BEFORE THE NATIONAL ADJUDICATORY COUNCIL

FINANCIAL INDUSTRY REGULATORY AUTHORITY

In the Matter of Continued Membership of J.P. Morgan Securities, LLC, with FINRA	Notice Pursuant to Rule 19h-1 Securities Exchange Act of 1934 SD-1904, SD-1905, and SD-1984 December 18, 2014

I. Introduction

On August 16, 2011, J.P. Morgan Securities, LLC ("the Firm") submitted two Membership Continuance Applications with FINRA's Department of Registration and Disclosure ("RAD"). On March 14, 2013, the Firm submitted a third Membership Continuance Application (together with the August 16, 2011 applications, the "Applications") with RAD.[1] The Applications seek to permit the Firm, a member subject to statutory disqualification as a result of three separate judgments, to continue its membership with FINRA. Hearings were not held in these matters. Rather, pursuant to FINRA Rule 9523, FINRA's Department of Member Regulation ("Member Regulation") recommended that the Chair of the Statutory Disqualification Committee, acting on behalf of the National Adjudicatory Council, approve the Firm's continued membership with FINRA pursuant to the terms and conditions set forth below.

For the reasons explained below, we approve the Applications.

II. The Statutorily Disqualifying Events

A. The June 2011 Judgment

The Firm is subject to a statutory disqualification as a result of a judgment entered against it in the United States District Court for the Southern District of New York, dated June 29, 2011 (the "June 2011 Judgment"). The June 2011 Judgment, among other

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[1] SD-1904 and SD-1905 correspond to the MC-400A applications filed by the Firm on August 16, 2011, in connection with the June 2011 judgment and the July 2011 judgment, respectively, which are described below. SD-1984 corresponds to the MC-400A application filed by the Firm on March 14, 2013, in connection with the January 2013 judgment (also described below).

things, permanently enjoined the Firm from violating Sections 17(a)(2) and (3) of the Securities Act of 1933 (the "Securities Act"), and was based on a complaint filed by the Commission alleging that the Firm misrepresented a key deal term in connection with the structuring and marketing of a largely synthetic collateralized debt obligation ("CDO") called Squared CDO 2007-1 that the Firm structured and marketed to investors. The CDO was tied to the performance of the U.S. housing market. The complaint further alleged that all marketing materials for the CDO represented that the CDO's investment portfolio was selected by GSCP (NJ) L.P., a registered investment adviser with experience analyzing credit risks in CDOs. However, the marketing materials failed to disclose that Magnetar Capital LLC, a hedge fund with economic interests directly averse to investors in the CDO (i.e., a short position), played a significant role in the selection of the investment portfolio. Subsequently, the investment portfolio of the CDO was downgraded, which resulted in substantial losses to investors.

The June 2011 Judgment required the Firm to pay disgorgement in the amount of $18.6 million, prejudgment interest in the amount of $2 million, and a civil penalty in the amount of $133 million. The June 2011 Judgment also required the Firm to comply with certain undertakings for three years from the date of the Judgment, including: (1) expanding the role of the Firm's Underwriting Commitments Committee ("UCC") in the vetting and approval process for offerings of residential mortgage-related securities ("RMBS"); (2) requiring the Firm's legal and compliance department to review all written marketing materials used in connection with mortgage securities offerings; (3) requiring the Firm's outside counsel to review all written marketing materials and offering circulars/prospectuses used in connection with offerings; and (4) requiring the Firm to enhance its procedures regarding the delivery of offering circulars/prospectuses for mortgage securities offerings to ensure that such documents are delivered to investors. These undertakings applied to all offerings of RMBS (other than agency RMBS), including CDOs referencing such securities in which the Firm was the lead underwriter ("Non-Agency RMBS"). At the time of the June 2011 Judgment, the Firm had exited the business of structuring and originating mortgage-related CDOs, and the Firm represents that it has no current plans to re-enter this business.

In accordance with the June 2011 Judgment, the Firm has submitted its required annual certifications as to its compliance in all material respects with the undertakings. The Firm has also made all payments pursuant to the June 2011 Judgment.

