

**UNITED STATES OF AMERICA**  
**Before the**  
**SECURITIES AND EXCHANGE COMMISSION**

**SECURITIES EXCHANGE ACT OF 1934**  
**Release No. 51794 / June 7, 2005**

**INVESTMENT ADVISERS ACT OF 1940**  
**Release No. 2392 / June 7, 2005**

**ADMINISTRATIVE PROCEEDING**  
**File No. 3-11943**

**In the Matter of**

**JAMES J. MCDERMOTT,**  
**JR.,**

**Respondent.**

**ORDER INSTITUTING**  
**ADMINISTRATIVE PROCEEDINGS**  
**PURSUANT TO SECTION 15(b) OF THE**  
**SECURITIES EXCHANGE ACT OF 1934**  
**AND SECTION 203(f) OF THE**  
**INVESTMENT ADVISERS ACT OF 1940,**  
**MAKING FINDINGS, AND IMPOSING**  
**REMEDIAL SANCTIONS**

**I.**

The Securities and Exchange Commission (“Commission”) deems it appropriate and in the public interest that public administrative proceedings be, and hereby are, instituted pursuant to Section 15(b) of the Securities Exchange Act of 1934 (“Exchange Act”) and Section 203(f) of the Investment Advisers Act of 1940 (“Advisers Act”) against James J. McDermott, Jr. (“McDermott” or “Respondent”).

**II.**

In anticipation of the institution of these proceedings, Respondent has submitted an Offer of Settlement (the “Offer”) 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 him and the subject matter of these proceedings, and the findings contained in Sections III.2 and III.5 below, which are admitted, Respondent consents to the entry of this Order Instituting Administrative Proceedings Pursuant to Section 15(b) of the Securities Exchange Act of 1934 and Section 203(f) of the Investment

Advisers Act of 1940, Making Findings, and Imposing Remedial Sanctions (“Order”), as set forth below.

### III.

On the basis of this Order and Respondent’s Offer, the Commission finds that:

1. McDermott, age 53, is a resident of New York. Keefe, Bruyette & Woods, Inc. (“KBW”) is registered with the Commission as a broker-dealer, and its subsidiary, KBW Asset Management, is registered as an investment adviser. As the former Chairman and Chief Executive Officer of KBW, McDermott was associated with a broker-dealer and an investment adviser at the time of the conduct relating to the violations described below.

2. On May 23, 2005, a final judgment was entered by consent against McDermott, permanently enjoining him from future violations of Section 10(b) of the Exchange Act and Rule 10b-5 thereunder, in the civil action entitled Securities and Exchange Commission v. James J. McDermott, Jr., et al., Civil Action Number 99-CV-12256, in the United States District Court for the Southern District of New York.

3. The Commission’s complaint alleged that McDermott provided material nonpublic information concerning at least six bank merger transactions to Kathryn B. Gannon (“Gannon”), with whom he had a personal relationship. The complaint further alleged that Gannon, while in possession of material nonpublic information that McDermott obtained as Chairman and CEO of KBW, purchased securities in advance of six merger transactions.

4. On June 29, 2001, McDermott pled guilty to a single count of insider trading for tipping Gannon in connection with her trading in the securities of Barnett Banks, Inc. in violation of 15 U.S.C. § 78j(b) and 15 U.S.C. § 78ff, and 17 C.F.R. § 201.10b-5. The count of the grand jury indictment to which McDermott pled guilty alleged, inter alia, that McDermott unlawfully, willfully and knowingly, directly and indirectly, used and employed manipulative and deceptive devices and contrivances in connection with the purchase and sale of securities.

5. The United States District Court for the Southern District of New York accepted this plea and sentenced McDermott to five months in prison. This amended judgment was entered on July 6, 2001.

### IV.

In view of the foregoing, the Commission deems it appropriate and in the public interest to impose the sanctions agreed to in Respondent McDermott’s Offer.

Accordingly, it is hereby ORDERED:

Pursuant to Section 15(b)(6) of the Exchange Act and Section 203(f) of the Advisers Act, that Respondent McDermott be, and hereby is barred from association with any broker, dealer, or investment adviser.

Any reapplication for association by the Respondent will be subject to the applicable laws and regulations governing the reentry process, and reentry may be conditioned upon a number of factors, including, but not limited to, the satisfaction of any or all of the following: (a) any disgorgement ordered against the Respondent, whether or not the Commission has fully or partially waived payment of such disgorgement; (b) any arbitration award related to the conduct that served as the basis for the Commission order; (c) any self-regulatory organization arbitration award to a customer, whether or not related to the conduct that served as the basis for the Commission order; and (d) any restitution order by a self-regulatory organization, whether or not related to the conduct that served as the basis for the Commission order.

By the Commission.

Jonathan G. Katz  
Secretary