

**UNITED STATES OF AMERICA**  
**Before the**  
**SECURITIES AND EXCHANGE COMMISSION**

**SECURITIES EXCHANGE ACT OF 1934**  
**Release No. 99344 / January 16, 2024**

**INVESTMENT ADVISERS ACT OF 1940**  
**Release No. 6530 / January 16, 2024**

**ADMINISTRATIVE PROCEEDING**  
**File No. 3-21829**

**In the Matter of**

**J.P. MORGAN SECURITIES  
LLC**

**Respondent.**

**ORDER INSTITUTING ADMINISTRATIVE  
AND CEASE-AND-DESIST PROCEEDINGS  
PURSUANT TO SECTIONS 15(b) 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 public administrative and cease-and-desist proceedings be, and hereby are, instituted pursuant to Sections 15(b) 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 (“JPMS” or “Respondent”).

**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 Respondent 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 Sections 15(b) 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 Commission finds that:

#### Summary

1. This matter relates to JPMS's violations of the whistleblower protections afforded under Exchange Act Rule 21F-17(a).

2. From 2020 through July 2023 (the "Relevant Period"), JPMS regularly asked certain advisory clients and brokerage customers (collectively and individually referred to as "clients" or "client") to whom it had issued a credit or settlement over \$1,000 in value to sign a confidential release agreement ("Release") that impeded the clients from disclosing potential violations of the federal securities laws to the Commission unless responding to an inquiry from the Commission. Specifically, the Release required the clients to keep confidential not only the Release itself, but also all information relating in any way to the specified account at JPMS. While the Release permitted clients to respond to inquiries from the Commission, it did not permit voluntary communications with the Commission concerning potential securities law violations. These confidentiality provisions of the Release violated Rule 21F-17(a).

#### Respondent

3. **JPMS** is a Delaware limited liability company with its principal office in New York, New York, and is dually registered with the Commission as an investment adviser and broker-dealer. In its Form ADV dated March 30, 2023, JPMS reported that it had approximately \$212.9 billion in regulatory assets under management. JPMS is a wholly owned subsidiary of JPMorgan Chase & Co., a global financial services firm incorporated in Delaware and headquartered in New York, New York.

#### Facts

##### *Statutory and Regulatory Framework Protecting Whistleblowers*

4. The Dodd-Frank Wall Street Reform and Consumer Protection Act ("Dodd-Frank Act"), enacted on July 21, 2010, amended the Exchange Act by adding Section 21F-17, "Whistleblower Incentives and Protection." The purpose of these provisions was to encourage whistleblowers to report possible securities law violations by providing, among other things, financial incentives and confidentiality protections.

5. To fulfill this Congressional purpose, the Commission adopted Rule 21F-17, which provides in relevant part:

- (a) No person may take any action to impede an individual from communicating directly with the Commission staff about a possible securities law violation, including enforcing, or threatening to enforce, a confidentiality agreement . . . with respect to such communications.

Rule 21F-17 became effective on August 12, 2011.

### *JPMS's Confidential Release Agreement*

6. During the Relevant Period, in the ordinary course of its business, JPMS typically requested that certain clients sign a Release if the clients received a credit or settlement of over \$1,000, regardless of whether JPMS admitted or denied any error or wrongdoing in connection with the credit or settlement. In addition, JPMS sometimes offered its clients an additional payment above and beyond the credit or payment calculated for the dispute. In at least one case, this payment or credit was higher than the original credit or settlement. Since 2020, at least 362 JPMS clients have signed a Release, receiving an amount ranging from approximately \$1,000 to \$165,000.

7. The Release used by JPMS from March 2020 through July 2023 contained language providing a release of liability and a provision that stated, “the [JPMS client] promises not to sue or solicit others to institute any action or proceeding against [JPMS] arising out of events concerning the Account” and that if the JPMS client breaches that provision, JPMS “may undertake whatever legal action they deem appropriate to address the breach(s), including, but not limited to, injunctive relief, and monetary damages not to exceed the settlement amount.”

