

STATE OF NEW HAMPSHIRE
DEPARTMENT OF STATE
BUREAU OF SECURITIES REGULATION
25 CAPITOL STREET
CONCORD, NH 03301

CONSENT ORDER
IN THE MATTER OF:

J. P. Morgan Securities LLC, CRD #79

I-2010000018

- I. The State of New Hampshire, Department of State, Bureau of Securities Regulation (“Bureau”), as part of a North American Securities Administrators Association (“NASAA”) working group, has been the lead agency among multiple jurisdictions engaged in a coordinated regulatory investigation into the failure of J. P. Morgan Securities LLC to register sales assistants (“SAs”) as required by law. Solely for the purposes of settling the above referenced matter and in lieu of further administrative proceedings, J. P. Morgan Securities LLC has submitted an offer of settlement, which the Bureau has accepted. As such, without admitting or denying the Statement of Facts or Conclusions of Law, J. P. Morgan Securities LLC consents to the entry of this Order.

STATEMENT OF FACTS

Relevant JPMS Business Units

1. J. P. Morgan Securities LLC. (“JPMS”) is a broker-dealer registered in all fifty states, the District of Columbia, Puerto Rico, and the U.S. Virgin Islands. JPMS has a Central Registration Depository number of 79. The scope of the Bureau’s investigation was for the time period January 1, 2004 through December 31, 2011.
2. JPMS’s legacy wealth management business unit was referred to as Private Bank within JPMS. A review of Private Bank SAs was included in the scope of this investigation.

3. In July of 2006, Bank One Securities Corporation merged into JPMS and the business unit was referred to as Private Wealth Management (“PWM”) within JPMS. A review of PWM SAs was included in the scope of this investigation.
4. In March of 2008, Bear Stearns & Co. Inc. merged into JPMS and the wealth management business unit was referred to as Private Client Services (“PCS”) within JPMS. A review of PCS SAs was included in the scope of this investigation.

Sales Assistant Registration Policies

5. For JPMS’s legacy Private Bank, PWM, and PCS business units, SAs provided administrative and sales support to one or more JPMS brokers. Many SAs, as part of their support function for brokers, directly accepted and entered orders from clients.

Private Bank

6. SAs for Private Bank were generally not assigned to specific brokers but rather assisted all brokers in the respective offices in which they were located.
7. Private Bank SAs primary role was to support one or more brokers in all facets of the daily business of Private Bank, including contacting clients, maintaining accounts, and accepting client orders.
8. Notably, all Private Bank SAs who are authorized to accept orders must comply with a fifty state registration policy and compliance with this policy was confirmed prior to granting access to the order entry system.

Private Wealth Management

9. Like Private Bank SAs, PWM SAs were generally not assigned to specific brokers but rather assisted all brokers in the respective offices in which they were located.
10. PWM SAs primarily supported one or more brokers in all facets of the daily business of PWM, including client support, maintaining accounts, and accepting client orders.
11. From 2006 through 2008, JMPS's PWM endeavored to register SAs that were authorized to accept client orders in the same states as the broker(s) they supported, but PWM SAs were generally not registered in all 50 states.
12. In 2009, PWM adopted Private Bank's 50 state registration policy for all SAs who were authorized to accept client orders.

Private Client Services

13. Unlike Private Bank and PWM, SAs for PCS were generally assigned to support specific brokers.
14. PCS SAs' primary role was to support one or more brokers in all facets of the daily business of PCS, including extensive client contacts, reviewing account activity, and accepting orders from clients.
15. PCS policies required PCS SAs who were authorized to accept client orders to be registered in the same state as the broker(s) they supported, but PCS SAs were generally not registered in all 50 states. The multi-state investigation revealed that, in some instances, there were PCS SAs that were authorized to accept client orders but not registered in the same state as the broker(s) they supported.

Unlicensed Sales Assistants

16. Consistent with Private Bank's 50 state registration policy, the investigation did not find that Private Bank SAs accepted orders without appropriate state registrations.
17. However, the investigation concluded that certain SAs for PWM and PCS accepted unsolicited orders at times when the SAs were not appropriately registered in New Hampshire.