B. The July 2011 Judgment

The Firm is also subject to a statutory disqualification as a result of a judgment entered against it in the United States District Court for the District of New Jersey, dated July 8, 2011 (the "July 2011 Judgment"). The July 2011 Judgment, among other things, permanently enjoined the Firm from violating Section 15(c)(1)(A) of the Securities Exchange Act of 1934 ("Exchange Act"). The July 2011 Judgment was based on a complaint filed by the Commission alleging that the Firm engaged in fraudulent bidding practices involving the temporary investments of proceeds from the sale of tax-exempt municipal securities in certain reinvestment instruments by state and local governmental

entities. The complaint further alleged that the Firm rigged at least 93 transactions, generating millions of dollars in ill-gotten gains. The complaint stated that as a result of the Firm's fraudulent conduct, the Firm won bids for at least 41 municipal reinvestment instruments and submitted at least 52 purposely non-winning bids.

The July 2011 Judgment required the Firm to pay disgorgement in the amount of approximately $11 million, prejudgment interest of $7.62 million, and a civil penalty of $32.5 million. The July 2011 Judgment also ordered that the Firm pay to certain entities approximately $51 million, in accordance with the Fair Fund provision of Section 308(a) of the Sarbanes-Oxley Act of 2002.

The Firm represented to Member Regulation that it has paid all amounts due and owing under the July 2011 Judgment.

C. January 2013 Judgment

Finally, the Firm is subject to a statutory disqualification as a result of a Final Judgment entered on January 7, 2013 (the "2013 Judgment") by the United States District Court for the District of Columbia that permanently enjoined the Firm from violating Securities Act Sections 17(a)(2) and (3).

The 2013 Judgment resulted from a complaint filed by the Commission alleging that the Firm and affiliated entities misled investors in offerings of RMBS pertaining to the Firm's practice of negotiating bulk cash settlements with loan originators and misleading statements regarding loan delinquencies in an offering prospectus. Specifically, the Commission alleged that, beginning in 2005 and continuing into 2007, an affiliate of The Bear Stearns Companies, LLC (collectively "Bear Stearns," which the Firm acquired in 2008), failed to disclose to investors its practice of obtaining and keeping bulk cash settlements from mortgage loan originators on problem loans that Bear Stearns sold into RMBS trusts. The complaint alleged that, when structuring RMBS transactions, Bear Stearns purchased loans from several different originators, who typically agreed by contract to repurchase problem loans. After purchasing the loans, Bear Stearns would securitize and then sell the loans to RMBS trusts. Typically, when problems with the loans arose (either from default or breaches of originators' representations or warranties) Bear Stearns would demand that originators repurchase the loans. When the originators agreed to repurchase the loans, Bear Stearns would repurchase the securitized loans from the RMBS trusts, and the trusts were made whole. However, as originators began to experience financial problems, Bear Stearns began negotiating discounted cash settlements with the originators in lieu of repurchase, but did not repurchase the securitized loans from the RMBS trusts, left the problem loans in the trusts, and kept the cash settlements. The complaint further alleged that Bear Stearns never informed the trusts about its bulk cash settlement practice, and failed to disclose it in offering documents and other public documents.

The Commission also alleged that a Firm affiliate made materially false and misleading statements about the delinquency status of the loans that provided collateral

for a December 2006 RMBS offering that the Firm underwrote, and the prospectus represented that only four loans were delinquent by 30 to 59 days, and that those four were the only loans that had an instance of delinquency of 30 or more days in the 12 months prior to the "cut-off date" for the transaction. However, the Commission alleged that at the time the Firm affiliate made this representation, it actually had information showing that more than 620 loans were, and had been, 30 to 59 days delinquent, and the four loans represented as being 30 to 59 days delinquent were in fact 60 to 89 days delinquent.

The 2013 Judgment required the Firm to pay, jointly and severally, $137.8 million in disgorgement, approximately $24.26 million in prejudgment interest, and $60.35 million in civil penalties for the Firm's bulk cash settlement practice, and $39.9 million in disgorgement, $10.6 million in prejudgment interest, and $24 million in civil penalties for the misleading statements regarding loan delinquencies. The Firm has made all payments pursuant to the 2013 Judgment.

III. Background Information

The Firm has been a FINRA member since 1936. Member Regulation states that the Firm has 5,865 branch offices, 290 of which are offices of supervisory jurisdiction ("OSJs"). The Firm employs approximately 27,707 registered individuals and approximately 797 non-registered individuals.

