

**FINANCIAL INDUSTRY REGULATORY AUTHORITY
LETTER OF ACCEPTANCE, WAIVER, AND CONSENT
NO. 2019061442101**

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

RE: J.P. Morgan Securities LLC (Respondent)
Member Firm
CRD No. 79

Pursuant to FINRA Rule 9216, Respondent J.P. Morgan Securities LLC (JPMS) 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 in this AWC.

I.

ACCEPTANCE AND CONSENT

- A. Respondent accepts and consents to the following findings by FINRA without admitting or denying them:

BACKGROUND

JPMS has been a FINRA member since 1936, is headquartered in New York, New York, and is a full-service brokerage firm. JPMS has over 34,000 registered representatives at approximately 5,600 branches.

In June 2020, JPMS was censured, fined \$325,000, and ordered to pay restitution of \$333,619 for failing to establish and maintain a supervisory system reasonably designed to achieve compliance with its Rule 2111 obligations regarding volatility-linked exchange traded products.¹

OVERVIEW

From January 2017 to at least December 2018, JPMS failed to establish and maintain a supervisory system, including written procedures, reasonably designed to assess whether its registered representatives recommended to retail customers short-term trades of syndicate preferred stocks that may have been unsuitable. At least 15 of the firm's representatives or representative teams recommended that JPMS's retail customers purchase syndicate preferred stocks and then, in certain circumstances, recommended the sale of such positions within 180 days, resulting in customers sustaining losses on these

¹ For more information about the firm, including prior regulatory events, visit BrokerCheck® at www.finra.org/brokercheck.

transactions while the representatives received concessions and, in some instances, commissions. Accordingly, JPMS violated FINRA Rules 3110 and 2010.

For this violation, JPMS is censured, fined \$350,000, and ordered to pay restitution of \$157,505 and disgorgement of \$1,672,923.

FACTS AND VIOLATIVE CONDUCT

A. JPMS's sales of syndicate preferred stock

During the relevant period, JPMS permitted representatives to recommend that customers purchase syndicate preferred stocks. These products are income-generating securities. They typically offer more consistent income payments than common stock and higher payments than many bonds. Preferred stocks are generally purchased for their income features and held long-term.

For each of JPMS's transactions in syndicate preferred stock, JPMS was a member of the selling syndicate. Thus, when JPMS's customers purchased these products, the issuer paid JPMS a sales concession (typically 2%), a portion of which JPMS paid to its representatives. In addition, when customers later sold these securities, JPMS sometimes charged customers sales commissions, a portion of which JPMS also paid to its representatives. JPMS's customers placed more than 149,000 trades in preferred stock during the relevant period, with a total principal amount of more than \$23 billion.

Trading in syndicate preferred stock is subject to potential abuse where representatives recommend the purchase and short-term sale of the security, collecting a sales concession in the process. This practice is especially concerning if the representative then recommends that the customer purchase a different syndicate preferred stock, again receiving a front-end sales concession. During the relevant period, several JPMS representatives engaged in this activity.

B. JPMS failed to establish and maintain a supervisory system, including written procedures, reasonably designed to achieve compliance with its Rule 2111 obligations for syndicate preferred stock.

FINRA Rule 3110(a) requires member firms to establish and maintain a system to supervise the activities of each associated person that is reasonably designed to achieve compliance with applicable securities laws and regulations, and with applicable FINRA rules.

FINRA Rule 2010 requires member firms, in the conduct of their business, to observe high standards of commercial honor and just and equitable principles of trade. Conduct that violates FINRA Rule 3110 also violates FINRA Rule 2010.

During the relevant period, JPMS's supervisory obligations included maintaining a system to supervise the activities of its associated persons reasonably designed to achieve compliance with FINRA Rule 2111. Before June 30, 2020, FINRA Rule 2111 required members and associated persons to have a reasonable basis to believe that a

recommended transaction involving a security was suitable for the customer. Where a representative recommended short-term trading in syndicate preferred stock, including for the purpose of obtaining selling compensation, the transactions may have violated Rule 2111.²

During the relevant period, certain of JPMS's relevant lines of business did not maintain any written procedures for its representatives or provide any guidance specific to the suitability of holding periods for purchases of syndicate preferred stock. Nor did JPMS's procedures for those lines of business identify any concerns with short-term trading of those preferred stock positions.

JPMS used an electronic surveillance system to identify potentially problematic activity in customer accounts. Although the system in some instances identified short-term trading in preferred stock, there were no alerts that were designed to specifically target syndicate preferred stock activity.

