

**UNITED STATES OF AMERICA**  
**Before the**  
**SECURITIES AND EXCHANGE COMMISSION**

**SECURITIES EXCHANGE ACT OF 1934**  
**Release No. 58884/October 30, 2008**

**INVESTMENT COMPANY ACT OF 1940**  
**Release No. 28479/October 30, 2008**

**ADMINISTRATIVE PROCEEDING**  
**File No. 3-13285**

**In the Matter of**

**W. DANIEL WILLIAMS,**

**Respondent.**

**ORDER INSTITUTING ADMINISTRATIVE  
AND CEASE-AND-DESIST PROCEEDINGS,  
PURSUANT TO SECTIONS 15(b) and 21C OF  
THE SECURITIES EXCHANGE ACT OF  
1934 and SECTIONS 9(b) AND 9(f) OF THE  
INVESTMENT COMPANY ACT OF 1940,  
MAKING FINDINGS, AND IMPOSING  
REMEDIAL SANCTIONS AND A CEASE-  
AND-DESIST ORDER AS TO W. DANIEL  
WILLIAMS**

**I.**

The Securities and Exchange Commission (“Commission”) deems it appropriate and in the public interest that public administrative and cease-and-desist proceedings be, and hereby are, instituted pursuant to Sections 15(b) and 21C of the Securities Exchange Act of 1934 (“Exchange Act”) and Sections 9(b) and 9(f) of the Investment Company Act of 1940 (“Investment Company Act”) against W. Daniel Williams (“Williams” or “Respondent”).

**II.**

In anticipation of the institution of these proceedings, Respondent has submitted an Offer of Settlement (the “Offer”) which the Commission has determined to accept. Solely for the purpose of these proceedings and any other proceedings brought by or on behalf of the Commission, or to which the Commission is a party, and without admitting or denying the findings herein, except as to the Commission’s jurisdiction over him and the subject matter of these proceedings, which are admitted, Respondent consents to the entry of this Order Instituting

Administrative and Cease-and-Desist Proceedings Pursuant to Sections 15(b) and 21C of the Securities Exchange Act of 1934 and Sections 9(b) and 9(f) of the Investment Company Act of 1940, Making Findings, and Imposing Remedial Sanctions and a Cease-and-Desist Order as to W. Daniel Williams (“Order”), as set forth below.

### III.

On the basis of this Order and Respondent’s Offer, the Commission finds<sup>1</sup> that

#### **Respondent**

1. **W. Daniel Williams** (“Williams”), age 47, resides in New York, New York and has been a licensed securities professional since 1985. From April 1998 until his resignation in March 2005, he was associated with Lazard Capital Markets LLC as a registered account executive in the equity sales and trading department, becoming a managing director in January 2003.

#### **Other Relevant Parties**

2. **Lazard Capital Markets LLC** (“Lazard Capital Markets”) is registered with the Commission as a broker-dealer (File No. 8-2595) pursuant to Section 15(b) of the Exchange Act, with its principal place of business in New York, New York. Lazard Freres & Co. LLC’s capital markets assets were separated from its other businesses and transferred to Lazard Capital Markets in 2005.<sup>2</sup> At all relevant times, Lazard Freres & Co. LLC was registered with the Commission as a broker-dealer pursuant to Section 15(b) of the Exchange Act and provided securities brokerage services to institutional customers.

3. **Louis Gregory Rice** (“Rice”), age 42, resides in New York, New York and has been a licensed securities professional since 1987. From 1987 until he resigned in March 2005, Rice held various positions with Lazard Capital Markets. He became a managing director in 1996 and from 1996 to 2005, was the head of Lazard Capital Markets’ equity sales and trading department in the United States, supervising, among others, Williams.

4. **FMR Co., Inc.** (“Fidelity”) is registered with the Commission as an investment adviser (File No. 801-3447) pursuant to Section 203(c) of the Investment Advisers Act of 1940 (“Advisers Act”), with its principal place of business in Boston, Massachusetts. Fidelity is a wholly owned subsidiary of Fidelity Management & Research Company (“FMR”), which is also an investment adviser registered with the Commission (File No. 801-7884) pursuant to Section 203(c) of the Advisers Act. Fidelity provides portfolio management services as a sub-adviser to certain customers of FMR, including approximately 350 registered investment companies

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<sup>1</sup> The findings herein are made pursuant to Respondent's Offer of Settlement and are not binding on any other person or entity in this or any other proceeding.