Failure to Comply with Books & Records Requirements

18. At all relevant times, Private Bank has utilized an order entry system called TOPAZ.
19. Prior to October of 2008, PWM utilized an order entry system called Streetscape. In connection with each order, Streetscape recorded, among other information, the identity of the person who accepted the order from the client. In October of 2008, PWM transferred from Streetscape to TOPAZ.
20. Prior to February of 2011, TOPAZ did not specifically record the identity of the order acceptor (as distinct from the order enterer) and JPMS did not in all instances maintain a separate record to identify the order acceptor for equity or mutual fund trades. Furthermore, prior to June of 2011, TOPAZ did not specifically record the identity of the order acceptor (as distinct from the order enterer) and JPMS did not in all instances maintain a separate record to identify the order acceptor for fixed income and structured product trades.

Remedial Efforts

21. JPMS has implemented a number of enhancements in its legacy PCS division since this investigation began, including implementing a new trading system with additional blocking mechanisms and the ability to confirm the registration status of order acceptors.

22. JPMS has further enhanced its registration, compliance training, and written compliance policies.
23. As noted above and as a result of the multi-state investigation, JPMS updated its order entry systems to record the identity of the order acceptor.
24. JPMS provided substantial cooperation in connection with this regulatory investigation.

CONCLUSIONS OF LAW

1. JPMS is a “broker-dealer” as defined under RSA 421-B:2.
2. JPMS SAs who accepted client orders from New Hampshire clients were acting as “agents” as defined under RSA 421-B:2.
3. Pursuant to RSA 421-B:6, I, it is unlawful for any person to transact business in this state as a broker-dealer, issuer-dealer, investment adviser, or agent unless such person is licensed under this chapter. JPMS’s acceptance of client orders from New Hampshire clients through agents who were not properly licensed in New Hampshire constitutes a violation of this provision.
4. Pursuant to RSA 421-B:8, X, persons licensed under this chapter to conduct securities business shall abide by the rules of the Securities and Exchange Commission (“SEC”), National Association of Securities Dealers, national and regional stock exchanges, and other self-regulating organizations which have jurisdiction over the licensee, which set forth standards of conduct in the securities industry. Pursuant to SEC Rule 17a-3 and Rule 17a-4, JPMS must preserve for a period of not less than three years, the first two in an accessible place, a memorandum of each brokerage order including the identity of any person who accepted the order on behalf of the customer. JPMS’s failure in certain instances to record the identity of the person accepting New Hampshire client orders entered through TOPAZ prior to June 2011 constitutes a violation of this provision.

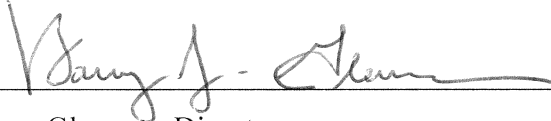
5. Pursuant to RSA 421-B:10, VI, in lieu of, or in addition to, any such order to suspend or revoke any license or application, the secretary of state may, upon hearing, assess an administrative fine of not more than \$2,500 per violation. JPMS is subject to this provision.
 6. Pursuant to RSA 421-B:22, IV, the Bureau may recover costs of its investigation from JPMS.
 7. Pursuant to RSA 421-B:26, III and RSA 421-B:26, III-a, the violations described above constitute the basis for the assessment of an administrative fine against JPMS.
 8. Pursuant to RSA 421-B:31, I(b), the fee for licensing a broker-dealer agent is one hundred dollars (\$100) per year, in addition to an initial non-refundable agent's licensing application fee of thirty dollars (\$30).
- II. Based on the foregoing, the Bureau deems it appropriate and in the public interest to accept and enter into this Consent Order. **THEREFORE, IT IS HEREBY ORDERED:**
1. This Order concludes the investigation by the Bureau and any other action that the Bureau could commence against JPMS under applicable New Hampshire law as it relates to unregistered activity in the state of New Hampshire by JPMS's SAs and JPMS's supervision of SAs registrations during the period from January 1, 2004 through December 31, 2011.
 2. This Order is entered into solely for the purposes of resolving the referenced multistate investigation, and is not intended to be used for any other purpose. For any person or entity not a party to the Order, this Order does not limit or create any private rights or remedies against JPMS including, limit or create liability of JPMS, or limit or create defense of JPMS, to any claims.

