

**FINANCIAL INDUSTRY REGULATORY AUTHORITY
LETTER OF ACCEPTANCE, WAIVER, AND CONSENT
NO. 2020067957701**

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 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

J.P. Morgan Securities LLC has been a FINRA member since December 1936. The firm is headquartered in New York, New York, with over 30,000 registered representatives and over 5,400 branches nationwide. The firm services corporate and broker-dealer clients and institutional investors, and it provides wealth management and brokerage services to individuals. The firm acts as an agency broker-dealer and provides market access and execution services to market participants for a variety of products.¹

OVERVIEW

Between September 2019 and May 2021, the firm violated Rule 611(c) of Regulation NMS of the Securities Exchange Act of 1934 and FINRA Rule 2010 by failing to take reasonable steps to ensure that the intermarket sweep orders it routed met the requirements set forth in Rule 600(b)(31) of Regulation NMS.

Additionally, between September 2019 and July 2021, the firm failed to establish and maintain a supervisory system, including written procedures, reasonably designed to

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

achieve compliance with Rule 611(c) of Regulation NMS, in violation of FINRA Rules 3110(a), 3110(b) and 2010.

FACTS AND VIOLATIVE CONDUCT

This matter originated from exceptions identified by FINRA's Department of Market Regulation's surveillance of market activity in April and May 2020.

JPMS violated Rule 611(c) of Regulation NMS.

Rule 600(b)(31)² of Regulation NMS defined an intermarket sweep order (ISO) as a limit order for an NMS stock that meets the following requirements: (i) when routed to a trading center, the limit order is identified as an ISO; and (ii) simultaneously with the routing of the limit order defined as an ISO, one or more additional limit orders, as necessary, are routed to execute against the full displayed size of any protected bid, in the case of a limit order to sell, or the full displayed size of any protected offer, in the case of a limit order to buy, for the NMS stock with a price that is superior to the limit price of the limit order identified as an ISO.

Rule 611(c) of Regulation NMS required a trading center, broker, or dealer responsible for routing of an ISO to take reasonable steps to establish that the ISO met the requirements of Rule 600(b)(31).

A violation of Rule 611(c) constitutes a violation of FINRA Rule 2010, which requires a member, in the conduct of its business, to observe high standards of commercial honor and just and equitable principles of trade.

Between September 2019 and May 2021, JPMS failed to take reasonable steps to establish that the ISOs it routed met the requirements set forth in Rule 600(b)(31).

Specifically, the firm experienced increased message activity, due in part to the firm's migration to a new exchange trading platform, which resulted in order routing delays. The delays caused the firm, in certain instances, to rely on outdated market data snapshots of protected quotes that did not reflect the current market at the time the firm routed orders to the trading centers. As a result, the firm routed a total of 6,682 orders that were priced through other market centers' protected quotations.

JPMS, therefore, did not take reasonable steps to establish that ISOs it routed met the requirements of Rule 600(b)(31) in violation of Rule 611(c). The firm remediated this issue by May 2021 through updates to its technology infrastructure, including the addition of servers to handle the increased message volumes and minimize processing delays.

Therefore, Respondent violated Rule 611(c) of Regulation NMS and FINRA Rule 2010.

² Prior to January 18, 2019, before the review period here, Rule 600(b)(31) was numbered Rule 600(b)(30). Effective June 8, 2021, after the review period here, Rule 600(b)(31) was renumbered as Rule 600(b)(38).

JPMS's supervisory system was not reasonably designed to comply with Rule 611(c) of Regulation NMS.

FINRA Rule 3110(a) requires a member firm 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 3110(b) requires a member firm to establish, maintain, and enforce written procedures to supervise the types of business in which it engages and the activities of its associated persons that are reasonably designed to achieve compliance with applicable securities laws and regulations, and with applicable FINRA rules.

Between September 2019 and July 2021, JPMS's supervisory system, including its written supervisory procedures (WSPs), was not reasonably designed to achieve compliance with Rule 611(c) of Regulation NMS.

JPMS's supervision was unreasonable because although JPMS reviewed for latency in its order routing, the firm lacked a process, including WSPs, to verify that the market data snapshots upon which it relied were accurate at the time the firm routed ISOs to trading centers. The firm, therefore, failed to identify the processing delays that resulted in JPMS's routing of the violative ISOs in this matter. In March 2021, JPMS implemented a new daily review designed to identify ISOs routed using potentially inaccurate market data, and in July 2021, JPMS updated its WSPs to reflect this review.

Therefore, Respondent violated FINRA Rules 3110(a), 3110(b) and 2010.

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

- a censure and
- a fine in the amount of \$18,090 (resolved simultaneously with similar matters for a total fine of \$100,000).³

Respondent agrees to pay the monetary sanction 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 sanction imposed in this matter.

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

³ Those matters were brought by Cboe EDGA Exchange, Inc., Cboe EDGX Exchange, Inc., Cboe BYX Exchange, Inc., Cboe BZX Exchange, Inc., Investors Exchange, LLC, The New York Stock Exchange, LLC, NYSE American, LLC, NYSE Arca, Inc., NYSE National, Inc., and NYSE Chicago, Inc.

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 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 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 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.

July 15, 2024

Date

Luiz De Salvo

J.P. Morgan Securities LLC
Respondent

Print Name: Luiz E De Salvo

Title: Managing Director

Accepted by FINRA:

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

July 30, 2024

Date

Jeffery Ding

Jeffery Ding
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FINRA
Department of Enforcement
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