JPMS used electronic alerts that triggered supervisory review based on factors including an account's cost-to-equity ratio and turnover rate, but these alerts reviewed activity on an account-wide level, and the firm did not implement relevant product-specific alerts or reviews. The firm had no alerts specific to syndicate preferred stock that flagged the sale of syndicate preferred stock within a short-term period from purchase. As a result, most customers' short-term trades in preferred stock were not captured by these alerts. For example, one JPMS representative recommended more than 150 purchases of syndicate preferred stock in multiple customer accounts where he then recommended that the customer sell the position for a loss after holding it less than 180 days (in many cases less than 30 days). The firm's system did not flag any of this activity.

Even when cost-to-equity or turnover alerts identified trading in preferred stocks as part of the reason the alert triggered, the firm could not identify patterns of potentially problematic short-term trading of preferred stock from review of the alerts unless a large portion of the activity in an account involved preferred stock. Additionally, JPMS generally did not take reasonable action to follow up and investigate short-term trades in syndicate preferred stock. Although the firm considered a number of factors in its review of potentially relevant alerts, including the customers' investment objective and risk tolerance, and the overall profitability of the account, it did not consider patterns of short-term preferred stock trading activity.

During the relevant period, at least 15 JPMS representatives or representative teams recommended over 1,000 syndicate preferred stock purchases that were then sold on a short-term basis where there was a realized loss on the sale, even after accounting for income earned on the position. For these positions, JPMS earned approximately \$1.67 million in selling concessions from the syndicate purchases (collected from the issuers)

² FINRA Rule 2111 remains in effect, but as of June 30, 2020, it no longer applies to recommendations to retail customers that are subject to Regulation BI under the Securities Exchange Act of 1934.

and approximately \$157,000 in sales commissions from the later sales (collected from the customers).

JPMS conducted a substantial syndicate preferred stock business, yet it did not maintain a supervisory system reasonably designed to assess whether its representatives' recommended short-term trading of syndicate preferred stocks was consistent with Rule 2111.

Following the relevant period, JPMS implemented a new trade review process and enhanced written procedures and guidance specific to syndicate preferred stocks to provide for supervisory review of short-term trades of syndicate preferred stocks.

By failing to reasonably supervise its syndicate preferred stock business during the relevant period, JPMS violated FINRA Rules 3110 and 2010.

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

- a censure;
- a \$350,000 fine;
- restitution of \$157,504.96 plus interest as described below;³ and
- disgorgement of \$1,672,923 plus interest as described below.⁴

Respondent agrees to pay the monetary sanctions 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 an inability to pay, now or at any time after the execution of this AWC, the monetary sanctions imposed in this matter.

Restitution is ordered to be paid to the customers listed on Attachment A to this AWC (Eligible Customers) in the total amount of \$157,504.96, plus interest at the rate set forth in Section 6621(a)(2) of the Internal Revenue Code, 26 U.S.C. § 6621(a)(2), from April 14, 2023, until the date this AWC is accepted by the National Adjudicatory Council (NAC).

A registered principal on behalf of Respondent shall submit satisfactory proof of payment of restitution and interest (separately specifying the date and amount of each paid to each

³ The amount of restitution being paid to customers is equal to the commissions paid by the customers on the later sales of the preferred stock.

⁴ The amount of disgorgement being paid is equal to the concessions received by JPMS for the purchases of syndicate preferred stock.

Eligible Customer) or of reasonable and documented efforts undertaken to effect restitution. Such proof shall be submitted by email to EnforcementNotice@FINRA.org from a work-related account of the registered principal of Respondent. The email must identify Respondent and the case number and include a copy of the check, money order, or other method of payment. This proof shall be provided by email to EnforcementNotice@FINRA.org no later than 120 days after the date of the notice of acceptance of the AWC.

The restitution amount plus interest to be paid to each Eligible Customer shall be treated by Respondent as the Eligible Customer's property for purposes of state escheatment, unclaimed property, abandoned property, and similar laws. If after reasonable and documented efforts undertaken to effect restitution Respondent is unable to pay all Eligible Customers within 120 days after the date of the notice of acceptance of the AWC, Respondent shall submit to FINRA in the manner described above a list of the unpaid Eligible Customers and a description of Respondent's plan, not unacceptable to FINRA, to comply with the applicable escheatment, unclaimed property, abandoned property, or similar laws for each such Eligible Customer.

The imposition of a restitution order or any other monetary sanctions in this AWC, and the timing of such ordered payments, does not preclude customers from pursuing their own actions to obtain restitution or other remedies.

Restitution payments to customers shall be preceded or accompanied by a letter, not unacceptable to FINRA, describing the reason for the payment and the fact that the payment is being made pursuant to a settlement with FINRA and as a term of this AWC.

Disgorgement of commission received is ordered to be paid to FINRA in the amount of \$1,672,923, plus interest at the rate set forth in Section 6621(a)(2) of the Internal Revenue Code, 26 U.S.C. § 6621(a)(2), from April 14, 2023, until the date this AWC is accepted by the NAC.

