

UNITED STATES OF AMERICA
Before the
SECURITIES AND EXCHANGE COMMISSION

SECURITIES ACT OF 1933

Release No. 11324 / October 31, 2024

SECURITIES EXCHANGE ACT OF 1934

Release No. 101495 / October 31, 2024

INVESTMENT ADVISERS ACT OF 1940

Release No. 6760 / October 31, 2024

ADMINISTRATIVE PROCEEDING

File No. 3-22280

In the Matter of

J.P. Morgan Securities LLC,
Respondent.

**ORDER INSTITUTING ADMINISTRATIVE
AND CEASE-AND-DESIST PROCEEDINGS
PURSUANT TO SECTION 8A OF THE
SECURITIES ACT OF 1933, SECTIONS
15(b)(4) AND 21C OF THE SECURITIES
EXCHANGE ACT OF 1934, AND SECTION
203(e) OF THE INVESTMENT ADVISERS
ACT OF 1940, MAKING FINDINGS, AND
IMPOSING REMEDIAL SANCTIONS AND
A CEASE-AND-DESIST ORDER**

I.

The Securities and Exchange Commission (“Commission”) deems it appropriate and in the public interest that administrative and cease-and-desist proceedings be, and hereby are, instituted pursuant to Section 8A of the Securities Act of 1933 (“Securities Act”), Sections 15(b)(4) and 21C of the Securities Exchange Act of 1934 (“Exchange Act”), and Section 203(e) of the Investment Advisers Act of 1940 (“Advisers Act”) against J.P. Morgan Securities LLC (“Respondent” or “JP Morgan Securities”).

II.

In anticipation of the institution of these proceedings, Respondent has submitted an Offer of Settlement (the “Offer”) which the Commission has determined to accept. Solely for the purpose of these proceedings and any other proceedings brought by or on behalf of the

Commission, or to which the Commission is a party, and without admitting or denying the findings herein, except as to the Commission's jurisdiction over it and the subject matter of these proceedings, which are admitted, Respondent consents to the entry of this Order Instituting Administrative and Cease-and-Desist Proceedings Pursuant to Section 8A of the Securities Act of 1933, Sections 15(b)(4) and 21C of the Securities Exchange Act of 1934, and Section 203(e) of the Investment Advisers Act of 1940, Making Findings, and Imposing Remedial Sanctions and a Cease-and-Desist order ("Order"), as set forth below.

III.

On the basis of this Order and Respondent's Offer, the Commission¹ finds that:

Summary

1. These proceedings arise from misleading disclosures that JP Morgan Securities used with brokerage customers investing in its "Conduit" products, which pooled customer money and invested in private equity or hedge funds that customers might not be able to access directly. On occasion, the third-party fund in which a Conduit was invested would distribute shares of companies that had recently undertaken an initial public offering ("IPO") or another liquidity event (referenced herein as "Shares") to the fund's limited partners, including the Conduit. Each Conduit appointed J.P. Morgan Private Investments Inc. ("JP Morgan PI") as administrator to the Conduit. JP Morgan PI, in turn, appointed the Private Equity Distribution Management ("Distribution Management") team, a part of J.P. Morgan Investment Management Inc. ("JP Morgan IM"), to sell the Shares. J.P. Morgan Private Bank ("Private Bank") then distributed the cash from the sales to Conduit investors via their brokerage accounts.

2. In the offering documents for the Conduits, customers were told, among other things, that such sales "may not immediately follow the distribution" but would occur "as promptly as practicable under reasonable commercial terms." Contrary to these disclosures, however, Distribution Management actively managed the Shares, exercising complete discretion as to when to sell and the number of shares to be sold, and at times holding the Shares for several months before selling them. Until June 2022, JP Morgan Securities did not disclose that Distribution Management would be exercising complete investment discretion over these sales and that, as a result, certain Conduit investors would be subject to market risk due to the timing of these sales.

