

**FINANCIAL INDUSTRY REGULATORY AUTHORITY (FINRA)
OFFICE OF HEARING OFFICERS**

DEPARTMENT OF ENFORCEMENT,

COMPLAINANT,

v.

ANNE CAMERON (CRD No. 5571207),

RESPONDENT.

DISCIPLINARY PROCEEDING

No. 2010023578401

HEARING OFFICER—MAD

**ORDER ACCEPTING OFFER OF
SETTLEMENT**

Date: July 12, 2012

INTRODUCTION

Disciplinary Proceeding No. 2010023578401 was filed on January 3, 2012 by the Department of Enforcement of the Financial Industry Regulatory Authority (FINRA) (Complainant). Respondent Anne Cameron submitted an Offer of Settlement (Offer) to Complainant dated July 5, 2012. Pursuant to FINRA Rule 9270(e), the Complainant and the National Adjudicatory Council (NAC), a Review Subcommittee of the NAC, or the Office of Disciplinary Affairs (ODA) have accepted the uncontested Offer. Accordingly, this Order now is issued pursuant to FINRA Rule 9270(e)(3). The findings, conclusions and sanctions set forth in this Order are those stated in the Offer as accepted by the Complainant and approved by the NAC.

Under the terms of the Offer, Respondent has consented, without admitting or denying the allegations of the Complaint, 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, to the entry of findings and violations consistent with the allegations of the Complaint, and to the imposition of the sanctions set forth below, and fully understands that this Order will become part of

Respondent's permanent disciplinary record and may be considered in any future actions brought by FINRA.

BACKGROUND

Respondent Anne Cameron, CRD No. 5571207, was a junior research analyst in the New York, NY office of J.P. Morgan from July 2008 to August 2010. J.P. Morgan filed a Form U-5 for Cameron in August 2010. Since November 2010, Cameron has been associated with another FINRA member firm as a research analyst.

FINDINGS AND CONCLUSIONS

It has been determined that the Offer be accepted and that findings be made as follows:

CAMERON'S ROLE AT J.P. MORGAN AND ISSUANCE OF THE JULY 13, 2010 REPORT

As a research analyst for J.P. Morgan on the firm's Exploration & Production research team, Cameron assisted in the coverage of approximately 15 companies in oil and gas exploration and production industry. Cameron covered ATP—an energy firm based in Houston, Texas, that primarily operates oil platforms in the Gulf of Mexico and the North Sea—as the primary junior analyst. Under the guidance of J.P. Morgan senior research analyst JA, Cameron drafted research reports about ATP that were disseminated by J.P. Morgan to its institutional sales force and to the public through various outlets, including the firm's website, among other services.

J.P. Morgan initiated coverage of ATP on March 25, 2010. In or about June 2010, JA worked with Cameron to review the pricing and models of the companies covered by the Exploration & Production research team, including a review of the firm's research coverage of ATP. The review of ATP culminated in a decision by the senior analyst JA to downgrade ATP.

Cameron drafted the downgrade report of ATP entitled “Trading at a Premium; Financing Needs Likely Greater Than Market Thinks; Downgrading to Underweight.” This report lowered J.P. Morgan’s research rating from neutral to underweight and retained the price target of \$10, which had been lowered from \$14 to \$10 the day before in a separate report. The report stated that “[w]e are downgrading ATPG to Underweight from Neutral based on relative valuation and our estimate of the company’s need for additional financing. . . . We think the market likely underestimates the company’s financing needs.” The report’s central conclusion in support of the downgrade was that “[b]ased on our estimates, ATP needs an additional \$500MM of financing” The downgrade report was dated July 13, 2010, and was disseminated to the public shortly after midnight that day.

On July 13, ATP stock opened down approximately 7% from the prior day, and during the following two days, ATP’s stock price fell by as much as 15% from its pre-report price.

THE ERROR IN THE JULY 13, 2010 REPORT

On or about the morning of July 13, 2010, J.P. Morgan received complaints from ATP management that the reported financing need of \$500 million in the July 13, 2010 downgrade report was erroneous. After receiving that information, Cameron checked the financial model used in connection with the July 13, 2010 report and determined that there was, in fact, a computational error in the model. Cameron had caused the error by double-counting certain principal payment overrides in the report’s spreadsheet model. When the model was adjusted to remove that double-counting error, ATP’s financing need, as determined by the model, was reduced by approximately \$450 million.

On July 13, Cameron and others at J.P. Morgan began working to correct the error, with the intention of promptly releasing a correction report. At that time, the existence and scope of the error was not public information.

