



UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

THE CHAIRMAN

June 29, 2011

Herbert F. Janick III, Esq.
Bingham McCutchen
2020 K Street, NW
Washington, DC 20006-1806

**Re: SEC v. J.P. Morgan Securities LLC, Civil Action No. 11-CV-4206
Waiver Request under Regulation A and Rule 505 of Regulation D**

Dear Mr. Janick:

This responds to your letter dated June 21, 2011, written on behalf of J.P. Morgan Securities LLC ("J.P. Morgan Securities"), and constituting an application for relief under Rule 262 of Regulation A and Rule 505(b)(2)(iii)(C) of Regulation D under the Securities Act of 1933 (the "Securities Act").

You requested relief from disqualifications from exemptions available under Regulation A and Rule 505 that arose by reason of the Final Judgment as to J.P. Morgan Securities entered on June 29, 2011 by the United States District Court for the Southern District of New York in SEC v. J.P. Morgan Securities LLC, No. 11-CV-4206 (the "Judgment"). The Judgment, among other things,

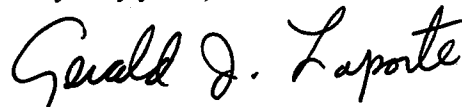
- (1) permanently restrains and enjoins J.P. Morgan Securities from violating Sections 17(a)(2) and (3) of the Securities Act of 1933 (the "Securities Act") in the offer or sale of any security or security-based swap agreement;
- (2) orders J.P. Morgan to pay disgorgement in the amount of \$18,600,000, plus prejudgment interest thereon in the amount of \$2,000,000;
- (3) orders J.P. Morgan to pay a civil penalty in the amount of \$133,000,000 under Section 20(d)(2) of the Securities Act; and
- (4) orders J.P. Morgan to comply with specified undertakings for three years from the entry of the Judgment.

For purposes of this letter, we have assumed as facts the representations set forth in your letter and the findings supporting entry of the Judgment. We also have assumed that J.P. Morgan Securities will comply with the Judgment.

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On the basis of your letter, I have determined that you have made showings of good cause under Rule 262 and Rule 505 that it is not necessary under the circumstances to deny the exemptions available under Regulation A and Rule 505 by reason of entry of the Judgment against J.P. Morgan Securities. Accordingly, pursuant to delegated authority, on behalf of the Division of Corporation Finance, I hereby grant relief from any disqualifications from exemptions otherwise available under Regulation A and Rule 505 that may have arisen by reason of entry of the Judgment against J.P. Morgan Securities.

Very truly yours,

A handwritten signature in black ink that reads "Gerald J. Laporte". The signature is written in a cursive, flowing style.

Gerald J. Laporte
Chief, Office of Small Business Policy

Herbert F. Janick III
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June 21, 2011

Advance Copy Via Email

Gerald J. Laporte, Esq.
Chief, Office of Small Business Policy
Division of Corporation Finance
Securities and Exchange Commission
100 F Street, N.E.
Washington, D.C. 20549

Re: SEC v. J.P. Morgan Securities LLC (f/k/a J.P. Morgan Securities Inc.), Civil Action No. 11-CV-4206 (S.D.N.Y.)

Dear Mr. Laporte:

Our client, J.P. Morgan Securities LLC (f/k/a J.P. Morgan Securities Inc.) (“J.P. Morgan Securities”), is a settling defendant in the above-captioned civil action (the “Action”) brought by the United States Securities and Exchange Commission (the “Commission”) in the United States District Court for the Southern District of New York (the “Court”). The Action relates to alleged violations of the federal securities laws by J.P. Morgan Securities in connection with the sale of a collateralized debt obligation (“CDO”) to institutional investors.

J.P. Morgan Securities hereby requests, pursuant to Rule 262 of Regulation A and Rule 505 of Regulation D under the Securities Act of 1933 (as amended, the “Securities Act”), that the Commission grant a waiver of any disqualification from the exemptions provided by Regulation A and Rule 505 of Regulation D that may otherwise apply to J.P. Morgan Securities, any of its affiliates or any issuer, offering participant or other persons as a result of the judgment entered by the Court in the Action on this date. It is our understanding that the Division of Enforcement does not object to the grant of the requested waiver.