3. Between January 2019 and June 2022 (the "Relevant Period"), in part in response to challenging market conditions, Distribution Management held portions of the Shares that certain Conduits received for increasingly longer periods before selling them in their entirety, with holding periods for certain distributions extending for several months. Because the share price of many of the companies declined after their IPOs, the value of certain Shares sold by Distribution Management declined significantly from the price at which Distribution Management initially

¹ The findings herein are made pursuant to Respondent's Offer of Settlement and are not binding on any other person or entity in this or any other proceeding.

received them. In connection with this resolution, JP Morgan Securities will pay 1,588 investor accounts \$100,000,000.

Respondent

4. **JP Morgan Securities** is a Delaware limited liability company with its principal place of business in New York, New York. It has been dually registered with the Commission as a broker-dealer and investment adviser since December 13, 1985, and April 3, 1965, respectively. In its Form ADV dated March 28, 2024, JP Morgan Securities reports that it has approximately \$249.7 billion in regulatory assets under management. JP Morgan Securities is a wholly owned subsidiary of JPMorgan Chase & Co. (“JP Morgan”), a global financial services firm incorporated in Delaware and headquartered in New York, New York. JP Morgan Securities offered interests in and served as the placement agent for the Conduit products, which it sold to customers of J.P. Morgan Private Bank (“Private Bank”) and J.P. Morgan Advisors (“JP Morgan Advisors”), two of JP Morgan’s business segments.

Other Relevant Entities

5. **JP Morgan PI** is a Delaware corporation and wholly owned subsidiary of JP Morgan. The Board of each Conduit delegated to JP Morgan PI the rights, powers, and duties to function as the Conduit’s administrator. JP Morgan PI has been registered with the Commission as an investment adviser since May 15, 1992.

6. **JP Morgan IM**, an affiliate of JP Morgan PI, is an investment adviser that has been registered with the Commission since April 4, 1984. Within JP Morgan IM, Distribution Management provides distribution management services, typically on behalf of advisory clients. JP Morgan PI appointed Distribution Management to manage the sales of the Shares distributed to the Conduits.

JP Morgan’s Conduit Program

7. Beginning in the early 2000s, JP Morgan Securities began offering Private Bank and JP Morgan Advisors brokerage customers the opportunity to invest indirectly in third-party funds advised by private equity or hedge fund managers via the Conduit program. The Conduits, themselves private funds in which brokerage customers invested, provided access to those third-party funds to customers who might not otherwise be able to invest directly, including because of possible minimum investment requirements. By committing at least \$250,000, Private Bank or JP Morgan Advisors customers could invest in a Conduit, either through a Delaware limited liability company (for onshore customers) or Cayman Island exempted limited partnership (for offshore customers). These brokerage customer funds were pooled and, in turn, used by the Conduit to purchase limited partnership interests in a third-party private equity or hedge fund. Distributions to the Conduit from the third-party fund were then made to Conduit investors *pro rata* based on their percentage ownership interest in the Conduit.

8. During the Relevant Period, JP Morgan Securities raised more than \$6.5 billion from Private Bank and JP Morgan Advisors investors in the Conduits. As disclosed, JP Morgan

Securities charged these investors a percentage of their commitment amounts as an origination fee, and earned fees from the underlying third-party funds for placing and administering those customers' investments into those funds.

9. Potential Conduit investors were offered Conduit limited liability company or limited partner interests through an offering memorandum or private placement memorandum ("Offering Documents") and became members of the Conduit via either a limited liability company agreement, if an onshore customer, or a limited partnership agreement ("LPA"), if an offshore customer (both agreements are collectively referenced herein as the "Offering Agreements").

10. As set forth in the Offering Agreements, the "sole purpose" of the Conduit is to invest "limited partner interests" in an underlying third-party fund or any alternative investment vehicles established under the Offering Agreements and the Conduit is granted the "power and authority" to effectuate that purpose.

11. Each Conduit is managed by a board of managers ("Board"). The Board has "complete discretion to manage and control the business and affairs of the [Conduit], to make all decisions affecting the business and affairs of the [Conduit] [,] and to take all such actions as it deems necessary or appropriate to accomplish the purposes of the [Conduit]"

12. The Offering Documents authorized the Board to delegate to an administrator the administrative and ministerial tasks necessary to effect the purpose of the Conduit—that is, to invest in the third-party fund. In each instance, the Board appointed JP Morgan PI as the administrator.

