

**FINANCIAL INDUSTRY REGULATORY AUTHORITY
LETTER OF ACCEPTANCE, WAIVER AND CONSENT
NO. 2012033432301**

TO: Department of Enforcement
Financial Industry Regulatory Authority ("FINRA")

RE: Kenneth Ronald Allen, Respondent
CRD No. 2574350

Pursuant to FINRA Rule 9216 of FINRA's Code of Procedure, Respondent Kenneth Ronald Allen ("Respondent" or "Allen") submits this Letter of Acceptance, Waiver and Consent ("AWC") for the purpose of proposing a settlement of the alleged rule violations described below. This AWC is submitted on the condition that, if accepted, FINRA will not bring any future actions against me alleging violations based on the same factual findings described herein.

I.

ACCEPTANCE AND CONSENT

- A. I hereby accept and consent, without admitting or denying the findings, and solely for the purpose of this proceeding and any other proceeding brought by or on behalf of FINRA, or to which FINRA 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 FINRA:

BACKGROUND

Allen was first registered with a FINRA member in 1994 as a General Securities Representative. Allen became registered with First New York Securities L.L.C. ("FNYS") on June 29, 2007 and worked as a proprietary trader in the firm's New York offices. Allen obtained a Series 55 license (Limited Representative - Equity Trader) in July 2007. Allen has not been registered since May 29, 2012 when FNYS filed a Form U5 terminating Allen's registration. On July 3, 2012, FNYS filed an amended Form U5.

Although Allen is no longer registered or associated with a FINRA member, he remains subject to FINRA's jurisdiction, pursuant to Article V, Section 4(a)(i), of FINRA's By-Laws, because (i) the conduct that serves as the basis for this action commenced prior to Allen's termination of registration from a FINRA member firm; (ii) FNYS filed an amendment to its May 29, 2012, notice of termination within two years (specifically, on July 3, 2012) disclosing that Allen may have engaged in conduct actionable under an applicable statute, rule, or regulation; and (iii) this action has been filed within two years after FNYS's filing of an amendment to Allen's last termination of registration from a FINRA member firm.

OVERVIEW

Allen shorted securities of Tokyo Electric Power Company Inc. (“TEPCO”) on the Tokyo Stock Exchange (“TSE”), in September 2010, while in possession of material, nonpublicized information that the company would announce a secondary public offering of its securities. Allen’s actions violated Japanese securities laws, which constitute a violation of FINRA Rule 2010.

FACTS AND VIOLATIVE CONDUCT

While registered with FNYS, Allen specialized in trading equity securities of Japanese issuers using a firm proprietary trading account. By early 2010, Allen retained a consultant to provide him with information on the Japanese market to help him trade Japanese securities at FNYS. He agreed to pay this person JP¥300,000 (approximately \$3,300 at then current exchange rates) per month for the services.

During mid-September 2010, the consultant told Allen that TEPCO, Japan’s largest supplier of electric power, would announce a secondary public offering and that it would be underwritten by Nomura Securities Co. Ltd. (“Nomura”), a large Japanese broker-dealer. Allen was aware from the communications he received from the consultant that the information was material, nonpublicized information that came from a person in the sales department at Nomura.

Beginning the morning of September 15, 2010 (Japan Standard Time, or “JST”), Allen shorted TEPCO securities on the TSE. Allen continued to short TEPCO after September 15, accumulating an 80,000-share, \$2.2 million short position by September 27, 2010 (JST). The \$2.2 million short position in TEPCO was one of the largest positions Allen had taken in a security in his proprietary trading account at FNYS. Allen partially covered his 80,000-share short position by buying 30,000 shares of TEPCO on September 27 (JST), reducing his short position to 50,000 shares. The next day, September 28 (JST), Allen shorted an additional 35,000 shares of TEPCO, increasing his short position to 85,000 shares. At 8:54 p.m. (JST), on September 28, relying on local Japanese news reports but without identifying sources, Reuters news service announced that TEPCO “will raise several hundred billion yen (several billion dollars) in new capital.”

Based on local news reports of an anticipated secondary public offering, TEPCO’s share price dropped approximately 7.7 percent on September 29, to close at JP¥2,105 from a closing price of JP¥2,282 on September 28. Trading volume in TEPCO on September 29 was approximately nine times the recent daily average trading volume in the stock. Allen partly covered his short position by buying 65,000 TEPCO shares on the TSE, on September 29 (JST).

