

**THE NASDAQ STOCK MARKET LLC
NOTICE OF ACCEPTANCE OF AWC**

Certified, Return Receipt Requested

**TO: JP Morgan Securities, Inc.
Jeffrey C. Bernstein
Managing Director
570 Washington Blvd.
Jersey City, NJ 07310**

**FROM: FINRA, Department of Market Regulation
9509 Key West Avenue
Rockville, MD 20850**

DATE: March 24, 2010

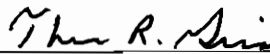
RE: Notice of Acceptance of Letter of Acceptance, Waiver and Consent No. 20080137271-01

Please be advised that your above-referenced Letter of Acceptance, Waiver and Consent ("AWC") has been accepted by FINRA's National Adjudicatory Council ("NAC") Review Subcommittee, or by the Office of Disciplinary Affairs on behalf of the NAC pursuant to FINRA Rule 9216. A copy of the AWC is enclosed herewith.

You are again reminded of your obligation, if currently registered, immediately to update your registration Uniform Application for Broker-Dealer Registration ("Form BD") to reflect the conclusion of this disciplinary action. Additionally, you must also notify FINRA in writing of any change of address or other changes required to be made to your Form BD.

You will be notified by the Registration and Disclosure Department regarding sanctions and by the Finance Department regarding the payment of any fine.

If you have any questions concerning this matter, please call Eric Brown, Counsel, (212) 858-4308.



Thomas R. Gira
Executive Vice President
Department of Market Regulation

Enclosure

cc:

FINRA District 10 – New York
Hans L. Reich, Regional Director
One Liberty Plaza
New York, NY 10006-1400

Christina Dugger, Esq.
Executive Director, Asst. General Counsel
245 Park Avenue, 12th Floor
New York, NY 10167

THE NASDAQ OPTIONS MARKET
LETTER OF ACCEPTANCE, WAIVER AND CONSENT
NO. 20080137271-01

TO: The NASDAQ Options Market
c/o Department of Market Regulation
Financial Industry Regulatory Authority ("FINRA")

RE: J.P. Morgan Securities, Inc., Respondent
Broker-Dealer
CRD No. 79

Bear, Stearns Securities Corporation, Respondent¹
Broker-Dealer
CRD No. 28432

Pursuant to FINRA Rule 9216 of FINRA's Code of Procedure, J. P. Morgan Securities, Inc. ("JP Morgan") and Bear, Stearns Securities Corporation ("Bear") submit this Letter of Acceptance, Waiver and Consent ("AWC") for the purpose of proposing a settlement of the alleged rule violations described below. This AWC is submitted on the condition that, if accepted, FINRA will not bring any future actions against the firm alleging violations based on the same factual findings described herein.

I.

ACCEPTANCE AND CONSENT

- A. JP Morgan and Bear hereby accept and consent, without admitting or denying the findings, and solely for the purposes of this proceeding and any other proceeding brought by or on behalf of FINRA, or to which FINRA is a party, prior to a hearing and without an adjudication of any issue of law or fact, to the entry of the following findings by FINRA:

BACKGROUND

JP Morgan has been a member of FINRA (formerly known as NASD) since December 17, 1936, and its registration remains in effect. The Firm was approved for The NASDAQ Options Market, LLC ("NOM") membership on December 7, 2007, and its registration remains in effect. Bear has been a member of FINRA since June 25, 1991, and following its acquisition by JP Morgan Chase & Co. on June 1, 2008, changed its name to JP Morgan Clearing Corporation on October 1, 2008.

¹ JP Morgan Chase & Co. acquired The Bear Stearns Companies, Inc., including Bear, Stearns Securities Corporation. Bear, Stearns Securities Corporation is now known as JPMorgan Clearing Corporation.

RELEVANT PRIOR DISCIPLINARY HISTORY

JP Morgan and Bear have no relevant disciplinary history.

SUMMARY

In connection with matter 20080137271, the staff of the Department of Market Regulation of FINRA (the "staff") conducted a review of the Options Clearing Corporation ("OCC") Contrary Intention File during the period between May and June 2008 for Bear's compliance with the rules and regulations relating to the proper exercise of options contracts.

