

**FINANCIAL INDUSTRY REGULATORY AUTHORITY
LETTER OF ACCEPTANCE, WAIVER AND CONSENT
NO. 20110268128-01**

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

RE: J.P. Morgan Securities LLC, Respondent
Broker-Dealer
CRD No. 79

Pursuant to FINRA Rule 9216 of FINRA's Code of Procedure, J.P. Morgan Securities LLC ("JPMS" or 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 became a member of FINRA in 1936, and its registration remains in effect. The firm formerly did business under the name J.P. Morgan Securities Inc.

RELEVANT DISCIPLINARY HISTORY

On February 23, 2010 FINRA accepted an AWC in which the firm was censured and fined \$50,000, including \$5,000 for violations of NASD Rules 6230(a) and 2110 from October 1, 2007 to December 31, 2007.

On June 24, 2011, FINRA accepted an AWC in which the firm was censured and fined \$147,500, including \$7,500 for violations of NASD Rules 6230(a) and 2110 from July 1, 2008 through September 30, 2008.

SUMMARY

This matter is the result of five separate reviews of Trade Reporting and Compliance Engine ("TRACE") reporting by the firm as follows:

In Matter No. 20110268128, the TRACE Team of the Department of Market Regulation (the "TRACE Staff") reviewed TRACE reporting by the firm for the period of July 1, 2010 through September 30, 2010.

In Matter No. 20110292520, the TRACE Staff reviewed TRACE reporting by the firm for the period of April 1, 2011 to June 30, 2011.

In Matter No. 20120308586, the TRACE Staff reviewed TRACE reporting by the firm for the period of May 10, 2011 through September 30, 2011.

In Matter No. 20120317492, the TRACE Staff reviewed TRACE reporting by the firm for the period of October 1, 2011 through February 3, 2012.

In Matter No. 20120334969, the TRACE Staff reviewed TRACE reporting by the firm for the period of March 1, 2010 through May 7, 2012.

FACTS AND VIOLATIVE CONDUCT

20110268128

1. From July 1, 2010 through September 30, 2010, the firm failed to accurately report to TRACE 149 S1 transactions in TRACE-eligible Agency Debt securities. These 149 violations constituted 5.47% of the S1 inter-dealer reports that the firm was required to report to TRACE during the review period. The firm also failed to report to TRACE 15 S1 transactions in TRACE-eligible Agency Debt securities that it was required to report. These 15 violations constituted 0.55% of the S1 inter-dealer reports that the firm was required to report to TRACE during the review period. The firm also failed to accurately report to TRACE 6 P1 transactions in TRACE-eligible Agency Debt securities. These 6 violations constituted 2.91% of the P1 inter-dealer reports that the firm was required to report to TRACE during the review period. The firm also failed to report to TRACE three P1 transactions in TRACE-eligible Agency Debt securities that it was required to report. These three violations constituted 1.46% of the P1 inter-dealer reports that the firm was required to report to TRACE during the review period. The firm also reported to TRACE 29 P1 transactions in TRACE-eligible Agency Debt securities that it was not required to report. These 29 violations constituted 14.08% of the P1 inter-dealer reports that the firm was required to report to TRACE during the review period. The conduct described in this paragraph constitutes separate and distinct violations of FINRA Rule 6730.

20110292520

2. During the period of April 1, 2011 to June 30, 2011, the firm failed to report to TRACE 32 P1 transactions in TRACE-eligible Corporate Securities that it was required to report; failed to report to TRACE the correct contra-party's identifier for 80 P1 transactions in TRACE-eligible Corporate Debt Securities; reported to TRACE five P1 transactions in TRACE-eligible Corporate Debt Securities that it was not required to report; failed to accurately report to TRACE the market identifier for six P1 transactions in TRACE-eligible Corporate Debt Securities; failed to report to TRACE the correct volume for 15 P1 transactions in TRACE-eligible Corporate Debt Securities; failed to report to TRACE the correct date of execution for three P1 transactions in TRACE-eligible Corporate Debt Securities; failed to report to TRACE the correct time of execution for five P1 transactions in TRACE-eligible Corporate Debt Securities. These 146 violations constituted 19.29% of the P1 inter-dealer reports that JPMS was required to report to TRACE during the review period. The conduct described in this paragraph constitutes separate and distinct violations of FINRA Rule 6730.