The Firm has a number of disciplinary infractions. Member Regulation has represented that, notwithstanding the Firm's disciplinary and regulatory history, it satisfies the standard for continued membership in FINRA. As discussed below, we agree.

A. Recent Routine Examinations

The 2014 FINRA cycle examination of the Firm is in progress.

On June 30, 2014, FINRA issued the Firm a Cautionary Action, which cited it for the following violations: (1) failing to report as a non-allowable asset collateral rehypothecated for repurchase under reverse repo contracts; (2) failing to accurately calculate net capital; (3) failing to produce customer confirmations; (4) failing to properly determine the maintenance margin of underlying collateral; and (5) inaccurately reporting customer complaints. The Firm's response to the examination addressed all deficiencies cited in the Cautionary Action.[2]

On September 17, 2013, FINRA issued the Firm a Cautionary Action, which cited it for the following violations: (1) inadequately supervising employees' outside securities

[2] This examination also resulted in a referral to FINRA's Department of Enforcement for the Firm's failure to send out negative consent letters to its customers for changes in their investment objectives. The Firm self-reported this finding.

accounts, outside business activities, and private securities transactions; (2) failing to send certain notifications to correspondent accounts of foreign banks; (3) failing to account for flow-through capital in net capital computations; (4) failing to request, maintain and update client account documentation in the Firm's Atlanta, Georgia branch office; (5) maintaining inaccurate customer account information for two customers in the Firm's Newport Beach, California branch office; (6) failing to timely report the Firm's Form G-32 and related submissions to the Municipal Securities Rulemaking Board's ("MSRB") EMMA system; (7) maintaining inadequate written supervisory procedures ("WSPs") in certain of the Firm's branch offices; (8) failing to accurately calculate net capital; and (9) failing to compute the reserve formula for net capital related to the Firm's 15a-6 business. The Firm's response to the examination addressed all deficiencies cited in the Cautionary Action.

On August 28, 2012, FINRA issued the Firm a Cautionary Action, which cited it for the following violations: (1) failing to compute the reserve formula for net capital related to the Firm's 15a-6 business; (2) maintaining inadequate books and records related to the Firm's secured finance business; (3) failing to properly report complaints; (3) failing to provide Municipal Security Investor Brochures to customers; and (4) maintaining inadequate books and records related to the Firm's municipal securities business. The Firm's response to the examination addressed all deficiencies cited in the Cautionary Action.

B. Recent Regulatory Actions

During the past two years, the Firm has been the subject of a number of regulatory actions.[3]

In July 2014, the Firm consented to a cease and desist order in connection with an action initiated by the Commodity Futures Trading Commission. Without admitting or denying the allegations, the Firm consented to findings that it submitted large trader reports that incorrectly reported the number of delivery notices issued and stopped, and the number of exchange-for-related positions bought and sold. As a result, the Firm was ordered to cease and desist from violating certain provisions of the Commodity Exchange Act, agreed to certain undertakings, and paid a civil penalty of $650,000.

In July 2014, the Firm entered into a Letter of Acceptance, Waiver and Consent ("AWC") with the New York Stock Exchange ("NYSE") for violations of Exchange Act Section 11(a), Exchange Act Rules 11a-1 and 17a-3, and NYSE Rules 90, 92, 342, 410, and 440. Without admitting or denying the allegations, the Firm consented to findings that it: (1) entered proprietary orders while knowingly in possession of customer orders to buy or sell a security that could have been executed at the same price, and then trading ahead of, or alongside, the customer order (and in certain instances failed to comply with

[3] For the Applications, we agree with Member Regulation's focus on the Firm's regulatory actions that occurred within the past two years and resulted in fines of $100,000 or more, and discuss these matters herein.

requirements concerning riskless principal trades); (2) routed proprietary orders to its floor brokers without properly marking them, which caused the floor brokers to improperly enter such orders; (3) failed to accurately document the time it had received customers' orders; and (4) failed to adequately supervise traders' activities with respect to these matters. As a result, the Firm was censured and fined $175,000.