<sup>2</sup> For purposes of this Order, unless otherwise described, the term “Lazard Capital Markets” includes its predecessor entity, Lazard Freres & Co., LLC.

marketed under the “Fidelity Investments” trade name and managed by FMR and its affiliates (the “Fidelity Funds”).<sup>3</sup>

5. **Thomas H. Bruderman** (“Bruderman”), age 39, lives in Boston, Massachusetts. He was a domestic equity trader at Fidelity from 1998 until December 2004.<sup>4</sup>

## Facts

### Summary

6. These proceedings concern Williams’ provision of extensive travel and entertainment to Fidelity equity trader Thomas H. Bruderman and certain other members of Fidelity’s equity trading desk. The members of Fidelity’s equity trading desk who received such travel and entertainment included equity securities traders, whose responsibilities included directing securities transactions for the Fidelity Funds to securities brokerage firms for execution.

7. From 2000 through 2004 (the “Relevant Period”), in an effort to generate brokerage business, Williams, expensed to Lazard Capital Markets over \$100,000 in connection with taking Bruderman and certain other Fidelity traders on trips to exotic locations, lodging them at fancy hotels, and providing them with tickets to concerts and, in one instance, an expensive gift.<sup>5</sup> In addition, in connection with Bruderman’s bachelor party, Williams provided Bruderman with adult entertainment.

8. Lazard Capital Markets received substantial business from Fidelity traders during the period that Williams and certain other Lazard Capital Markets employees provided travel, entertainment and gifts to Fidelity traders. Throughout the Relevant Period, the brokerage commissions Williams, together with the other Lazard Capital Markets employees, generated from Fidelity were a significant portion of Lazard Capital Markets’ overall commission revenue. For example, from 2001 to 2003, Fidelity commissions generated by Fidelity traders to whom Williams and certain other Lazard Capital Markets employees provided travel, entertainment and gifts constituted an average of over 16% of Lazard Capital Markets’ annual commission revenue

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<sup>3</sup> On March 5, 2008, the Commission instituted a related administrative proceeding against Fidelity. *See In the Matter of Fidelity Management & Research Co. and FMR Co. Inc.*, Advisers Act Release No. 2713, Admin. Proc. File No. 3-19276 (March 5, 2008).

<sup>4</sup> On March 5, 2008, the Commission instituted a related administrative proceeding against Bruderman and nine other employees of Fidelity’s equity trading desk. *See In the Matter of Scott DeSano, et al.*, Admin. Proc. File No. 3-12978 (March 5, 2008).

<sup>5</sup> Simultaneously with the commencement of this proceeding, the Commission has issued Orders with respect to Lazard Capital Markets and Messrs. Rice, David L. Tashjian and Robert A. Ward. *See the following Commission Orders: In the Matter of Lazard Capital Markets LLC*, Admin. Proc. File No. 3-13281 (October 30, 2008); *In the Matter of Louis Gregory Rice*, Admin. Proc. File No. 3-13282 (October 30, 2008); *In the Matter of David L. Tashjian*, Admin. Proc. File No. 3-13284 (October 30, 2008); and *In the Matter of Robert A. Ward*, Admin. Proc. File No. 3-13283 (October 30, 2008).

during that period. During the Relevant Period, commissions from Fidelity far exceeded commissions from any other Lazard Capital Markets customer.

9. Bruderman was the primary recipient of Williams's lavish entertainment of Fidelity traders. During the Relevant Period, Williams expensed over \$100,000 in connection with entertaining and providing travel and an expensive gift to Bruderman. During the same period, Bruderman (who also received travel, entertainment and gifts from other Lazard Capital Markets employees) personally directed Fidelity securities orders to Lazard Capital Markets that generated a total of approximately \$21.6 million in commissions for Lazard Capital Markets, over ten percent of Lazard Capital Markets' total commission revenue during that five-year period.

10. Section 17(e)(1) of the Investment Company Act makes it unlawful for an affiliated person of a registered investment company, or an affiliate of an affiliate, when acting as an agent, to accept compensation from any source (other than a salary or wages from the registered investment company) for the purchase or sale of any property to or for the registered investment company. Bruderman and the other Fidelity traders were affiliated persons of Fidelity, which is an affiliated person of registered investment companies (the Fidelity Funds), because Fidelity is the adviser to those funds. Bruderman's and the other Fidelity traders' receipt of travel, entertainment and gifts from Williams constituted compensation within the prohibition of Section 17(e)(1) of the Investment Company Act.

