

**FINANCIAL INDUSTRY REGULATORY AUTHORITY  
LETTER OF ACCEPTANCE, WAIVER AND CONSENT  
NO. 20160499630-01**

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

RE: Kenneth A. Zegar, Respondent  
General Securities Representative  
CRD No. 2385063

Pursuant to FINRA Rule 9216 of FINRA's Code of Procedure, Kenneth A. Zegar ("Respondent" or "Zegar") 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**

Zegar became registered with a FINRA member on September 13, 1993. From September 1993 through March 2008, Zegar was employed at several FINRA-member firms as a General Securities Representative. From April 21, 2008 through the present, Zegar has been registered with FINRA-member Jefferies LLC ("JEFF" or the "firm") as a General Securities Representative.

Respondent has no disciplinary history.

**SUMMARY**

In Matter No. 20160499630, the staff in the Fixed Income Investigations Section of FINRA's Department of Market Regulation (the "staff") conducted a review of Zegar's communications with customers and JEFF employees during the period January 1, 2009 through December 31, 2011 (the "review period") to determine whether Zegar made misrepresentations to customers in connection with the purchase, offer or sale of fixed income securities.

## FACTS AND VIOLATIVE CONDUCT

During the review period, Zegar was a Managing Director and trader on JEFF's mortgage-backed securities desk. In three instances during the review period, Zegar made a misrepresentation to a customer, and in one instance he suggested to a fellow Managing Director that a misrepresentation to a customer be made.

Specifically, in three instances, Zegar misrepresented to JEFF customers who were interested in purchasing bonds either (a) the price at which JEFF had acquired the bonds, or (b) that JEFF was working with a seller of the bonds when Zegar knew that JEFF already owned the bonds in inventory. In a fourth instance, Zegar suggested that a fellow Managing Director misrepresent that JEFF was working with a seller of certain bonds when Zegar knew that JEFF already owned the bonds in inventory. A summary of these four instances is as follows:

In two instances, a seller informed a group of JEFF employees, including Zegar, that JEFF had purchased bonds in a bid-wanted-in-competition on behalf of a customer at the customer's bid price. In both instances, several minutes later Zegar told the purchasing customer that the customer's bid price was not high enough to purchase the bonds and that JEFF was able to purchase the bonds for its proprietary account at a higher price. Zegar then offered the bonds to the purchasing customer two ticks higher than that price, and in one instance also sought and received two ticks of compensation for JEFF on top for brokering the trade.<sup>1</sup> In these instances, the customers purchased the bonds two ticks higher and four ticks higher, respectively, than the price Zegar communicated to them as JEFF's purchase price. Zegar's misrepresentations in these two instances resulted in his customers paying a higher price for the bonds than they otherwise would have paid had they been told JEFF's actual purchase price.

In another instance, Zegar misrepresented to a customer that JEFF was working with a seller of bonds when he knew that JEFF owned the bonds. Zegar held the bonds in his inventory account at JEFF but responded to a bid from a potential purchaser by stating, "I have already shown seller 65 and he has passed."

In a fourth instance, Zegar raised with a fellow Managing Director that the Managing Director attempt to sell certain bonds by misrepresenting the source of the bonds. Referring to the bonds, Zegar stated, "I guess frame it as an order." Such a statement would have indicated that JEFF was working the order on behalf of a seller, whereas Zegar knew that JEFF owned the bonds in its inventory account.

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

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<sup>1</sup> In the bond industry, prices are measured in 1/32s of a dollar, commonly referred to as "ticks."

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

- A \$30,000 fine;
- A two month suspension from association with any FINRA member in all capacities; and
- A requirement to requalify as a General Securities Representative (Series 7) upon reassociation with a member firm.

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.)

Respondent agrees to pay the monetary sanction upon notice that this AWC has been accepted and that such payment is due and payable. He has submitted an Election of Payment form showing the method by which he proposes to pay the fine imposed.

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

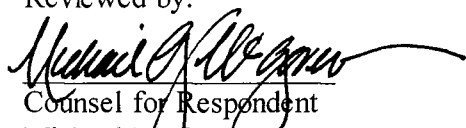
Respondent understands that:

- 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.

5/17/17  
Date

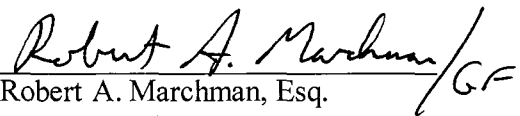
Respondent  
By:   
Name: Kenneth A. Feenan

Reviewed by:  
  
Counsel for Respondent  
Michael McGovern, Esq.  
Marc Berger, Esq.  
Ropes & Gray LLP  
1211 Avenue of the Americas  
New York, NY 10036-8704

Accepted by FINRA:

5/30/17  
Date

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

  
Robert A. Marchman, Esq.  
Executive Vice President  
FINRA Department of Market Regulation