STATE OF OREGON
DEPARTMENT OF CONSUMER AND BUSINESS SERVICES
DIVISION OF FINANCE AND CORPORATE SECURITIES

In the Matter of J. P. Morgan Securities, LLC, Respondent.	Case No. S-14-0017 FINAL ORDER ASSESSING CIVIL PENALTY, AND CONSENT TO ENTRY OF ORDER

WHEREAS, J. P. Morgan Securities, LLC. ("JPMS") is a broker-dealer licensed in Oregon, with a Central Registration Depository number of 79; and

State securities regulators from multiple jurisdictions have conducted an investigation into the licensing[1] of JPMS sales assistants ("SAs") and JPMS's supervisory systems with respect to the licensing of SAs; and

JPMS has cooperated with regulators by responding to inquiries, providing documentary evidence and other materials, and providing regulators with access to facts relating to the investigations; and

JPMS has advised regulators of its agreement to resolve the multi-state investigation pursuant to the terms specified in this Final Order Assessing Civil Penalty, and Consent to Entry of Order ("Order"); and

JPMS agrees to make, and already has made, certain remedial changes to its licensing policies, supervisory procedures, and order entry systems, and agrees to make certain payments in accordance with the terms of this Order; and

JPMS elects to permanently waive any right to a hearing and appeal under Oregon Revised Statutes ("ORS") 59.295, ORS 59.305, and ORS chapter 183 with respect to this Order; and

[1] With respect to securities professionals and the entities with which they are associated, the Oregon Securities Law uses the term "license" in the same manner other jurisdictions may use the term "registration". For the purposes of this Order, the two terms should be considered synonymous.

Division of Finance and Corporate Securities
Labor and Industries Building
350 Winter Street NE, Suite 410
Salem, OR 97301-3881
Telephone: (503) 378-4387

JPMS agrees that the scope of the multi-state investigation is from January 1, 2004 through December 31, 2011; and

JPMS admits to the jurisdiction of the Director of the Department of Consumer and Business Services for the State of Oregon (the "Director") in this matter; and

Solely for the purposes of terminating the multi-state investigations, and in settlement of the issues contained in this Order, JPMS, without admitting or denying the findings of fact or conclusions of law contained in this Order, consents to the entry of this Order.

NOW, THEREFORE, the Director, as administrator of the Oregon Securities Law, Oregon Revised Statutes ("ORS") chapter 59 and Oregon Administrative Rules ("OAR") chapter 441, hereby enters this Order:

FINDINGS OF FACT

The Director FINDS that:

Relevant JPMS Business Units

1. 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.

2. In July of 2006, the legacy brokerage unit of Banc One Securities Corporation, then known as the Private Wealth Management ("PWM") business unit, was operating in J.P. Morgan Securities Inc., the predecessor broker-dealer to JPMS. A review of PWM SAs was included in the scope of this investigation.

3. In October 2008, the legacy brokerage unit of Bear, Stearns & Co. Inc. known as Private Client Services ("PCS") was operating in J.P. Morgan Securities Inc., the predecessor broker-dealer of JPMS. A review of PCS SAs was included in the scope of this investigation.

Division of Finance and Corporate Securities
Labor and Industries Building
350 Winter Street NE, Suite 410
Salem, OR 97301-3881
Telephone: (503) 378-4387

Sales Assistant Licensing Policies

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

Private Bank

5. SAs for Private Bank were generally not assigned to specific salespersons but rather assisted all salespersons in the respective offices in which they were located.

6. Private Bank SAs primarily supported one or more salespersons in all facets of the daily business of Private Bank, including contacting clients, maintaining accounts, and accepting client orders.

7. Notably, all Private Bank SAs authorized to accept orders must comply with a 50 state licensing policy and compliance with this policy was confirmed prior to granting access to the order entry system.

Private Wealth Management

8. Like Private Bank SAs, PWM SAs were generally not assigned to specific salespersons but rather assisted all salespersons in the respective offices in which they were located.

9. PWM SAs primarily supported one or more salespersons in all facets of the daily business of PWM, including client support, maintaining accounts, and accepting client orders.