8. In a separate paragraph, the Release stated:

“[the JPMS client] shall keep this Agreement confidential and not use or disclose (including but not limited to, media statements, social media, or otherwise) the allegations, facts, contentions, liability, damages, or other information relating in any way to the Account, including but not limited to, the existence or terms of this Agreement . . . . Notwithstanding, [JPMS client] and [JPMS client’s] attorneys are neither prohibited nor restricted from responding to any inquiry about this settlement or its underlying facts by FINRA, the SEC, or any other government entity or self-regulatory organization, or as required by law.”

Notwithstanding this statement, the terms of the Release prohibited clients from affirmatively reporting to the Commission staff in violation of Rule 21F-17(a), which is intended to “encourag[e] individuals to report to the Commission.” *Securities Whistleblower Incentives and Protections Adopting Release*, Release No. 34-63434 (June 13, 2011).

9. In some cases, despite requiring a client to sign a Release prohibiting the client from reporting the underlying dispute to the Commission, JPMS separately reported the dispute to the Financial Industry Regulatory Authority (“FINRA”), as required by FINRA Rule 4530. This reporting to FINRA does not in any way mitigate the language in the Release that impeded clients from reporting potential securities law violations to the Commission.

## Violations

10. As a result of the conduct described above, JPMS willfully<sup>1</sup> violated Exchange Act Rule 21F-17(a), which prohibits any person from taking any action to impede an individual from communicating directly with the Commission staff about a possible securities law violation.

## Respondent's Remedial Actions

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

12. After Commission staff informed Respondent that the Release violated Rule 21F-17(a), JPMS revised the section of the Release described above in paragraph 8 to add language affirmatively advising clients that they are not prohibited from disclosing information to any governmental or regulatory authority.

13. JPMS also sent communications to clients who received the Release stating that they are not prohibited from voluntarily or otherwise communicating directly with or providing information to any governmental or regulatory authority about their accounts, the Release, any underlying facts or circumstances, or disputes or concerns.

## IV.

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

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

A. JPMS cease and desist from committing or causing any violations and any future violations of Exchange Act Rule 21F-17(a).

B. JPMS is censured.

C. JPMS shall, within twenty-one (21) days of the entry of this Order, pay a civil money penalty in the amount of \$18 million to the Securities and Exchange Commission for transfer to the general fund of the United States Treasury, subject to Exchange Act Section

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<sup>1</sup> "Willfully," for purposes of imposing relief under Section 203(e) of the Advisers Act and Section 15(b) of the Exchange Act, "means no more than that the person charged with the duty knows what he is doing." *Wonsover v. SEC*, 205 F.3d 408, 414 (D.C. Cir. 2000) (quoting *Hughes v. SEC*, 174 F.2d 969, 977 (D.C. Cir. 1949)). There is no requirement that the actor "also be aware that he is violating one of the Rules or Acts." *Tager v. SEC*, 344 F.2d 5, 8 (2d Cir. 1965). The decision in *The Robare Group, Ltd. v. SEC*, which construed the term "willfully" for purposes of a differently structured statutory provision, does not alter that standard. 922 F.3d 468, 478-79 (D.C. Cir. 2019) (setting forth the showing required to establish that a person has "willfully omit[ted]" material information from a required disclosure in violation of Section 207 of the Advisers Act).

21F(g)(3). If timely payment is not made, additional interest shall accrue pursuant to 31 U.S.C. § 3717.

Payment must be made in one of the following ways:

- (1) Respondent may transmit payment electronically to the Commission, which will provide detailed ACH transfer/Fedwire instructions upon request;
- (2) 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
- (2) 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 JPMS 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 Virginia Rosado Desilets, Assistant Director, Securities and Exchange Commission, Division of Enforcement, 100 F Street, N.E., Washington, DC 20549-5010A.

D. 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, JPMS 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 JPMS's payment of a civil penalty in this action ("Penalty Offset"). If the court in any Related Investor Action grants such a Penalty Offset, JPMS 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 JPMS 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.

By the Commission.

Vanessa A. Countryman  
Secretary