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FINANCIAL INDUSTRY REGULATORY AUTHORITY
LETTER OF ACCEPTANCE, WAIVER AND CONSENT 9 A 10: 37
NO. 20060063389-01

FINRA, INC.
MARKET REGULATION

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

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

Pursuant to FINRA Rule 9216 of FINRA's Code of Procedure, JMP Securities LLC (the "firm") 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 the firm alleging violations based on the same factual findings described herein.

I.

ACCEPTANCE AND CONSENT

- 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 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

The firm has been a member of FINRA since May 18, 1988, and its registration remains in effect.

RELEVANT DISCIPLINARY HISTORY

The firm understands that its disciplinary history may be a factor that will be considered in deciding whether to accept this AWC. The firm has no relevant disciplinary history.

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FACTS AND VIOLATIVE CONDUCT

In Trading and Market Making Surveillance ("TMMS") Examination No. 20060063389, the staff of the Department of Market Regulation ("staff") reviewed the trading activity of the firm set forth in Exhibit 1 for trade dates August 15-16, 2006, unless otherwise noted (the "TMMS Review Period").

In connection with TMMS Examination No. 20060063389,

1. The firm transmitted to OATS 13 reports that contained inaccurate, incomplete, or improperly formatted data with respect to eleven orders during the TMMS Review Period. Specifically, the firm submitted nine unnecessary cancel reports, omitted the ADD Special Handling Code for two orders and submitted incorrect information concerning share volume and route time information for one order. These inaccurate and/or incomplete reports represented 22 percent of the sample of reports that the firm transmitted to OATS on the trade date(s) reviewed in the TMMS examination. The conduct described in this paragraph constitutes separate and distinct violations of NASD Rule 6955(a).
2. The firm failed on 739 occasions to provide written notification disclosing to its customer its correct capacity in the transaction. Specifically, each confirmation disclosed that the firm acted in "multiple capacities" and that details were available upon request, rather than provide the exact capacity or capacities on the transaction. The conduct described in this paragraph constitutes separate and distinct violations of SEC Rule 10b-10.
3. The firm's supervisory system did not provide for supervision reasonably designed to achieve compliance with respect to certain applicable securities laws and regulations, and/or the Rules of NASD. At a minimum, adequate written supervisory procedures addressing quality of markets topics should describe the following:
 - (a) specific identification of the individual(s) responsible for supervision;
 - (b) the supervisory steps and reviews to be taken by the appropriate supervisor;
 - (c) the frequency of such reviews; and
 - (d) how such reviews shall be documented.

The firm's written supervisory procedures failed to provide for one or more of the four above-cited minimum requirements for adequate written supervisory procedures, in aspects of the following subject areas: Supervisory Qualifications, Best Execution, and Trade Reporting on the Firm's Behalf [(a), (b), (c) and (d)]; Sales Indicator Order Marking and Trade Input and OATS [(b), (c) and (d)]; SEC Rule 606 [(b)]; Books and Records [(c)]; and, Firm Personnel Registration and Education of Firm Personnel about Anti-Intimidation/Coordination [(d)]. The

conduct described in this paragraph constitutes violations of NASD Rules 2110 and 3010.

4. The firm failed to provide documentary evidence that on the trade date(s) reviewed in the TMMS Review Period it performed the supervisory reviews set forth in its written supervisory procedures concerning Firm Personnel Registration and Supervisory Qualifications; SEC Rule 606; aspects of Best Execution; Anti-Intimidation/Coordination; aspects of Trade Reporting; aspects of Sales Indicator Order Marking and Trade Input and OATS; and, Books and Records. The conduct described in this paragraph constitutes violations of NASD Rules 2110 and 3010.

B. The firm also consents to the imposition of the following sanctions:

A censure, a fine of \$13,500 (consisting of \$5,000 for the OATS violations, \$3,500 for the Rule 10b-10 violations; and, \$5,000 for the supervisory findings); and, an undertaking to revise the firm's written supervisory procedures with respect to the areas described in paragraph I.A.3 above.

In addition, within 30 business days of acceptance of this AWC by the National Adjudicatory Council ("NAC"), a registered principal of the firm shall submit to the COMPLIANCE ASSISTANT, LEGAL SECTION, MARKET REGULATION DEPARTMENT, 9509 KEY WEST AVENUE, ROCKVILLE, MD 20850, a signed, dated letter, or an e-mail from a work-related account of the registered principal to MarketRegulationComp@finra.org, providing the following information: (1) a reference to this matter; (2) a representation that the firm has revised its written supervisory procedures to address the deficiencies described in paragraph I.A.3; and, (3) the date the revised procedures were implemented.

The firm agrees to pay the monetary sanction(s) upon notice that this AWC has been accepted and that such payment(s) are due and payable. It has submitted an Election of Payment form showing the method by which it proposes to pay the fine imposed.

The firm specifically and voluntarily waives any right to claim that it is unable to pay, now or at any time hereafter, the monetary sanction(s) imposed in this matter.

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

II.

