



Notice of Disciplinary Action against J.P. Morgan Securities LLC, Member Organization

To: Members, Member Organizations, Participants and Participant Organizations
From: Joseph Cusick, Chief Regulatory Officer, NASDAQ PHLX LLCSM
DATE: July 27, 2017

Enforcement No. 2017-10 FINRA No. 20120348296 et al

On June 26, 2017, the Business Conduct Committee (the "Committee") of the NASDAQ PHLX LLC ("PHLX" or the "Exchange") issued a disciplinary decision against J.P. Morgan Securities LLC ("JPMS" or the "Firm"), a member organization of the Exchange. In response to a Statement of Charges issued in this action, JPMS submitted an Offer of Settlement. Solely to settle this proceeding, and without admitting or denying the charge, JPMS consented to findings that during the period between May 2012 through at least April 2016, (the "Review Period"), JPMS violated Rules 15c3-5 (b) and (c)(1)(ii) of the Securities Exchange Act of 1934 ("SEA"), and Exchange Rule 748, by failing to establish, document, and maintain a system of risk management controls and supervisory procedures, including written supervisory procedures and an adequate system of follow-up and review, reasonably designed to manage the financial, regulatory, and other risks of its market access business, including pre-trade controls to prevent the entry of erroneous options orders by rejecting orders that exceed appropriate price or size parameters, or that indicate duplicative orders. Specifically, JPMS consented to findings that it failed to have reasonable risk management controls to prevent Firm programs and algorithms from submitting cancel-replace and buy-sell looping of orders on multiple occasions, which caused high levels of options message traffic on the Exchange, NYSE Arca Options, Inc., and The NASDAQ Options Market LLC between January 2014 and July 2014.

The Committee found that during the Review Period, JPMS violated SEA Rules 15c3-5 (b) and (c)(1)(ii), and Exchange Rule 748, and ordered the imposition of the following sanctions against JPMS: (i) a censure; and (ii) a total fine in the amount of \$800,000, of which \$20,000 is payable to the Exchange. The Firm will pay the balance of the fine to Bats BZX Exchange, Inc., Bats BYX Exchange, Inc., Bats EDGX Exchange, Inc., The NASDAQ Stock Market LLC, New York Stock Exchange, LLC, NYSE Arca Equities, Inc., NYSE Arca Options, Inc., and The NASDAQ Options Market LLC.

For more information, contact:

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