Distributions In-Kind and Related Disclosures

13. Many of the third-party funds in which the Conduits invested purchased shares in early stage, private companies that became publicly traded during the life of the fund. Upon becoming publicly traded, shares of these newly public securities were, at times, distributed to the fund's limited partners (including the Conduits), known as in-kind distributions, rather than sold and distributed in cash, known as cash distributions.

14. The Offering Documents and Offering Agreements contemplated and described what would then happen upon Share distribution to the Conduit: the Conduit could distribute the Shares to investors, sell them itself, or appoint a third party, which could be a JP Morgan PI affiliate, to assist with the sale of the Shares and then distribute the cash proceeds to investors.

15. As permitted by the Offering Documents and Offering Agreements, JP Morgan PI appointed Distribution Management to sell the Shares it received during the Relevant Period. Distribution Management's fee arrangement was limited to a fee on actual realized sale prices of distributions, and did not include an incentive fee or periodic management fee. Until 2021, Distribution Management sold all Shares received by the Conduits, and the Private Bank subsequently distributed the cash proceeds *pro rata* to the corresponding Conduit investors.

16. Distribution Management’s mandate was memorialized in a distribution management agreement between JP Morgan PI and JP Morgan IM, which specified that “[JP Morgan IM] shall have complete discretion, power and authority to make sales of the securities from time to time deposited in the Portfolio, or part interests therein.” A 2015 amendment to the distribution management agreement required that Distribution Management “generally seek to sell each security within six months following its deposit in the Portfolio,” subject to market and other conditions. Conduit investors were neither party to, nor otherwise made aware of, either the initial distribution management agreement or the 2015 amendment.

17. Although the Offering Documents noted that sales of the Shares might not “immediately” follow the distribution and that the amount of cash proceeds realized might be less than the value of the Shares at distribution, the Offering Documents specified that the Shares would be sold “as promptly as practicable under reasonable commercial terms.”

The Practices Related to the Sales of Shares Do Not Match JP Morgan Securities’ Disclosures to Conduit Investors

18. The Offering Documents and Offering Agreements did not disclose to Conduit investors Distribution Management’s exercise of complete discretion over when and how to sell the Shares. Distribution Management’s exercise of discretion was, at times, not consistent with the disclosure to Conduit investors that Shares would be sold as promptly as practicable under reasonable commercial terms.

19. JP Morgan Advisors and Private Bank customers made their Conduit investments via their brokerage accounts. The corresponding brokerage account agreements provided that neither JP Morgan nor any JP Morgan entity party to the agreement “will act as an investment adviser to you.”

20. The Offering Documents stated that neither JP Morgan nor its financial advisors would be acting in an advisory capacity or otherwise exercising discretion. Instead, they described JP Morgan PI’s role as Conduit administrator as limited to performing administrative or ministerial duties with respect to the Conduits. JP Morgan PI’s Form ADV filings during the Relevant Period similarly disclosed that JP Morgan PI was acting solely in an administrative capacity with respect to the Conduits and stated expressly that “[JP Morgan PI] does not provide investment advice to the [Conduits].”

21. But when selling the Shares, Distribution Management—which is part of JP Morgan IM and was engaged by JP Morgan PI—exercised its discretion over when, at what price, and at what volumes to sell. Specifically, Distribution Management used its judgment in determining when to sell the Shares, considering, among other factors, its historical practices, the size of the in-kind distribution, liquidity of the market and of the stock, patterns of distributions, fund manager behavior, and other “idiosyncratic” market factors.

22. According to an internal memorandum summarizing Distribution Management’s investment process, in managing the sales of Shares, Distribution Management’s historical practice was generally to hold the Shares following a distribution for around 60 days because the Shares

tended to decline in price immediately upon distribution and then return to or rise above the distribution price within 90 days. Distribution Management observed that immediate selling could generate declines in value for Conduit investors. These views informed Distribution Management's decisions in its handling of distributions for certain Conduit investors.