BACKGROUND

The conduct of J.P. Morgan Securities alleged in the complaint in the Action involved an offering of a largely synthetic CDO whose portfolio consisted primarily of credit default swaps (“CDS”) referencing other CDO securities to qualified institutional buyers in reliance on the exemption from registration under the Securities Act of 1933 (as amended, the “Securities Act”) provided by Rule 144A thereunder and to non-U.S. persons in reliance on the safe harbor from registration provided by Regulation S thereunder. The complaint 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

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role in the selection process. Specifically, the complaint alleged that although the offering circular for the CDO did have a risk factor that disclosed that a noteholder may hold a short position with respect to the referenced CDOs or buy credit protection with respect to the referenced CDOs, and that a noteholder may act with respect to those positions “without regard to whether any such action might have an adverse effect on the Issuer, the Noteholders, related Reference Entity or any Reference Obligation,” this disclosure did not indicate that such a noteholder was involved in the portfolio selection process.

In connection with the above-captioned proceeding, J.P. Morgan Securities and the Division of Enforcement reached an agreement to settle the Action as described below, and J.P. Morgan Securities has executed a consent to the entry of a judgment by the Court (the “Judgment”) without admitting or denying the matters set forth in the Commission’s complaint in the Action (except as to the jurisdiction of the Court).

J.P. Morgan Securities anticipates that the Court will permanently restrain and enjoin J.P. Morgan Securities, from violating Sections 17(a)(2) and (3) of the Securities Act in the offer or sale of any security or security-based swap agreement. The Judgment will decree that J.P. Morgan Securities is liable for disgorgement of \$18.6 million, together with prejudgment interest thereon in the amount of \$2 million, and a civil penalty in the amount of \$133 million. Finally, the Judgment will require J.P. Morgan Securities to comply with certain undertakings relating to: (i) the vetting and approval process for offerings of residential mortgage-related securities (other than agency RMBS), including CDOs referencing those securities (collectively, “mortgage securities”); (ii) the role of J.P. Morgan Securities’ Legal and Compliance Department with respect to the review of marketing materials used in connection with mortgage securities offerings; (iii) the review of the written marketing materials used in connection with mortgage securities by outside counsel where J.P. Morgan Securities is the lead underwriter of an offering of mortgage securities and retains outside counsel to advise on the offering; (iv) the delivery of offering circulars/prospectuses for mortgage securities offerings; (v) annual internal audits to determine that items (i)-(iv) are being complied with; and (vi) education and training of persons involved in the structuring or marketing of mortgage securities offerings.

DISCUSSION

Regulation A and Rule 505 of Regulation D provide exemptions from registration under the Securities Act for certain offerings of limited size. Rule 262 of Regulation A and Rule 505 provide for disqualification from these exemptions if, among other things, the issuer, any of its predecessors or any affiliated issuer, or any director, officer, general partner or 10% beneficial equity owner of the issuer, or any underwriter of the securities to be offered or any partner, director or officer of any such underwriter, in any such case is subject to any order, judgment or decree of any court of competent jurisdiction temporarily or permanently restraining or enjoining such person from engaging in or

continuing any conduct or practice in connection with the purchase or sale of any security.¹ These Rules, however, also provide that these disqualifications shall not apply if the Commission determines, upon a showing of good cause, that it is not necessary under the circumstances that the exemptions be denied.² J.P. Morgan Securities understands that the Judgment could disqualify it and certain of its affiliates from participating in offerings as an issuer or underwriter in reliance upon the exemptions from registration under the Securities Act provided by Regulation A and Rule 505, insofar as J.P. Morgan Securities would thereby be subject to a judicial order restraining or enjoining conduct in connection with the purchase or sale of any security. Pursuant to these regulations, the disqualifications could also apply to any issuer, underwriter or other person participating in such an offering with J.P. Morgan Securities. As noted above, however, the Commission has the authority to waive the Regulation A and Rule 505 exemption disqualifications.

