

UNITED STATES OF AMERICA
Before the
SECURITIES AND EXCHANGE COMMISSION

INVESTMENT ADVISERS ACT OF 1940
Release No. 3175 / March 14, 2011

ADMINISTRATIVE PROCEEDING
File No. 3-14296

In the Matter of

**JSK Associates, Inc.,
Jerome S. Keenan, and
Paul Dos Santos**

Respondents.

**ORDER INSTITUTING ADMINISTRATIVE
AND CEASE-AND-DESIST PROCEEDINGS,
PURSUANT TO SECTIONS 203(e), 203(f) AND
203(k) OF THE INVESTMENT ADVISERS
ACT OF 1940, MAKING FINDINGS, AND
IMPOSING REMEDIAL SANCTIONS AND A
CEASE-AND-DESIST ORDER**

I.

The Securities and Exchange Commission (“Commission”) deems it appropriate and in the public interest that public administrative and cease-and-desist proceedings be, and hereby are, instituted pursuant to Sections 203(e), 203(f) and 203(k) of the Investment Advisers Act of 1940 (“Advisers Act”) against JSK Associates, Inc. (“JSK”), Jerome S. Keenan (“Keenan”) and Paul Dos Santos (“Dos Santos”) (collectively, “Respondents”).

II.

In anticipation of the institution of these proceedings, Respondents have submitted Offers of Settlement (the “Offers”) 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 them and over the subject matter of these proceedings, which are admitted, Respondents consent to the entry of this Order Instituting Administrative and Cease-and-Desist Proceedings Pursuant to Sections 203(e), 203(f) and 203(k) of the Investment Advisers Act of 1940, Making Findings, and Imposing Remedial Sanctions and a Cease-and-Desist Order (“Order”), as set forth below.

III.

On the basis of this Order and Respondents' Offers, the Commission finds that:

A. SUMMARY

1. This matter concerns the failure by JSK, Keenan and Dos Santos to disclose to their advisory clients the financial benefits that International Equity Services, Inc. ("IES"), a broker-dealer under common control with JSK, derived from the advisory clients' accounts.

2. In addition, JSK, through IES, engaged in fixed income transactions on a riskless principal basis and failed to provide prior written disclosure to its advisory clients, or obtain consent from those clients, that it would effect the trades on a principal basis. Finally, JSK failed to adopt and implement written policies and procedures reasonably designed to prevent violation of the Advisers Act and the rules thereunder, and failed to establish, maintain and enforce a written code of ethics satisfying the requirements of Rule 204A-1 under the Advisers Act. Keenan and Dos Santos willfully aided and abetted and caused these violations.

B. RESPONDENTS

3. JSK is a New York corporation headquartered in White Plains, New York. JSK has been registered with the Commission as an investment adviser since 1984. JSK has approximately 170 accounts with approximately \$29 million of assets under management. JSK has four employees, including Keenan and Dos Santos.

4. Keenan, age 73, is a resident of White Plains, New York, and is the President and Chief Compliance Officer of JSK and Vice President and Chief Compliance Officer of IES. Keenan owns fifty percent of both JSK and IES and is a director of each entity.

5. Dos Santos, age 56, is a resident of Stormville, New York and is the Vice President of JSK and the President and the Financial and Operations Principal of IES. Dos Santos owns fifty percent of both JSK and IES and is a director of each entity.

C. RELEVANT ENTITY

6. IES is a New York corporation headquartered in White Plains, New York. IES has been registered with the Commission as a broker-dealer since 2000. IES serves as the introducing broker to JSK's clients. IES has four employees, including Keenan and Dos Santos.

D. BACKGROUND

7. JSK provides non-discretionary investment advisory and financial planning services to individuals and entities. Keenan and Dos Santos make investment recommendations to clients and, upon the clients' consent, IES executes the transactions. JSK charges clients a standard fee based on assets under management. JSK executes its clients' securities transactions through IES. IES has clearing and custodial arrangements with Southwest Securities, Inc. ("SWS").

E. THE VIOLATIVE CONDUCT

8. Between January 1, 2006 and December 31, 2009, JSK failed to inform advisory clients about financial benefits that its affiliated broker-dealer IES derived in the form of payments received as a result of the cash holdings in advisory client accounts. During the same period, JSK, through IES, engaged in hundreds of fixed-income transactions on a riskless principal basis with advisory clients without providing prior written disclosure to, or obtaining consent from, clients. Finally, from at least July 2007 through July 7, 2009, JSK failed to adopt written compliance policies and procedures reasonably designed to prevent violations of the Advisers Act, and failed to establish, maintain and enforce an adequate written code of ethics.

