

**FINANCIAL INDUSTRY REGULATORY AUTHORITY
LETTER OF ACCEPTANCE, WAIVER, AND CONSENT
NO. 2021069491201**

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 (J.P. Morgan 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 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 became a FINRA member in December 1936. J.P. Morgan is headquartered in New York City and employs approximately 34,200 registered representatives in approximately 5,660 branch offices. The firm services corporate and broker-dealer clients and institutional investors and provides wealth management and brokerage services to individuals.¹

OVERVIEW

Between April 2020 and March 2022, J.P. Morgan violated FINRA Rules 5190 and 2010 in 250 instances by not filing or filing untimely or inaccurate notifications with FINRA in connection with its participation in distributions of securities subject to Regulation M under the Securities Exchange Act of 1934.

In addition, between August 2020 and January 2024, J.P. Morgan violated FINRA Rules 3110(a) and (b) and 2010 by failing to establish and maintain a supervisory system, including written supervisory procedures (WSPs), reasonably designed to achieve compliance with FINRA Rule 5190.

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

FACTS AND VIOLATIVE CONDUCT

This matter originated from FINRA surveillance alerts indicating that J.P. Morgan failed to timely and accurately submit Regulation M-related notifications to FINRA and various securities exchanges.²

Rule 101 of Regulation M makes it unlawful for underwriters, broker-dealers, and other distribution participants to directly or indirectly “bid for, purchase, or attempt to induce any person to bid for or purchase, a covered security during the applicable restricted period.” Depending on the security, the restricted period begins either one or five business days prior to the determination of the offering price or, if the restricted period has already commenced, at such time a firm becomes a distribution participant.

FINRA Rules 5190(c) and 5190(d) set forth notice requirements applicable to all members participating in distributions of securities as a manager, or in a similar capacity, for purposes of monitoring compliance with the provisions of Regulation M.

A violation of FINRA Rule 5190 also is a violation of FINRA Rule 2010, which provides that “[a] member, in the conduct of its business, shall observe high standards of commercial honor and just and equitable principles of trade.”

Between April 2020 and March 2022, the firm acted as a manager in distributions of securities subject to Regulation M. As such, the firm was required to submit notifications pursuant to FINRA Rule 5190 in connection with such distributions. The firm, however, either did not submit or submitted untimely or inaccurate restricted period and trading notifications with FINRA in 250 instances during this period, as set forth below.

As separately set forth below, between August 2020 and January 2024, the firm did not establish and maintain a supervisory system, including WSPs, reasonably designed to achieve compliance with FINRA Rule 5190. Specifically, the firm did not have procedures in place to ensure the timely and accurate filing of FINRA Rule 5190 notifications and failed to conduct reasonable supervisory reviews of these notifications. As a result, between August 2020 and January 2024, the firm failed to establish and maintain a supervisory system, including WSPs, reasonably designed to achieve compliance with FINRA Rule 5190. During the period March 2022 through January 2024, the firm took several steps to enhance its supervisory systems regarding FINRA Rule 5190.

I. J.P. Morgan Filed Untimely and Inaccurate FINRA Rule 5190 Notifications.

Restricted Period Notifications

FINRA Rule 5190(c)(1)(A) requires a member acting as a manager, or in a similar capacity, of a distribution of a security subject to a restricted period under Regulation M to provide written notification to FINRA regarding whether the distribution is subject to a one-day or five-day restricted period under Rule 101 of Regulation M. The written notice must provide the basis for such determination, including the contemplated date and time

² Those matters were brought on behalf of NYSE, NYSE American LLC, NYSE Arca, Inc., NYSE National, Inc., NYSE Chicago, Inc., and The Nasdaq Stock Market LLC.

of the commencement of the restricted period, the listed security name and symbol, and identification of the distribution participants and affiliated purchasers. Firms must file the restricted period notification “no later than the business day prior to the first complete trading session of the applicable restricted period.” Firms also have an obligation to submit amended restricted period notifications when new distribution participants are added.

Between April 2020 and January 2022, the firm submitted 64 untimely restricted period notifications, which were between one and seven days late. The firm also submitted 75 inaccurate restricted period notifications during that time. For the inaccurate notifications, the firm did not identify all the distribution participants in the distributions, did not properly identify distribution participants as FINRA members, or did not include the correct CRD number for member firms. Specifically, during the firm’s transition to a new proprietary deal management system, the firm did not ensure that the CRD numbers for certain distribution participants were included and correct in the new system. The firm otherwise did not review the notifications to determine whether distribution participants were FINRA members or confirm that the CRD numbers were correct. Additionally, the firm submitted restricted period notifications without verifying that the list of final distribution participants was correct, and did not file amended notifications when distribution participants joined after an initial restricted period notification was filed.

Therefore, J.P. Morgan violated FINRA Rules 5190(c)(1)(A) and 2010.

