

NASD
LETTER OF ACCEPTANCE, WAIVER AND CONSENT
NO. ##
E1020040241-01

TO: Department of Enforcement
NASD

RE: Lazard Capital Markets LLC (BD No. 134736) ("LMC") formerly doing business as
Lazard Freres & Co., LLC (BD No. 2528) ("LAZA")
Respondent

Pursuant to Rule 9216 of NASD Code of Procedure, Lazard Capital Markets LLC ("LCM" or "Respondent") 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 Respondent alleging violations based on the same factual findings.

Respondent 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 Enforcement 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 Respondent; and
3. If accepted:
 - a. this AWC will become part of Respondent's permanent disciplinary record and may be considered in any future actions brought by NASD or any other regulator against Respondent;
 - b. this AWC will be made available through NASD's public disclosure program in response to public inquiries about Respondent'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. 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 allegation in this AWC or create the impression that the AWC is without factual basis. Nothing in this provision affects Respondent's testimonial obligations or right to take legal or factual positions in litigation or other legal proceedings in which NASD is not a party.

Respondent 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:

LCM has been a member of NASD since on or about April 15, 2005. The portion of its business that is relevant to this AWC was previously a part of LAZA, and was transferred to LCM, on or about May 10, 2005.

LAZA has been the subject of one previous NASD disciplinary action involving violations of the nature alleged herein. In December 2003 an AWC was approved by NASD whereby LAZA was sanctioned through a censure and a \$7500 fine for deficiencies in its reporting to the Trade Reporting and Compliance Engine ("TRACE").

LCM has no prior disciplinary history with the Securities and Exchange Commission, any state securities regulator, or self-regulatory organization.

I.

WAIVER OF PROCEDURAL RIGHTS

Respondent 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 Respondent;
- 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, 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 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

- A. Respondent hereby accept and consent, 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. NASD staff reviewed a random sample of 55 corporate bond transactions that Respondent executed between December 1, 2003, and February 29, 2004, which were eligible to be reported to TRACE. NASD staff found that 74.55% of the transactions, or 41 of 55 trades, had a discrepancy between the time stamp on the trade ticket and the trade time reported to TRACE. Through this conduct Respondent violated NASD Systems and Programs Rule 6230 and NASD Conduct Rule 2110.
 2. Between December 1, 2003, and February 29, 2004, Respondent failed to establish an adequate supervisory system to ensure the accurate reporting of transactions to TRACE. Through this conduct Respondent violated NASD Conduct Rules 3010 and 2110.
- B. Respondent also consents to the imposition, at a maximum, of the following sanctions:
- A censure and a fine of \$35,000.

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

III.

OTHER MATTERS

- A. Respondent understands that it 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 NASD, nor does it reflect the views of NASD or its staff.
- B. Respondent agrees to pay any monetary sanctions imposed on Respondent 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 it propose to pay any fine imposed.
- C. Respondent specifically and voluntarily waives any right to claim that it is unable to pay, now or at any time hereafter, any monetary sanction imposed in this matter.

Respondent certifies that it has read and understand all of the provisions of this AWC and have 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 Respondent to submit it.

22 September 05
Date

Lazard Capital Markets LLC

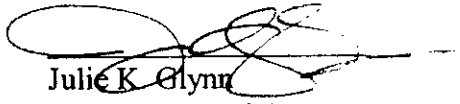
By: [Signature]

Print Title: Deputy Managing Director, Lazard Capital Markets LLC

Accepted by NASD:

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

October 25, 2005
Date


Julie K. Glynn
Senior Regional Attorney
Department of Enforcement
NASD, District 10
One Liberty Plaza
New York, New York 10006
(212) 858-4776

NASD District Director

Hans Reich
Senior Vice President
NASD, District 10
One Liberty Plaza
New York, New York 10006