

**NYSE AMERICAN LLC
LETTER OF ACCEPTANCE, WAIVER, AND CONSENT
NO. 2020067957704**

TO: NYSE AMERICAN LLC

RE: J.P. Morgan Securities LLC Respondent
CRD No. 79

During the period from September 2019 through May 2021, J.P. Morgan Securities LLC violated: (1) Rule 611(c) of Regulation National Market System (“NMS”) of the Securities Exchange Act of 1934 (“Exchange Act”) and (2) NYSE American Rule 7.31E(e)(3) by failing to take reasonable steps to ensure that the intermarket sweep orders (“ISOs”) it routed met the requirements set forth in Exchange Act Rule 600(b)(31)¹ and NYSE American Rule 7.31E(e)(3). In addition, during the period from September 2019 through July 2021, J.P. Morgan Securities LLC violated NYSE American Rules 3110(a) and 3110(b) by failing to establish and maintain a supervisory system, including written supervisory procedures (“WSPs”), reasonably designed to achieve compliance with Exchange Act Rule 611(c) and NYSE American Rule 7.31E(e)(3). Consent to a censure and a \$8,090 fine (resolved simultaneously with similar matters for a total fine of \$100,000).²

* * *

Pursuant to Rule 9216 of the NYSE American LLC (“NYSE American” or the “Exchange”) Code of Procedure, J.P. Morgan Securities LLC (“JPMS” 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, NYSE American will not bring any future actions against the Firm alleging violations based on the same factual findings described herein.

I. ACCEPTANCE AND CONSENT

- A. JPMS 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 NYSE American, or to which NYSE American 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 NYSE American:

¹ 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 to Rule 600(b)(38). Because Rule 600(b)(31) was the rule in effect during the review period here, that rule applies to the subject conduct.

² Those matters were brought by Cboe EDGA Exchange, Inc., Cboe EDGX Exchange, Inc., Cboe BYX Exchange, Inc., Cboe BZX Exchange, Inc., FINRA, Investors Exchange, LLC, The New York Stock Exchange, LLC, NYSE Arca, Inc., NYSE National, Inc., and NYSE Chicago, Inc.

BACKGROUND AND JURISDICTION

1. JPMS became an Equity Trading Permit (“ETP”) Holder of NYSE American on February 25, 1988, and its registration remains in effect. The Firm has no relevant disciplinary history.

VIOLATIONS

2. During the review period here, Exchange Act Rule 600(b)(31) defined an 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.
3. Exchange Act Rule 611(c) 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).
4. Similarly, NYSE American Rule 7.31E(e)(3) defines an ISO as “[a] Limit Order that does not route and meets the requirements of [Rule 600(b)(31)] of Regulation NMS,” and provides, in relevant part, “[a]n ISO may trade through a protected bid or offer . . . provided that it meets the following requirements: (i) [i]t is identified as an ISO in the manner prescribed by the Exchange; and (ii) [s]imultaneously with the routing of an ISO to the Exchange, the ETP Holder routes one or more additional Limit Orders, as necessary, to trade against the full displayed size of any protected bids (for sell orders) or protected offers (for buy orders) on Away Markets. These additional routed orders must be identified as ISO.”

JPMS violated Exchange Act Rule 611(c) and NYSE American Rule 7.31E(e)(3).

5. Between September 2019 and May 2021, JPMS failed to take reasonable steps to establish that the ISOs it routed met the requirements of Exchange Act Rule 600(b)(31) and NYSE American Rule 7.31E(e)(3).
6. 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, including 510 to the Exchange, that were priced through other market centers’ protected quotations.
7. JPMS, therefore, did not take reasonable steps to establish that ISOs it routed met the requirements of Exchange Act Rule 600(b)(31) in violation of Exchange Act 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.

8. For this reason, from September 2019 through May 2021, JPMS violated Exchange Act Rule 611(c) and NYSE American Rule 7.31E(e)(3) by failing to take reasonable steps to establish that the ISOs it routed met the requirements of Exchange Act Rule 600(b)(31).