Trading Notifications

FINRA Rule 5190(c)(1)(B) requires a member acting as a manager, or in a similar capacity, of a distribution of a security subject to a restricted period under Regulation M to provide written notification to FINRA containing the pricing of the distribution; the security name and symbol; the type of security; the number of shares offered; the offering price; the last sale before the distribution; the pricing basis; the SEC effective date and time; the trade date; the restricted period; and identification of the distribution participants and affiliated purchasers.

FINRA Rule 5190(d) requires a member acting as a manager, or in a similar capacity, of a distribution of a security that is considered “actively traded” under Rule 101 of Regulation M to provide a trading notification that includes, among others, the member’s determination that no restricted period applies under Rule 101 and the basis for that determination.³

FINRA Rules 5190(c)(1)(B) and 5190(d) require a member to submit the trading notification no later than the close of business the next business day following the pricing of the distribution.

³ Rule 101 of Regulation M defines an “actively traded” security as a security that has an average daily trading volume value of at least \$1,000,000 and is issued by an issuer whose common equity securities have a public float value of at least \$150,000,000; provided, however, that such security is not issued by the distribution participant or an affiliate of the distribution participant.

Between May 2020 and March 2022, the firm submitted 13 untimely trading notifications, which were between one and 116 days late, and did not file a trading notification in one instance. The firm also submitted 97 inaccurate trading notifications during this time. The inaccurate notifications did not identify all the distribution participants in the distributions, did not identify distribution participants as FINRA members, or included an incorrect CRD number for member firms.

Therefore, J.P. Morgan violated FINRA Rules 5190(c)(1)(B), 5190(d), and 2010.

II. J.P. Morgan Failed to Establish and Maintain a Supervisory System Reasonably Designed to Achieve Compliance with FINRA Rule 5190.

FINRA Rule 3110(a) requires that a member 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 that a member 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.

A violation of FINRA Rule 3110(a) and (b) is a violation of FINRA Rule 2010.

Between August 2020 and January 2024, the firm's supervisory systems and procedures, including WSPs, were not reasonably designed to achieve compliance with FINRA Rule 5190 notification requirements with respect to the timeliness and accuracy of those notifications.

With respect to restricted period notifications, the firm lacked a reasonable supervisory system to ensure that the notifications were timely filed for certain distributions with marketing periods shorter than the length of the applicable restricted periods. Pursuant to FINRA Rule 5190(c)(1)(A), restricted period notifications must be filed "no later than the business day prior to the first complete trading session of the applicable restricted period," which is six days before pricing for securities that are subject to a five-day restricted period, including IPOs. Although the firm was aware it was a distribution participant prior to the date it became lead manager, it did not file the restricted period notification until the date that it was designated as lead manager and the marketing of the distribution began. This resulted in untimely filings when the marketing period was shorter than the length of the applicable restricted period.

In addition, the firm lacked a reasonable supervisory system and procedures to verify the accuracy of the required notifications. The firm's WSPs referenced that the Regulation M-related notifications needed to be "complete [and] accurate." However, the WSPs did not provide guidance on how the notifications should be reviewed to ensure that they were complete and accurate. The firm did not conduct reasonable reviews of the notifications to determine whether the information in the notifications was accurate, instead relying solely on automated features of the firm's deal management system to

help prevent inaccuracies from being input into the firm's system. Subsequently, many filings contained inaccurate CRD numbers and excluded distribution participants.

The firm also lacked reasonable systems and procedures, including WSPs, to verify that it filed amended restricted period notifications reflecting the addition of distribution participants after the initial restricted period notifications were filed. Subsequently, certain of the firm's restricted period notifications did not accurately reflect all distribution participants, as described above.

Accordingly, J.P. Morgan violated FINRA Rules 3110(a) and (b) and 2010.

The firm took several steps to address the above-referenced issues. Between March 2022 and January 2024, the firm corrected the CRD inaccuracies in its deal management system, updated its WSPs to require the filing of amended notifications when distribution participants joined after the filing of the initial restricted period notification, and revised its procedures to confirm that notifications were reviewed for both timeliness and accuracy.

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

- a censure and
- a \$150,384 fine (resolved simultaneously with similar matters for a total fine of \$650,000).⁴

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.

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;

⁴ Those matters were brought on behalf of NYSE, NYSE American LLC, NYSE Arca, Inc., NYSE National, Inc., NYSE Chicago, Inc., and The Nasdaq Stock Market LLC.

- 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.

April 4, 2025

Date

Luiz E. De Salvo

J.P. Morgan Securities LLC
Respondent

Print Name: Luiz E. De Salvo

Title: Managing Director

Elizabeth Hogan
Elizabeth Hogan
McGuireWoods
888 16th Street N.W.
Washington, DC 20006

April 21, 2025

Date

Mitka Baker

Mitka T. Baker
Director
FINRA
Department of Enforcement
Gira Building
9509 Key West Avenue
Rockville, MD 20850