

**FINANCIAL INDUSTRY REGULATORY AUTHORITY
LETTER OF ACCEPTANCE, WAIVER AND CONSENT
NO. 2006006804401**

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

RE: Bear Stearns & Co., Inc., n.k.a. J.P. Morgan Securities, Inc., Respondent
CRD No. 79

Renee Fourcade, Respondent
General Securities Representative
CRD No. 1021348

Pursuant to FINRA Rule 9216 of FINRA's Code of Procedure, Bear Stearns & Co., Inc., n.k.a. J.P. Morgan Securities, Inc., ("Bear Stearns" or the "Firm") and Renee Fourcade (collectively "Respondents") submit 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 Respondents alleging violations based on the same factual findings described herein.

I.

ACCEPTANCE AND CONSENT

A. Respondents hereby accept and consent, 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

Bear Stearns n/k/a J.P. Morgan Securities, Inc. (CRD No. 79) has been a FINRA member since 1936. In or about October 1, 2008, it changed its name from Bear Stearns & Co. to J.P. Morgan Securities, Inc., after the acquisition in or about May 2008 of The Bear Stearns Companies, Inc. by JPMorgan Chase & Co. J.P. Morgan Securities currently is based in New York, New York; has 221 branch offices, 6,602 registered representatives, and provides a full range of brokerage services to its customers. It has no relevant disciplinary history. The conduct at issue in this AWC relates to the time period before the acquisition and name change. Accordingly, for the sake of clarity, the Firm shall be subsequently referred to herein as "Bear Stearns."

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Fourcade first became affiliated with a FINRA (f/k/a National Association of Securities Dealers or NASD) registered firm in 1981. She has been registered as a General Securities Representative at Bear Stearns from July 1988 to the present. She has no disciplinary history.

OVERVIEW

From January 2001 through November 2003 (the "Relevant Period"), Bear Stearns violated NASD Rule 2830(k)'s prohibition against sharing portfolio trading commissions with retail sales personnel. Fourcade, in turn, violated NASD Rule 2110 by participating in and benefiting from the arrangement. Fourcade and her senior partner GM (since deceased) were registered representatives at Bear Stearns' Los Angeles-branch office and the brokers of record to the retirement plan for a large corporate client ("Client A"). A mutual fund company ("Fund Company") provided all the investment options and recordkeeping services for the retirement plan, and plan participants could self-direct their investments. Fund Company directed approximately \$1 million in trading commissions to Bear Stearns for the benefit of Fourcade and GM during the relevant period to supplement the brokers' 12b-1 fees. Bear Stearns retained \$544,475 of the directed brokerage commissions and Fourcade, pursuant to her usual payout, received \$241,238 (GM received an amount equal to Fourcade). In granting Fourcade a share of the commissions, Bear Stearns violated Rules 2830(k)(7)(C) and 2110 and by accepting the commissions Fourcade violated Rule 2110. Pursuant to Rule 2830(k)(7)(C), brokerage commissions from investment company portfolio transactions cannot be shared with sales personnel involved in the retail sale or distribution of investment company shares. In addition, notwithstanding its awareness of the payments, Bear Stearns failed to supervise the arrangement, the payments thereunder, or otherwise ensure compliance with NASD directed brokerage rules. Accordingly, it also violated Rules 3010 and 2110.

FACTS AND VIOLATIVE CONDUCT¹

Fourcade was partners with GM in Bear Stearns' Los Angeles office. On accounts they serviced jointly, Fourcade and GM split commissions 50/50. They were brokers of record to the retirement plan of a predecessor to Client A. They were paid 15 basis points in 12b-1 fees and received upfront commissions on new purchases by plan participants.

In 2000, Fund Company bid for and won the mandate for a new plan for Client A. Fund Company provided all investment options for fund participants and recordkeeping services for the new plan. Fourcade and GM were brokers of record for the new plan and were again to be compensated through upfront commissions as well as trailing commissions based on assets under management, i.e., 12b-1 fees.

¹ Unless stated otherwise, the facts and violative conduct described herein relate to the Relevant Period, i.e., January 2001 through November 2003.

Initially, it was expected that Fund Company would pay 12b-1 fees equal to 25 basis points. Later, Fund Company advised that 12b-1 fees would be 15 basis points (as it had been with the prior retirement plan), but that it would direct trades to Bear Stearns for the benefit of Fourcade and GM to make up the difference between Fourcade's and GM's share of what they received (15 basis points) and what they had hoped to receive (25 basis points) in 12b-1 fees.

Starting in February 2001 and continuing until November 2003, Fund Company, which already had a trading relationship with Bear Stearns, identified specific trades that generated over \$1 million in commissions as being for the benefit of Fourcade and GM. Bear Stearns, in turn, credited the commissions to Fourcade and GM's grid. Pursuant to their normal payout, Fourcade and GM earned over \$482,000 in commissions, with Fourcade receiving half, over \$241,000. Bear Stearns kept over \$544,000. During the course of the arrangement, Fourcade received trade reports from Fund Company and tracked the trades and commissions that were for her and GM's benefit.