23. During the Relevant Period, in exercising its complete discretion for Conduit investors, Distribution Management frequently held the Shares for weeks or months before selling them. While Distribution Management held the Shares, the broader equity markets and certain of the Shares declined in value. On average, during 2020 and 2021, for example, Distribution Management held the Shares for more than 100 trading days (or five months), and certain Shares were not sold by Distribution Management for more than a year.

24. These prolonged holding periods meant that certain of the Shares were subject to substantial market risk and material declines in value during the Relevant Period, including as a result of broader equity market declines.

25. As a result of JP Morgan Securities' negligent failure to disclose in the Offering Documents that Distribution Management exercised complete discretion over the timing of the sale of the Shares, Conduit investors were not on notice that their investments were subject to substantial market risk associated with the delay in selling the Shares. Conduit investor accounts that suffered declines in value during the Relevant Period will receive payments as described in this Order. This Order does not make any findings as to the specific dates by which Distribution Management should have begun selling the Shares or the extent to which declines in value reflect losses caused by the conduct described herein.

JP Morgan Securities' 2021 Election Forms Were Still Inaccurate

26. In January, March, and June 2021, investors in certain Conduits were provided an opportunity to elect to receive the Shares themselves, rather than cash proceeds upon Distribution Management's sale of the Shares. Conduit investors were provided this opportunity via a form letter that contained an election form. Investors who did not return the election form by the deadline were deemed to be cash-electing investors (*i.e.*, they would receive cash proceeds after Distribution Management sold the Shares).

27. The 2021 disclosures and accompanying election form did not describe the role of JP Morgan IM or Distribution Management in managing the sale of the Shares or disclose that Distribution Management was actively managing these sales, including by exercising complete discretion over the timing of the sales, which could impact the amount of cash proceeds.

28. Instead, the election form contained one checkbox by which the investor could "irrevocably elect[] to become a Distribution In-Kind Electing Investor." The disclosures stated that the election opportunity was based on requests from investors to receive distributions in kind and explained that each Conduit's "operating agreement" (*i.e.*, LLC agreement or LPA) allowed the Board to sell the Shares and distribute the cash proceeds to investors, which it had done to date. These 2021 disclosures did not disclose to Conduit investors that, by electing to receive cash distributions or defaulting to such distributions by not responding, Distribution Management would

have complete discretion as to when and how to sell the Shares, although they would generally seek to sell each security within six months.

29. Some Conduit investors would have elected to receive the Shares, rather than cash, had they understood that Distribution Management would exercise complete discretion over the timing of the sale of the Shares.

JP Morgan Securities' 2022 Election Form

30. In or around June 2022, and in response to complaints from certain Conduit investors about long holding periods, JP Morgan PI amended its distribution management agreement with JP Morgan IM to require Distribution Management “to seek to initiate the sale of the entire position of a security” within 45 calendar days after the distribution (rather than seeking to sell within six months), subject to market and other conditions. In conjunction with this amendment, JP Morgan Securities provided the investors in certain Conduits with another opportunity to elect to have the Conduit provide the Shares to them directly, rather than receive cash proceeds from sales of the Shares. The notice announcing the June 2022 election opportunity disclosed the amendment, stating that “guidelines associated with the timing of the sales of securities distributed in-kind have changed” and thus the Conduit was “offering investors another opportunity to elect to receive distributions in-kind or cash proceeds[.]”

31. The June 2022 notice and election form disclosed Distribution Management’s exercise of complete discretion. Specifically, the notice disclosed that “[Distribution Management] has historically served as the distribution manager for Conduits administered by [JP Morgan PI] as well as third party investors[,]” as appointed by the Conduits’ administrator, JP Morgan PI, and, “[u]nder the terms of the contractual appointment, [Distribution Management] is given discretionary authority to manage the sale of distributed securities on behalf of the Conduit.” The notice stated further that “it may take **several weeks or more** for securities **to be sellable by [Distribution Management]** . . . and that **market sales by [Distribution Management] will typically occur over time**, which may vary from weeks to several months depending on the availability of market trading liquidity and position size considerations” (emphasis in original).

32. The June 2022 election form provided two checkboxes so that a Conduit investor could elect either “to become a Distributions In-Kind Electing Investor” or “Cash via Active Management Electing Investor.”