Undisclosed Clearing Firm Payments

9. IES received payments for JSK's advisory clients' credit balances and uninvested cash maintained in their IES brokerage accounts, which JSK failed to adequately disclose to its clients. Pursuant to the clearing arrangements between IES and SWS, IES was entitled to receive payments from SWS equal to 0.25% of (a) the average credit balances for JSK's advisory client accounts that were invested in the AMR Money Market Fund; and (b) the average balance of uninvested cash in the JSK's advisory client's brokerage accounts. IES received \$60,350 from SWS between January 1, 2006 and December 31, 2009.

10. While JSK disclosed that IES might receive forms of compensation such as "clearing and processing fee's [sic], trailer commissions, and other revenues which Broker Dealers normally receive in the course of doing business," JSK failed to disclose in its Form ADV (or otherwise) that IES would receive compensation based on JSK's advisory clients' uninvested cash and certain money market fund balances.

Undisclosed Riskless Principal Transactions

11. JSK, through IES, engaged in hundreds of fixed-income transactions involving mark-ups and mark-downs with advisory clients without providing prior written disclosure that it would effect the trades on a principal basis to, or obtaining consent from, clients.

12. However, JSK did not disclose in its Form ADV (or otherwise) that JSK, or IES, would effect principal trades for advisory clients.

Failure to Adopt and Implement Written Policies and Procedures Reasonably Designed to Prevent Violations of the Advisers Act and the Rules thereunder

13. JSK's Operational Procedures Manual, prior to its revision in July 2009, was primarily focused on broker-dealer activities and did not address the Advisers Act except in the final "Code of Ethics" section and, for example, did not discuss JSK's Form ADV or the types of potential conflicts of interest specific to an investment adviser.

14. JSK did not adopt written compliance policies and procedures reasonably designed to prevent violations of the Advisers Act and did not review its policies and procedures for approximately two years to determine their adequacy and the effectiveness of their implementation, including whether changes in the Advisers Act or applicable regulations might require changes to its policies or procedures.

Failure to Establish, Maintain and Enforce a Written Code of Ethics

15. JSK's Code of Ethics in effect from at least July 2007 until July 2009 did not contain all of the elements required by Section 204 of the Advisers Act and Rule 204A-1 thereunder. For example, the Code of Ethics did not include a provision requiring that an "access person" submit an initial holdings report concerning information such as each reportable security in which such person had any direct or indirect beneficial ownership.

16. Further, JSK did not enforce all the policies and procedures in its July 2009 revised Code of Ethics. For example, JSK did not require all "access persons" to provide JSK with duplicate brokerage account statements, as provided in its revised Code.

F. **VIOLATIONS**

17. As a result of the conduct described above, JSK, Keenan and Dos Santos willfully violated Section 206(2) of the Advisers Act which prohibits an investment adviser from engaging in any transaction, practice, or course of business that operates as a fraud or deceit upon any client or prospective client.

18. As a result of the conduct described above, JSK willfully violated Section 206(3) of the Advisers Act, which prohibits an investment adviser from executing securities transactions with a client on a principal basis without disclosing to such client in writing, before the completion of such transaction, the capacity in which it is acting and obtaining the consent of the client to such transaction.

19. As a result of the conduct described above, Keenan and Dos Santos willfully aided and abetted and caused JSK's violations of Section 206(3) of the Advisers Act.

20. As a result of the conduct described above, JSK willfully violated Sections 204, 204A, 206(4) and 207 of the Advisers Act and Rules 204-1(a)(2), 204A-1 and 206(4)-7 thereunder, which prohibit any person from making an untrue statement in a report filed with the

Commission and require that an adviser file periodic amendment of Form ADV; require that an investment adviser adopt and implement written policies and procedures reasonably designed to prevent violation of the Advisers Act and the rules thereunder; and require that an investment adviser establish, maintain and enforce a written code of ethics.

21. As a result of the conduct described above, Keenan and Dos Santos willfully aided and abetted and caused JSK's violations of Sections 204, 204A, 206(4) and 207 of the Advisers Act and Rules 204-1(a)(2), 204A-1 and 206(4)-7 thereunder.

Respondents' Remedial Efforts

In determining to accept the Offers, the Commission considered remedial acts promptly undertaken by Respondents and cooperation afforded the Commission staff.

IV.

In view of the foregoing, the Commission deems it appropriate and in the public interest to impose the sanctions agreed to in Respondents' Offers.