In April 2014, the Firm entered into an AWC with the NYSE for violations of Exchange Act Section 11(a), Rule 104(h)(2) of Regulation M, and NYSE Rules 90, 410, 5190, and 342. Without admitting or denying the allegations, the Firm consented to findings that it: (1) caused a member associated with the Firm to effect transactions, on the NYSE floor, for an account in which the Firm had an interest, and such member failed to yield priority, parity and precedence in the execution of orders for accounts of persons who are not members or associated with members of the NYSE; (2) mishandled proprietary orders on the NYSE; (3) failed to provide complete and accurate written notice to the NYSE of the Firm's intention to engage in a syndicate covering transaction in connection with an offering of a listed security, prior to engaging in the first syndicate covering transaction; and (4) failed to have reasonable WSPs with respect to the filing of notices concerning public offerings. As a result, the Firm was censured and fined $105,000.

In March 2014, the Firm entered into a consent order with the State of New Hampshire Bureau of Securities Regulation, which found that the Firm violated New Hampshire securities laws by accepting client orders through sales assistants who were not registered in New Hampshire and, in certain instances, failing to record the identity of the sales assistants accepting the client orders. Without admitting or denying the allegations, the Firm agreed to make certain remedial changes to its registration policies, procedures, and other processes, and paid a fine of $235,210.[4]

In December 2013, the Firm entered into an AWC with the International Securities Exchange for violations of ISE Rules 400.02 and 1400(a), and Exchange Act Section 17(a) and Rule 17a-3 thereunder. Without admitting or denying the allegations, the Firm consented to findings that, in four instances, the Firm commenced a stock transaction in a proprietary account to hedge an option facilitation order before the Firm properly exposed the option order in the marketplace. In addition, in three instances the Firm did not correctly capture the time of receipt of the order. As a result, the Firm was censured and fined $145,000.

In December 2013, the Firm (as successor in interest to Chase Investment Services Corp.) entered into an AWC with FINRA for violations of NASD Rule 2110 and FINRA Rule 2010. Without admitting or denying the allegations, the Firm consented to findings that it failed to deliver approximately one million prospectuses to its customers for certain mutual fund and exchange traded fund transactions in contravention of Securities Act Section 5(b)(2). The AWC also found that the Firm failed to establish

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[4] Numerous other states, as part of a coordinated investigation by a multi-state task force, entered into settlements with the Firm for identical misconduct.

and implement an adequate supervisory system and WSPs to ensure the delivery of mutual fund and exchange traded fund prospectuses to customers and failed to adequately monitor prospectus delivery functions delegated to a third-party vendor. FINRA censured the Firm and fined it $825,000.

In December 2013, the Firm entered into an AWC with FINRA for violations of Exchange Act Sections 15(c) and 17(a), Exchange Act Rules 15c3-1, 17a-3 and 17a-5, FINRA Rule 2010, and NASD Rules 2110, 3010 and 3110. Without admitting or denying the allegations, the Firm consented to findings that it failed to maintain accurate books and records and filed an inaccurate FOCUS Report. FINRA censured the Firm and fined it $175,000.

In November 2013, the U.S. Department of Justice, other federal agencies, and a number of states announced a settlement with the Firm and control affiliates, pursuant to which the firms agreed to pay $13 billion to resolve federal and state civil claims arising out of the packaging, marketing, sale and issuance of RMBS by the Firm, Bear Stearns and Washington Mutual prior to January 1, 2009. The claims primarily relate to the Firm's representations that the mortgage loans in various securities complied with underwriting guidelines, contrary to the Firm's knowledge that the mortgage loans did not comply with those guidelines and were not appropriate for securitization, which was not disclosed to investors.

In October 2013, the Firm entered into an AWC with FINRA for violations of Rule 200(f) of Regulation SHO, FINRA Rule 2010, and NASD Rules 2110 and 3010. Without admitting or denying the allegations, the Firm consented to findings that it improperly included the trading positions of a non-broker-dealer affiliate in determining its aggregate units' net positions. The AWC also found that the Firm failed to establish and maintain a supervisory system reasonably designed to achieve compliance with applicable rules and regulations concerning net positions in securities within aggregation units. FINRA censured the Firm, fined it $375,000, and required it to revise its WSPs.