In connection with matter 20080140251, the staff conducted a review of the OCC Contrary Intention File during June 2008 for JP Morgan's compliance with the rules and regulations relating to the proper exercise of options contracts.

In connection with matter 20080144846, the staff conducted a review of the OCC Contrary Intention File during July 2008 for JP Morgan's compliance with the rules and regulations relating to the proper exercise of options contracts.

In connection with matter 20080153627, the staff conducted a review of the OCC Contrary Intention File during September 2008 for Bear's compliance with the rules and regulations relating to the proper exercise of options contracts.

In connection with matter 20080164047, the staff conducted a review of the OCC Contrary Intention File during November 2008 for Bear's compliance with the rules and regulations relating to the proper exercise of options contracts.

In connection with matter 20080140508, the staff conducted a review of JP Morgan's options positions required to be reported in the Large Option Positions Report ("LOPR") during the period between July 1, 2008 and September 30, 2008 for compliance with the rules and regulations relating to position limits.

FACTS AND VIOLATIVE CONDUCT

1. During May and June of 2008, Bear, on two occasions, failed (i) to timely submit Expiring Exercise Declarations ("EEDs") to OCC on behalf of Customer A and (ii) to timely create, and subsequently file with NOM, a memorandum setting forth the circumstances giving rise to its untimely submission of EEDs.
 2. During June 2008, JP Morgan, on one occasion, failed (i) to timely cancel an EED sent to OCC regarding an options position in its proprietary account and (ii) to timely create, and subsequently file with NOM, a memorandum setting forth the circumstances giving rise to its untimely cancellation of that EED.
 3. During July 2008, JP Morgan, on four occasions, failed (i) to timely cancel an EED sent to OCC regarding an options position in its proprietary account and (ii) to timely create, and subsequently file with NOM, a memorandum setting forth the circumstances giving rise to its untimely cancellation of that EED.
 4. During September 2008, Bear, on one occasion, failed (i) to timely submit an EED to OCC on behalf of Customer B and (ii) to timely create, and subsequently file with NOM, a memorandum setting forth the circumstances giving rise to its untimely submission of that EED.
 5. During November 2008, Bear, on two occasions, failed (i) to timely submit an EED to OCC on behalf Customer C and (ii) to timely create, and subsequently file with NOM, a memorandum setting forth the circumstances giving rise to its untimely submission of that EED.
 6. During the period between August 29, 2008 and September 4, 2008, JP Morgan transferred positions in stock option contracts that resulted in the holding or controlling of an aggregate equity options position in Product D that exceeded the applicable options position limit.
 7. The conduct described in paragraphs one through five constitutes separate and distinct violations of Chapter VIII, Section 1(f) of the NOM Rules.
 8. The conduct described in paragraph six constitutes a violation of Chapter III, Section 7, of the NOM Rules.
- B. The Firm also consents to the imposition of the following sanctions:

A censure and a fine of \$10,000.

JP Morgan and Bear agree to pay the monetary sanctions upon notice that this AWC has been accepted and that such payments are due and payable. JP Morgan and Bear have submitted an Election of Payment form showing the method by which they propose to pay the fine imposed.

JP Morgan and Bear specifically and voluntarily waive any right to claim that they are unable to pay, now or at any time hereafter, the monetary sanctions imposed in this matter.

The sanctions imposed herein shall be effective on a date set by FINRA staff.

II.

WAIVER OF PROCEDURAL RIGHTS

JP Morgan and Bear specifically and voluntarily waive the following rights granted under FINRA's Code of Procedure:

- A. To have a Complaint issued specifying the allegations against the firm;
- B. To be notified of the Complaint and have the opportunity to answer the allegations in writing;
- C. To defend against the allegations in a disciplinary hearing before a hearing panel, to have a written record of the hearing made and to have a written decision issued; and
- D. To appeal any such decision to the National Adjudicatory Council ("NAC") and then to the U.S. Securities and Exchange Commission and a U.S. Court of Appeals.

Further, JP Morgan and Bear specifically and voluntarily waive any right to claim bias or prejudgment of the General Counsel, the NAC, or any member of the NAC, in connection with such person's or body's participation in discussions regarding the terms and conditions of this AWC, or other consideration of this AWC, including acceptance or rejection of this AWC.

