

**INVESTORS EXCHANGE LLC
NOTICE OF ACCEPTANCE OF AWC**

Certified, Return Receipt Requested

**TO: J.P. Morgan Securities LLC
Mr. Dennis Fitzgerald
Managing Director
383 Madison Avenue
New York, NY 10179**

**FROM: Investors Exchange LLC (“IEX”)
c/o Financial Industry Regulatory Authority (“FINRA”)
Department of Enforcement
9509 Key West Avenue
Rockville, MD 20850**

DATE: May 1, 2018

RE: Notice of Acceptance of Letter of Acceptance, Waiver and Consent No. 20150452814-05

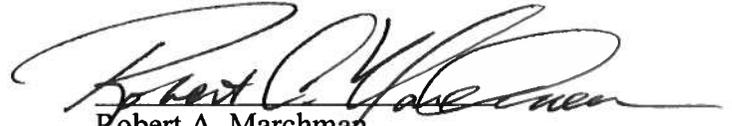
Please be advised that your above-referenced Letter of Acceptance, Waiver and Consent (“AWC”) has been accepted on **May 1, 2018** by the Office of Disciplinary Affairs, on behalf of the IEX Board, pursuant to IEX Rule 9.216. A copy of the AWC is enclosed herewith.

You are again reminded of your obligation, if currently registered, immediately to update your Form BD (Uniform Application for Broker-Dealer Registration) to reflect the conclusion of this disciplinary action. Additionally, you must also notify FINRA in writing of any change of address or other changes required to be made to your Form BD.

You are reminded that Section I of the attached Letter of Acceptance, Waiver, and Consent includes an undertaking. In accordance with the terms of the AWC, a registered principal of the firm is required to notify the Compliance Assistant, Department of Enforcement, 9509 Key West Avenue, Rockville, MD 20850, of completion of the undertaking.

You will be notified by the Registration and Disclosure Department regarding sanctions if a suspension has been imposed and by the IEX’s Finance Department regarding the payment of any fine if a fine has been imposed.

If you have any questions concerning this matter, please contact Joel S. Vengrin, Senior Counsel,
at (240) 386-6814.



Robert A. Marchman
FINRA Fellow
Department of Enforcement

Signed on behalf of IEX

Enclosure

FINRA District 10 – New York
Michael Solomon
Senior Vice President and Regional Director
(Via email)

Patricia E. Keating
J.P. Morgan Chase & Co.
Executive Director, Assistant General Counsel
4 New York Plaza
New York, NY 10004

INVESTORS EXCHANGE LLC
LETTER OF ACCEPTANCE, WAIVER AND CONSENT
NO. 20150452814-05

TO: Investors Exchange LLC
c/o Department of Enforcement
Financial Industry Regulatory Authority (“FINRA”)

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

Pursuant to Rule 9.216 of the Investors Exchange LLC (“IEX”) Code of Procedure, J.P. Morgan Securities LLC (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, IEX will not bring any future actions against the firm alleging violations based on the same factual findings described herein.

I.

ACCEPTANCE AND CONSENT

- A. The firm 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 IEX, or to which IEX 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 IEX:

BACKGROUND

The firm has been a member of IEX since July 25, 2016 and a member of FINRA since 1936, and its registrations remain in effect. The firm has no relevant disciplinary history.

SUMMARY

This matter involves reviews of the firm’s compliance with Rule 611 of Regulation NMS under the Exchange Act (“SEC Rule 611”), and related exchange rules pertaining to the handling of intermarket sweep orders (“ISOs”), as well as related supervisory requirements conducted by FINRA’s Department of Market Regulation staff (the “staff”) on behalf of FINRA and/or various exchanges, spanning the period between July 25, 2016 and May 31, 2017 (the “review period”).

OVERVIEW

During the review period, due to various proprietary system flaws and deficiencies, the firm on numerous occasions routed ISOs through protected quotations. As further described below, the firm violated SEC Rules 611(a) and (c), and IEX Rules 3.110, 5.110, and 11.190(b)(12).

