

**FINANCIAL INDUSTRY REGULATORY AUTHORITY
LETTER OF ACCEPTANCE, WAIVER AND CONSENT
NO. 2011027800601**

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

RE: J.P. Morgan Securities LLC (BD No. 79),
Respondent

Pursuant to FINRA Rule 9216 of FINRA's Code of Procedure, J.P. Morgan Securities LLC ("Respondent," "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 JPMS alleging violations based on the same factual findings described herein.

I.

ACCEPTANCE AND CONSENT

- A. Respondent 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

JPMS is a full-service broker dealer headquartered in New York, New York. It employs approximately 27,744 registered representatives who operate from approximately 5,738 branches.

RELEVANT DISCIPLINARY HISTORY

JPMS has the following relevant disciplinary history. On or about December 19, 2011, JPMS signed a Letter of Acceptance, Waiver and Consent (AWC No. 2009019359201), pursuant to which JPMS was fined \$150,000 for several findings including, *inter alia*, that it violated (i) NASD Rules 1021, 1022(a)(5) and 2110 as a result of the Firm's failure to properly register a member of its Equity Research Management as a Research Principal ("RP") from June 20, 2006 to March 19, 2007, and (ii)

NASD Rules 3010 and 2110 as a result of its failure to adequately supervise its registration-related obligations and revise its research policies and procedure manual in a timely fashion to reflect the RP requirement.

OVERVIEW

At various times between June 2010 and August 2011, JPMS permitted three Managing Directors in the Firm's U.S. Investment Banking Division to perform functions requiring a Series 79, Limited Representative-Investment Banking, registration while they were not registered with FINRA in that capacity. In addition, in connection with the registration failure, JPMS failed to enforce its registration-related supervisory procedures.

Based on the foregoing, JPMS violated NASD Membership and Registration Rule 1032(i), NASD Conduct Rule 3010 and FINRA Rule 2010.

FACTS AND VIOLATIVE CONDUCT

I. JPMS Permitted Three Senior Executives in its U.S. Investment Banking Division to Conduct Investment Banking Business Without Registration

NASD Rule 1032(i)(1) provides, in relevant part, that "[e]ach person associated with a member ... shall be required to register with FINRA as a Limited Representative-Investment Banking and pass a qualification examination ... if such person's activities involve: (A) advising on or facilitating debt or equity securities offerings through a private placement or a public offering ..., or (B) advising on or facilitating mergers and acquisitions". Regulatory Notice 09-41 provides, *inter alia*, that individuals whose activities are limited to investment banking activities are required to pass the Limited Representative-Investment Banking Qualifications Examination (Series 79 Exam). The registration obligation is not contingent on a person's title but stems from whether the individual performs a function requiring registration.

The following three Managing Directors in JPMS's U.S. Investment Banking Division performed functions requiring a Series 79 registration while they were not registered with FINRA in that capacity:

- MD1 joined JPMS in June 2010. Before joining JPMS, MD1 held Series 7 and Series 24 registrations, which lapsed in March 2005. JPMS filed with FINRA a "Series 79 Exam Waiver" application for MD1 in August 2010. In September 2010, FINRA denied the application and notified JPMS that the Firm must promptly schedule MD1 for the Series 79 examination. MD1 scheduled to take the examination on three dates in May and June 2011, but postponed the examination each time. In July 2011, given that MD1 had not yet taken the Series 79 examination, JPMS received inquiries from FINRA concerning MD1's registration status. MD1 took and passed the Series 79 licensing test in August 2011, some 14 months after his hire date;

- MD2 joined JPMS in December 2010. Before joining JPMS, MD2 held Series 7 and Series 24 registrations, which lapsed in December 2001. MD2 took and passed the Series 79 licensing test in May 2011, some 5 months after his hire date; and
- MD3 joined JPMS in February 2011. Before joining JPMS, MD3 had never been registered with a FINRA member firm. MD3 took and passed the Series 79 licensing test in June 2011, some 4.5 months after his hire date.

All three individuals engaged in activities requiring Series 79 registration including, *inter alia*, working with the Firm's investment banking teams to, among other things, advise on potential investment banking transactions.

Based on the foregoing, JPMS violated NASD Membership and Registration Rule 1032(i) and FINRA Rule 2010.

II. JPMS Failed to Enforce Its Registration Related Written Supervisory Procedures ("WSPs")

The WSPs of the U.S. Investment Banking Division pertaining to registration in effect during the relevant period, June 2010 through August 2011, required, in relevant part, that all employees take all applicable licensing exams promptly. In addition, JPMS supervisors were required to periodically review quarterly reports to confirm all team members hold appropriate licenses and are properly registered in each state in which they are conducting investment banking business.

JPMS knew that the three Managing Directors needed to obtain a Series 79 registration when they joined the firm, but failed to ensure compliance with the registration rules. Significantly, JPMS did not require MD1 to take the Series 79 licensing examination until after FINRA started inquiring about his registration status in July 2011, which was some 10 months after FINRA denied JPMS's request for a registration waiver on MD1's behalf.

Based on the foregoing, JPMS violated NASD Conduct Rule 3010 and FINRA Rule 2010.

B. Respondent also consents to the imposition of the following sanctions:

1. censure; and
2. a fine of \$125,000

Respondent agrees to pay the monetary sanction upon notice that this AWC has been accepted and that such payment is due and payable. Respondent has submitted an Election of Payment form showing the method by which it proposes to pay the fine imposed.

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

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

II.

WAIVER OF PROCEDURAL RIGHTS

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

- A. To have a Complaint issued specifying the allegations against it;
- 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, Respondent 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.

Respondent 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

Respondent 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 me; and
- C. If accepted:
 - 1. this AWC will become part of Respondent's permanent disciplinary record and may be considered in any future actions brought by FINRA or any other regulator against it;
 - 2. this AWC will be made available through FINRA's public disclosure program in response to public inquiries about Respondent'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. Respondent 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. Respondent 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 Respondent's right to take legal or factual positions in litigation or other legal proceedings in which FINRA is not a party.
- D. Respondent may attach a Corrective Action Statement to this AWC that 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 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 the Firm has 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 the Firm to submit it.

3/4/2013
Date (mm/dd/yyyy)

Respondent

J.P. Morgan Securities, LLC

By: 

Print Name: Carlos Hernandez

Print Title: Managing Director

Reviewed by:



Attorney Name

Counsel for Respondent

Accepted by FINRA:

March 8, 2012
Date

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



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