Violations

33. As a result of the conduct described above, JP Morgan Securities willfully violated Section 17(a)(2) of the Securities Act, which prohibits any person, in the offer or sale of any securities, from directly or indirectly obtaining money or property by means of any untrue statement of a material fact or any omission to state a material fact necessary in order to make the statements made, in light of the circumstances under which they were made, not misleading.

34. As a result of the conduct described above, JP Morgan Securities willfully violated Section 17(a)(3) of the Securities Act, which prohibits any person, in the offer or sale of any

securities, from directly or indirectly engaging in any transaction, practice, or course of business which operates or would operate as a fraud or deceit upon the purchaser.

JP Morgan Securities' Remedial Efforts

35. In determining to accept the Offer, the Commission considered remedial acts undertaken by Respondent.

36. Specifically, in June 2022, prior to the inception of the Commission staff's investigation, JP Morgan Securities provided Conduit investors with an election form and notice that disclosed Distribution Management's exercise of complete discretion to sell the Shares.

37. Also in June 2022, JP Morgan Securities, through counsel, self-reported to the Commission staff that certain Conduit investors had complained to JP Morgan Securities in 2021 and 2022 as a result of Distribution Management's failure to promptly sell certain Shares.

38. In August 2022, JP Morgan Securities revised the relevant section of the Offering Documents to specify, for distributions in-kind being sold by the Conduit, that JP Morgan PI or an affiliate would "seek to sell or otherwise liquidate such assets as soon as reasonably practicable, as determined in the discretion of the provider of such liquidation services, subject to then current market conditions, liquidity limitations, other external factors, and at such price and terms deemed appropriate by such service provider in its discretion." JP Morgan Securities similarly revised the corresponding Offering Agreement section to specify that sales of Shares "*may occur over an extended period of time*" (emphasis in original).

39. In October 2024, JP Morgan Securities deposited in a designated account \$100,000,000 in connection with this resolution. JP Morgan Securities will distribute \$90,000,000 of these funds to Conduit investors as a voluntary payment and the remaining \$10,000,000 as a civil penalty to be distributed from a Fair Fund, in accordance with the calculations and methodology described in Section IV.C. JP Morgan Securities has further agreed to provide to the Commission staff the items described in Subsections IV.C(4), IV.C(6), and IV.C(10) for the \$90,000,000 voluntary payment.

IV.

In view of the foregoing, the Commission deems it appropriate, and in the public interest, to impose the sanctions agreed to in Respondent JP Morgan Securities' Offer.

Accordingly, pursuant to Section 8A of the Securities Act, Sections 15(b)(4) and 21C of the Exchange Act, and Section 203(e) of the Advisers Act, it is hereby ORDERED that:

A. Respondent JP Morgan Securities cease and desist from committing or causing any violations and any future violations of Sections 17(a)(2) and (3) of the Securities Act.