After the close of the market on September 29 (JST), TEPCO announced a secondary public offering underwritten by Nomura of 227.63 million common shares and an additional 26.52 million shares in the event of exceptional demand. The combined 254.15 million new shares constituted approximately 18.8 percent of the total of 1.35 billion TEPCO shares then outstanding.

On October 1, 2010, Allen bought another 20,000 shares of TEPCO, eliminating his short position. Allen made total profits for himself and FNYS of approximately \$206,000 from trading TEPCO in his FNYS proprietary account, from September 15 to October 1, 2010.

Article 166 of Japan's Financial Instruments and Exchange Act ("FIEA") (Law No. 25 of 1948, as amended) prohibits a person who has received from a corporate insider material, nonpublicized information from selling or purchasing securities of a listed company. By trading in the securities of TEPCO on the Tokyo Stock Exchange based on material, nonpublicized information from a corporate insider, Allen violated Article 166 of the FIEA. Accordingly, Allen failed to observe high standards of commercial honor and just and equitable principles of trade, in violation of FINRA Rule 2010.

B. I also consent to the imposition of the following sanctions:

- A bar in all capacities from associating with any FINRA member.

I understand that if I am barred or suspended from associating with any FINRA member, I become subject to a statutory disqualification as that term is defined in Article III, Section 4, of FINRA's By-Laws, incorporating Section 3(a)(39) of the Securities Exchange Act of 1934. Accordingly, I may not be associated with any FINRA member in any capacity, including clerical or ministerial functions, during the period of the bar or suspension (see FINRA Rules 8310 and 8311).

The sanctions imposed herein shall be effective on a date set by FINRA staff. Pursuant to FINRA Rule 8313(e), a bar or expulsion shall become effective upon approval or acceptance of this AWC.

II.

WAIVER OF PROCEDURAL RIGHTS

I specifically and voluntarily waive the following rights granted under FINRA's Code of Procedure:

- A. To have a Complaint issued specifying the allegations against me;
- B. To be notified of the 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 National Adjudicatory Council (“NAC”) and then to the U.S. Securities and Exchange Commission and a U.S. Court of Appeals.

Further, I specifically and voluntarily waive 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.

I further specifically and voluntarily waive any right to claim that a person violated the *ex parte* prohibitions of FINRA Rule 9143 or the separation of functions prohibitions of FINRA 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.

III.

OTHER MATTERS

I understand that:

- A. Submission of this AWC is voluntary and will not resolve this matter unless and until it has been reviewed and accepted by the NAC, a Review Subcommittee of the NAC, or the Office of Disciplinary Affairs (“ODA”), pursuant to FINRA Rule 9216;
- B. If this AWC is not accepted, its submission will not be used as evidence to prove any of the allegations against me; and
- C. If accepted:
1. this AWC will become part of my permanent disciplinary record and may be considered in any future actions brought by FINRA or any other regulator against me;
 2. this AWC will be made available through FINRA's public disclosure program in response to public inquiries about my disciplinary record;
 3. FINRA may make a public announcement concerning this agreement and the subject matter thereof in accordance with FINRA Rule 8313; and
 4. I 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. I may not take any position in any proceeding brought by or on behalf of FINRA, or to which FINRA is a party, that is

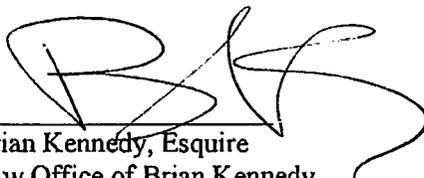
inconsistent with any part of this AWC. Nothing in this provision affects my: (i) testimonial obligations; or (ii) right to take legal or factual positions in litigation or other legal proceedings in which FINRA is not a party.

I certify that I have read and understand all of the provisions of this AWC and have been given a full opportunity to ask questions about it; that I have agreed to its provisions voluntarily; and that no offer, threat, inducement, or promise of any kind, other than the terms set forth herein and the prospect of avoiding the issuance of a Complaint, has been made to induce me to submit it.

1/25/2014
Date

Kenneth Ronald Allen
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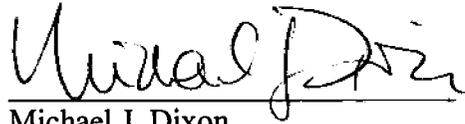
Reviewed by:


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Counsel for Kenneth R. Allen

Accepted by FINRA:

June 30, 2014
Date

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



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