

FINRA Bars Broker for Alleged Insider Trading of Japanese Stock

FINRA has barred former equity trader Kenneth Ronald Allen from associating with any FINRA member for allegedly selling short Japanese stock based on inside information. FINRA alleged that Allen, a former equity trader with First New York Securities LLC, acted on a tip containing material, non-public information received from a corporate insider when he traded Japanese securities in September 2010.

FINRA claimed that Allen's actions violated Japanese securities law, constituting a violation of FINRA rules. According to the Executive Vice President of FINRA's Office of Fraud Detection and Market Intelligence, "individuals who are registered with FINRA are expected to observe high ethical standards...regardless of where securities are listed." In settling the matter, Allen neither admitted nor denied the charges but signed a letter consenting to the entry of FINRA's findings. FINRA maintained that although Allen is no longer registered or associated with a FINRA member, he remains subject to FINRA's jurisdiction because the alleged actions transpired before his registration was terminated.

FINRA alleged that Allen created a short position in Tokyo Electric Power Company (traded as TEPCO on the Tokyo Stock Exchange) by placing orders in September 2010 using a firm proprietary trading account from New York City. FINRA alleged that Allen created the short position after receiving nonpublic information from a consultant who knew that Tokyo Electric Power Company was planning a secondary public offering, to be underwritten by Japanese broker-dealer Nomura Securities Co. Ltd. FINRA alleged that Allen used the inside

information to trade in TEPCO shares starting September 15, 2010, reaping the benefits when TEPCO publicly announced the secondary offering on September 29, 2010. After the announcement, Allen covered his short position on October 1, 2010, illegally profiting both himself and First New York Securities LLC by approximately \$206,000.

Link to Press Release:

http://www.finra.org/Newsroom/NewsReleases/2014/P542073?utm_source=feedburner&utm_medium=feed&utm_campaign=Feed%3A+FINRANews+%28FINRA+News%29

Link to FINRA Letter of Acceptance, Waiver and Consent:

<http://disciplinaryactions.finra.org/viewDocument.aspx?DocNb=36603>