JPMS's supervisory system and WSPs were not reasonably designed to comply with Exchange Act Rule 611(c) and NYSE American Rule 7.31E(e)(3).

9. NYSE American Rule 3110(a) provides, "Each member organization shall 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 Exchange rules."
10. NYSE American Rule 3110(b) provides, "Each member organization shall 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 Exchange rules."
11. Between September 2019 and July 2021, JPMS's supervisory system, including its WSPs, was not reasonably designed to achieve compliance with Exchange Act Rule 611(c) and NYSE American Rule 7.31E(e)(3).
12. 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.
13. Thus, from September 2019 through July 2021, JPMS violated NYSE American Rules 3110(a) and (b).

SANCTIONS

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

Censure and fine in the amount of \$8,090 (resolved simultaneously with similar

matters for a total fine of \$100,000).³

The Firm agrees to pay the monetary sanction upon notice that this AWC has been accepted and that such payment is due and payable. The Firm has submitted a Method of Payment Confirmation form showing the method by which it will pay the fine imposed.

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 herein are imposed pursuant to NYSE American Rule 8310 and shall be effective on a date set by NYSE Regulation staff.

II. WAIVER OF PROCEDURAL RIGHTS

The Firm specifically and voluntarily waives the following rights granted under the NYSE American 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 Exchange's Board of Directors and then to the U.S. 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 Chief Regulatory Officer of NYSE American; the Exchange's Board of Directors, Disciplinary Action Committee ("DAC"), and Committee for Review ("CFR"); any Director, DAC member, or CFR member; Counsel to the Exchange Board of Directors or CFR; any other NYSE American employee; or any Regulatory Staff as defined in Rule 9120 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 communication prohibitions of Rule 9143 or the separation of functions prohibitions of 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.

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

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 by NYSE Regulation, and accepted by the Chief Regulatory Officer of NYSE American pursuant to NYSE American Rule 9216;
- 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. The AWC shall be sent to each Director and each member of the Committee for Review via courier, express delivery or electronic means, and shall be deemed final and shall constitute the complaint, answer, and decision in the matter, 10 days after it is sent to each Director and each member of the Committee for Review, unless review by the Exchange Board of Directors is requested pursuant to NYSE American Rule 9310(a)(1)(B);
 - 2. This AWC will become part of the Firm's permanent disciplinary record and may be considered in any future actions brought by the Exchange or any other regulator against the Firm;
 - 3. NYSE American shall publish a copy of the AWC on its website in accordance with NYSE American Rule 8313;
 - 4. NYSE American may make a public announcement concerning this agreement and the subject matter thereof in accordance with NYSE American Rule 8313; and
 - 5. 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 the Exchange, or to which the Exchange is a party, that is inconsistent with any part of this AWC. Nothing in this provision affects the Firm's (i) testimonial obligations; or (ii) right to take legal or factual positions in litigation or other legal proceedings in which the Exchange is not a party.
- D. A signed copy of this AWC and the accompanying Method of Payment Confirmation form delivered by email, facsimile or other means of electronic transmission shall be deemed to have the same legal effect as delivery of an original signed copy.
- E. 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. A Corrective Action Statement does not constitute factual or legal findings by the Exchange, nor does it reflect the views of NYSE Regulation or its staff.

The Firm certifies that, in connection with each of the Exchange's requests for information in connection with this matter, the Firm made a diligent inquiry of all persons and systems that reasonably had possession of responsive documents and that all responsive documents have been produced. In agreeing to the AWC, the Exchange has relied upon, among other things, the completeness of the document productions.

The undersigned, on behalf of the Firm, certifies that a person duly authorized to act on the Firm'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 the Firm 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 this AWC.

July 15, 2024
Date

J.P. Morgan Securities LLC,
Respondent

By: Luiz De Salvo
Luiz E De Salvo
Managing Director

Accepted by FINRA

July 15, 2024
Date

Jeffery Ding
Jeffery Ding
Senior Counsel
FINRA, Department of Enforcement

Signed on behalf of NYSE American LLC,
by delegated authority from its Chief
Regulatory Officer