

**FINANCIAL INDUSTRY REGULATORY AUTHORITY
LETTER OF ACCEPTANCE, WAIVER AND CONSENT
NO. 2014040597101**

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

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

Pursuant to FINRA Rule 9216 of FINRA's Code of Procedure, Respondent 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 Respondent 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

J.P. Morgan Securities LLC ("JPMS" or the "Firm") is a full-service broker-dealer headquartered in New York. JPMS has been a registered FINRA member since 1936. It has over 5,600 branch offices and more than 26,000 registered individuals.

OVERVIEW

From January 1, 2013 through December 31, 2015 (the "Relevant Period"), JPMS failed to adequately supervise the execution and approval of powers of attorney ("POAs") for J.P. Morgan Private Bank ("Private Bank") customer accounts submitted to the Firm by non-U.S. Resident customers. The Firm failed to detect and investigate red flags and/or other irregularities in hundreds of these POAs, including instances where the POAs lacked information required by the Firm's procedures, such as certain dates and signatures. The Firm further failed to detect and prevent the practice by some of its representatives and associates of signing the POA forms as witnesses, despite not having actually witnessed the signatures.

By reason of the foregoing, JPMS violated NASD Rule 3010(a) and (b),¹ FINRA Rules 3110(a) and (b), 4511(a), and 2010, and Section 17(a)(1) of the Securities Exchange Act ("SEA") and Rule 17a-4 thereunder.

FACTS AND VIOLATIVE CONDUCT

A POA is a legal document in which one person or entity (the principal) appoints another person or entity (the agent) to act on his, her, or its behalf, thus conferring authority on the agent to perform certain acts or functions on behalf of the principal. False or inaccurate information in a POA exposes both customers and member firms to financial, legal, and other risks.

The conduct at issue here involved non-U.S. resident customers of the Private Bank with accounts held at JPMS in the U.S. Bankers and Associate Bankers in the Private Bank, all of whom were registered or associated with JPMS, assisted customers with, among other things, opening accounts having POAs associated with them and executing POAs relating to existing accounts.

During the Relevant Period, JPMS's procedures for the Private Bank required that POAs executed within the United States be signed by the accountholder in the presence of a notary. For POAs executed outside the U.S., the procedures required that the accountholder's signature be signed in the presence of a J.P. Morgan officer, a U.S. diplomatic or consular official, a judge or other court official having a seal, or any person authorized by local law to acknowledge the transfer of real property. In addition, the procedures required that POAs associated with certain types of accounts be signed in the presence of a witness, irrespective of where they were executed.

Once a POA was executed, it was submitted to the Private Bank's Account Opening Group ("AOG") for review, including whether the POA had been executed according to the Firm's procedures. The AOG's review included checking to see whether the POAs were properly dated, witnessed, and notarized, as applicable. Two account opening specialists reviewed each POA. For brokerage accounts, a third review was conducted by a Private Bank Supervisory Manager who held a securities license.

Despite this review, the Firm failed to enforce its own procedures and failed to properly follow-up and investigate red flags and/or other irregularities in hundreds of the POAs, including but not limited to instances:

- where a non-notary acting as a witness signed on the notarization line;
- where the signature and/or witness dates were blank or in conflict; and,
- where a signature required by Firm procedures was missing.

¹ NASD Rules 3010(a) and (b) were superseded by FINRA Rules 3110(a) and (b) on December 1, 2014.

In an attempt to accommodate customers and based on practices that had been established in certain offices, some JPMS representatives or associates improperly signed POAs executed outside the U.S. as witnesses, even though they had not witnessed the signatures. Had the Firm appropriately questioned some of the red flags and/or irregularities identified above, it would have discovered this fact and prevented these practices, which were prevalent, from occurring.

In addition, by failing to adequately supervise the execution and approval of customer POAs for Private Bank accounts as described above, the Firm kept and maintained POAs in its records that contained inaccurate information.