B. Respondent JP Morgan Securities is censured.

C. Respondent JP Morgan Securities shall pay a civil money penalty in the amount of \$10,000,000 as follows:

- (1) Pursuant to Section 308(a) of the Sarbanes-Oxley Act of 2002, as amended, a Fair Fund is created for the penalties, described above, for distribution to Conduit investors who suffered declines in the value of their Shares during the Relevant Period. Amounts ordered to be paid as civil money penalties pursuant to this Order shall be treated as penalties paid to the government for all purposes, including all tax purposes. To preserve the deterrent effect of the civil penalty, Respondent JP Morgan Securities agrees that in any Related Investor Action, it shall not argue that it is entitled to, nor shall it benefit by, offset or reduction of any award of compensatory damages by the amount of any part of Respondent JP Morgan Securities' payment of a civil penalty in this action ("Penalty Offset"). If the court in any Related Investor Action grants such a Penalty Offset, Respondent JP Morgan Securities agrees that it shall, within 30 days after entry of a final order granting the Penalty Offset, notify the Commission's counsel in this action and pay the amount of the Penalty Offset to the Securities and Exchange Commission. Such a payment shall not be deemed an additional civil penalty and shall not be deemed to change the amount of the civil penalty imposed in this proceeding. For purposes of this paragraph, a "Related Investor Action" means a private damages action brought against Respondent JP Morgan Securities by or on behalf of one or more investors based on substantially the same facts as alleged in the Order instituted by the Commission in this proceeding.
- (2) On or before October 30, 2024, Respondent JP Morgan Securities deposited the Fair Fund and the funds for a voluntary repayment into a designated account at a financial institution not unacceptable to the Commission staff and Respondent JP Morgan Securities provided evidence of such deposit in a form acceptable to the Commission staff. The account holding the assets of the Fair Fund shall bear the name and the taxpayer identification number of the Fair Fund.
- (3) Respondent JP Morgan Securities shall be responsible for administering the Fair Fund and may hire a professional at its own cost to assist it in the administration of the distribution. The costs and expenses of administering the Fair Fund, including any such professional services, shall be borne by Respondent JP Morgan Securities and shall not be paid out of the Fair Fund.
- (4) Respondent JP Morgan Securities shall distribute from the Fair Fund to each affected Conduit investor account an amount pursuant to a disbursement calculation (the "Calculation") that will be submitted to, reviewed, and approved by the Commission staff in accordance with Subsection IV.C(5). The Calculation shall be subject to a *de minimis* threshold of \$10 for any former Conduit investor account; otherwise, no

such threshold shall apply. JP Morgan Securities has also agreed that the Calculation will include the voluntary payment described in Subsection III.39. No portion of the Fair Fund shall be paid to any affected Conduit investor account in which Respondent JP Morgan Securities, or any of its current or former officers or directors, has a financial interest.²

- (5) Respondent JP Morgan Securities shall, within thirty (30) days from the date of this Order, submit the Calculation to the Commission staff for review and approval. At or around the time of submission of the proposed Calculation to the staff, Respondent JP Morgan Securities shall make itself available, and shall require any third-parties or professionals retained by Respondent JP Morgan Securities to assist in formulating the methodology for its Calculation and/or administration of the distribution to be available, for a conference call with the Commission staff to explain the methodology used in preparing the proposed Calculation and its implementation, and to provide the staff with an opportunity to ask questions. Respondent JP Morgan Securities also shall provide the Commission staff such additional information and supporting documentation as the Commission staff may request for the purpose of its review. In the event of one or more objections by the Commission staff to Respondent JP Morgan Securities' proposed Calculation or any of its information or supporting documentation, Respondent JP Morgan Securities shall submit a revised Calculation for the review and approval of the Commission staff or additional information or supporting documentation within ten (10) days of the date that the Commission staff notifies Respondent JP Morgan Securities of the objection. The revised Calculation shall be subject to all of the provisions of Subsection IV.C(5).
- (6) Respondent JP Morgan Securities shall, within fourteen (14) days of the written approval of the Calculation by the Commission staff, submit a payment file (the "Payment File") for review and acceptance by the Commission staff demonstrating the application of the methodology to each affected investor. The Payment File should identify, at a minimum, (1) the name of each affected investor; (2) the net amount of the payment to be made, less any tax withholding; and (3) the amount of any *de minimis* threshold to be applied. JP Morgan Securities has also agreed that the Payment File will identify, at a minimum, the items listed in the preceding sentence for the voluntary payment described in Section III.39. Respondent JP Morgan Securities shall exclude from the Payment File all payments to payees that appear on the U.S. Treasury Department Specially Designated Nationals List.

² For purposes of this Subsection IV.C(4), an "officer" means anyone listed as an executive officer on J.P. Morgan Securities' Form BD and/or Form ADV.