The arrangement came to an end in November 2003, when Fund Company suspended all of its directed commission practices at the time that these practices came under regulatory scrutiny.

Rule 2830(k)(7)(C)² part of NASD's Anti-Reciprocal Rule, protects against the potential that brokers might be subject to a conflict of interest by prohibiting a member from granting sales personnel participation in directed commissions generated by the sales of mutual fund shares. It provides:

"(7) No member shall, with respect to such member's retail sales or distribution of investment company shares:

(C) grant to salesmen, branch managers or other sales personnel any participation in brokerage commissions received by such member from portfolio transactions of an investment company whose shares are sold by such member, or from any covered account, if such commissions are directed by, or identified with, such investment company or any covered account" (emphasis added).

As set forth above, Bear Stearns granted Fourcade and GM a participation in brokerage commissions received from Fund Company. It specifically permitted Fourcade and GM to receive over \$241,000 each, approximately 50% of the commissions generated by trades that Fund Company did through Bear Stearns for their benefit, thereby violating Rule 2830(k)(7)(C).

Fourcade has obligations and duties as an associated person under NASD Rules and is also presumed to know and understand NASD Rules. Fourcade was

² The version of the rule in effect at the time of the violations was identical but numbered (8)(C).

aware of and agreed to the arrangement and also received a substantial benefit from the arrangement, namely \$241,238. Accordingly, she violated Rule 2110.

Bear Stearns was required to maintain and enforce a system to supervise the activities of its registered representatives that was reasonably designed to achieve compliance with applicable securities laws and regulations. Here, Bear Stearns was unable to identify who, if anyone, approved the commission arrangement and there was no record of the firm taking any steps to assess whether the arrangement complied with NASD Rules.

VIOLATIONS

From January 2001 through November 2003, Bear Stearns and Fourcade shared portfolio trading commissions received from a Fund Company. In addition, Bear Stearns failed to review or approve the arrangement to ensure compliance with NASD Rules. Bear Stearns' conduct, as described above, violated NASD Rules 2830(k)(7)(C), 3010 and 2110. Fourcade's conduct, as described above, violated Rule 2110.

B. Respondents also consent to the imposition of the following sanctions:

1. **Bear Stearns**

- a. Censure; and
- b. A fine in the amount of \$225,000.

2. **Fourcade**

- a. Censure; and
- b. A fine in the amount of \$15,000.

Respondents agree to pay the monetary sanction(s) upon notice that this AWC has been accepted and that such payment(s) are due and payable. Respondents have submitted Election of Payment forms showing the method by which each proposes to pay the fine imposed.

Respondents specifically and voluntarily waive any right to claim that it/she 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

Respondents specifically and voluntarily waive the following rights granted under FINRA's Code of Procedure:

- A. To have a Complaint issued specifying the allegations against Respondents;**
- 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, Respondents specifically and voluntarily waive 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.

Respondents further specifically and voluntarily waive 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

Respondents understand 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 Respondents; and**

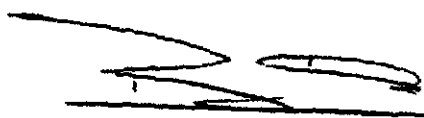
C. If accepted:

- 1. this AWC will become part of Respondents' permanent disciplinary record and may be considered in any future actions brought by FINRA or any other regulator against Respondents;**
- 2. this AWC will be made available through FINRA's public disclosure program in response to public inquiries about Respondents' 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. Respondents 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. Respondents 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 Respondents' right to take legal or factual positions in litigation or other legal proceedings in which FINRA is not a party.**

D. Respondents may attach a Corrective Action Statement to this AWC that is a statement of demonstrable corrective steps taken to prevent future misconduct. Respondents understand 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.

Respondents certify that they have read and understand all of the provisions of this AWC and have been given a full opportunity to ask questions about it; that Respondents have agreed to its 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 Respondents to submit it.

July 22, 2009
Date


J.P. Morgan Securities, Inc.
Respondent
Name: BARRY SUMMERS
TITLE: MANAGING DIRECTOR

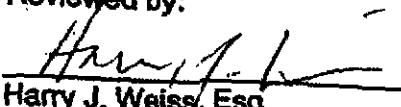
By:

Renee Fourcade
Name:
Title: Managing Director

7/13/09
Date


Renee Fourcade
Respondent

Reviewed by:

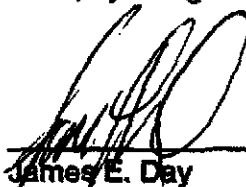
 7/21/09
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(212) 940-6490 (fax)

Accepted by FINRA:

8/5/09
Date

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



James E. Day
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FINRA Department of Enforcement
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