FACTS AND VIOLATIVE CONDUCT

1. SEC Rule 611(a) requires trading centers to establish, maintain, and enforce written policies and procedures that are reasonably designed to prevent trade-throughs on that trading center of protected quotations in NMS stocks. The rule also requires that, if a trading center relies on an exception, it has written supervisory procedures (“WSPs”) that are reasonably designed to assure compliance with the terms of the exception. One of those exceptions is set forth in SEC Rule 611(b)(6), which exempts a transaction that was effected by a trading center that simultaneously routed an ISO to execute against the full displayed size of a protected quotation in the NMS stock that was traded through.
2. SEC Rule 611(c) requires firms to take reasonable steps to establish that ISOs meet the requirements of SEC Rule 600(b)(30), which defines an ISO as a limit order for an NMS stock that meets two requirements: (i) it is identified as an ISO; and (ii) the firm simultaneously routes additional limit orders, as necessary, to execute against the full displayed size of any protected quotes at a price that is superior to the limit price of the limit order.
3. During the review period, in some instances, the firm failed to simultaneously send ISOs to execute against the full displayed size of certain protected quotations, which led to trade-throughs of such protected quotations. The firm attributed this to various flaws and deficiencies in its systems.
4. From July 25, 2016 to May 31, 2017, the firm’s order management did not imbed an ISO indicator with the orders it routed to one of the national securities exchanges. Accordingly, the firm sent non-ISO immediate-or-cancel orders to the exchange instead of ISOs, resulting in the firm trading through protected quotations.
5. As a consequence of the above conduct, the firm failed to establish, maintain, and enforce written policies and procedures that were reasonably designed to prevent trade-throughs of protected quotations in NMS stocks that do not fall within any applicable exception, and if relying on an exception, are reasonably designed to assure compliance with the terms of the exception. In addition, the firm failed to take reasonable steps to establish that the ISOs it routed met the definitional requirements set forth in SEC Rule 600(b)(30). The conduct described in this paragraph constitutes a violation of SEC Rules 611(a) and (c), and IEX Rules 3.110 and 11.190(b)(12).
6. During the review period, the firm’s supervisory system did not provide for supervision reasonably designed to achieve compliance with respect to SEC Rules 611(a) and (c). Specifically, the firm’s supervisory systems were not adequately configured to detect and prevent the systemic issues that caused the aforementioned violations. The conduct described in this paragraph constitutes violations of SEC Rule 611(a) and (c), and IEX Rules 3.110 and 5.110.

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

A censure; a total fine in the amount of \$345,000, of which \$25,000 is payable to IEX¹ (\$15,000 for the substantive violations of SEC Rules 611(a) and (c); and \$10,000 for the supervisory violations); and an undertaking to revise the firm's written supervisory procedures with respect to the areas described above. Within 30 business days of acceptance of this AWC, a registered principal of the Respondent who is a senior executive officer shall submit to the COMPLIANCE ASSISTANT, ENFORCEMENT DEPARTMENT, 9509 KEY WEST AVENUE, ROCKVILLE, MD 20850, a signed, dated letter, or an e-mail from a work-related account of the registered principal to MarketRegulationComp@finra.org, providing the following information: (1) a reference to this matter; (2) a representation that the firm has revised its written supervisory procedures to address the deficiencies described above; and (3) the date the revised procedures were implemented.

Additionally, acceptance of this AWC is conditioned upon acceptance of settlement agreements in related matters between the firm and the following self-regulatory organizations: (i) Cboe BZX Exchange, Inc.; (ii) Cboe BYX Exchange, Inc.; (iii) Cboe EDGA Exchange, Inc.; (iv) Cboe EDGX Exchange, Inc.; (v) FINRA; (vi) New York Stock Exchange LLC; (vii) NYSE Arca, Inc.; and (viii) NYSE American LLC.

The firm agrees to pay the monetary sanction(s) in accordance with its executed Election of Payment Form.

The firm specifically and voluntarily waives any right to claim that it is unable to pay, now or at any time hereafter, the monetary sanction(s) 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 IEX's Code of Procedure:

- A. To have a Formal Complaint issued specifying the allegations against the firm;
- B. To be notified of the Formal 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 IEX Appeals Committee and then to the U.S.

¹ The balance of the sanction will be paid to the self-regulatory organizations referenced in the following paragraph.

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 General Counsel, Chief Regulatory Officer, the IEX Appeals Committee, or any member of the IEX Appeals Committee, 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 Rule 9.143 or the separation of functions prohibitions of Rule 9.144, 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 FINRA's Department of Enforcement and the Office of Disciplinary Affairs ("ODA"), pursuant to IEX Rule 9.216;
- B. If this AWC is not accepted, its submission will not be used as evidence to prove any of the allegations against the firm; 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 IEX or any other regulator against the firm;
 - 2. IEX may release this AWC or make a public announcement concerning this agreement and the subject matter thereof in accordance with IEX Rule 8.340; and
 - 3. 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 IEX, or to which IEX is a party, that is inconsistent with any part of this AWC. Nothing in this provision affects the firm's right to take legal or factual positions in litigation or other legal proceedings in which IEX 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 IEX, nor does it reflect the views of IEX 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 it 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 herein and the prospect of avoiding the issuance of a Complaint, has been made to induce the firm to submit it.

3/12/18
Date

J.P. Morgan Securities LLC
Respondent

By: [Signature]
Name: Dennis Fitzgerald
Title: Managing Director

Reviewed by:

Counsel for Respondent

Accepted by FINRA
5/1/18
Date

[Signature]
Robert A. Marchman
Executive Vice President FINRA Fellow
Department of Enforcement

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

ELECTION OF PAYMENT FORM

The firm intends to pay the fine proposed in the attached Letter of Acceptance, Waiver and Consent by the following method (check one):

- A firm check or bank check for the full amount
- Wire transfer

Respectfully submitted,

Respondent

J.P. Morgan Securities LLC

3/13/18

Date

By: Dennis

Name: Dennis Fitzgerald

Title: Managing Director