

**FINANCIAL INDUSTRY REGULATORY AUTHORITY
LETTER OF ACCEPTANCE, WAIVER AND CONSENT
NO. 20130368960- 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 6, 2014, FINRA accepted an AWC in which the firm consented to a censure and a total fine of \$95,000, including \$80,000 for Trade Reporting and Compliance Engine ("TRACE") reporting violations related to FINRA Rule 6730. The AWC included the following fines: a \$20,000 fine for violations related to inaccurate reporting, non-reporting, and over-reporting from July 1, 2010 through September 30, 2010; a \$25,000 fine for violations related to inaccurate reporting and non-reporting from April 1, 2011 to June 30, 2011; a \$10,000 fine for violations related to late reporting from

20130368960 (includes 20130369774, 20130387450, 20140399965, 20140400336, 20140425652, and 20140431242) (jsv)

October 1, 2011 through February 3, 2012; and a \$25,000 fine for violations related to non-reporting from March 1, 2010 through May 7, 2012.

On June 24, 2011, FINRA accepted an AWC in which the firm consented to a censure and a total fine of \$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 seven separate reviews of TRACE reporting by the firm as follows:

In Review No. 20130368960, the TRACE Team of the Department of Market Regulation (the "TRACE Staff") reviewed the firm's compliance with reporting requirements concerning agency debt securities for the period of January 1, 2013 through March 31, 2013.

In Review No. 20130369774, the TRACE Staff reviewed the firm's compliance with reporting requirements concerning inter-dealer corporate bond transactions for the period of January 1, 2013 through March 31, 2013.

In Review No. 20130387450, the TRACE Staff reviewed the firm's compliance with reporting requirements concerning new issue offerings in corporate debt securities for the period of April 1, 2013 through September 30, 2013.

In Review No. 20140399965, the TRACE Staff reviewed the firm's compliance with reporting requirements concerning agency debt securities for the period of October 1, 2013 through December 31, 2013.

In Review No. 20140400336, the TRACE Staff reviewed the firm's compliance with reporting requirements concerning inter-dealer corporate bond transactions for the period of October 1, 2013 through December 31, 2013.

In Review No. 20140425652, the TRACE Staff reviewed the firm's compliance with reporting requirements concerning new issue offerings in corporate debt securities for the period of January 1, 2014 to June 30, 2014.

In Review No. 20140431242, the TRACE Staff reviewed the firm's compliance with reporting requirements concerning agency debt securities for the period of July 1, 2014 through September 30, 2014.

SUMMARY OF FINDINGS

As a result of the seven reviews, the TRACE Staff found that the firm failed to comply with TRACE reporting requirements. The firm's violative conduct in this consolidated matter began in January 2013 and continued until September 2014. Furthermore, as found in the two prior AWCs cited above in Relevant Disciplinary History, from 2014 and 2015 the firm has continued a pattern of non-compliance with regard to TRACE reporting during the period from March 2010 through June 2012. Further, the TRACE staff found that the firm failed to enforce its written supervisory procedures concerning TRACE reporting; failed to provide documentation evidencing that its supervisors consistently conducted follow-ups with relevant firm personnel to ensure that TRACE daily alerts were being corrected during each of the review periods; and failed to have adequate supervisory procedures relating to securitized products and compliance with Rule 6760.

FACTS AND VIOLATIVE CONDUCT

20130368960

1. During the review period of January 1, 2013 through March 31, 2013, the firm failed to report 125 S1 transactions in TRACE-eligible Agency Debt Securities within 15 minutes of the time of execution to the TRACE. These 125 S1 transactions constituted 3.13% 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.

20130369774

2. During the review period of January 1, 2013 through March 31, 2013, the firm: (1) failed to report to TRACE 49 P1 transactions in TRACE-eligible Corporate Debt Securities that it was required to report; (2) failed to report to TRACE the correct contra-party's identifier for 31 P1 transactions in TRACE-eligible Corporate Debt Securities; and (3) failed to accurately report to TRACE the price for 6 P1 transactions in TRACE-eligible Corporate Debt Securities. The firm also reported to TRACE 10 P1 transactions in TRACE-eligible Corporate Debt Securities it was not required to report. These 96 violations constituted 8.17% 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.

20130387450

3. During the review period of April 1, 2013 through September 30, 2013, JPMS as a Managing Underwriter failed to report 201 new issue offerings in TRACE-eligible Corporate Debt Securities to FINRA according to the time frames set forth in FINRA Rule 6760. These 201 offerings constituted 21.03% of the new issue submissions in TRACE-eligible Corporate Debt Securities that the firm submitted to FINRA during the review period. The conduct described in this paragraph constitutes separate and distinct violations of FINRA Rule 6760.