In October 2013, the Firm entered into an AWC with FINRA for violations of FINRA Rules 2010, 6380A, 6622, 7230A, and 7330. Without admitting or denying the allegations, the Firm consented to findings that it failed to: (1) transmit to the Over-the-Counter ("OTC") Reporting Facility last sale reports of transactions in OTC Equity Securities; and (2) accept or decline in the FINRA/NASDAQ TRF transactions in reportable securities within 20 minutes after execution. FINRA censured the Firm and fined it $100,000.

In May 2013, the Firm entered into a Decision & Order of Offer of Settlement with the Chicago Board Options Exchange ("CBOE") for failing to properly disclose a customer order in accordance with CBOE Rules 4.1 and 6.9(e). CBOE censured the Firm and fined it $100,000.

In March 2013, the Firm entered into an AWC with FINRA for violations of FINRA Rule 2010 and NASD Rules 1032(i) and 3010. Without admitting or denying the

allegations, the Firm consented to findings that it permitted three managing directors in its investment banking division to perform functions requiring a Series 79 license while they were not registered with FINRA in that capacity. The AWC also found that the Firm failed to ensure compliance with registration rules although it was aware that the managing directors did not obtain the appropriate license. FINRA censured the Firm fined it $125,000.

In December 2012, the Firm entered into an AWC with FINRA for violations of MSRB Rules G-17 and G-27. Without admitting or denying the allegations, the Firm consented to findings that it failed to establish reasonable procedures for reviewing and disclosing expenses for municipal securities associations for which it requested reimbursement from the proceeds of municipal and state offerings, and for ensuring that those requests were fair and accurate. FINRA censured the Firm, fined it $465,700 and ordered it to pay restitution in the amount of $166,676.

IV. The Firm's Proposed Continued Membership with FINRA and Proposed Supervisory Plans

The Firm seeks to continue its membership with FINRA notwithstanding the June 2011 Judgment, the July 2011 Judgment, and the 2013 Judgment that triggered its statutory disqualifications. The Firm included supervisory plans with the Applications to address deficiencies relating to the underlying causes of the statutory disqualifications.

A. The Firm's Plan in Connection with the June 2011 Judgment

In connection with the June 2011 Judgment, the Firm implemented certain practices and procedures to effectuate the undertakings required of the Firm pursuant to that judgment. Those practices and procedures were in effect until June 2014. Subsequently, the Firm implemented a plan of supervision governing the Firm's Non-Agency RMBS.[5] The Firm represents that, notwithstanding the expiration of the undertakings set forth in the June 2011 Judgment, it has continued to maintain robust policies and procedures for product review and approval, disclosure and marketing document review, delivery of offering documents, and education and training of Firm personnel.

Specifically, and with respect to product review and approval, the Firm represents that the primary responsibility of the North American Securitized Products Underwriting Commitments Committee (the "SPG UCC") with respect to securitized products continues to be to review the adequacy of the Firm's due diligence investigation, the completeness of disclosures, and any related financial, reputational and legal risks to the Firm. After entry of the June 2011 Judgment, the SPG UCC amended its procedures to

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[5] The Firm and Member Regulation agreed to the terms of a revised supervisory plan, governing the Firm's practices and procedures from June 2014 forward, in October 2014. The Firm's revised supervisory plan retained many of the practices and procedures that were in place prior to June 2014 and developed in connection with the undertakings.

begin reviewing all offerings of Non-Agency RMBS in which the Firm is the lead underwriter, including offerings where the Firm or an affiliate is a sponsor or issuer. This requirement continues, and the SPG UCC due diligence process for Non-Agency RMBS offerings continues to include the following: (1) due diligence is tailored to the specifics of each offering, with each banking team considering the specific needs of the particular offering; (2) a summary description of all diligence efforts performed is maintained in conformance with the Firm's document retention policies; (3) existing relationships between the sponsor and the Firm and its affiliates are identified and considered, and when existent, Credit Risk Management is notified and the Credit Risk Manager is included as a member of a banking team to ensure that any material information in the possession of Credit Risk Management is considered in the Firm's due diligence efforts; (4) for each offering, the Internal Credit Information template form is prepared (which includes information related to the Firm's internal credit research ratings, exposure to the sponsor, as well as other internal data that may review a variety of relationships the sponsor has with the Firm); and (5) the banking team, in consultation with legal counsel and the sponsor, will determine if any of the relationships the sponsor has with the Firm should be disclosed in the offering circulars/prospectuses.

