UNITED STATES OF AMERICA
Before the
SECURITIES AND EXCHANGE COMMISSION

SECURITIES EXCHANGE ACT OF 1934

ADMINISTRATIVE PROCEEDING
File No. 3-12538

In the Matter of
FRIEDMAN, BILLINGS,
RAMSEY & CO., INC.,
Respondent.

ORDER INSTITUTING
ADMINISTRATIVE PROCEEDINGS
PURSUANT TO SECTION 15(b)(4) OF
THE SECURITIES EXCHANGE ACT OF
1934, MAKING FINDINGS, AND
IMPOSING REMEDIAL SANCTIONS

I.

The Securities and Exchange Commission (“Commission”) deems it appropriate and in the public interest that public administrative proceedings be, and hereby are, instituted pursuant to Section 15(b)(4) of the Securities Exchange Act of 1934 (“Exchange Act”) against Friedman, Billings, Ramsey & Co., Inc. (“FBR” or “Respondent”).

II.

In anticipation of the institution of these proceedings, FBR 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 it and the subject matter of these proceedings, and the findings contained in Section III.2 below, which are admitted, FBR consents to the entry of this Order Instituting Administrative Proceedings Pursuant to Section 15(b)(4) of the Securities Exchange Act of 1934, Making Findings, and Imposing Remedial Sanctions (“Order”), as set forth below.
III.

On the basis of this Order and FBR’s Offer, the Commission finds that:

1. From January 25, 1989 until present, FBR has been a broker-dealer registered with the Commission. FBR, a Delaware corporation, is a subsidiary of Friedman, Billings, Ramsey Group, Inc. (“FBG”), a holding company for several entities that provide investment banking, institutional brokerage, specialized asset management and banking products and services. FBG is a Virginia corporation with its principal place of business in Arlington, Virginia, whose stock is traded on the New York Stock Exchange under the symbol “FBR.”

2. On December 22, 2006, a final judgment was entered by consent against FBR, permanently enjoining FBR from violating Sections 5 and 17(a) of the Securities Act of 1933 (“Securities Act”), Sections 10(b) and 15(f) of the Exchange Act and Rule 10b-5 promulgated thereunder, in the civil action entitled Securities and Exchange Commission v. Friedman, Billings, Ramsey & Co., Inc., et al., Civil Action Number 06-CV-02160, in the United States District Court for the District of Columbia.

3. The Commission’s complaint alleged that, in connection with a Private Investment in Public Equity (“PIPE”) offering1 of stock by CompuDyne Corporation (“CompuDyne”), FBR failed to establish, maintain and enforce policies and procedures reasonably designed to prevent the misuse of material, nonpublic information and, in violation of the antifraud provisions of the federal securities laws, improperly traded CompuDyne stock in its market making account while aware of material, nonpublic information concerning the CompuDyne PIPE offering. In particular, the complaint alleged that while FBR had policies and procedures relating to the handling of material, nonpublic information, those policies and procedures were not reasonably designed to prevent the misuse of material, nonpublic information, and were not enforced by FBR, in connection with the CompuDyne PIPE transaction. The complaint also alleged that FBR entered into a written engagement agreement to act as the placement agent for the CompuDyne PIPE offering, which, among other things, required FBR to keep information that it learned about the PIPE offering confidential until such information became public. The complaint further alleged that as a result of this engagement, FBR learned material, nonpublic information regarding the CompuDyne offering and breached a duty of trust and confidence that it owed to CompuDyne when it traded in its market making account while aware of such material, nonpublic

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1 In a PIPE transaction, a “placement agent” or underwriter privately places restricted securities of a public company with investors meeting certain criteria (“accredited investors”). Accredited investors enter into a purchase agreement with the public company committing the investors to purchase a certain number of shares at a specified price. The public company agrees, in turn, to file a resale registration statement with the Commission within a specified period so that the investors can resell the shares to the public. The investors do not pay for the shares until the closing of the transaction, which does not occur until a short time before or after the resale registration statement is declared effective.
information. The complaint also alleged that FBR engaged in unregistered sales of CompuDyne securities.