20140399965

4. During the review period of October 1, 2013 through December 31, 2013, the firm failed to report to TRACE 99 S1 transactions in TRACE-eligible Agency Debt Securities within 15 minutes of the time of execution. These 99 S1 transactions constituted 3.32% 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.

20140400336

5. During the review period of October 1, 2013 through December 31, 2013, the firm: (1) failed to report to TRACE 7 P1 transactions in TRACE-eligible Corporate Securities that it was required to report; and (2) failed to report to TRACE the correct contra-party's identifier for 93 P1 transactions in TRACE-eligible Corporate Debt Securities. The firm also reported to TRACE 17 P1 transactions in TRACE-eligible Corporate Debt Securities it was not required to report. These 117 violations constituted 15.58% 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.

20140431242

6. During the review period of July 1, 2014 through September 30, 2014, the firm failed to report 102 transactions in TRACE-eligible Agency Debt Securities within 15 minutes of the time of execution to the TRACE. These 102 transactions constituted 4.98% of the total number of 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.

20130368960, 20130369774, 20140399965, 20140400336, and 20140431242

7. From January 1, 2013 to September 30, 2014, the firm's supervisory system did not provide for supervision reasonably designed to achieve compliance with the applicable securities laws and regulations, and the Rules of FINRA, concerning FINRA Rule 6730. Specifically, the firm failed to provide documentation evidencing that the person(s) responsible for supervision consistently conducted follow-ups with relevant firm personnel to ensure that TRACE reporting compliance issues were promptly and systematically remediated.

20140425652

8. From January 1, 2014 through June 2014, the firm's supervisory system did not provide for supervision reasonably designed to achieve compliance with respect to certain applicable securities laws and regulations, and/or the Rules of FINRA. At a minimum, adequate written supervisory procedures addressing quality of markets topics should describe the following:
 - (a) specific identification of the individual(s) responsible for supervision;
 - (b) the supervisory steps and reviews to be taken by the appropriate supervisor;
 - (c) the frequency of such reviews; and
 - (d) how such reviews shall be documented.

The firm's written supervisory procedures failed to provide for the four above-cited minimum requirements for adequate written supervisory procedures, in the following subject areas: FINRA Rule 6760 and the reporting requirements for new issues of securitized products.

9. The conduct described in paragraphs 7 and 8 above constitutes violations of NASD Rule 3010 and FINRA Rule 2010.

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

1. A censure;
2. A fine of \$725,000 (\$450,000 for the TRACE reporting violations of FINRA Rules 2010 and 6730; \$25,000 for the TRACE reporting violations of FINRA Rule 6760; and \$250,000 for the supervisory violations);
3. An undertaking to revise the firm's written supervisory procedures with respect to the areas described in paragraph I.A.8. 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.8; and (3) the date the revised procedures were implemented; and

4. An undertaking to provide three written reports to FINRA on dates that are no more than three months, six months, and nine months after the date of the Notice of Acceptance of this AWC, concerning the firm's implementation and effectiveness of the firm's policies, systems and procedures (written and otherwise) and training (collectively, "the Controls") relating to the specific areas described above to ensure that the firm addresses the supervisory inadequacies described in paragraph I.A.7. The written reports shall be certified by a senior executive officer of the firm and shall address, at a minimum, the implementation and performance of the firm's Controls; the steps taken by supervisory personnel to ensure compliance in the abovementioned areas and the results of such supervisory reviews; training; and modifications or recommendations for improvements to the Controls and dates of the effectiveness of such modifications or planned implementation of such recommendations. Upon written request showing good cause, FINRA staff may extend any of the procedural dates set forth herein.

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:

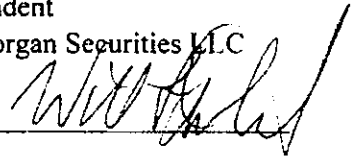
- A. Submission of this AWC is voluntary and will not resolve this matter unless and until it has been reviewed and accepted by the NAC, a Review Subcommittee of the NAC, or the Office of Disciplinary Affairs ("ODA"), pursuant to FINRA Rule 9216;
- B. If this AWC is not accepted, its submission will 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 accordance with FINRA Rule 8313;
 - 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.

12/3/2015
Date

Respondent
J.P. Morgan Securities LLC

By: 

Name: **William H. Freilich**
Managing Director

Title: _____

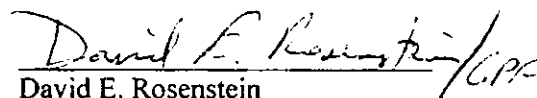
Reviewed by:

Counsel for Respondent

Accepted by FINRA:

12/2/15
Date

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


David E. Rosenstein
Senior Vice President, Legal Section
Department of Market Regulation