UNITED STATES OF AMERICA
Before the
SECURITIES AND EXCHANGE COMMISSION

SECURITIES ACT OF 1933
Release No. 10858 / September 29, 2020

SECURITIES EXCHANGE ACT OF 1934
Release No. 90035 / September 29, 2020

ADMINISTRATIVE PROCEEDING
File No. 3-20094

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 AND SECTION 15(b) OF THE SECURITIES EXCHANGE ACT OF 1934, 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 Section 8A of the Securities Act of 1933 ("Securities Act") and Section 15(b) of the Securities Exchange Act of 1934 ("Exchange 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 ("Offer") that the Commission has determined to accept. Respondent admits the facts set forth in Section III below, acknowledges that its conduct violated the federal securities laws, admits the Commission's jurisdiction over it and the subject matter of these proceedings, and consents to the entry of this Order Instituting Administrative and Cease-and-Desist Proceedings Pursuant to Section 8A of the Securities Act of 1933 and Section 15(b) of the Securities Exchange Act of 1934, 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. Between April 2015 and January 2016 (the "Relevant Period"), certain traders ("Traders") on the U.S. Treasuries trading desk at JPMS (the "JPMS Treasuries Desk") engaged in manipulative trading of U.S. Treasury ("Treasury") cash securities in the secondary market. Over the course of the Relevant Period, the JPMS Treasuries Desk Traders engaged in hundreds of manipulative trading "events" that generally involved placing bona fide or genuine orders to buy or sell a particular Treasury security on one side of the market, while simultaneously or nearly simultaneously placing multiple, layered orders on the opposite side of the market to sell or buy that particular Treasury security, which the Trader did not intend to execute ("non-bona fide" or "deceptive" orders), in order to create a false appearance of buy or sell interest.

2. The JPMS Treasuries Desk Traders entered these non-bona fide orders to induce other market participants to trade against JPMS's bona fide orders on the opposite side of the market at favorable prices or prices that were artificially raised or artificially depressed by the non-bona fide orders. After securing beneficially priced executions for their bona fide orders, the JPMS Treasuries Desk Traders typically canceled the non-bona fide orders. During the Relevant Period, this manipulative trading scheme operated as a fraud or deceit on numerous other market participants and resulted in the generation of illicit profits to JPMS.

Respondent

3. **JPMS**, a Delaware limited liability company headquartered in New York, New York, is registered with the Commission as a broker-dealer and an investment adviser. It is a wholly-owned subsidiary of JPMorgan Chase & Co., a global financial services firm incorporated in Delaware and headquartered in New York, New York.

Background

4. Beginning as early as February 2009 and continuing through early January 2016, Traders on the JPMS Treasuries Desk who traded Treasury cash securities, including various tenors of bills, notes, and bonds, and Treasury futures engaged in manipulative trading in the U.S. Treasury cash and futures secondary markets. Generally, in the course of principal trading, Traders placed numerous non-bona fide orders on one side of the market for a particular Treasury instrument – *i.e.*, orders they never intended to execute – in order to create a false impression of buy or sell interest in that instrument that would raise or depress prices and allow the Traders to obtain opposite-side executions on bona fide orders at more favorable prices than would have otherwise been possible. After securing beneficially priced executions, the Traders would typically cancel the non-bona fide orders.

5. This manipulative trading was conducted on the secondary market, where institutional and other market participants trade Treasury securities through electronic trading

platforms. The JPMS Treasuries Desk Traders typically placed manipulative trades through a single electronic trading platform where they placed both the non-bona fide and genuine bids. In some instances, Traders engaged in manipulative trading across two electronic cash trading platforms, with a trader placing genuine orders on one platform and deceptive orders on the opposite side of the market on a different platform.

6. During the Relevant Period, Traders on the JPMS Treasuries Desk conducted hundreds of manipulative trading events in the Treasury cash market across different tenors of Treasury securities that did, or would, operate as a fraud or deceit upon other purchasers in the Treasury cash market.

7. For example, on May 20, 2015, JPMS Treasuries Desk Trader 1 placed a sell order for one (1) lot of the 30-Year Treasury Bond at a best ask price of $98.921875. After not being filled, the order was modified to a two (lot) limit order placed such that only an order of one (1) lot was publicly visible to other market participants (*i.e.*, an "iceberg" order). When the order was still not filled approximately ten seconds later, the trader placed an opposing non-bona fide order to buy ten (10) lots of the same series of Treasury Bond at an above best bid price of $98.90625. One second later, the order to sell was executed at the favorable best ask price. Two seconds later, the trader canceled the non-bona fide buy order.