20120308586

3. During the period of May 10, 2011 through September 30, 2011, as managing underwriter, the firm failed to report 34 new issue offerings in TRACE eligible Agency Debt securities to FINRA according to the time frames set forth in FINRA Rule 6760. These 34 offerings constituted 23.78% of the new issue submissions in TRACE-eligible Agency Debt securities that JPMS reported to FINRA Market Operations pursuant to a FINRA Rule 6760 obligation during the review period. The conduct described in this paragraph constitutes separate and distinct violations of FINRA Rule 6760.
4. During the review period, 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 FINRA, concerning FINRA Rule 6760 obligations. Specifically, the firm's supervisory system did not include written supervisory procedures providing for: (1) the identification of the person(s) responsible at the firm to ensure compliance with the applicable rules; (2) the step(s) that such person(s) should take to ensure compliance therewith; (3) how often such person(s) should take such step(s); and (4) how enforcement of such written supervisory procedures should be documented at the firm. The conduct described in this paragraph constitutes violations of NASD Rule 3010 and FINRA Rule 2010.

20120317492

5. During the period of October 1, 2011 through February 3, 2012, the firm failed to report 398 S1 transactions in TRACE-eligible Agency Debt securities within 15 minutes of the time of execution to the TRACE. These 398 S1 transactions constituted 5.46% of the total number of S1 transactions in TRACE-eligible Agency Debt securities that the firm was required to report to TRACE during the review period. The conduct described in this paragraph constitutes separate and distinct violations of FINRA Rule 6730 and a pattern or practice of late reporting without exceptional circumstances in violation of FINRA Rule 2010.

20120334969

6. During the period of March 1, 2010 through May 7, 2012, the firm failed to report 4,041 transactions in TRACE eligible Agency Debt Securities that it was required to report. These transactions represent 5.68% of the transactions in Agency Debt securities that the firm was required to report from March 1, 2010 through May 31, 2012. During the period of June 1, 2011 through May 11, 2012, the firm failed to report 1,509 transactions in TRACE eligible Corporate Bonds that it was required to report. These transactions represent 0.32% of the transactions in Corporate Bonds that the firm was required to report from June 1, 2011 through May 31, 2012. The conduct described in this paragraph constitutes separate and distinct violations of FINRA Rule 6730.

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

A censure, a fine of \$95,000 (\$20,000 for the violations of FINRA Rule 6730 in Matter No. 20110268128; \$25,000 for the violations of FINRA Rule 6730 in Matter No. 20110292520; \$7,500 for the violations of FINRA Rules 6760 and \$7,500 for the violation of NASD Rule 3010 in Matter No. 20120308586; \$25,000 for the violations of FINRA Rules 6730 and 2010 in Matter No. 20120317492; and \$10,000 for the violations of FINRA Rule 6730 in Matter No. 20120334969), and an undertaking to revise the firm's written supervisory procedures with respect to the areas described in paragraph I.A.4. Within 30 business days of acceptance of this AWC by the National Adjudicatory Council ("NAC"), a registered principal of the Respondent 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.4.; 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: (i) testimonial obligations; or (ii) 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.

12/5/13
Date

Respondent
J.P. Morgan Securities LLC

By: William Frelich

Name: William Frelich

Title: Managing Director

Reviewed by:

[Signature]
Counsel for Respondent

Accepted by FINRA:

February 6, 2014
Date

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

[Signature]
James J. Nixon
Chief Litigation Counsel
Department of Market Regulation