

UNITED STATES OF AMERICA
Before the
SECURITIES AND EXCHANGE COMMISSION

SECURITIES ACT of 1933
Release No. 9229 / June 29, 2011

In the Matter of

**J.P. Morgan Securities LLC (f/k/a
J.P. Morgan Securities Inc.),**

Respondent.

**ORDER UNDER RULE 602(e) OF THE
SECURITIES ACT OF 1933 GRANTING A
WAIVER OF THE RULE 602(c)(2) & 602(b)(4)
DISQUALIFICATION PROVISIONS**

I.

Respondent J.P. Morgan Securities LLC (f/k/a J.P. Morgan Securities Inc.) (“J.P. Morgan Securities” or “Respondent”) has submitted a letter, dated June 17, 2011, requesting a waiver of the Rule 602(c)(2) and Rule 602(b)(4) disqualifications from the exemption from registration under Regulation E arising from Respondent’s settlement of an injunctive action commenced by the Commission.

II.

On June 21, 2011, the Commission filed a civil injunctive action in the U.S. District Court for the District of Columbia charging Respondent with violating Sections 17(a)(2) and (3) of the Securities Act of 1933 (“Securities Act”). The conduct of J.P. Morgan Securities alleged in the complaint involved an offering of a largely synthetic CDO whose portfolio consisted primarily of credit default swaps referencing other CDO securities. In its complaint, the Commission alleged that J.P. Morgan Securities represented in marketing materials that the collateral manager selected the CDO’s investment portfolio but failed to disclose that the hedge fund that purchased the subordinated notes (or “equity”), which also took the short position on roughly half of the portfolio’s assets, played a significant role in the selection process. On June 29, 2011, pursuant to Respondent’s consent, the U.S. District Court for the District of Columbia entered a Final Judgment permanently enjoining Respondent from violating Sections 17(a)(2) and (3) of the Securities Act.

III.

Rule 602(b)(4) makes the Regulation E exemption unavailable for the securities of small business investment company issuers or business development company issuers

if such issuer or any of its affiliates is subject to a court order entered within the past five years “permanently restraining or enjoining such person from engaging in or continuing any conduct or practice in connection with the purchase or sale of securities.” 17 C.F.R. § 230.602(b)(4). Rule 602(c)(2) makes this exemption unavailable for the securities of any issuer if, among other things, any investment adviser or underwriter of the securities to be offered is “temporarily or permanently restrained or enjoined by any court from engaging in or continuing any conduct or practice in connection with the purchase or sale of any security or arising out of such person’s conduct as an underwriter, broker, dealer or investment adviser.” 17 C.F.R. § 230.602(c)(2). Rule 602(e) of the Securities Act provides, however, that the disqualification “shall not apply . . . if the Commission determines, upon a showing of good cause, that it is not necessary under the circumstances that the exemption be denied.” 17 C.F.R. § 230.602(e).

IV.

Based upon the representations set forth in Respondent’s request, the Commission has determined that pursuant to Rule 602(e) under the Securities Act a showing of good cause has been made that it is not necessary under the circumstances that the exemption be denied as a result of the Final Judgment.

Accordingly, IT IS ORDERED, pursuant to Rule 602(e) under the Securities Act, that a waiver from the application of the disqualification provisions of Rules 602(b)(4) and 602(c)(2) under the Securities Act resulting from the entry of the Final Judgment is hereby granted.

By the Commission.

Elizabeth M. Murphy
Secretary