10. From 2006 through 2008, JPMS's PWM endeavored to license SAs that were authorized to accept client orders in the same states as the salesperson(s) they supported, but PWMSAs were generally not licensed in all 50 states.

11. In 2009, PWM adopted Private Bank's 50 state licensing policy for all SAs who were authorized to accept client orders.

Division of Finance and Corporate Securities
Labor and Industries Building
350 Winter Street NE, Suite 410
Salem, OR 97301-3881
Telephone: (503) 378-4387

Private Client Services

12. Unlike SAs for Private Bank and PWM, SAs for PCS were generally assigned to support specific salespersons.

13. PCS SAs' primary role was to support one or more salespersons in all facets of the daily business of PCS, including extensive client contacts, reviewing account activity, and accepting orders from clients.

14. PCS policies required PCS SAs who were authorized to accept client orders to be licensed in the same state as the salesperson(s) they supported, but PCS SAs were generally not licensed 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 licensed in the same state as the salespersons(s) they supported.

Unlicensed Sales Assistants

15. Consistent with Private Bank's 50 state licensing policy, the multi-state investigation did not find that Private Bank SAs accepted orders without appropriate state licenses.

16. However, the multi-state investigation concluded that certain SAs for PWM and PCS accepted unsolicited orders at times when the SAs were not appropriately licensed in Oregon.

Failure to Comply with Books & Records Requirements

17. At all relevant times, Private Bank has utilized an order entry system called TOPAZ.

18. 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.

19. Prior to February of 2011, TOPAZ did not specifically record the identity of

Division of Finance and Corporate Securities
Labor and Industries Building
350 Winter Street NE, Suite 410
Salem, OR 97301-3881
Telephone: (503) 378-4387

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 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.

20. ORS 59.195 and OAR 441-195-0020 require every broker-dealer in Oregon to make and keep current the books and records relating to its business. To that end, OAR 441-195-0020(1)(f) requires every broker-dealer in Oregon to make and keep a memorandum of each brokerage order, and of any other instruction, given or received for the purchase or sale of securities, whether executed or unexecuted. Such memorandum shall show the terms and conditions of the order or instructions and of any modification or cancellation thereof, the account for which entered, the time the order was received, the time of entry, the price at which executed, the identity of each associated person, if any, responsible for the account, the identity of any other person who entered or accepted the order on behalf of the customer or, if a customer entered the order on an electronic system, a notation of that entry, and, to the extent feasible, the time of execution or cancellation. The memorandum need not show the identity of any person, other than the associated person responsible for the account, who may have entered or accepted the order if the order is entered into an electronic system that generates the memorandum and if that system is not capable of receiving an entry of the identity of any person other than the responsible associated person; in that circumstance, the broker-dealer shall produce upon request by the Director a separate record which identifies each other person.

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

Division of Finance and Corporate Securities
Labor and Industries Building
350 Winter Street NE, Suite 410
Salem, OR 97301-3881
Telephone: (503) 378-4387

additional blocking mechanisms and the ability to confirm the license status of order acceptors.

22. JPMS has further enhanced its licensing, compliance training, and written compliance policies.

23. As noted above and as a result of the multi-state investigation, JPMS updated the TOPAZ system to record the identity of the order acceptor in the electronic order system.

24. JPMS provided substantial cooperation in connection with this regulatory investigation.

CONCLUSIONS OF LAW

The Director CONCLUDES that:

25. The Director has jurisdiction over this matter pursuant to ORS 59.235 and ORS 59.245.

26. JPMS failed to establish an adequate supervisory system to monitor the license status of persons accepting client orders, which constitutes failure to establish, maintain, and enforce reasonably designed procedures, in violation of OAR 441-205-0210(3).

27. JPMS's failure to ensure its SAs were licensed in accordance with JPMS's written procedures constitutes a failure to enforce its established written procedures, and is violation of OAR 441-205-0210(3).

28. Pursuant to ORS 59.165(3), JPMS's acceptance of orders in Oregon through SAs who were not properly licensed in Oregon constitutes violations of ORS 59.165(3) by employing unlicensed salespersons.