**Undertakings**

4. FBR undertakes the following:

   a. FBR shall retain, within 30 days from the date of entry of the Order, the services of an Independent Consultant, who is not unacceptable to the Commission’s staff. FBR shall require the Independent Consultant to perform all of the services and tasks described below. FBR shall exclusively bear all costs, including compensation and expenses, associated with the retention and performance of the Independent Consultant.

   b. FBR shall require the Independent Consultant to conduct a comprehensive review and prepare a written report (“Initial Report”) regarding FBR’s policies, procedures and practices to prevent the misuse of material nonpublic information, which are required by Section 15(f) of the Exchange Act. FBR shall require the Independent Consultant to issue and deliver to FBR and the Commission’s staff the Initial Report within 90 days from the date of entry of the Order. The Initial Report must include a description of the review performed, the conclusions reached, and the Independent Consultant’s recommendations as to how FBR should improve, modify or supplement its policies and procedures to prevent the misuse of material nonpublic information in order to be in compliance with Section 15(f) of the Exchange Act.

   c. FBR shall adopt all recommendations in the Initial Report, provided, however, that within 30 days after the Independent Consultant delivers the Initial Report, FBR shall in writing advise the Independent Consultant and the Commission’s staff of any recommendations that it considers unduly burdensome, impractical or costly. FBR need not adopt such recommendations at that time but shall propose in writing an alternative policy or procedure designed to achieve the same objective or purpose. As to any recommendations on which FBR and the Independent Consultant do not agree, such parties shall attempt in good faith to reach an agreement within 30 days after FBR delivers the written advice. In the event FBR and the Independent Consultant are able to agree on an alternative proposal, such proposal must not be unacceptable to the Commission’s staff. In the event FBR and the Independent Consultant are unable to agree on an alternative proposal, FBR shall abide by the determination of the Independent Consultant.

   d. FBR shall, within six months after the issuance of the Independent Consultant’s Initial Report, submit to the Commission’s staff an affidavit attesting to its implementation of the recommendations contained in the Initial Report and setting forth the details of its implementation of the recommendations contained in the Initial Report.

   e. FBR shall, within one year after the issuance of the Initial Report, require the Independent Consultant to review FBR’s policies, procedures and practices to
prevent the misuse of material, nonpublic information, as required by Section 15(f) of the Exchange Act, and deliver to FBR and the Commission’s staff a final written report ("Final Report") analyzing FBR’s adoption, implementation, maintenance and enforcement of the policies, procedures and practices contained in the Initial Report and the effectiveness of those policies, procedures, and practices.

f. To ensure the independence of the Independent Consultant, FBR:
   (i) shall not have the authority to terminate the Independent Consultant, without the prior written approval of the Commission’s staff; (ii) shall compensate the Independent Consultant, and persons engaged to assist the Independent Consultant, for services rendered pursuant to the Order at their reasonable and customary rates; and (iii) shall not be in and shall not have an attorney-client relationship with the Independent Consultant and shall not seek to invoke the attorney-client or any other doctrine or privilege to prevent the Independent Consultant from transmitting any information, reports or documents to the Commission or the Commission’s staff.

g. To further ensure the independence of the Independent Consultant, FBR shall require the Independent Consultant to enter into an agreement that provides for the period of the engagement and for a period of two years from completion of the engagement, the Independent Consultant shall not enter into any employment, consultant, attorney-client, auditing or other professional relationship with FBR, or any of its present or former affiliates, directors, officers, employees, or agents acting in their capacity. The agreement will also provide that the Independent Consultant will require that any firm with which he/she is affiliated or of which he/she is a member, and any person engaged to assist the Independent Consultant in performance of his/her duties under this Order shall not, without prior written consent of the Commission staff, enter into any employment, consultant, attorney-client, auditing or other professional relationship with FBR or any of its present or former affiliates, directors, officers, employees, or agents acting in their capacity as such for the period of the engagement and for a period of two years after the engagement.

h. FBR shall cooperate fully with the Independent Consultant and shall provide the Independent Consultant with prompt access to FBR’s files, books, records and personnel as the Independent Consultant reasonably deems necessary or appropriate in fulfilling any function or completing any task described in these undertakings.

i. For good cause shown, and upon receipt of a timely application from the Independent Consultant or FBR, the Commission’s staff may extend any of the procedural dates set forth above.
IV.

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

Accordingly, pursuant to Section 15(b)(4) of the Exchange Act, it is hereby ORDERED that:

A. FBR is censured; and

B. FBR shall comply with the undertakings enumerated in Section III above.

By the Commission.

Nancy M. Morris
Secretary