

**FINANCIAL INDUSTRY REGULATORY AUTHORITY
LETTER OF ACCEPTANCE, WAIVER AND CONSENT
NO. 2013039333001**

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

RE: JMP Securities LLC
CRD No. 22208

Pursuant to FINRA Rule 9216 of FINRA's Code of Procedure, JMP Securities LLC ("JMP Securities," "Respondent" 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 JMP Securities 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

JMP Securities has been a FINRA member since 1988. The Firm, headquartered in San Francisco, California, engages in a general securities business for institutional clients, including research, with approximately 153 registered representatives working out of 6 branch offices. The Firm publishes approximately 3,100 research reports per year.

RELEVANT DISCIPLINARY HISTORY

JMP Securities has no relevant disciplinary history.

OVERVIEW

From January 1, 2010 through December 31, 2013 (the "relevant period"), JMP Securities violated multiple disclosure provisions of FINRA's research analyst conflict of interest rule, NASD Rule 2711. Among other things, Rule 2711 fosters transparency in research reports by requiring member firms to clearly and prominently provide investors with important information regarding the firms' conflicts of interest.

The Firm violated Rule 2711 by

- Failing to present required disclosures in a clear, comprehensive and prominent manner (Rule 2711(h)(10));
- Omitting from certain research reports required disclosures concerning conflicts of interest relating to investment banking relationships with the subject company and making a market in the subject company's securities (Rule 2711(h)(2) and (8)); and
- Failing to adopt written supervisory procedures reasonably designed to ensure compliance with the research analyst compensation restrictions under Rule 2711(d)(2) (Rule 2711(i)).

FACTS AND VIOLATIVE CONDUCT

NASD Rule 2711 is intended, in part, to provide transparency to investors with respect to conflicts of interest that could impact the objectivity and reliability of research reports. Investment banking relationships between the member and the subject company are among the most concerning conflicts for which the rule requires disclosure.

1. JMP Securities Failed to Disclose Required Information in a Clear Manner and Used a Defective Boilerplate Disclosure as a Substitute for a Required Disclosure

Rule 2711(h)(10) provides that research disclosures required by Rule 2711 "must be clear, comprehensive and prominent." In Notice to Members 04-18, FINRA provided interpretative guidance concerning the clarity of research disclosures, including that member firms may not use conditional or indefinite language in required disclosures, such as "may have a position" in any of the subject company's securities, or that the reader "should assume" that the member engaged in investment banking business with the subject company. Conditional or indefinite language lacks the specificity required under Rule 2711.

During the relevant period, JMP Securities failed to make clear, comprehensive and prominent disclosures as required by Rule 2711(h)(10). Under Rule 2711(h)(2)(A)(ii)(c), the Firm is required to disclose in its research reports if it "expects to receive or intends to seek compensation for investment banking services from the subject company in the next 3 months." Instead of complying with this specific disclosure requirement, the Firm used the following indefinite boilerplate statement: "The reader should assume that JMP Securities LLC will solicit business from the company covered in this report."

Although the Firm had a policy of seeking investment banking business from each company covered by its research at least once a quarter, this language, which appeared in each of the Firm's 12,392 research reports published during the relevant period, lacked the specificity required under Rule 2711(h)(2)(A) and therefore was not "clear, comprehensive and prominent" as required by Rule 2711(h)(10).

By using language that did not satisfy the specific requirements of Rule 2711(h)(2)(A)(ii)(c), JMP Securities violated Rule 2711(h)(2)(A)(ii)(c) for each research report where it was required to disclose if it "expects to receive or intends to seek compensation for investment banking

services from the subject company in the next 3 months." JMP Securities failed to make this required affirmative disclosure in any of its research reports published during the relevant period.

Based on the foregoing, JMP Securities violated Rule 2711(h)(10), Rule 2711(h)(2)(A)(ii)(c) and FINRA Rule 2010.

2. JMP Securities Omitted from its Research Reports Required Disclosures Related to Investment Banking Services and Market Making

JMP Securities omitted from research reports conflict of interest disclosures required under Rule 2711(h) during the relevant period. The Firm failed to disclose in eight research reports that it managed or co-managed a public offering of securities for the subject company in the past 12 months, in violation of Rule 2711(h)(2)(A)(ii)(a). The Firm also failed to disclose in one research report that it received compensation for investment banking services from the subject company in the past 12 months, in violation of Rule 2711(h)(2)(A)(ii)(b). Finally, the Firm failed to disclose in eight research reports that it made a market in the securities of the subject company, in violation of 2711(h)(8).

Based on the foregoing, JMP Securities violated Rule 2711(h)(2)(A)(ii)(a), 2711(h)(2)(A)(ii)(b), 2711(h)(8) and FINRA Rule 2010.

3. JMP Securities Failed to Adopt Written Supervisory Procedures Concerning its Compliance with Rule 2711(d)(2)

Rule 2711(i) requires member firms to adopt and implement written supervisory procedures reasonably designed to ensure that members comply with the provisions of Rule 2711. JMP failed to adopt such written procedures concerning its compliance with Rule 2711(d)(2), which prohibits any compensation to research analysts based on a specific investment banking services transaction and provides that the member, in reviewing and approving research analyst compensation, may not consider as a factor the analyst's contributions to the member's investment banking business. The Firm's written supervisory procedures, however, set forth various factors the Firm was to consider in determining analyst compensation, including "the number of times JMP [Securities] is selected by our corporate customers to render advisory, underwriting and other financial services to them."

Based on the foregoing, JMP Securities violated Rule 2711(i) and FINRA Rule 2010.

B. JMP Securities also consents to the imposition of the following sanctions:

1. Censure; and
2. Fine in the amount of \$125,000.

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

Respondent agrees to pay the monetary sanction upon notice that this AWC has been accepted

and that such payment is due and payable. JMP Securities 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.

I.

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 prejudice of the Chief Legal Officer, 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 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;

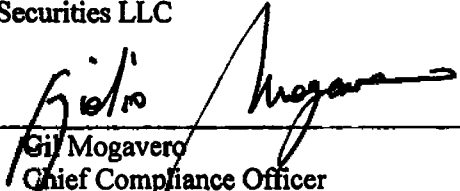
- B. If this AWC is not accepted, its submission will not be used as evidence to prove any of the allegations against Respondent; and
- C. If accepted:
 - 1. this AWC will become part of Respondent's permanent disciplinary record and may be considered in any future actions brought by FINRA or any other regulator against it;
 - 2. this AWC will be made available through FINRA's public disclosure program in 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. 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: (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. 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 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.

June 19, 2015

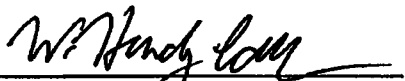
Date (mm/dd/yyyy)

Respondent
JMP Securities LLC

By: 

Gi Mogavero
Chief Compliance Officer

Reviewed by:



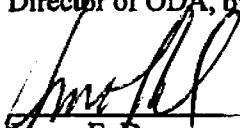
W. Hardy Callcott
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Counsel for Respondent
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San Francisco, CA 94104
Phone: 415-772-7402

Accepted by FINRA:

8/17/15

Date

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



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