

NASD
LETTER OF ACCEPTANCE, WAIVER AND CONSENT
CLG050075

TO: Market Regulation Department
NASD

RE: Lazard Freres & Co. LLC, Respondent
Broker-Dealer
CRD No. 2528

Pursuant to Rule 9216 of NASD Code of Procedure, Lazard Freres & Co. LLC ("LAZA" 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 in Part II below. This AWC is submitted on the condition that, if accepted, NASD will not bring any future actions against LAZA alleging violations based on the same factual findings.

LAZA 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 LAZA; and
3. If accepted:
 - a. this AWC will become part of LAZA's permanent disciplinary record and may be considered in any future actions brought by NASD or any other regulator against LAZA;
 - b. this AWC will be made available through NASD's public disclosure program in response to public inquiries about LAZA'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. LAZA 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 LAZA's

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MRD200340529 (ML/BMP)

testimonial obligations or right to take legal or factual positions in litigation or other legal proceedings in which NASD is not a party.

LAZA 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:

LAZA has been a member of NASD since October 16, 1936 and its registration remains effective. LAZA has no relevant disciplinary history.

I.

WAIVER OF PROCEDURAL RIGHTS

LAZA 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 LAZA;
- 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, LAZA 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.

LAZA 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

This matter arose out of a review, MRD200340529, conducted by the staff of NASD's Department of Market Regulation (the "staff") of LAZA's compliance with the Order Audit Trail System ("OATS") rules during the period January 1, 2003 through March 31, 2003 (the "2003 review period"). Additionally, the staff reviewed LAZA's compliance with OATS rules during the period October 1, 2002 through December 31, 2002 (the "2002 review period").

- A. LAZA 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. LAZA failed to timely report to OATS 1,317 Reportable Order Events ("ROEs"). These late ROEs represented 86 percent of all ROEs (1,526) submitted by LAZA to OATS during the 2003 review period.
 2. During the 2002 review period, LAZA failed to submit required information to OATS on 64 business days.
 3. The conduct described in paragraphs one and two above constitutes separate and distinct violations of NASD Marketplace Rule 6955(a) and NASD Conduct Rule 2110.
- B. LAZA also consents to the imposition, at a maximum, of the following sanctions:
- A censure and a fine of \$10,000
- The sanctions imposed herein shall be effective on a date set by NASD staff.

III.

OTHER MATTERS

- A. LAZA understands that LAZA may attach a Corrective Action Statement to this AWC that is a statement of demonstrable corrective steps taken to prevent future misconduct. LAZA understands that LAZA 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. LAZA agrees to pay any monetary sanctions imposed on LAZA 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 LAZA proposes to pay any fine imposed.

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

LAZA certifies that the firm 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 LAZA to submit it.

4/22/05
Date

Respondent
Lazard Freres & Co. LLC

By: 
Name: DONALD E. KLEIN
Title: SVP COMPLIANCE DIRECTOR

Reviewed by:

Counsel for Respondent

Accepted by NASD:

6/3/05
Date

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

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

CORRECTIVE ACTION STATEMENT

In March 2003, Lazard Frères & Co. LLC ("Lazard" or the "Firm") learned that OATS reports that the Firm had provided to BRASS (the third party vendor that acts as the Firm's OATS Reporting Agent) had not been submitted to the NASD because BRASS had not taken the steps it was obligated to take to help the Firm keep its OATS registration up-to-date. Upon discovering this situation, Lazard promptly investigated the matter, updated its registration, discussed the matter with the NASD OATS registration department, and directed BRASS to resubmit all reports.

The Firm takes such OATS reporting issues seriously and has in place measures reasonably designed to ensure that such issues do not recur.

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