THE CORRECTION REPORT PUBLICLY DISCLOSING THE ERROR

On July 15, 2010, at or about the close of trading, J.P. Morgan issued a report entitled “Correcting Error in Model.” This report publicly disclosed for the first time that there had been a significant error in the statement about ATP’s financing needs in the July 13 report.

The July 15, 2010 ATP report stated that “[w]e model ATPG’s overrides (ORRIs) and net profits interests (NPIs) and attempt to calculate the cash flow impact of these financial transactions. ATPG re-pays a ‘principal’ portion and an ‘interest’ portion for these financings. We double counted the principal portion of repayments for years 2010 and 2011. The magnitude of this error is around \$450MM. . . . In our July 13 note, we stated that it appeared that ATPG would need \$500MM of external capital. This model corrects that error and reduces that need to \$50MM.”

CAMERON’S DISCLOSURE OF NONPUBLIC INFORMATION ABOUT THE ERROR

Prior to the error being publicly corrected, Cameron sent several emails to non-J.P. Morgan individuals about the error in the downgrade report.

Cameron sent an email about ATP on Wednesday, July 14, 2010, at 5:07 p.m. to HY, her boyfriend, stating “they [ATP] have made it very clear what a whopping mistake was buried in the note.” HY was employed as a buy-side analyst at a hedge fund.

In the late evening of Wednesday, July 14, 2010, Cameron sent two more emails, this time to another friend, HH, who worked for a different hedge fund. One of the emails was entitled “Storm Brewing” and stated:

We have a pretty bad situation at work: ATP figured out that we double-counted one stream of the repayments in our overrides model. We overstated the magnitude of the cash flow shortfall, and they think this is the reason they're [sic] stock has dropped so much the last two days. Through their bankers, they're fixing to get someone fired, and it's going to be ugly. I meant to call you today, but [JA] left for [Denver] yesterday, and I'm busy taking all the heat. If you have any thoughts on how not to get fired, let me know, and I'll give you a call tomorrow.

In the other email to HH (sent about twenty minutes later), Cameron stated "[e]verybody's favorite company fixing to get me or [JA] fired, because they found an error in a report we wrote this week. Resent the email. Was looking for advice on how not to get canned."

Cameron also had conversations with people outside of J.P. Morgan about the error in the downgrade report prior to the error being publicly disclosed. Cameron called her boyfriend HY on July 13, 2010, and told him about the error. Cameron also told a third person outside J.P. Morgan, her friend, SC, about the error during dinner on the evening of July 14, 2010.

J.P. MORGAN RESEARCH ANALYST POLICIES AND PROCEDURES

J.P. Morgan maintained an "Equity Research Analyst Policies and Procedures Manual." As a research analyst at J.P. Morgan, the policies and procedures in that manual applied to Cameron. This set of policies and procedures contained a number of confidentiality requirements that directly addressed Cameron's duty with respect to the nonpublic information concerning the ATP error. In particular, the policies and procedures prohibited Cameron from disclosing nonpublic information obtained in the course of her duties at J.P. Morgan to individuals outside the research department unless specifically permitted in the policies or approved by the firm's legal or compliance departments, neither of which applied to the ATP error.

Cameron disclosed nonpublic information concerning an error in an ATP research report on multiple occasions through emails and conversations to persons outside of J.P. Morgan who were in a position to take advantage of the nonpublic information in the securities markets or pass the information on to others who could take advantage of it.

Cameron's disclosures breached her duties under J.P. Morgan's confidentiality policies.

Cameron's disclosures of nonpublic information concerning the error in the July 13, 2010 ATP report were inconsistent with high standards of commercial honor and just and equitable principles of trade.

Based on the foregoing, Respondent violated FINRA Rule 2010.

Based on these considerations, the sanctions hereby imposed by the acceptance of the Offer are in the public interest, are sufficiently remedial to deter Respondent from any future misconduct, and represent a proper discharge by FINRA, of its regulatory responsibility under the Securities Exchange Act of 1934.

SANCTIONS

It is ordered that Respondent be:

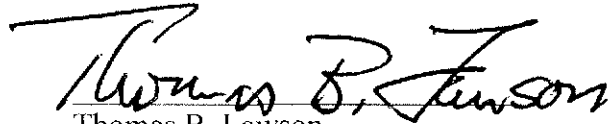
1. fined in the amount of \$20,000; and
2. suspended in all capacities for 15 business days.

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

SO ORDERED.

FINRA

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

A handwritten signature in black ink, appearing to read "Thomas B. Lawson". The signature is fluid and cursive, with the first name "Thomas" being the most prominent.

Thomas B. Lawson
Vice President and Chief Counsel
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