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

**SECURITIES EXCHANGE ACT OF 1934**
**Release No. 76143 / October 14, 2015**

**ADMINISTRATIVE PROCEEDING**
**File No. 3-16897**

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| **In the Matter of**<br><br>**J.P. MORGAN INVESTMENT MANAGEMENT INC.**<br><br>**Respondent.** | **ORDER INSTITUTING CEASE-AND-DESIST PROCEEDINGS PURSUANT TO SECTION 21C OF THE SECURITIES EXCHANGE ACT OF 1934, MAKING FINDINGS, AND IMPOSING A CEASE-AND-DESIST ORDER AND CIVIL PENALTY** |

## I.

The Securities and Exchange Commission ("Commission") deems it appropriate that cease-and-desist proceedings be, and hereby are, instituted pursuant to Section 21C of the Securities Exchange Act of 1934 ("Exchange Act"), against J.P. Morgan Investment Management Inc. ("JPMIM" 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 it and the subject matter of these proceedings, which are admitted, Respondent consents to the entry of this Order Instituting Cease-and-Desist Proceedings Pursuant to Section 21C of the Securities Exchange Act of 1934, Making Findings, and Imposing a Cease-and-Desist Order and Civil Penalty ("Order"), as set forth below.

## III.

On the basis of this Order and Respondent's Offer, the Commission finds[1] that:

### Summary

1. These proceedings arise out of violations of Rule 105 of Regulation M of the Exchange Act by JPMIM, a New York-based registered investment adviser. Rule 105 prohibits selling short an equity security that is the subject of certain public offerings and purchasing the offered security from an underwriter or broker or dealer participating in the offering, if such short sale was effected during the restricted period as defined therein.

2. On ten occasions, from October 2009 through September 2012, JPMIM bought offering shares from an underwriter or broker or dealer participating in a follow-on public offering after having sold short the same security during the restricted period. These violations collectively resulted in profits of $662,763.

### Respondent

3. J.P. Morgan Investment Management Inc. is a corporation organized under the laws of Delaware with its principal office in New York, New York. JPMIM is a registered investment adviser, with approximately $1.15 trillion in assets under management. The trading described herein refers to trading on behalf of certain client accounts of JPMIM, or, in some cases, of certain affiliates, advised by portfolio managers employed by JPMIM. As used in paragraphs 6-15, the terms "JPMIM" and "Respondent" refer to JPMIM or the relevant affiliate.

### Legal Framework

4. Rule 105 makes it unlawful for a person to purchase equity securities in certain public offerings from an underwriter, broker, or dealer participating in the offering if that person sold short the security that is the subject of the offering during the restricted period defined in the rule, absent an exception. 17 C.F.R. § 242.105; see Short Selling in Connection with a Public Offering, Rel. No. 34-56206, 72 Fed. Reg. 45094 (Aug. 10, 2007) (effective Oct. 9, 2007). The Rule 105 restricted period is the shorter of the period: (1) beginning five business days before the pricing of the offered securities and ending with such pricing; or (2) beginning with the initial filing of a registration statement or notification on Form 1-A or Form 1-E and ending with the pricing. 17 C.F.R. § 242.105(a)(1) and (a)(2).

5. The Commission adopted Rule 105 "to foster secondary and follow-on offering prices that are determined by independent market dynamics and not by potentially manipulative

[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.

activity." 72 Fed. Reg. 45094. Rule 105 is prophylactic and prohibits the conduct irrespective of the short seller's intent in effecting the short sale. Id.

**JPMIM's Violations of Rule 105 of Regulation M**

6. On September 6, 2012, JPMIM sold short 450 shares of American International Group, Inc. ("AIG") during the restricted period at a price of $34.2211 per share. On September 10, 2012, AIG priced a follow-on offering of its common stock at $32.50 per share. JPMIM received an allocation that included 54,732 shares in that offering. The difference between JPMIM's proceeds received from the restricted period short sales of AIG shares and the price paid for 450 shares received in the offering was $774.50. Respondent also improperly received a benefit of $26,229.06 by purchasing the remaining 54,282 shares at a discount from AIG's market price. Thus, JPMIM's participation in the 2012 AIG offering resulted in total profits of $27,003.56.