11. As a result of his conduct, Williams aided and abetted and caused Bruderman's and certain other Fidelity traders' violations of Section 17(e)(1) of the Investment Company Act.

### Background

12. Prior to joining Lazard Capital Markets, while working as a sales trader for a competitor broker-dealer, Williams had developed business relationships with certain Fidelity equity traders. In or about 1998, Rice, the head of Lazard Capital Markets' equity sales and trading department, hired Williams and some of his colleagues in an effort to increase the department's brokerage business. Williams was given access to a travel and entertainment budget, which he was able to access through a Lazard Capital Markets-issued credit card.

13. Lazard Capital Markets' policies prohibited providing gifts in excess of \$100. From 2001 through at least mid-2004, Lazard Capital Markets' Compliance Manual stated:

An employee may not give any gratuity in excess of \$100 per person per year to any principal, officer, or employee of another ... *financial institution*.... Records shall be retained for at least three years of all such gratuities and compensation for inspection by Exchange examiners. (emphasis added).

Lazard Capital Markets also subjected its managing directors and employees to the prerequisites of relevant law and reasonable conduct and required that:

Any questions regarding the application or interpretation of behavior or conduct that may be acceptable must be brought to the attention of the General Counsel or his designee *before* any action is taken. (emphasis added).

#### Williams's Lavish Entertainment of Certain Fidelity Employees

14. During the Relevant Period, Williams expensed to Lazard Capital Markets over \$100,000 in connection with entertaining and providing travel and an expensive gift to Bruderman and a few other Fidelity employees. The travel and entertainment consisted of trips, including air travel, luxury accommodations, meals and other entertainment, as well as a \$4,565 watch.

15. Examples of the trips that Williams (often along with certain other Lazard Capital Markets employees) provided are as follows:

a. During 2001, Williams, generally together with other Lazard Capital Markets employees, took Bruderman on at least four out-of-town trips, including two trips to California (during which Williams expensed approximately \$19,000, and that cost Lazard Capital Markets in total nearly \$80,000), an excursion to Florida (during which Williams expensed approximately \$20,000, and that cost Lazard Capital Markets in total nearly \$60,000), and a trip to Mexico (which cost Lazard Capital Markets over \$11,000, all of which Williams expensed).

b. In November 2002, Williams joined Bruderman and certain other Fidelity employees on a week long golf junket to Las Vegas and Cabo San Lucas, Mexico. While another broker organized this annual event, dubbed the "Fall Classic," Williams expensed hotel costs (the Bellagio in Las Vegas and Hotel Esperanza in Cabo San Lucas), several dinners, and golf fees, all of which cost Lazard Capital Markets over \$21,000.

c. In or about August 2002 and again in or about August 2003, Williams, together with other Lazard Capital Markets employees, took certain clients, including at least one Fidelity trader, on trips to the Red Tail Golf Club, near Toronto, Canada. The total cost to Lazard Capital Markets for this trip was over \$34,000 in 2002 and \$43,000 in 2003.

d. In or about March 2003, Williams, together with other Lazard Capital Markets employees, joined with representatives of other brokerage firms to pay for Bruderman's bachelor party in Miami. Williams and the other Lazard Capital Markets employees provided several rooms at the Delano hotel, including a \$3,000 per night suite. In addition, Williams provided Bruderman with adult entertainment. Williams expensed over \$25,000 on this trip, which cost Lazard Capital Markets in total over \$50,000.

Lazard Capital Markets Received Substantial Business from Fidelity During the Period Williams Provided Travel, Entertainment and Gifts to Fidelity Certain Traders

16. During the Relevant Period, Williams used travel, entertainment and gifts in a manner that violated Lazard Capital Markets' policies requiring that entertainment be reasonable, based on the nature, scale and frequency of the entertainment targeted toward Bruderman.