8. A similar event occurred on July 29, 2015, when JPMS Treasuries Desk Trader 2 placed an iceberg buy order for twenty-five (25) lots of the 5-Year Treasury Note at the best bid price of $100.0703125, showing ten (10) lots to the market. After nearly a minute with no opposing offer to fill the buy order, the trader placed a series of non-bona fide sell orders for the same series of Treasury Note at three different price levels above the best ask price, at prices between $100.1015625 and $100.0859375, while increasing order quantity. Eight seconds after the placement of the first non-bona fide sell order, the order to buy was filled. Two seconds after execution of the buy order at the favorable best bid price, the trader cancelled all of the non-bona fide sell orders.

9. The same manipulative strategy was employed in trading of the 30-Year Treasury Bond on January 7, 2016. On that occasion, JPMS Treasuries Desk Trader 2 placed an iceberg order to sell five (5) lots of the 30-Year Treasury Bond, with just one (1) lot displayed to other market participants, at a best ask price of $100.671875. After the order stood for approximately 37 seconds in the market without executing, the trader placed a series of eighteen (18) non-bona fide buy orders, each for one (1) lot of the same series of Treasury Bond, at seven increasingly higher price levels between $100.546875 and $100.640625, creating the false appearance of increased buy interest in the market. Almost immediately after placing these orders to buy, the market mid-price (*i.e.*, the average between the best bid offer and the best ask offer) increased and the trader's offer to sell was fully executed at the favorable best ask price. Less than ten seconds later, the trader canceled all of the opposing non-bona fide orders to buy.

10. This manipulative conduct ceased in early January 2016, when certain personnel changes were made on the JPMS Treasuries Desk. Up until that time, certain JPMS Treasuries Desk Traders continued to employ a manipulative order strategy in an attempt to manipulate the Treasury securities market.

11. The manipulative trading undertaken by the Traders on the JPMS Treasuries Desk violated JPMS policies and procedures that were in effect during the Relevant Period. The company's anti-fraud and anti-manipulation policy and guidelines on appropriate trading that were in operation during the Relevant Period, as well as compliance bulletins regarding spoofing, layering, and other manipulative trading practices issued in July 2013 and December 2015, all specifically prohibited the manipulative trading techniques described herein.

12. JPMS profited from the above-described conduct by executing buy orders for Treasury securities at lower prices, or sell orders for Treasury securities at higher prices, than it otherwise would have secured absent the JPMS Treasuries Desk Traders' manipulative trading.

13. As a result of this conduct, JPMS willfully[1] violated Section 17(a)(3) of the Securities Act, which prohibits any person, in the offer or sale of securities, from engaging in any transaction, practice, or course of business which operates or would operate as a fraud or deceit upon the purchaser.

IV.

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

Accordingly, pursuant to Section 8A of the Securities Act and Section 15(b) of the Exchange Act, it is hereby ORDERED that:

A. Respondent JPMS cease and desist from committing or causing any violations and any future violations of Section 17(a)(3) of the Securities Act.

B. Respondent JPMS is censured.

C. Respondent JPMS shall, within fourteen (14) days of the entry of this Order, pay disgorgement of $10,000,000 to the Securities and Exchange Commission. If timely payment of disgorgement is not made, additional interest shall accrue pursuant to SEC Rule of Practice 600.

D. Respondent JPMS shall, within fourteen (14) days of the entry of this Order, pay a civil penalty in the amount of $25,000,000 to the Securities and Exchange Commission. Said penalty shall be offset in an amount equal to the penalty imposed in In the Matter of JPMorgan Chase & Co.; JPMorgan Chase Bank, N.A.; and J.P. Morgan Securities LLC, CFTC Docket No. 20-69. 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] "Willfully," for purposes of imposing relief under 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).

(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

(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 J.P. Morgan Securities LLC 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 Sanjay Wadhwa, Senior Associate Regional Director, Division of Enforcement, Securities and Exchange Commission, Brookfield Place, 200 Vesey Street, Suite 400, New York, New York, 10281.

By the Commission.

Vanessa A. Countryman
Secretary