



DISCIPLINARY DECISION
Cboe BYX Exchange, Inc.
File No. URE-128-06/Star No. 2020067957710
J.P. Morgan Securities LLC

Pursuant to Exchange Rule 8.3, attached to and incorporated as part of this Decision is a Letter of Consent.

Applicable Rules

- Exchange Rules 3.2 – Violations Prohibited, 5.1 – Written Procedures and 11.9 – Orders and Modifiers.
- Rule 611 of Regulation NMS – Order Protection Rule, promulgated under the Securities Exchange Act of 1934, as amended.

Sanction

A censure and a monetary fine in the amount of \$9,000.

Effective Date

July 18, 2024

/s/ Greg Hoogasian

Greg Hoogasian, CRO, EVP

Cboe BYX Exchange, Inc.
LETTER OF CONSENT
File No. URE-128-06/Star No. 2020067957710

In the Matter of:

J.P. Morgan Securities LLC
383 Madison Avenue
New York, NY 10179

Subject

Pursuant to the provisions of Cboe BYX Exchange, Inc. (“BYX” or the “Exchange”) Rule 8.3 – Expedited Proceeding, J.P. Morgan Securities LLC (“JPMS” or the “Firm”) submits this Letter of Consent for the purpose of proposing a settlement of the alleged rule violations described below.

The Firm neither admits nor denies that violations of Exchange Rules or the Securities Exchange Act of 1934, as amended (“Exchange Act”) and Exchange Act rules have been committed, and the stipulation of facts and findings described herein do not constitute such an admission.

BACKGROUND

1. During all relevant periods herein, JPMS was acting as a registered Broker-Dealer and was an Exchange Member. The Firm’s registrations remain in effect.
2. This matter originated from exceptions identified by FINRA’s Department of Market Regulation’s surveillance of market activity in April and May 2020.

VIOLATIVE CONDUCT

Applicable Rules

3. During all relevant periods herein, the following rules were in full force and effect: Rule 611 of Regulation NMS – Order Protection Rule, promulgated under the Exchange Act; and Exchange Rules 3.2 – Violations Prohibited, 5.1 – Written Procedures, and 11.9 – Orders and Modifiers.

4. Rule 600(b)(31)¹ of Regulation NMS defined an intermarket sweep order (“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 identified 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. These additional routed orders also must be marked as ISOs.
5. Rule 611(c) of Regulation NMS required a trading center, broker, or dealer responsible for the routing of an ISO to take reasonable steps to establish that the ISO met the requirements of Rule 600(b)(31).
6. Exchange Rule 11.9(d) stated, in relevant part, that in order to be eligible for treatment as an ISO, the limit order must be marked “ISO” and the User entering the order must simultaneously route one or more additional limit orders marked “ISO,” as necessary, to away markets to execute against the full displayed size of any Protected Quotation for the security with a price that is superior to the limit price of the ISO entered in the System.
7. Exchange Rule 3.2 stated, in relevant part, “[n]o Member shall engage in conduct in violation of the [Exchange] Act, the rules or regulations thereunder, the By-Laws, Exchange Rules or any policy or written interpretation of the By-Laws or Exchange Rules by the Board or an appropriate Exchange committee.”
8. Exchange Rule 5.1 required that “[e]ach Member shall establish, maintain and enforce written procedures which will enable it to supervise properly the activities of associated persons of the Member and to assure their compliance with applicable securities laws, rules, regulations and statements of policy promulgated thereunder, with the rules of the designated self-regulatory organization, where appropriate, and with Exchange Rules.”

Violative ISOs

9. Between September 2019 and May 2021, JPMS failed to take reasonable steps to establish that the ISOs it routed met the requirements set forth in Rule 600(b)(31) and Exchange Rule 11.9(d).
10. Specifically, the Firm experienced increased message activity, due in part to the Firm’s migration to a new exchange trading platform, which resulted in

¹ Effective June 8, 2021, Rule 600(b)(31) was renumbered as Rule 600(b)(38). Because the conduct in this matter occurred while Rule 600(b)(31) was in effect, all references herein are to Rule 600(b)(31).

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 failed to route ISOs to access better priced liquidity displayed by trading centers and routed a total of 6,682 ISOs, including 668 to the Exchange, that were priced through other market centers' protected quotations.²

11. The acts, practices, and conduct described in Paragraphs 9 and 10 constitute violations of Rule 611(c) and Exchange Rules 3.2 and 11.9(d) by the Firm, in that the Firm failed to take reasonable steps to establish that the ISOs it routed met the requirements set forth in Rule 600(b)(31) and Exchange Rule 11.9(d).

Supervision

12. Between September 2019 and July 2021, JPMS's supervisory system, including its written supervisory procedures ("WSPs"), was not reasonably designed to achieve compliance with Rule 611(c) of Regulation NMS and Exchange Rule 11.9(d).
13. JPMS's supervisory system was unreasonable because although JPMS reviewed for latency in its receipt of market data, 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.³
14. The acts, practices and conduct described in Paragraphs 12 and 13 constitute violations of Exchange Rule 5.1 by the Firm, in that the Firm's supervisory system, including its WSPs, was not reasonably designed to achieve compliance with Rule 611(c) and Exchange Rule 11.9(d).

SANCTIONS

15. The Firm does not have prior relevant disciplinary history.
16. In light of the alleged rule violations described above, the Firm consents to the imposition of the following sanctions:

² The Firm represents that it completed remediation of 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.

³ 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.

- a. A censure; and
- a. A monetary fine in the amount of \$9,000.

If this Letter of Consent is accepted, the Firm acknowledges that it shall be bound by all terms, conditions, representations, and acknowledgements of this Letter of Consent, and, in accordance with the provisions of Exchange Rule 8.3, waives the right to review or to defend against any of these allegations in a disciplinary hearing before a Hearing Panel. The Firm further waives the right to appeal any such decision to the Board of Directors, the U.S. Securities and Exchange Commission, a U.S. Federal District Court, or a U.S. Court of Appeals.

The Firm waives any right to claim bias or prejudice of the Chief Regulatory Officer (“CRO”) in connection with the CRO’s participation in discussions regarding the terms and conditions of this Letter of Consent, or other consideration of this Letter of Consent, including acceptance or rejection of this Letter of Consent.

The Firm agrees to pay the monetary sanction(s) upon notice that this Letter of Consent has been accepted and that such payment(s) are due and payable. 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 Firm understands that submission of this Letter of Consent is voluntary and will not resolve this matter unless and until it has been reviewed and accepted by the CRO, pursuant to Exchange Rule 8.3. If the Letter of Consent is not accepted, it will not be used as evidence to prove any of the allegations against the Firm.

The Firm understands and acknowledges that acceptance of this Letter of Consent will become part of its disciplinary record and may be considered in any future actions brought by Cboe or any other regulator against the Firm. The Letter of Consent will be published on a website maintained by the Exchange in accordance with Exchange Rule 8.18.

The Firm understands that it may not deny the charges or make any statement that is inconsistent with the Letter of Consent. The Firm may attach a Corrective Action Statement to this Letter of Consent that is a statement of demonstrable corrective steps taken to prevent future misconduct. Any such statement does not constitute factual or legal findings by the Exchange, nor does it reflect the views of the Exchange 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 Letter of Consent and has been given a full opportunity to ask questions about it; that it has agreed to the Letter of Consent's provisions voluntarily; and that no offer, threat, inducement, or promise of any kind, other than the terms set forth herein, has been made to induce the Firm to submit it.

Date: July 15, 2024

J.P. Morgan Securities LLC

By: 

Name: Luiz E De Salvo

Title: Managing Director