Further, the undertakings set forth in the June 2011 Judgment required that the SPG UCC ensure that processes were in place so that written marketing materials for Non-Agency RMBS did not include any material misstatement or omit to state a material fact necessary in order to make the statements made, in light of the circumstances under which they were made, not misleading. The SPG UCC met this requirement by requiring the banking team to confirm to the SPG UCC that all written marketing materials for the transaction were reviewed by internal counsel and external counsel (as applicable) and that outside counsel had received all documents sufficient to reflect all material terms of the transaction. Subsequent to expiration of the undertakings, marketing materials (which include prospectuses, offering circulars, terms sheets and investor presentations used in connection with an offering) continue to be reviewed by internal counsel and outside counsel. Also, outside counsel continues to receive all documents sufficient to reflect all material terms of the transaction. The banking team confirms that the appropriate reviews have occurred and documents its confirmation in a revised template (which continues to be the vehicle through which information required by the SPG UCC Policy is delivered to the UCC). The template continues to be prepared by the banking team and submitted to the SPG UCC for review prior to the committee meeting for the relevant transaction.

With respect to internal review of written marketing materials and offering documents, during the three years in which the undertakings were in effect, internal counsel's responsibilities were expanded to include reviewing and approving a range of documents. In addition, internal counsel was required to track these document reviews in the Document Management System that the Firm developed for uploading and tracking written marketing materials and offering documents for each new issuance of Non-Agency RMBS. The Firm's internal counsel has always served, and will continue to serve, as full members of the SPG UCC. As part of the SPG UCC review and approval process, internal counsel, among other things, participates in discussions with the banking

teams and others regarding whether there are relationships with sponsors that should be disclosed in the offering documents. Internal counsel continues to review marketing materials, as counsel to SPG and as part of the SPG UCC process. Further, the Firm represents that outside counsel continues to advise the Firm on every Non-Agency RMBS offering (whether the Firm is the lead underwriter or not), and one of outside counsel's traditional roles with regard to Non-Agency RMBS offerings is the drafting of the offering documents. On Non-Agency RMBS offerings where the Firm is the lead underwriter, outside counsel will review marketing materials, including those prepared by the Firm.

With respect to delivery of offering materials, the undertakings required the Firm to enhance its procedures regarding the delivery of offering circulars and prospectuses for Non-Agency RMBS, to ensure that the documents were delivered to investors. The undertakings also required the Firm to establish procedures for recording receipt of such documents by investors or the Firm's compliance with applicable delivery rules. The Firm represents that it has implemented a process designed to ensure that investors in Non-Agency RMBS in which the Firm is an underwriter receive the applicable offering documents, inclusive of necessary disclosures, and enhanced its procedures regarding the delivery of offering documents for these Non-Agency RMBS offerings. The Firm continues to use a wholly owned subsidiary for prospectus delivery processes, and that subsidiary has developed Prospectus Department Supervisory Procedures that document the supervision of the processes within its Prospectus Department.

Finally, with respect to education and training, the Firm represents that it has a robust compliance training program for all of its employees in its securities businesses, including those involved in the Non-Agency RMBS business. Training is delivered through in-person annual compliance training and on-line modules focused on specific topics. The Firm's mandatory annual training for employees in the Corporate and Investment Bank in its securities businesses, including those involved in the Non-Agency RMBS business, covers, among other things, the disclosure requirements of the federal securities laws and related guidelines for distribution of written offering documents and marketing materials.

B. The Firm's Plan in Connection with the July 2011 Judgment

In connection with the July 2011 Judgment, the Firm's supervisory plan sets forth the following general steps that the Firm represents it has undertaken to enhance compliance and supervision: (1) cessation of relevant business activities; (2) internal review and termination of employees; (3) new senior management; (4) adoption of certain plans, programs and measures; and (5) other ad hoc measures.