17. Throughout the Relevant Period, the brokerage commissions Lazard Capital Markets generated from Fidelity traders to whom Williams and certain other Lazard Capital Markets employees provided travel, entertainment and gifts were a significant portion of Lazard Capital Markets' overall commission revenue. In addition, the commissions Lazard Capital Markets received from the Fidelity Funds grew after Williams joined Lazard Capital Markets. In 1998, the year Lazard Capital Markets hired Williams and his colleagues, Lazard Capital Markets received \$1.4 million in commissions from Fidelity. By contrast, during the 2001 to 2003 period, for example, Williams and certain other Lazard Capital Markets employees were responsible for generating the following commissions from Fidelity, representing the following percentages of Lazard Capital Markets' overall gross commission revenue:

<b>Year</b>	<b>Approximate Gross Commission Revenue Generated From Fidelity</b>	<b>Approximate Percentage of Lazard Capital Markets' Overall Commission Revenue</b>
2001	\$7.4 million	16.2%
2002	\$7.2 million	16.4%
2003	\$6.1 million	16.1%

During the Relevant Period, commissions from Fidelity far exceeded commissions from any other Lazard Capital Markets customer.

18. Bruderman, the primary beneficiary of Williams' largesse, alone sent trades generating a total of \$21.6 million in brokerage commissions to Lazard Capital Markets during the Relevant Period, as follows:

2000	\$3.6 million
2001	\$6.4 million
2002	\$5.6 million
2003	\$3.8 million
2004	\$2.2 million

The commissions generated from Bruderman represented over ten percent of Lazard Capital Markets' overall commission revenue during that five-year period.

19. The travel, entertainment and gifts Williams provided to Bruderman and a few other Fidelity traders constituted prohibited "compensation" within the scope of Section 17(e)(1) of the Investment Company Act.

## Violations of the Federal Securities Laws

20. Section 17(e)(1) of the Investment Company Act makes it unlawful for an affiliated person of a registered investment company, or an affiliate of an affiliate, when acting as an agent, to accept compensation from any source (other than a salary or wages from the registered investment company) for the purchase or sale of any property to or for the registered investment company. A violation of Section 17(e)(1) is complete upon receipt of the compensation. Bruderman and certain other Fidelity traders were affiliated persons of Fidelity, which is an affiliated person of investment companies (the Fidelity Funds), because Fidelity advises those funds. Bruderman and certain other Fidelity traders' receipt of travel, entertainment and gifts from Williams constituted compensation in violation of Section 17(e)(1) of the Investment Company Act. As a result of the conduct above, Williams willfully aided and abetted and caused those violations.

## Undertakings

21. Respondent Williams shall provide the Commission, within 10 days after the end of the three month suspension period described below, an affidavit that he has complied fully with the sanctions described in Section IV below.

22. In determining whether to accept the Offer, the Commission considered these undertakings.

## IV.

In view of the foregoing, the Commission deems it appropriate and in the public interest to impose the sanctions agreed to in Respondent Williams' Offer.

Accordingly, pursuant to Sections 15(b) and 21C of the Exchange Act and Sections 9(b) and 9(f) of the Investment Company Act, it is hereby ORDERED that:

A. Respondent Williams cease and desist from committing or causing any violations and any future violations of Section 17(e)(1) of the Investment Company Act.

B. Respondent Williams be, and hereby is suspended from association with any broker or dealer, and is prohibited from serving or acting as an employee, officer, director, member of an advisory board, investment adviser or depositor of, or principal underwriter for, a registered investment company or affiliated person of such investment adviser, depositor, or principal underwriter for a period of three months, effective on the second Monday following the entry of this Order.

C. IT IS FURTHER ORDERED that Respondent shall pay a civil money penalty in the amount of \$25,000.00 to the United States Treasury within 10 days of entry of this Order. If timely payment is not made, additional interest shall accrue pursuant to 31 U.S.C. 3717. Such payment shall be: (A) made by United States postal money order, certified check, bank cashier's

check or bank money order; (B) made payable to the Securities and Exchange Commission; (C) hand-delivered or mailed to the Office of Financial Management, Securities and Exchange Commission, Operations Center, 6432 General Green Way, Stop 0-3, Alexandria, VA 22312; and (D) submitted under cover letter that identifies W. Daniel Williams as a Respondent in these proceedings, the file number of these proceedings, a copy of which cover letter and money order or check shall be sent to David P. Bergers, Regional Director, Boston Regional Office, Securities and Exchange Commission, 33 Arch Street, 23rd Floor, Boston, Massachusetts 02110-1424.

D. Respondent Williams shall comply with the undertakings enumerated in paragraph 21, above.

By the Commission.

Florence E. Harmon  
Acting Secretary