7. On September 15, 2010, JPMIM sold short 4,100 shares of Alexandria Real Estate Equities, Inc. ("ARE") during the restricted period at a price of $72.06 per share. On September 22, 2010, ARE priced a follow-on offering of its common stock at $69.25 per share. JPMIM received an allocation that included 13,803 shares in that offering. The difference between JPMIM's proceeds received from the restricted period short sales of ARE shares and the price paid for 4,100 shares received in the offering was $11,521. Respondent also improperly received a benefit of $8,758.90 by purchasing the remaining 9,703 shares at a discount from ARE's market price. Thus, JPMIM's participation in the 2010 ARE offering resulted in total profits of $20,279.90.

8. On January 9, 2012, JPMIM sold short 7,200 shares of DDR Corp ("DDR") during the restricted period at a price of $12.5925 per share. On January 12, 2012, DDR priced a follow-on offering of its common stock at $12.95 per share. JPMIM received an allocation that included 447,735 shares in that offering. Although the offering price was greater than the price at which JPMIM sold short during the restricted period, JPMIM improperly received a benefit of $194,848.63 by purchasing the remaining 440,535 shares at a discount from DDR's market price. Thus, JPMIM's participation in the 2012 DDR offering resulted in total profits of $194,848.63.

9. On June 21, 2012 and June 22, 2012, JPMIM sold short a total of 860 shares of Digital Realty Trust, Inc. ("DLR") during the restricted period at an average price of $74.0365 per share. On June 26, 2012, DLR priced a follow-on offering of its common stock at $72.25 per share. JPMIM received an allocation that included 140,236 shares in that offering. The difference between JPMIM's proceeds received from the restricted period short sales of DLR shares and the price paid for 860 shares received in the offering was $1,536.39. Respondent also improperly received a benefit of $70,886.63 by purchasing the remaining 139,376 shares at a discount from DLR's market price. Thus, JPMIM's participation in the 2012 DLR offering resulted in total profits of $72,423.02.

10. On October 28, 2010 and November 2, 2010, JPMIM sold short a total of 34,800 shares of HCP, Inc. ("HCP") during the restricted period at an average price of $36.4642. On November 3, 2010, HCP priced a follow-on offering of its common stock at $35.25 per share. JPMIM received an allocation that included 383,000 shares in that offering. The difference between JPMIM's proceeds received from the restricted period short sales of HCP shares and the price paid for 34,800 shares received in the offering was $42,254.16. Respondent also improperly received a benefit of $179,775.66 by purchasing the remaining 348,200 shares at a discount from HCP's market price. Thus, JPMIM's participation in the 2010 HCP offering resulted in total profits of $222,029.82.

11. On April 12, 2010 and April 14, 2010, JPMIM sold short a total of 20,700 shares of The Macerich Company ("MAC") during the restricted period at an average price of $42.3662 per share. On April 15, 2010, MAC priced a follow-on offering of its common stock at $41 per share. JPMIM received an allocation that included 28,330 shares in that offering. The difference between JPMIM's proceeds received from the restricted period short sales of MAC shares and the price paid for 20,700 shares received in the offering was $28,280.34. Thus, JPMIM's participation in the 2010 MAC offering resulted in total profits of $28,280.34.

12. On September 14, 2012 and September 17, 2012, JPMIM sold short a total of 680 shares of Health Care REIT Inc. ("HCN") during the restricted period at an average price of $58.7106 per share. On September 18, 2012, HCN priced a follow-on offering of its common stock at $56 per share. JPMIM received an allocation that included 82,900 shares in that offering. The difference between JPMIM's proceeds received from the restricted period short sales of HCN shares and the price paid for 680 shares received in the offering was $1,843.21. Respondent also improperly received a benefit of $84,826.37 by purchasing the remaining 82,220 shares at a discount from HCN's market price. Thus, JPMIM's participation in the 2012 HCN offering resulted in total profits of $86,669.58.