- (7) Respondent JP Morgan Securities shall disburse all amounts payable to affected Conduit investors from the Fair Fund within ninety (90) days of the date the Commission staff accepts the Payment File, unless such time period is extended as provided in Paragraph (11) of this Subsection IV.C. Respondent JP Morgan Securities shall notify the Commission staff of the date(s) and the amount paid in the distribution.
- (8) If Respondent JP Morgan Securities is unable to distribute or return any portion of the Fair Fund for any reason, including an inability to locate an affected Conduit investor account or a beneficial owner of an affected investor account or any other factors beyond Respondent JP Morgan Securities' control, Respondent JP Morgan Securities shall transfer any such undistributed funds to the Commission for transmittal to the United States Treasury in accordance with Section 21F(g)(3) of the Exchange Act once the distribution of funds is complete and before the final accounting provided for in Paragraph (10) of this Subsection IV.C is submitted to the Commission staff. Payment must be made in one of the following ways:
- a. Respondent may transmit payment electronically to the Commission, which will provide detailed ACH transfer/Fedwire instructions upon request;
 - b. Respondent may make direct payment from a bank account via Pay.gov through the SEC website at <http://www.sec.gov/about/offices/ofm.htm>; or
 - c. Respondent may pay by certified check, bank cashier's check, or United States postal money order, made payable to the Securities and Exchange Commission and hand-delivered or mailed to:

Enterprise Services Center
Accounts Receivable Branch
HQ Bldg., Room 181, AMZ-341
6500 South MacArthur Boulevard
Oklahoma City, OK 73169

Payments by check or money order must be accompanied by a cover letter identifying JP Morgan Securities as a Respondent in these proceedings, and the file number of these proceedings; a copy of the cover letter and check or money order must be sent to Lee A. Greenwood, Assistant Regional Director, Asset Management Unit, Division of Enforcement, Securities and Exchange Commission, 100 Pearl Street, Suite 20-100, New York, New York, 10004, or such other address as the Commission staff may provide.

- (9) A Fair Fund is a Qualified Settlement Fund (“QSF”) under Section 468B(g) of the Internal Revenue Code (“IRC”), 26 U.S.C. §§ 1.468B.1-1.468B.5. Respondent JP Morgan Securities agrees to be responsible for all tax compliance responsibilities associated with the Fair Fund’s status as a QSF. These responsibilities involve reporting and paying requirements of the Fund, including but not limited to: (1) tax returns for the Fair Fund; (2) information return reporting regarding the payments to investors, as required by applicable codes and regulations; and (3) obligations resulting from compliance with the Foreign Account Tax Compliance Act (FATCA). Respondent JP Morgan Securities may retain any professional services necessary. The costs and expenses of tax compliance, including any such professional services, shall be borne by Respondent JP Morgan Securities and shall not be paid out of the Distribution Fund.
- (10) Within one hundred fifty (150) days after Respondent JP Morgan Securities completes the disbursement of all amounts payable to affected investors from the Fair Fund, Respondent JP Morgan Securities shall return all undisbursed funds from the Fair Fund to the Commission pursuant to the instructions set forth in Subsection IV.C(8). Respondent JP Morgan Securities shall then submit to the Commission staff a final accounting and certification of the disposition of the Fair Fund for Commission approval, which final accounting and certification shall include, but not be limited to: (1) the amount paid to each payee, with the reasonable interest amount, if any, reported separately; (2) the date of each payment; (3) the check number or other identifier of the money transferred; (4) the amount of any returned payment and the date received; (5) a description of the efforts to locate a prospective payee whose payment was returned or to whom payment was not made for any reason; (6) the total amount, if any, to be forwarded to the Commission for transfer to the United States Treasury; and (7) an affirmation that Respondent JP Morgan Securities has made payments from the Distribution Fund to affected investors in accordance with the Calculation approved by the Commission staff. JP Morgan Securities has also agreed that this final accounting will identify the items listed in the preceding sentence for the voluntary payment described in Subsection III.39. The final accounting and certification shall be submitted under a cover letter that identifies JP Morgan Securities and the file number of these proceedings to Lee A. Greenwood, Assistant Regional Director, Asset Management Unit, Division of Enforcement, Securities and Exchange Commission, 100 Pearl Street, Suite 20-100, New York, New York, 10004. Respondent JP Morgan Securities shall provide any and all supporting documentation for the accounting and certification to the Commission staff upon its request and shall cooperate with any additional requests by the Commission staff in connection with the accounting and certification.

- (11) The Commission staff may extend any of the procedural dates set forth in this Subsection IV.C for good cause shown. Deadlines for dates relating to the Fair Fund shall be counted in calendar days, except if the last day falls on a weekend or federal holiday, the next business day shall be considered the last day.

By the Commission.

Vanessa A. Countryman
Secretary