29. JPMS's failures, in certain instances, to record the identity of the person accepting client orders entered through the TOPAZ system until June of 2011 constitute

Division of Finance and Corporate Securities
Labor and Industries Building
350 Winter Street NE, Suite 410
Salem, OR 97301-3881
Telephone: (503) 378-4387

violations of ORS 59.195 and OAR 441-195-0020(1)(f).

30. Pursuant to ORS 59.995(1), the violations described above constitute bases for the assessment of a civil penalty against JPMS.

31. The Director finds the following relief appropriate and in the public interest.

ORDER

On the basis of the Findings of Fact, Conclusions of Law, and JPMS's consent to the entry of this Order,

IT IS HEREBY ORDERED:

32. This Order concludes the investigation by the Director and any other action that the Director could commence against JPMS under applicable Oregon law on behalf of Oregon as it relates to unlicensed activity in Oregon by JPMS's SAs and JPMS's supervision of SAs' license status during the period from January 1, 2004 through December 31, 2011.

33. 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 defenses of JPMS, to any claims.

34. JPMS is hereby ordered to pay the sum of $50,995 (fifty thousand, nine hundred ninety-five dollars) to the Department of Consumer and Business Services within ten days of the date of this Order. Pursuant to ORS 59.995(1), $48,445 (forty-eight thousand, four hundred forty-five dollars) of the sum will be allocated as a civil penalty for the General Fund of the Oregon State Treasury, and $2,550 (two thousand, five hundred fifty dollars) will be allocated as a payment for the DCBS Consumer Financial Education Account.

Division of Finance and Corporate Securities
Labor and Industries Building
350 Winter Street NE, Suite 410
Salem, OR 97301-3881
Telephone: (503) 378-4387

35. This Order is not intended by the Director 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, or under the rules or regulations of any securities or commodities regulator or self-regulatory organization, 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 could otherwise be disqualified as a result of the Orders (as defined in paragraph 36 below).

36. This Order and the order of any other State in any proceeding related to JPMS's agreement to resolve the above referenced multi-state investigation (collectively, the "Orders") shall not disqualify any Covered Person from any business that they otherwise are qualified, licensed or permitted to perform under applicable securities laws or regulations of Oregon and any disqualifications from relying upon this state's registration exemptions or safe harbor provisions that arise from the Orders are hereby waived.

37. 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.

Dated this 24th day of December, 2014.

PATRICK M. ALLEN, Director
Department of Consumer and Business Services

/s/ David Tatman
David C. Tatman, Administrator
Division of Finance and Corporate Securities

Division of Finance and Corporate Securities
Labor and Industries Building
350 Winter Street NE, Suite 410
Salem, OR 97301-3881
Telephone: (503) 378-4387

CONSENT TO ENTRY OF ORDER BY JPMS

J.P. Morgan Securities, LLC ("JPMS") hereby acknowledges that it has been served with a copy of this Final Order Assessing Civil Penalty, and Consent to Entry of Order ("Order"), has read the foregoing Order, is aware of its right to a hearing and appeal in this matter, and has waived the same.

JPMS admits jurisdiction of the Director, neither admits nor denies the Findings of Fact and Conclusions of Law contained in this Order, and consents to the entry of this Order by the Director as settlement of the issues contained in this Order.

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.

JPMS states that no promise of any kind or nature whatsoever was made to it to induce it to enter into this Order and that it has entered into this Order voluntarily.

Jeffrey M. Lipman represents that he is a Senior Vice President of JPMS and that, as such, has been authorized by JPMS to enter into this Order for and on behalf of JPMS.

J.P. MORGAN SECURITIES, LLC

By: /s/ Jeffrey M. Lipman

Title: Senior Vice President

SUBSCRIBED AND SWORN TO before me this 1st day of December, 2014.

[Affix seal]

/s/ Deborah Badagliacca
Notary Public for the state of NY

My Commission Expires: Apr. 11, 2017

Division of Finance and Corporate Securities
Labor and Industries Building
350 Winter Street NE, Suite 410
Salem, OR 97301-3881
Telephone: (503) 378-4387