J.P. Morgan Securities requests that the Commission waive any disqualifying effects that the Judgment may have under Regulation A and Rule 505 with respect to J.P. Morgan Securities, its affiliates or any other persons, whether acting as issuer, underwriter or otherwise, for the following reasons:

1. The disqualification of J.P. Morgan Securities from the exemptions under Regulation A and Rule 505 would be unduly and disproportionately severe given the nature of the conduct alleged in the complaint relating to the Action. The conduct of J.P. Morgan Securities alleged in the complaint does not pertain to whether or not securities offerings were conducted in compliance with the exemptions from registration provided by Regulation A or Rule 505. Rather, as noted above, the alleged conduct involved an offering of a CDO by J.P. Morgan Securities to qualified institutional buyers in reliance on the exemption from Securities Act registration provided by Rule 144A and to non-U.S. persons in reliance on the safe harbor from registration provided by Regulation S.
2. In the future, issuers may wish to retain J.P. Morgan Securities to participate in offerings of securities conducted in reliance on the exemption provided by Regulation A or Rule 505. Consequently, the disqualification of J.P. Morgan Securities could adversely affect J.P. Morgan Securities' business operations with regard to securities distribution and could adversely affect third parties (which could include affiliates of J.P. Morgan Securities) that may wish, but because of the disqualification would be unable, to retain J.P. Morgan Securities or participate with it in connection with an offering conducted pursuant to these exemptions.
3. Finally, the disqualification of J.P. Morgan Securities would be unduly and disproportionately severe because J.P. Morgan Securities will be required under the Judgment to pay a total of \$153.6 million in disgorgement and civil money penalty. J.P.

¹ See 17 C.F.R. §§262(a)(4) and (b)(2) and 505(b)(2)(iii).

² See 17 C.F.R. §§262 and 505(b)(2)(iii)(C).

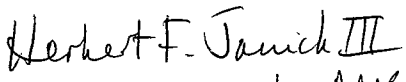
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Morgan Securities has also undertaken certain actions identified in the Judgment and described above that are intended to enhance J.P. Morgan Securities' compliance practices relating to the matters that are the subject of the Judgment. Thus, the disqualification would result in an additional penalty beyond what the Judgment requires.

In light of the grounds for relief described above, we believe that disqualification is not necessary under the circumstances, and that J.P. Morgan Securities has shown good cause that relief should be granted. Accordingly, we respectfully request that the Commission waive the disqualification provisions in Regulation A and Rule 505 of Regulation D to the extent that they may otherwise apply to J.P. Morgan Securities, any of its affiliates or any issuer, offering participant or other persons as a result of the entry of the Judgment.³

If you have any questions regarding the above, please do not hesitate to contact me at (207) 780-8270.

Sincerely,


Herbert F. Janick III *by AMC*

cc: Kenneth Lench, Esq.
(Division of Enforcement)

Reid A Muoio, Esq.
(Division of Enforcement)

Carolyn Kurr, Esq.
(Division of Enforcement)

³ We note that the Commission granted relief under Regulation A and Regulation D for these exact reasons in *SEC v. Goldman Sachs & Co. and Fabrice Tourre*, SEC No-Action letter (pub. avail. July 20, 2010), and for similar reasons in other instances. *See, e.g.*, *Investools Inc. et al.*, SEC No-Action Letter (pub. avail. Dec. 16, 2009); *General Electric Company*, SEC No-Action Letter (pub. avail. Aug. 11, 2009); *Prudential Equity Group, LLC*, SEC No-Action Letter (pub. avail. Aug. 28, 2006); *Goldman, Sachs & Co.*, SEC No-Action Letter (pub. avail. Oct 31, 2003); *Merrill Lynch & Co., Inc.*, SEC No-Action Letter (pub. avail. March 17, 2003); *Credit Suisse First Boston Corporation*, S.E.C. No-Action Letter (pub. avail. Jan. 29, 2002); *Dain Rauscher, Incorporated*, S.E.C. No-Action Letter (pub. avail. Sept. 27, 2001); and *Legg Mason Wood Walker, Incorporated*, S.E.C. No-Action Letter (pub. avail. June 11, 2001).

The Commission has also granted the requested relief to the same firm on more than one occasion. *See, e.g.*, In the matter of *Certain Municipal Bond Refundings*, SEC No-Action Letter (pub. avail. April 6, 2000).