In September 2008, the Firm exited the business of structuring and trading derivatives with municipalities as counterparties, except that it engages in transactions in commodities derivatives, with municipalities dealing through asset managers, and with certain large public pension funds. Further, after undertaking an extensive internal investigation, the Firm fired one employee for failing to cooperate with the investigation and terminated other employees after it determined that it lost confidence in them. The

Firm shared its findings with government agencies. The Firm also hired senior managers who were not involved in the alleged misconduct.

JPMorgan Chase & Co. ("JPMC"), the Firm's parent, also adopted a firm-wide plan that includes a set of uniform controls to strengthen the compliance program regarding competitive bid transactions that are applicable to the Firm. These uniform controls are designed to enhance the detection and prevention of potential collusion, bid-rigging, price fixing, or other improper anticompetitive activity in connection with competitively bid transactions. The plan includes the implementation of a robust Antitrust and Competition Compliance Policy that governs the conduct of all affiliated U.S. broker-dealer employees. The key components of the policy are: (1) prohibiting certain types of agreements among competitors that unreasonably restrain trade; (2) providing guidelines for interactions with competitors; and (3) facilitating the reporting of any actual or suspected violation of antitrust law or policy by providing a toll free reporting hotline.[6]

JPMC also established: (1) the Antitrust Compliance Committee to monitor and coordinate compliance; and (2) a Derivatives and Antitrust Compliance group to provide the Firm with supplemental compliance resources such as drafting and maintaining policies and procedures, providing advice and providing training. The Firm also has established: (1) a compliance testing program that reviews records to ensure that the updated procedures, described within this plan of supervision, have been implemented and to identify any transactions or decisions to enter a transaction that constitute the marketing or sale of new municipal derivative transactions to or with a municipal government; and (2) an internal audit program designed to test the testing program and the mandatory training by utilizing a risk-based program of audit coverage to provide an independent assessment of the design and effectiveness of key controls over JPMC's operations, regulatory compliance, and reporting relating to competitively bid transactions.

Further, the Firm has implemented measures regarding certain derivatives and reinvestment products including: (1) annual compliance certifications by employees that are subject to the firm-wide plan; (2) requiring that supervisors of employees that are subject to the firm-wide plan submit a semi-annual report to their supervisors and to the Compliance Department stating whether he or she is aware of any indication of possible anticompetitive activity; (3) enhanced controls for competitively bid transaction types

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[6] The Firm has also implemented mandatory online antitrust compliance training of U.S. Corporate and Investment Bank broker-dealer employees who engage in competitive bidding activities, to ensure awareness of and compliance with the requirements of applicable antitrust laws and policies. To the extent these employees have been identified as engaging in competitive bidding activities that have been identified as having a high inherent antitrust risk, they must attend live annual antitrust compliance training. In addition, all employees in Tax-Exempt Derivatives Groups with titles of Analyst or above must participate in live annual antitrust compliance training.

designated as "high risk;" and (4) surveillance of electronic correspondence sent and received by broker-dealer employees who substantively participate in "high risk" bid transactions.

C. The Firm's Plan in Connection with the 2013 Judgment

Finally, in connection with the 2013 Judgment, the Firm submitted an additional supervisory plan. Pursuant to that plan, the Firm has agreed to institute a policy that prohibits the Firm, other than in connection with litigation, regulatory, or investigative settlements, from entering into cash settlements involving payments to the Firm with respect to any RMBS by the Firm in its securitization trusts, unless substantially contemporaneously with such settlement, the Firm commits to repurchase such residential mortgage loans from the related securitization trust, or undertakes such other steps as required under the governing securitization documents. The Firm has also agreed, for its new issue private-label RMBS securitization program, that it and its affiliates will provide an early payment default covenant that obligates the mortgage loan seller, subject to certain qualification provisions and cure provisions, to repurchase securitized mortgage loans that experience an early payment default at 100% of the stated principal balance of the mortgage loan plus accrued interest. Consistent with the covenant, the Firm does not and will not in the future engage in cash settlements in lieu of repurchase of securitized mortgage loans that experience an early payment default pursuant to the requirements of the new issue private-label RMBS securitization program. Finally, the Firm has agreed that in any future offerings of subprime RMBS, it will include appropriate disclosures concerning the delinquency methodology applicable to the transaction, including information concerning the calculation of delinquency in accordance with that methodology and the relationship, if any, between the effective date of the delinquency calculation and the cut-off date for the transaction.

