

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

**SECURITIES EXCHANGE ACT OF 1934**  
**Release No. 97787 / June 22, 2023**

**ADMINISTRATIVE PROCEEDING**  
**File No. 3-21502**

**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, 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”) against J.P. Morgan Securities LLC (“Respondent” or “JPMorgan”).

**II.**

In anticipation of the institution of these proceedings, Respondent has submitted an Offer of Settlement (“Offer”) that 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 Sections 15(b) and 21C 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. These proceedings arise out of the deletion by JPMorgan of approximately 47 million electronic communications in about 8,700 electronic mailboxes relating to the period January 1 through April 23, 2018, many of which were business records required to be retained pursuant Section 17(a) of the Exchange Act and Rule 17a-4(b)(4) thereunder.

2. Beginning in 2016, JPMorgan undertook a project to delete from its system older communications and documents no longer required to be retained. The deletion tasks implemented by JPMorgan employees in connection with the project experienced glitches, with the identified documents not, in fact, being expunged. In June 2019, while troubleshooting the issue, firm employees executed deletion tasks on electronic communications from the first quarter of 2018, erroneously believing, based on written representations from JPMorgan's archiving vendor, that all the documents were coded in a way to prevent permanent deletion of records still within the thirty-six month regulatory retention period required by Section 17(a) of the Exchange Act and Rule 17a-4(b) thereunder. In fact, however, the vendor did not apply the default retention settings in a particular email domain and those communications, including many required to be maintained pursuant to the broker-dealer recordkeeping rules, were permanently deleted. Thus, approximately 47 million electronic communications of JPMorgan employees in the Chase banking retail group, thousands of whom were registered representatives of JPMorgan, are unrecoverable.

3. In at least twelve civil securities-related regulatory investigations, eight of which were conducted by the Commission staff, JPMorgan received subpoenas and document requests for communications which could not be retrieved or produced because they had been deleted permanently.

#### **Respondent**

4. Respondent is a Delaware limited liability company with its principal office in New York, New York and is registered with the Commission as a broker-dealer and as 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. Previously, Respondent twice has consented to orders finding violations of the recordkeeping requirements under Section 17(a) of the Exchange Act and Rule 17a-4 thereunder. J.P. Morgan Securities LLC, Exchange Act Rel. No. 93807, 2021 SEC LEXIS 3711 (Dec. 17, 2021) (settled) (finding failure to preserve text messages and other electronic communications between January 2018 and November 2020, and ordering \$125 million in penalties); J.P. Morgan Securities Inc., Exchange Act Rel. No. 51200, 2005 SEC LEXIS 339 (Feb. 14, 2005) (settled) (finding failure to preserve electronic records between July 1, 1999 and June 30, 2002

and ordering \$700,000 in penalties to be paid each to the Commission, FINRA and the New York Stock Exchange).

### **JPMorgan's Deletion of Millions of Electronic Communications in June 2019**

5. In 2012, JPMorgan engaged a vendor to handle its electronic storage of communications. The vendor periodically represented to JPMorgan, and separately to FINRA, that its media storage complied with Rule 17a-4(b), including that a default retention period of thirty-six months was applied to all electronic communications – and thus that documents within that thirty-six month window could not be permanently deleted.

6. In addition to the vendor's default retention period, additional coding was applied to mailboxes which were subject to "legal holds" in order to prevent the deletion of documents required to be maintained pursuant to requirements other than Rule 17a-4(b)(4), including litigation.

7. In June 2019, a team at JPMorgan within the Corporate Compliance Technology department ("the eComm Tech team") was working on a project to delete old electronic communications, including emails, instant messages and communications conveyed over Bloomberg that were no longer required to be retained. Using policies and procedures developed by JPMorgan and technicians at the vendor to facilitate the deletion of documents, the eComm Tech team tried unsuccessfully to delete certain historical communications from the 1970s and 1980s.

8. To troubleshoot the process, the eComm Tech team spread out deletion tasks across multiple time periods and ran deletion tasks on emails from January 1 through April 23, 2018, erroneously believing, based on representations from the vendor, that the 2018 electronic communications required to be maintained were protected from deletion by the vendor's default retention setting of thirty-six months. In fact, however, the vendor had failed to properly apply the default thirty-six month retention setting to the "Chase" communications domain. As a result, the troubleshooting exercise permanently deleted all of the emails in that domain from that period which were not subject to legal holds.

9. Until October 2019, no one at JPMorgan realized that the electronic communications from that time period had been permanently deleted as a result of the deletion task. In October 2019, JPMorgan's legal discovery team detected that electronic communications were missing from the early 2018 time period. The eComm Tech team and the vendor investigated the issue, and learned that electronic communications in the Chase domain which had been the target of the troubleshooting tasks had not, in fact, been properly coded by the vendor with the thirty-six month default retention and actually had been deleted.

10. Despite the eComm Tech team's efforts, the electronic communications not subject to legal holds were unrecoverable. In all, approximately 47 million communications from

the period January 1 through April 23, 2018 housed in approximately 8,700 electronic mailboxes, including the email boxes of as many as 7,500 employees who had regular contact with Chase customers, were deleted.

11. In response to the deletion event, JPMorgan implemented its own thirty-six month retention coding. In addition, the Firm's eComm Tech team updated its procedures to prohibit deletion tasks from being run on electronic communications within a period still subject to regulatory retention requirements and to require that any employee seeking to run a deletion task first obtain approval from a senior level information officer. Members of the eComm Tech team were trained on the new procedures.

12. JPMorgan reported the deletion event to the Commission in January 2020.

### **Deleted Communications Could Not be Retrieved or Produced in Response to Regulatory Investigations**

13. JPMorgan received subpoenas and document requests in at least twelve civil securities-related regulatory investigations, eight of which were conducted by the Commission staff, where communications could not be retrieved or produced because they had been deleted permanently.

14. JPMorgan notified only one of the eight investigative teams at the Commission that its production in response to the subpoenas had been compromised by the 2019 deletion event.

15. Because the deleted records are unrecoverable, it is unknown – and unknowable – how the lost records may have affected the regulatory investigations. Indeed, a member of JPMorgan's compliance department acknowledged in an internal email after the deletion event was discovered that lost documents could relate to potential future investigations, legal matters and regulatory inquiries.

### **JPMorgan's Violations**

16. As a result of the conduct described above, JPMorgan willfully<sup>1</sup> violated Section 17(a) of the Exchange Act and Rule 17a-4(b)(4) thereunder, which require broker-dealers to preserve for at least three years originals of all communications received and copies of all communications sent relating to its business as such.

<sup>1</sup> "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)).

#### IV.

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

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

A. Respondent JPMorgan cease and desist from committing or causing any violations and any future violations of Section 17(a) of the Exchange Act and Rule 17a-4(b)(4) thereunder.

B. Respondent JPMorgan is censured.

C. Respondent JPMorgan shall, within 14 days of the entry of this Order, pay a civil money penalty in the amount of four million dollars (\$4,000,000.00) 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, 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](https://www.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 JPMorgan 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 Antonia M. Apps, Regional

Director, Securities and Exchange Commission, 100 Pearl Street, Suite 20-100, New York, New York 10004-2616.

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, Respondent 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's payment of a civil penalty in this action ("Penalty Offset"). If the court in any Related Investor 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 Investor Action" means a private damages action brought against Respondent 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