WAIVER OF PROCEDURAL RIGHTS

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

- A. To have a Complaint issued specifying the allegations against the firm;
- 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 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 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

The firm 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 the firm; and
- C. If accepted:
 - 1. this AWC will become part of the firm's permanent disciplinary record and may be considered in any future actions brought by FINRA or any other regulator against the firm;
 - 2. this AWC will be made available through FINRA's public disclosure program in response to public inquiries about the firm's disciplinary record;
 - 3. FINRA may make a public announcement concerning this agreement and the subject matter thereof in accordance with FINRA Rule 8313; and
 - 4. 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. The firm 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 the firm's right to take legal or factual positions in litigation or other legal proceedings in which FINRA is not a party.
- D. The firm may attach a Corrective Action Statement to this AWC that is a statement of demonstrable corrective steps taken to prevent future misconduct. The firm 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 FINRA, nor does it reflect the views of FINRA or its staff.

- ✓ The undersigned, on behalf of the Firm, certifies that a person duly authorized to act on its behalf has read and understands all of the provisions of this AWC and has been given a full opportunity to ask questions about it; that it has agreed 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, has been made to induce the firm to submit it.

March 5, 2009
Date

Respondent

JMP Securities LLC

By: [Signature]

Name: Eduardo (Edu) MORALES

Title: MD & CEO

Reviewed by:

[Signature]

Wayne M. Aaron
Counsel for Respondent
Milbank, Tweed, Hadley & McCloy LLP
1 Chase Manhattan Plaza
New York, NY 10005-1413

Accepted by FINRA:

4/3/09
Date

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

[Signature]
Thomas R. Gira
Executive Vice President
Department of Market Regulation

**2006 MRE Exam Samples
JMP Securities LLC ("JSSF")
Exam No. 20060063389**

<u>Sample Size</u>	<u>Review Area</u>	<u>Sample Source</u>
124	Customer and proprietary sale transactions, for compliance with SEC Rules 200(g) and/or 203(b),	from trade dates August 15 & 16, 2006.
85	Customer and proprietary sales, for compliance with NASD Rule 6130 (ACT Short Sale Reporting),	from trade dates August 15 & 16, 2006.
0	Short sales in NNM securities, for compliance with NASD Rule 3350 (Bid Test),	from trade dates August 15 & 16, 2006.
0	Short sales in CQS securities, for compliance with SEC Rule 10a-1 (Tick Test),	from trade dates August 15 & 16, 2006.
6	Cancelled trades for compliance with NASD Rules 4632(g), 4642(g), 4652(g), 6130(f), 6420(f), and 6620(f),	from trade dates August 15 & 16, 2006.
N/A	Limit and market orders executed as principal, for compliance with NASD Rules 2110 (and IM-2110-2), 2111, 6541 and 2320, and SEC Rules 602 and 604,	N/A
0	"Non displayed" limit orders and 0 marketable orders in the same securities received while holding the "non-displayed" orders, for compliance with NASD Rule 2320,	from trade dates August 15 & 16, 2006.
10	Institutional customer market orders, for compliance with NASD Rule 2320,	from trade dates August 15 & 16, 2006.
30	Limit and market orders and 50 trades executed in a principal or riskless principal capacity, for compliance with capacity reporting under NASD Trade Reporting and ACT rules,	from trade dates August 15 & 16, 2006.
N/A	Order for Nasdaq securities in soft dollar accounts and 0 related executions, for compliance with trade reporting rules and the safe harbor limitations of SEC section 28(e),	N/A
0	Open buy limit orders and stop sell limit orders in securities traded ex-dividend, for compliance with NASD Rule 3220,	from trade dates August 15 & 16, 2006.
N/A	Trades reported and modified through a mixed capacity regulatory report, for compliance with NASD Rule 6130,	N/A
0	Trades in NNM or SC securities reported with a PRP modifier, for compliance with NASD Rules 4632 and 2320,	from trade dates August 15 & 16, 2006.

**2006 MRE Exam Samples
JMP Securities LLC ("JSSF")
Exam No. 20060063389**

<u>Sample Size</u>	<u>Review Area</u>	<u>Sample Source</u>
N/A	Orders in securities for which the firm was a market center, for compliance with the order size/type classification requirements of SEC Rule 605,	N/A
N/A	Security/size/order data statistics published on the firm's monthly order execution report, for compliance with SEC Rule 605,	N/A
N/A	Data published on the firm's quarterly order routing report, for compliance with SEC Rule 606,	from the quarterly report including August 2006.
3	Customer transactions in OTCBB and OTC equity securities, for compliance with NASD Rules 3110(b) and 2320,	from trade dates August 15 & 16, 2006.
9	Persons engaged in the firm's trading and market making activities, for compliance with NASD Registration rules,	from trade dates August 15 & 16, 2006.
49	Orders in NNM or SC securities submitted to OATS, for compliance with NASD Rule 6955,	from trade dates August 15 & 16, 2006.
185	Order/trade records prepared and maintained in connection with the above samples, for general compliance with NASD Rule 3110 and SEC Rules 17a-3 and 17a-4,	from trade dates August 15 & 16, 2006.
374	Trades reported to ACT or TRACS in connection with the above samples, for general compliance with NASD Trade Reporting and ACT rules,	from trade dates August 15 & 16, 2006.
824	Customer trade confirmations reviewed in connection with the above samples, for compliance with SEC Rule 10b-10,	from trade dates August 15 & 16, 2006.
N/A	The firm's establishment and implementation of "regular & rigorous" reviews of the execution quality of orders sent to other market centers and internalized, for compliance with NASD Rules 2320 and 3010,	N/A
N/A	The firm's establishment and implementation of a supervisory system and written supervisory procedures, for compliance with NASD Rule 3010,	based on WSPs in effect during August 2006.