3. JPMS is hereby ordered to cease and desist in engaging in the sale of securities in the State of New Hampshire through persons not registered with the State as agents of JPMS.
4. This Order is not intended by the Bureau to subject any Covered Person to any disqualifications under the laws of the United States, any state, the District of Columbia, Puerto Rico, or the U.S. Virgin Islands including, without limitation, any disqualification from relying upon the state or federal registration exemptions or safe harbor provisions. "Covered Person," means JPMS or any of its affiliates and their current or former officers, directors, employees, or other persons that would otherwise be disqualified as a result of the Orders (as defined below).
5. This Order and the order of any other state in related proceedings against JPMS (collectively, the Orders") shall not disqualify any Covered Person from any businesses that they otherwise are qualified, licensed or permitted to perform under applicable securities laws or regulations of New Hampshire and any disqualifications from relying upon this State's registration exemptions or safe harbor provisions that arise from the Orders are hereby waived.
6. JPMS shall pay a total of two million, seven hundred and ninety thousand, six hundred and twenty-five dollars (\$2,790,625) to those states and territories that enter administrative or civil consent orders approving the terms of the NASAA settlement, in back licensing fees and penalties among the 50 states, the District of Columbia, Puerto Rico, and the U.S. Virgin Islands pursuant to the calculations discussed with the multi-state working group.
7. JPMS shall pay ten thousand dollars (\$10,000) to NASAA within ten business days of the execution of this Order in consideration of the costs associated with NASAA's assistance in the investigation.

8. If any state securities regulator determines not to accept JPMS's settlement offer, the total amount of the payment to each jurisdiction, including New Hampshire, shall not be affected.
9. JPMS is hereby order to pay the sum of \$235,210 by certified check or money order made payable to the State of New Hampshire within ten business days of the execution of this Order. This sum is composed of the following: a fine of forty-five thousand dollars (\$45,000), past registration fees for SAs who should have been registered in the state, in the amount of fifteen thousand, two hundred and ten dollars (\$15,210), and costs of investigation in the amount of one hundred and seventy-five thousand dollars (\$175,000).
10. This Order shall be binding upon JPMS and its successors and assigns as well as to successors and assigns of relevant affiliates with respect to the conduct subject to the provisions above and all future obligations, responsibilities, undertakings, commitments, limitations, restrictions, events, and conditions.
11. JPMS agrees that it shall not claim, assert, or apply for a tax deduction or tax credit with regard to any state, federal, or local tax for any administrative monetary penalty that JPMS shall pay pursuant to this Order.
12. JPMS neither admits nor denies the statements of facts or conclusions of law stated herein, and consents to this Agreement solely for the purpose of resolving the investigation of the Bureau. Notwithstanding, JPMS agrees that it shall not issue any public statement stating that the Bureau's Order is without merit or lacks any basis in law or fact. Nothing in this Agreement affects JPMS' testimonial obligations or right to take legal or factual positions in defense of litigation or in defense of a claim or other legal proceedings in which the Bureau is not a party.
13. JPMS elects to permanently waive any right to a hearing and appeal under RSA 421-B with respect to this Order.

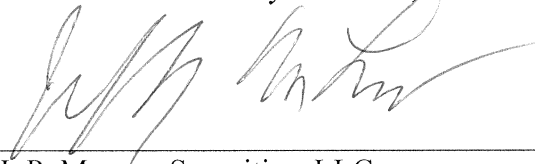
SO CONSENTED

Executed this 31st day of March, 2014



Barry Glennon, Director

Executed this 11th day of March, 2014



J. P. Morgan Securities, LLC

By: Jeffrey M. Lipman

Title: Senior Vice President