

NASD
LETTER OF ACCEPTANCE, WAIVER AND CONSENT
NO. E9A2005004702

TO: Department of Enforcement
NASD

RE: Friedman, Billings, Ramsey & Co., Inc.
Member
CRD No. 25027

Pursuant to Rule 9216 of the NASD Code of Procedure, Friedman, Billings, Ramsey & Co., Inc. ("FBR") 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 it alleging violations based on the same factual findings.

FBR 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, 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 it; and
3. If accepted:
 - a. this AWC will become part of its permanent disciplinary record and may be considered in any future actions brought by the NASD or any other regulator against it;
 - b. this AWC will be made available through NASD's public disclosure program in response to public inquiries about its 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. the firm 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. Nothing in this provision affects the firm's testimonial obligations or right to take legal or factual positions in litigation in which the NASD is not a party.

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FBR 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 history are as follows:

FBR has been an NASD member since October 1989. It maintains its principal office in Arlington, Virginia and conducts a general securities business on a fully disclosed basis. In August 2004, FBR entered into a settlement with the U.S. Securities and Exchange Commission in which it was fined \$125,000, censured and ordered to cease and desist from further violations based on findings that it received a payment in connection with research coverage of an issuer without disclosing the prospective receipt of such payment.

I.

WAIVER OF PROCEDURAL RIGHTS

FBR 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 it;
- 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, FBR 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.

FBR 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. FBR 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 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:

From about September 2003 to about April 2005, a period during which a research analyst associated with FBR violated certain provisions of NASD Rules 2711, 3050 and 2110, FBR failed in certain respects to enforce its written supervisory procedures relating to securities transactions by its research analysts and other associated persons. Those written procedures required the firm's Compliance Department to obtain duplicate confirmations and statements for all securities accounts maintained by those associated persons at other firms. Moreover, the Compliance Department had to review those outside account records on at least a quarterly basis.

As a result of its failure to enforce those provisions with respect to the research analyst, FBR failed to detect and prevent violations of NASD Conduct Rules 2711, 3050 and 2110 by the research analyst. Based on the foregoing, FBR violated NASD Conduct Rules 2711(i), 3010 and 2110.

- B. FBR also consents to the imposition, at a maximum, of the sanctions of a censure and a \$15,000 fine.

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

In determining the amount of the fine, NASD took into account the fact that FBR, upon discovery of apparent violations by the research analyst, contemporaneously reported its findings to NASD.

III.

OTHER MATTERS

- A. FBR 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. FBR further 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. FBR agrees to pay any monetary sanctions imposed on it 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 proposes to pay any fine imposed.

- C. FBR 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.

FBR 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 the firm to submit it.

Friedman, Billings, Ramsey & Co., Inc.

9/26/06
Date

By: Ann M. Griffith
Ann M. Griffith
Director of Regulatory Affairs & Compliance

Reviewed by:

Michael D. Trager
Michael D. Trager, Esq.
Counsel for Friedman, Billings, Ramsey & Co., Inc.

Accepted by NASD:

October 17, 2006
Date

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

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