

**FINANCIAL INDUSTRY REGULATORY AUTHORITY
LETTER OF ACCEPTANCE, WAIVER AND CONSENT
NO. 20160499622-01**

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

RE: Kevin J. Blaney, Respondent
General Securities Representative
CRD No. 2087032

Pursuant to FINRA Rule 9216 of FINRA's Code of Procedure, Kevin J. Blaney ("Respondent" or "Blaney") 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 Respondent alleging violations based on the same factual findings described herein.

I.

ACCEPTANCE AND CONSENT

- A. Respondent 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 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 AND DISCIPLINARY HISTORY

Blaney became registered with a FINRA member on December 6, 1991. During the period December 1991 through March 2008, Blaney was employed at several FINRA-member firms as a General Securities Representative. Beginning on May 28, 2008, and at all relevant times during this review, Blaney was registered with FINRA-member Jefferies LLC ("JEFF" or the "firm") as a General Securities Representative.

On September 11, 2014, JEFF filed a Form U5, which indicated that Blaney was "permitted to resign following an investigation relating to communications to trading counterparties in connection with the purchase and sale of residential mortgage-backed securities."

Blaney is not currently registered with a FINRA member. Pursuant to Article V, Section 4 of FINRA's By-Laws, FINRA retains jurisdiction over Blaney until September 9, 2016.

Respondent has no disciplinary history.

SUMMARY

In Matter No. 20160499622, the staff in the Fixed Income Investigations Section of FINRA's Department of Market Regulation (the "staff") conducted a review of Blaney's communications with customers and JEFF employees during the period January 1, 2009 through December 31, 2011 (the "review period") to determine whether Blaney made misrepresentations to customers in connection with the purchase, offer or sale of fixed income securities.

FACTS AND VIOLATIVE CONDUCT

During the review period, Blaney was a Managing Director and salesman on JEFF's Mortgage-Backed Securities Desk. In connection with six transactions during the review period, Blaney either made a false statement to a customer, or failed to correct a statement made to a customer by another JEFF employee, that Blaney knew, or should have known, was false.

In five instances, Blaney misrepresented to JEFF customers either the price at which JEFF acquired, or was able to acquire, bonds that the customers were interested in purchasing, or that JEFF was working with a seller of bonds when JEFF already owned the bonds in inventory. A summary of the statements is as follows:

In one instance when JEFF acted as an intermediary between two customers, the selling customer told Blaney that it would sell either of two different quantities of the bonds (the whole tranche or a partial tranche) to JEFF at 101-28. Blaney, however, told the purchasing customer (who was interested in purchasing a partial tranche) that JEFF would have to pay 102-00 for the whole tranche of the bonds. Later in the same negotiations, the selling customer told Blaney that it would sell a partial tranche of the bonds to JEFF at 101-24. Less than three minutes later, Blaney told the buying customer that JEFF would have to pay 102-00 to purchase a partial tranche of the bonds. In another instance, after a customer agreed to purchase bonds from JEFF at 8-08, Blaney told the customer that JEFF purchased the bonds at 8-04. In fact, JEFF purchased the bonds at 7-16. In a third instance, a JEFF customer purchased bonds from JEFF at 90-08 and thanked Blaney for working on the trade. Blaney responded, in part, that he had completed a larger trade in the same issue earlier in the day at a "90 [handle]."¹ In fact, the earlier trade was executed at 89-19, which should have been accurately characterized as being executed at an "89-handle."² For each of these three instances, Blaney knew or should have known at the time he made these statements the actual price JEFF paid for the bonds.

¹ A "handle" indicates a price range that begins with that number. For instance, an "89-handle" indicates a price range from 89-00 to 89-31.

² In this transaction, JEFF purchased the bonds at 90-00 and would have taken a loss if it sold the bonds at any price with an "89-handle."

In a fourth instance, Blaney told a customer he thought he could purchase the bonds at 35-00. The customer bid 32-00 for the bonds and Blaney responded "can't buy them there." The customer then asked Blaney: "what's the [situation] with the seller?" Blaney responded: "it's fine think I'm going to go buy them . . . they are cheap there." This transaction was not executed. In a fifth instance, a JEFF customer bid 52-16 for bonds and Blaney responded: "that's fine that's where I can buy 'em if you can pay me couple [ticks] that's great either way we have a [trade] just let me know." For each of these two instances, Blaney knew or should have known at the time he made these statements that JEFF owned the bonds.

Finally, in one additional instance during the review period, Blaney was told by a JEFF trader regarding one of Blaney's customers that: "We [bought] at 41-12. Sold to him at 42-08. He thinks we [bought them at] 42-4 fyi." Blaney took no action to correct the misrepresentation made to the customer.

Blaney's conduct in these six instances constituted separate and distinct violations of FINRA Rule 2010.

B. Respondent also consents to the imposition of the following sanctions:

- A \$30,000 fine; and
- A three month suspension from association with any FINRA member in all capacities.

Respondent understands that if he is suspended from associating with any FINRA member, he becomes 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, as amended. Accordingly, he may not be associated with any FINRA member in any capacity, including clerical or ministerial functions, during the period of the suspension. (See FINRA Rules 8310 and 8311.)

The fine shall be due and payable either upon reassociation with a member firm following the three-month suspension noted above or prior to any application or request for relief from any statutory disqualification resulting from this or any other event or proceeding, whichever is earlier.

Respondent specifically and voluntarily waives any right to claim that he is unable to pay, now or at any time hereafter, the monetary sanction imposed in this matter.

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

II.

WAIVER OF PROCEDURAL RIGHTS

Respondent specifically and voluntarily waives the following rights granted under FINRA's Code of Procedure:

- A. To have a Complaint issued specifying the allegations against him;
- 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, Respondent specifically and voluntarily waives any right to claim bias or prejudgment of the Chief Legal Officer, 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 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

Respondent understands 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 Respondent; and
- C. If accepted:
 - 1. this AWC will become part of Respondent's permanent disciplinary record and may be considered in any future actions brought by FINRA or any other regulator against Respondent;

2. this AWC will be made available through FINRA's public disclosure program in accordance with FINRA Rule 8313;
 3. FINRA may make a public announcement concerning this agreement and the subject matter thereof in accordance with FINRA Rule 8313; and
 4. 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 finding in this AWC or create the impression that the AWC is without factual basis. Respondent 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 Respondent's: (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.
- D. Respondent 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 he 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 FINRA, nor does it reflect the views of FINRA or its staff.

Respondent certifies that he has read and understands all of the provisions of this AWC and has been given a full opportunity to ask questions about it; that he agrees to the AWC's 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, have been made to induce him to submit it.

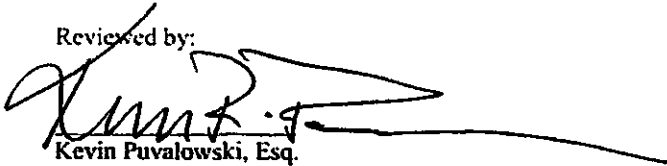
8/26/16
Date

Respondent

By: 

Name: Kevin Blaney

Reviewed by:



Kevin Puvalowski, Esq.

Jeff Kern, Esq.

Counsel for Respondent

Sheppard Mullin Richter & Hampton LLP

30 Rockefeller Plaza

New York, NY 10112-0015

Accepted by FINRA:

9/1/16
Date

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


Robert A. Marchman, Esq.

Executive Vice President

FINRA Department of Market Regulation