Once the problem was identified by the Firm in or about July 2014, it required relevant personnel to undergo additional training beginning in July 2014 and continuing through December 2014. Despite such training, although their frequency did diminish, irregularities in the POAs continued through the end of 2015.

NASD Rule 3010(a) required member firms to establish and maintain a supervisory system reasonably designed to achieve compliance with applicable securities laws and regulations and FINRA/NASD Rules. NASD Rule 3010(b) required in relevant part that member firms establish, maintain, and enforce written procedures to supervise the types of business in which it engaged and to supervise the activities of registered representatives, registered principals, and other associated persons. FINRA Rules 3110(a) and (b), effective December 1, 2014, are identical in substance to their NASD predecessors.

FINRA Rule 4511(a) requires member firms to make and preserve books and records as required under FINRA Rules, the Exchange Act, and the rules thereunder. SEA Rule 17a-4(b)(6) requires member firms to preserve, *inter alia*, POAs relating to any account. Where a member firm fails to maintain accurate records required to be preserved under the Rules of the Exchange Act, it violates FINRA Rule 4511(a).

As described more fully above, JPMS failed to adequately supervise and enforce its procedures relating to POAs submitted by non-U.S. resident customers in the Private Bank, thereby violating NASD Rule 3010(a) and (b) for the period January 2013 through November 30, 2014; and FINRA Rule 3110(a) and (b) for the period December 1, 2014 through December 31, 2015. By reason of its violating NASD Rule 3010 and FINRA Rule 3110, the Firm also violated FINRA Rule 2010.

Because certain of the POAs contained inaccurate information, JPMS also violated FINRA Rule 4511(a), SEA Section 17(a)(1), and Rule 17a-4 thereunder. By reason of its violating FINRA Rule 4511, the Firm also violated FINRA Rule 2010.

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

1. Censure; and,
2. A fine of \$500,000.

JPMS further agrees to certify to FINRA Enforcement, within 90 days of the issuance of this AWC, in a writing signed by an officer of JPMS, that it has adopted and implemented written supervisory policies and procedures reasonably designed to supervise the execution and approval of POAs for Private Bank customer accounts submitted by non-U.S. resident customers. The certification shall be submitted by letter addressed to Perry Hubbard, Director, FINRA's Department of Enforcement, 15200 Omega Drive, 3rd Floor, Rockville, MD 20850. FINRA staff can extend the deadline set forth above for good cause upon written request from the Firm.

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

JPMS 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

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 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, the Firm specifically and voluntarily waives any right to claim bias or prejudgment 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.

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:

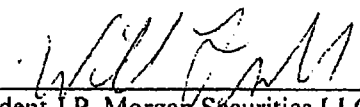
- A. Submission of this AWC is voluntary and will not resolve this matter unless and until it has been reviewed and accepted by the NAC, a Review Subcommittee of the NAC, or the Office of Disciplinary Affairs ("ODA"), pursuant to FINRA Rule 9216;
- B. If this AWC is not accepted, its submission will not be used as evidence to prove any of the allegations against me; 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 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. 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 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.

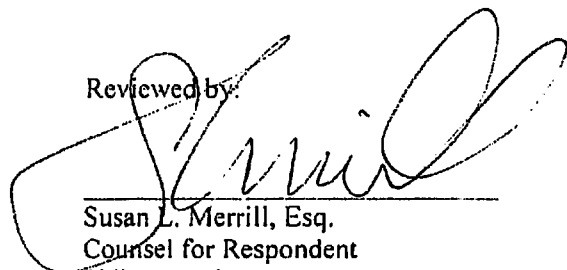
10/19/2016
Date (mm/dd/yyyy)


Respondent J.P. Morgan Securities LLC

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

Title: _____

Reviewed by:

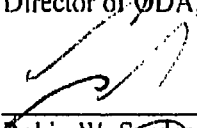

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Accepted by FINRA:

11/3/16

Date

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



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