

**FINANCIAL INDUSTRY REGULATORY AUTHORITY
LETTER OF ACCEPTANCE, WAIVER AND CONSENT
NO. 20120325078-01**

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 Trade Reporting and Compliance Engine ("TRACE") reporting violations of NASD Rule 6230(a) and a pattern or practice of late reporting in violation of NASD Rule 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 TRACE reporting violations of NASD Rule 6230(a) and

a pattern or practice of late reporting in violation of NASD Rule 2110 from July 1, 2008 through September 30, 2008.

SUMMARY

This matter is the result of two separate reviews of TRACE reporting by the firm as follows:

In Review No. 20120325078, the TRACE Team of the Department of Market Regulation (the "TRACE Staff") reviewed the firm's compliance with reporting requirements concerning new issue offerings in corporate bonds for the period of October 1, 2011 through March 31, 2012 (the "first review period").

In Review No. 20120339357, the TRACE Staff reviewed the firm's compliance with reporting requirements concerning inter-dealer corporate bond transactions for the period of February 6, 2012 through June 30, 2012 (the "second review period").

FACTS AND VIOLATIVE CONDUCT

20120325078

1. During the first review period, the firm, as managing underwriter, failed to report 79 new issue offerings in TRACE eligible Corporate Debt Securities to FINRA according to the time frames set forth in FINRA Rule 6760(c). These 79 offerings constituted 12.48% of the new issue submissions in TRACE-eligible Corporate Debt Securities that the firm submitted to FINRA during the first review period. The conduct described in this paragraph constitutes separate and distinct violations of FINRA Rule 6760(c).

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2. During the second review period, the firm failed to report to TRACE 17 P1 transactions in TRACE-eligible securities that it was required to report. These transactions constituted 1.17% of the P1 transactions that the firm was required to report to TRACE during the second review period. The conduct described in this paragraph constitutes separate and distinct violations of FINRA Rule 6730.
3. During the second review period, the firm failed to report to TRACE the correct contra-party's identifier for 298 P1 transactions in TRACE-eligible securities. These transactions constituted 20.44% of the P1 inter-dealer transactions that the firm reported to TRACE during the second review period. The conduct described in this paragraph constitutes separate and distinct violations of FINRA Rule 6730.

4. During the second review period, the firm failed to accurately report to TRACE the market identifier for 28 P1 transactions in TRACE-eligible securities. These transactions constituted 1.92% of the P1 inter-dealer reports that the firm reported to TRACE during the second review period. The conduct described in this paragraph constitutes separate and distinct violations of FINRA Rule 6730.
5. During the second review period, the firm failed to enforce its written supervisory procedures concerning reporting of P1 transactions in TRACE-eligible securities. The conduct described in this paragraph constitutes violations of NASD Rule 3010 and FINRA Rule 2010.

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

A censure, a fine of \$35,000 (\$10,000 for the violations of FINRA Rule 6760 in Matter No. 20120325078; \$15,000 for the violations of FINRA Rule 6730 in Matter No. 20120339357 and \$10,000 for the supervisory violations), and an undertaking to report to TRACE the transactions the firm failed to report in paragraph I.A.2. 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 reported to TRACE the transactions the firm failed to report in paragraph I.A.2; and (3) the date the transactions were reported to TRACE.

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.

Date

Respondent
J.P. Morgan Securities LLC

By: _____

Name: _____

Title: _____

Reviewed by:

Counsel for Respondent

Accepted by FINRA:

Jul 15, 2014
Date

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

James J. Nixon
Chief Litigation Counsel, Legal Section
Department of Market Regulation