13. On July 31, 2012, JPMIM sold short 650 shares of Taubman Centers, Inc. ("TCO") during the restricted period at a price of $77.1823 per share. On August 1, 2012, TCO priced a follow-on offering of its common stock at $76 per share. JPMIM received an allocation that included 2,700 shares in that offering. The difference between JPMIM's proceeds received from the restricted period short sales of TCO shares and the price paid for 650 shares received in the offering was $768.49. Respondent also improperly received a benefit of $3,878.81 by purchasing the remaining 2,050 shares at a discount from TCO's market price. Thus, JPMIM's participation in the 2012 TCO offering resulted in total profits of $4,647.30.

14. On October 14, 2011, JPMIM sold short 1,300 shares of Equity Lifestyle Properties, Inc. ("ELS") during the restricted period at a price of $64.22 per share. On October 20, 2011, ELS priced a follow-on offering of its common stock at $60.70 per share. JPMIM received an allocation that included 111,140 shares in that offering. The difference between JPMIM's proceeds received from the restricted period short sales of ELS shares and the price paid for 1,300 shares received in the offering was $4,576. Thus, JPMIM's participation in the 2011 ELS offering resulted in total profits of $4,576.

15. On October 12, 2009, JPMIM sold short 20,900 shares of CBS Corporation ("CBS") during the restricted period at an average price of $12.0885. On October 14, 2009, CBS priced a follow-on offering of its common stock at $12 per share. JPMIM received an allocation that included 21,100 shares in that offering. The difference between JPMIM's proceeds received from the restricted period short sales of CBS shares and the price paid for 20,900 shares received in the offering was $1,849.65. Respondent also improperly received a benefit of $155.26 by purchasing the remaining 200 shares at a discount from CBS' market price. Thus, JPMIM's participation in the 2009 CBS offering resulted in total profits of $2,004.91.

16. In total, JPMIM's violations of Rule 105 resulted in profits of $662,763.

## Violations

17. As a result of the conduct described above, JPMIM violated Rule 105 of Regulation M under the Exchange Act.

## JPMIM's Remedial Efforts & Cooperation

18. In determining to accept the Offer, the Commission considered remedial acts promptly undertaken by Respondent and cooperation afforded to Commission staff.

## IV.

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

Accordingly, it is hereby ORDERED that**:**

A. Pursuant to Section 21C of the Exchange Act, Respondent JPMIM cease and desist from committing or causing any violations and any future violations of Rule 105 of Regulation M of the Exchange Act;

B. JPMIM shall within fourteen (14) days of the entry of this Order, pay disgorgement of $662,763, prejudgment interest of $56,758.40, and a civil money penalty in the amount of $364,689 (for a total of $1,084,210.40) to the Securities and Exchange Commission for transfer to the general fund of the United States Treasury, subject to Exchange Act Section 21F(g)(3). If timely payment is not made on the disgorgement amount, additional interest shall accrue pursuant to SEC Rule of Practice 600. If timely payment is not made on the civil money penalty, additional interest shall accrue pursuant to 31 U.S.C. § 3717.

Payments 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]
(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
(3) 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 JPMIM 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 Gerald W. Hodgkins, Associate Director, Division of Enforcement, Securities and Exchange Commission, 100 F Street, N.E., Washington, DC 20549.

[2] The minimum threshold for transmission of payment electronically is $1,000,000. For amounts below the threshold, respondents must make payments pursuant to options (2) or (3) above.

C. 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 agrees that in any Related 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's payment of a civil penalty in this action ("Penalty Offset"). If the court in any Related Action grants such a Penalty Offset, Respondent 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 Action" means a private damages action brought against Respondent based on substantially the same facts as alleged in the Order instituted by the Commission in this proceeding.

By the Commission.

Brent J. Fields
Secretary