

NASD
LETTER OF ACCEPTANCE, WAIVER AND CONSENT
20050021280-01

TO: Department of Market Regulation
NASD

RE: JMP Securities LLC
Broker-Dealer
CRD No. 22208

Pursuant to Rule 9216 of the NASD Code of Procedure, JMP Securities LLC (the "firm" or "JSSF") submits this Letter of Acceptance, Waiver and Consent ("AWC") for the purpose of proposing a settlement of the alleged rule violations described in Part II below. This AWC is submitted on the condition that, if accepted, NASD will not bring any future actions against the firm alleging violations based on the same factual findings.

The firm understands that:

1. Submission of this AWC is voluntary and will not resolve this matter unless and until it has been reviewed and accepted by NASD's Department of Market Regulation and the National Adjudicatory Council ("NAC") Review Subcommittee or Office of Disciplinary Affairs, pursuant to NASD Rule 9216;
2. If this AWC is not accepted, its submission will not be used as evidence to prove any of the allegations against the firm; and
3. If accepted:
 - a. this AWC will become part of the firm's permanent disciplinary record and may be considered in any future actions brought by the NASD or any other regulator against the firm;
 - b. this AWC will be made available through NASD's public disclosure program in response to public inquiries about the firm's disciplinary record;
 - c. NASD may make a public announcement concerning this agreement and the subject matter thereof in accordance with NASD Rule 8310 and IM-8310-2; and
 - d. the firm 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. Nothing in this provision affects the firm's testimonial obligations or right to take legal or factual positions in litigation or other legal proceedings in which the NASD is not a party.

The firm also understands that its experience in the securities industry and its disciplinary history may be factors that will be considered in deciding whether to accept this AWC.

JSFF became a member of NASD in 1988, and its registration remains in effect. The firm has no relevant disciplinary history.

I.

WAIVER OF PROCEDURAL RIGHTS

The firm specifically and voluntarily waives the following rights granted under the NASD's Code of Procedure:

- A. To have a Formal Complaint issued specifying the allegations against the firm;
- B. To be notified of the Formal 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 NAC and then to the U.S. Securities and Exchange Commission and a U.S. Court of Appeals.

Further, the firm specifically and voluntarily waives any right to claim bias or prejudgment of the General Counsel, 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.

The firm further specifically and voluntarily waives any right to claim that a person violated the *ex parte* prohibitions of Rule 9143 or the separation of functions prohibitions of 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.

II.

ACCEPTANCE AND CONSENT

This matter is the result of the Department of Market Regulation's investigation 20050021280 into JSSF's quotation activity in the Pink Sheets on July 18, 2005.

- A. The firm 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 NASD, or to which NASD 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 NASD:
1. On July 18, 2005, JSSF published 41 quotations in the securities of i2 Technologies, Inc., an OTC Equity Security, or, directly or indirectly, submitted such quotations for publication, in a quotation medium, the Pink Sheets, and: (i) did not have in its records the documentation required by SEC Rule 15c2-11(a) ("Paragraph (a) information"); (ii) did not have a reasonable basis under the circumstances for believing that the Paragraph (a) information was accurate in all material respects; or (iii) did not have a reasonable basis under the circumstances for believing that the sources of the Paragraph (a) information were reliable. The quotations did not represent a customer's indication of unsolicited interest.
 2. The conduct described in paragraph one constitutes separate and distinct violations of SEC Rule 15c2-11 and NASD Conduct Rule 2110.
 3. For each quotation described in paragraph one, JSSF failed to file a Form 211 with NASD at least three business days before JSSF's quotations were published or displayed in a quotation medium.
 4. The conduct described in paragraph three constitutes separate and distinct violations of NASD Marketplace Rule 6740 and NASD Conduct Rule 2110.
 5. The firm's supervisory system did not provide for supervision reasonably designed to achieve compliance with respect to the applicable securities laws and regulations, and the Rules of NASD, relating to compliance with SEC Rule 15c2-11 and NASD Marketplace Rule 6740. The firm's supervisory system did not include written supervisory procedures providing for: (1) identification of the persons responsible for supervision with respect to the applicable rules; (2) a statement of the supervisory steps to be taken by the identified persons; (3) a statement as to how often such persons should take such steps; and (4) a statement as to how the completion of the steps included in the written supervisory procedures should be documented.

6. The conduct described in paragraph five constitutes a violation of NASD Conduct Rules 2110 and 3010.

B. The firm also consents to the imposition, at a maximum, of the following sanctions:

A censure and a total fine of \$11,000 — \$6,000 for the violations of SEC Rule 15c2-11 and NASD Marketplace Rule 6740 and \$5,000 for NASD Conduct Rule 3010.

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

III.

OTHER MATTERS

- A. The firm understands that it may attach a Corrective Action Statement to this AWC, which is a statement of demonstrable corrective steps taken to prevent future misconduct. Respondent understands that it 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 NASD, nor does it reflect the views of NASD or its staff.
- B. The firm agrees to pay any monetary sanctions imposed on it upon notice that this AWC has been accepted and that such payments are due and payable, and has attached the Election of Payment form showing the method by which the firm proposes to pay any fine imposed.
- C. The firm specifically and voluntarily waives any right to claim that it is unable to pay, now or at any time hereafter, any monetary sanction imposed in this matter.

**Respondent,
JMP Securities LLC**

By: Egidio Mayan
Name: EGIDIO (GIL) MOGAVEA

Reviewed by:

Accepted by NASD:

Camille Smith

Cameron K. Funkhouser
Senior Vice President
Department of Market Regulation

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

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Addendum to Letter of Acceptance, Waiver and Consent
No. 20050021280

JMP Securities LLC, CRD No. 22208

Corrective Action Statement

These Corrective and Mitigating Statements are submitted by the Respondent. They do not constitute factual or legal findings by the NASD, nor do they reflect the views of the NASD, or its staff.

To prevent future occurrences of said incident, JMP Securities has taken the following corrective actions:

1. Effective May 12, 2006, we changed our trading system to RoyalBlue Fidessa. Among other hard-wired features, this new platform does not allow JSSF's traders to quote Pink Sheets securities unless we are a registered market maker;
2. The Compliance department has assumed the responsibility of the maintenance of the list of stocks on which JSSF makes a market and of communicating any changes thereof with Fidessa ;
3. As a policy, JSSF does not make markets in Pink Sheets stocks unless approved by the Director of Trading and the Compliance department. Any unsolicited customer orders in Pink Sheet stocks are routed to other broker-dealers for execution and trade-reporting;
4. We terminated our subscription to the Pink Sheet system in July 2005. This further minimizes potential for confusion.