CBOE BYX EXCHANGE, INC.
LETTER OF ACCEPTANCE, WAIVER AND CONSENT
NO._____20150452814-07_____

TO: Cboe BYX Exchange, Inc.
      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 8.3 of the Rules of Cboe BYX Exchange, Inc. ("BYX"), 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, BYX 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 BYX, or to which BYX 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 BYX:

BACKGROUND

The firm has been a member of BYX since September 15, 2010, and its registration remains 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 January 2009 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. Limitations in the firm's systems also led to a failure to retain market data snapshots from the Securities

Information Processor ("SIP"), which the firm used to make order routing determinations.

As further described below, the firm violated SEC Rule 611(c) and BYX Rules 3.1, 5.1 and 11.9(d).

FACTS AND VIOLATIVE CONDUCT

1. 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.

2. 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.

3. From February 2012 to May 2015, the firm's order management system did not send properly coded ISOs to a national securities exchange with a protected quotation. Consequently, the exchange rejected the ISOs, resulting in the firm trading through these protected quotations.

4. From July 2014 to August 2015, the firm's order management system erroneously applied a customer instruction for a minimum execution quantity to orders routed for execution in "lit" trading venues instead of limiting this instruction to orders routed for execution in "dark" trading venues. Consequently, for certain ISOs, the firm did not, as required by SEC Rule 611, create routes to protected markets displaying quotes with a quantity less than the minimum execution quantity specified in the customer instruction.

5. During the review period, the firm failed to retain the market data snapshots it used to make routing decisions. Specifically, the firm created its market data snapshot and made routing decisions based on the SIP feed. However, the firm did not store this data from the SIP feed; rather, it only stored market data snapshots from the direct market feeds from the exchanges. In general, the market data snapshots from the SIP are identical to the market data snapshots from the direct market feeds; however, in certain circumstances, there can be a discrepancy. Such discrepancies degrade the firm's ability to effectively surveil for and supervise its compliance with SEC Rule 611(c).

6. From January 1, 2009 to May 31, 2017, the firm's order management system 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, which resulting in the firm trading through protected quotations.

7. 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 Rule 611(c), and BYX Rules 3.1 and 11.9(d).

8. During the review period, the firm's supervisory system did not provide for supervision reasonably designed to achieve compliance with respect to SEC Rule 611(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(c), and BYX Rules 3.1 and 5.1.

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

A censure; a total fine in the amount of $345,000, of which $45,000 is payable to BYX[1] ($20,000 for the violations of SEC Rule 611(c); and $25,000 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 by the Chief Regulatory Office ("CRO") of BYX, a registered principal of the Respondent shall submit to the 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 EDGA Exchange, Inc.; (iii) Cboe EDGX Exchange, Inc.; (iv) FINRA; (v) Investors Exchange LLC; (vi) New York Stock Exchange LLC; (vii) NYSE Arca, Inc.; and (viii) NYSE American LLC.

The firm agrees to pay the monetary sanction(s) upon notice that this AWC has been accepted and that such payment(s) are due and payable. It has submitted an Election of Payment form showing the method by which it proposes to pay the fine imposed.

The firm specifically and voluntarily waives any right to claim that it is unable to pay,

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

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 BYX.

II.

WAIVER OF PROCEDURAL RIGHTS

The firm specifically and voluntarily waives the following rights granted under BYX Rules:

A.   To have a Statement of Charges issued specifying the allegations against the firm;

B.   To be notified of the Statement of Charges 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 Appeals Committee of the BYX'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 CRO, in connection with the CRO'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 BYX Rule 8.16, 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 the CRO, pursuant to BYX Rule 8.3;

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 BYX or any other regulator against the firm;

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2. this AWC will be published on a website maintained by BYX in accordance with BYX Rule 8.18. In addition, this AWC will be made available through FINRA's public disclosure program in response to public inquiries about the firm's disciplinary record; 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 BYX, or to which BYX 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 BYX 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 BYX, nor does it reflect the views of BYX 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.

3/13/18
Date

J.P. Morgan Securities LLC
Respondent

By: _____
Name: Dennis Fitzgerald
Title: Managing Director

Reviewed by:

_____
Counsel for Respondent

4/13/2018
Date

Greg Hoogasian
Senior Vice President & Chief Regulatory Officer
Cboe BYX Exchange, Inc.

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):

θ   A firm check or bank check for the full amount; or

✗   Wire transfer.

Respectfully submitted,

3/13/18

Date

Respondent

J.P. Morgan Securities LLC

By: _____

Name: ___Dennis Fitzgerald___

Title: ___Managing Director___

STAR No. 20150452814 (incl. 20160487794 and 201605195722) (jsv)