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Subsequent to any approval of the Firm's continued membership in FINRA notwithstanding its statutory disqualifications, FINRA staff's first examination of the Firm will evaluate whether it has complied with its proposed plans of supervision. After the Firm's initial examination, FINRA will determine whether to subject the plans to further review, considering (among other things) FINRA's overall risk-based assessment of the Firm.

V. Discussion

Member Regulation recommends approval of the Firm's requests to continue its membership in FINRA. After carefully reviewing the entire record in this matter, we approve the Applications.

In evaluating applications like these, we assess whether the statutorily disqualified firm seeking to continue its membership in FINRA has demonstrated that its continued membership is consistent with the public interest and does not create an unreasonable risk of harm to the market or investors. *See* FINRA By-Laws, Art. III, Sec. (3)(d); *cf. Frank*

Kufrovich, 55 S.E.C. 616, 624 (2002) (holding that FINRA "may deny an application by a firm for association with a statutorily-disqualified individual if it determines that employment under the proposed plan would not be consistent with the public interest and the protection of investors"). Factors that bear on our assessment include the nature and gravity of the statutorily disqualifying misconduct, the time elapsed since its occurrence, the restrictions imposed, and whether there has been any intervening misconduct.

We recognize that the June 2011 Judgment, the July 2011 Judgment, and the 2013 Judgment each involved serious violations of securities rules and regulations. The record shows, however, that the Commission enforcement actions underlying each of the disqualifying judgments did not impose an expulsion or suspension of the Firm.[7] The record also shows that the Firm has fully complied with all of the terms of the judgments. The Firm has paid all amounts due under the judgments, and has submitted to the Commission all required certifications to its compliance in all material respects with the undertakings required by the June 2011 Judgment. The Firm also represents that it has undertaken significant efforts to enhance compliance and supervision, including with respect to product review and approval, competitive bid transactions, and policies and procedures concerning RMBS. The Firm's various plans set forth extensive provisions regarding these matters.

We also note that, as described above, the Firm exited the businesses of structuring and originating mortgage-related CDOs and structuring and trading derivatives with municipalities as counterparties, and hired new management for its public finance business. Further, as described above, the 2013 Judgment involved misconduct that occurred as long as eight years ago, and the misconduct involving Bear Stearns' bulk settlement practice occurred prior to the Firm's acquisition of Bear Stearns.

We further find that although the Firm has disciplinary history, the record shows that it has taken corrective actions to address noted deficiencies. We agree with Member Regulation that the Firm's disciplinary history should not prevent it from continuing as a FINRA member, and conclude that notwithstanding its regulatory history, the continued membership of the Firm is in the public interest and does not present an unreasonable risk of harm to the market or investors.

At this time, we are satisfied, based in part upon the Firm's representations concerning its compliance with the plans, Member Regulation's representations concerning FINRA's future monitoring of the Firm, and the record currently before us, that the Firm's continued membership in FINRA is consistent with the public interest and does not create an unreasonable risk of harm to the market or investors. Accordingly, we approve the Applications for the Firm to continue its membership in FINRA.

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[7] We have also considered that the Commission, in connection with the June 2011 Judgment, the July 2011 Judgment, and the 2013 Judgment, has granted the Firm certain waivers, exemptions, and "no-action" relief under the Exchange Act, the Securities Act, the Investment Advisers Act of 1940, the Investment Company Act of 1940, and the rules and regulations promulgated thereunder.

FINRA certifies that the Firm meets all qualification requirements and represents that it is registered with, among others, MSRB, NSX and NYSE ARCA, as well as BATS, NYSE AMEX, CBOE, CHX, ISE, NYSE, NQX, NASDAQ OMX PHLX, NASDAQ OMX BX, DTC, NSCC, and FICC, which concur with the Firm's proposed continued membership.

Accordingly, we approve the Firm's Application to continue its membership in FINRA as set forth herein. In conformity with the provisions of Exchange Act Rule 19h-1, the continued membership of the Firm will become effective within 30 days of the receipt of this notice by the Commission, unless otherwise notified by the Commission.

On Behalf of the National Adjudicatory Counsel,

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Marcia E. Asquith
Senior Vice President and Corporate Secretary