a Corrective Action Statement to this AWC which is a statement of demonstrable corrective steps taken to prevent future misconduct. LYON 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 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 the 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.

Calyon Securities (USA) Inc. certifies that it 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.

Calyon Securities (USA) Inc.

12/9/04
Date

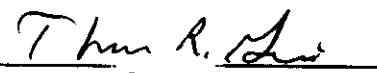
By: 
Name: GEORGE H. HOWARD III
Title: DIRECTOR

Reviewed by:

Counsel for Respondent

Accepted by NASD:

2/2/05
Date


Thomas R. Gira,
Senior Vice President
Department of Market Regulation

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