The sanctions imposed in this AWC shall be effective on a date set by FINRA.

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 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 its acceptance or rejection.

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 action brought by FINRA or any other regulator against Respondent;
 - 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 its subject matter 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. Nothing in this provision affects Respondent's testimonial obligations in any litigation or other legal proceedings.

- 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.

The undersigned, on behalf of Respondent, certifies that a person duly authorized to act on Respondent's 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 Respondent 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 in this AWC and the prospect of avoiding the issuance of a complaint, has been made to induce Respondent to submit this AWC.

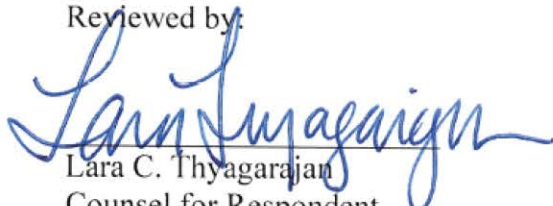
7/10/25
Date


J.P. Morgan Securities LLC
Respondent

Print Name: Jennifer Mosse

Title: Managing Director

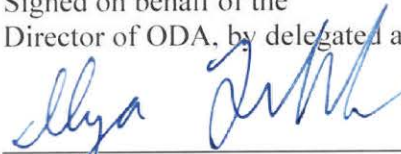
Reviewed by:


Lara C. Thyagarajan
Counsel for Respondent
Sidley Austin LLP
787 Seventh Avenue
New York, NY 10019

Accepted by FINRA:

7/11/2025
Date

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


Ilya Feldsherov
Principal Counsel
FINRA
Department of Enforcement
Brookfield Place, 200 Liberty Street, 11th Floor
New York, NY 10281

Attachment A
Restitution Schedule

Customer #	Restitution Amount (exclusive of interest)
1	\$6,852.41
2	\$6,582.71
3	\$5,413.57
4	\$5,282.31
5	\$5,183.98
6	\$4,689.52
7	\$4,367.97
8	\$4,272.88
9	\$4,250.00
10	\$3,658.75
11	\$3,362.24
12	\$2,785.00
13	\$2,751.40
14	\$2,600.00
15	\$2,529.00
16	\$2,432.30
17	\$2,318.07
18	\$2,305.00
19	\$2,276.16
20	\$2,256.90
21	\$2,250.50
22	\$2,225.00
23	\$2,089.17
24	\$1,950.00
25	\$1,920.00
26	\$1,875.00
27	\$1,775.00
28	\$1,720.00
29	\$1,650.00
30	\$1,630.00
31	\$1,600.00
32	\$1,575.00
33	\$1,530.67
34	\$1,522.47
35	\$1,397.52
36	\$1,275.00

37	\$1,250.00
38	\$1,250.00
39	\$1,240.00
40	\$1,219.61
41	\$1,200.00
42	\$1,175.86
43	\$1,087.50
44	\$1,075.00
45	\$1,050.00
46	\$1,049.88
47	\$1,004.56
48	\$1,002.39
49	\$950.00
50	\$921.15
51	\$907.98
52	\$870.00
53	\$850.00
54	\$816.33
55	\$814.59
56	\$800.00
57	\$800.00
58	\$760.68
59	\$750.00
60	\$736.81
61	\$700.00
62	\$700.00
63	\$700.00
64	\$678.15
65	\$675.00
66	\$669.50
67	\$600.00
68	\$573.61
69	\$552.20
70	\$550.00
71	\$500.00
72	\$500.00
73	\$500.00
74	\$475.00
75	\$473.67
76	\$460.60
77	\$450.00
78	\$425.00
79	\$425.00

80	\$406.25
81	\$400.00
82	\$400.00
83	\$390.00
84	\$375.00
85	\$375.00
86	\$375.00
87	\$375.00
88	\$360.00
89	\$350.00
90	\$350.00
91	\$325.00
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93	\$300.00
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95	\$300.00
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97	\$275.00
98	\$250.35
99	\$250.00
100	\$250.00
101	\$250.00
102	\$250.00
103	\$250.00
104	\$250.00
105	\$250.00
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108	\$250.00
109	\$250.00
110	\$250.00
111	\$250.00
112	\$230.35
113	\$225.00
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120	\$215.20
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122	\$200.00

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160	\$100.00
161	\$100.00
162	\$100.00
163	\$99.01
164	\$80.00
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166	\$75.00
167	\$75.00
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169	\$75.00
170	\$75.00
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172	\$75.00
173	\$50.00
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176	\$50.00
177	\$50.00
178	\$40.00
179	\$30.35
180	\$30.35
181	\$30.25
182	\$25.00
183	\$10.00
184	\$10.00