Accordingly, pursuant to Sections 203(e), 203(f) and 203(k) of the Advisers Act, it is hereby ORDERED that:

A. Pursuant to Section 203(k) of the Advisers Act, JSK shall cease and desist from committing or causing any violations and any future violations of Sections 204, 204A, 206(2), 206(3), 206(4) and 207 of the Advisers Act and Rules 204-1(a)(2), 204A-1 and 206(4)-7 promulgated thereunder.

B. Pursuant to Section 203(e) of the Advisers Act, JSK is censured.

C. JSK shall, within ten days of the entry of this Order, pay a civil money penalty in the amount of \$60,000 to the United States Treasury. If timely payment is not made, additional interest shall accrue pursuant to 31 U.S.C. 3717. Such payment shall be: (A) made by wire transfer, United States postal money order, certified check, bank cashier's check or bank money order; (B) made payable to the Securities and Exchange Commission; (C) hand-delivered or mailed to the Office of Financial Management, Securities and Exchange Commission, Operations Center, 6432 General Green Way, Stop 0-3, Alexandria, VA 22312; and (D) submitted under cover letter that identifies JSK as a Respondent in these proceedings, the file number of these proceedings, a copy of which cover letter and money order or check shall be sent to Amelia A. Cottrell, Assistant Director, and to Robert J. Keyes, Associate Regional Director, Securities and Exchange Commission, 3 World Financial Center, Room 400, New York, New York 10281-1022.

D. Pursuant to Section 203(k) of the Advisers Act, Keenan and Dos Santos shall cease and desist from committing or causing any violations and any future violations of Sections 204, 204A, 206(2), 206(3), 206(4) and 207 of the Advisers Act and Rules 204-1(a)(2), 204A-1 and 206(4)-7 promulgated thereunder.

E. Pursuant to Section 203(f) of the Advisers Act, Keenan and Dos Santos are censured.

F. Keenan and Dos Santos each shall, within ten days of the entry of this Order, pay a civil money penalty in the amount of \$10,000 to the United States Treasury. If timely payment is not made, additional interest shall accrue pursuant to 31 U.S.C. 3717. Such payment shall be: (A) made by wire transfer, United States postal money order, certified check, bank cashier's check or bank money order; (B) made payable to the Securities and Exchange Commission; (C) hand-delivered or mailed to the Office of Financial Management, Securities and Exchange Commission, Operations Center, 6432 General Green Way, Stop 0-3, Alexandria, VA 22312; and (D) submitted under cover letter that identifies such Respondent as a respondent in these proceedings, the file number of these proceedings, a copy of which cover letter and money order or check shall be sent to Amelia A. Cottrell, Assistant Director, and to Robert J. Keyes, Associate Regional Director, Securities and Exchange Commission, 3 World Financial Center, Room 400, New York, New York 10281-1022.

G. Respondents shall, within ten days of the entry of this Order, pay disgorgement, on a joint and several basis, of \$60,350 and prejudgment interest of \$3,805 to the United States Treasury. If timely payment is not made, additional interest shall accrue pursuant to SEC Rule of Practice 600. Payment shall be: (A) made by wire transfer, United States postal money order, certified check, bank cashier's check or bank money order; (B) made payable to the Securities and Exchange Commission; (C) hand-delivered or mailed to the Office of Financial Management, Securities and Exchange Commission, Operations Center, 6432 General Green Way, Stop 0-3, Alexandria, VA 22312; and (D) submitted under cover letter that identifies such Respondent as a Respondent in these proceedings, the file number of these proceedings, a copy of which cover letter and money order or check shall be sent to Amelia A. Cottrell, Assistant Director, and to Robert J. Keyes, Associate Regional Director, Securities and Exchange Commission, 3 World Financial Center, Room 400, New York, New York 10281-1022.

By the Commission.

Elizabeth M. Murphy
Secretary

Service List

Rule 141 of the Commission's Rules of Practice provides that the Secretary, or another duly authorized officer of the Commission, shall serve a copy of the Order Instituting Administrative and Cease-and-Desist Proceedings Pursuant to Sections 203(e), 203(f) and 203(k) of the Investment Advisers Act of 1940, Making Findings, and Imposing Remedial Sanctions and a Cease-and-Desist Order ("Order"), on the Respondents and their legal agent.

The attached Order has been sent to the following parties and other persons entitled to notice:

Honorable Brenda P. Murray
Chief Administrative Law Judge
Securities and Exchange Commission
100 F Street, N.E.
Washington, DC 20549-2557

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(Counsel for JSK Associates, Inc., Jerome S. Keenan and Paul Dos Santos)