JP Morgan and Bear further specifically and voluntarily waive any right to claim that a person violated the ex parte prohibitions of FINRA Rule 9143 or the separation of functions prohibitions of FINRA Rule 9144, in connection with such person's or body's participation in discussions regarding the terms and conditions of this AWC, or other consideration of this AWC, including its acceptance or rejection.

III.

OTHER MATTERS

JP Morgan and Bear understand that:

- A. Submission of this AWC is voluntary and will not resolve this matter unless and until it has been reviewed and accepted by the NAC, a Review Subcommittee of the NAC, or the Office of Disciplinary Affairs (“ODA”), pursuant to FINRA Rule 9216;
- B. If this AWC is not accepted, its submission will not be used as evidence to prove any of the allegations against JP Morgan and Bear; and
- C. If accepted:
 - 1. This AWC will become part of JP Morgan’s and Bear’s permanent disciplinary record and may be considered in any future actions brought by FINRA or any other regulator against JP Morgan and Bear;
 - 2. This AWC will be made available through FINRA’s public disclosure program in response to public inquiries about JP Morgan’s or Bear’s disciplinary record;
 - 3. FINRA may make a public announcement concerning this agreement and the subject matter thereof in accordance with FINRA Rule 8313; and
 - 4. JP Morgan and Bear may not take any action or make or permit to be made any public statement, including in regulatory filings or otherwise, denying, directly or indirectly, any finding in this AWC or create the impression that the AWC is without factual basis. JP Morgan and Bear may not take any position in any proceeding brought by or on behalf of FINRA, or to which FINRA is a party, that is inconsistent with any part of this AWC. Nothing in this provision affects JP Morgan’s or Bear’s right to take legal or factual positions in litigation or other legal proceedings in which FINRA is not a party.
- D. JP Morgan and Bear may attach a Corrective Action Statement to this AWC that is a statement of demonstrable corrective steps taken to prevent future misconduct. JP Morgan and Bear understand that they may not deny the charges or make any statement that is inconsistent with the AWC in this Statement. This Statement does not constitute factual or legal findings by FINRA, nor does it reflect the views of FINRA or its staff.

The undersigned, on behalf of the JP Morgan and Bear, certifies that a person duly authorized to act on its behalf has read and understands all of the provisions of this AWC and has been given a full opportunity to ask questions about it; that it has agreed to the AWC's provisions voluntarily; and that no offer, threat, inducement, or promise of any kind, other than the terms set forth herein and the prospect of avoiding the issuance of a Complaint, has been made to induce JP Morgan or Bear to submit it.

December 18, 2009

Date

Respondent

J.P. Morgan Securities, Inc.

By: 

Name: Jeffrey C. Bernstein

Title: Managing Director

December 18, 2009

Date

Respondent

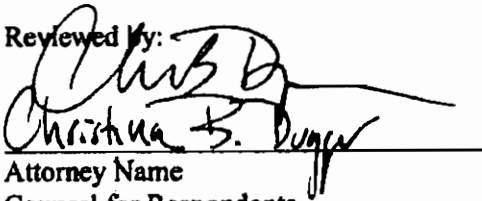
Bear, Stearns Securities Corporation

By: 

Name: Jeffrey C. Bernstein

Title: Managing Director

Reviewed by:


Christina B. Dwyer
Attorney Name
Counsel for Respondents

Firm Name: JP Morgan Chase Co.

Address: 245 Park Avenue, NY, NY 10167

Telephone No.: 212-648-0391

Accepted by FINRA:

3/27/10
Date

Signed on behalf of the
Director of ODA, by delegated authority

Thomas R. Gira
Thomas R. Gira
Executive Vice President
Department of Market Regulation

ELECTION OF PAYMENT FORM

The Respondents intend to pay the fine proposed in the attached Letter of Acceptance, Waiver and Consent by the following method (check one):

- A firm check or bank check for the full amount;
- Wire transfer;
- Credit card authorization for the full amount;¹ or
- The installment payment plan (only if approved by FINRA staff and the Office of Disciplinary Affairs).²

Respectfully submitted,
Respondents
J.P. Morgan Securities, Inc.
Bear, Stearns Securities Corporation

December 18, 2009
Date

By: _____

Name: _____

Title: _____

¹ Only MasterCard, Visa and American Express are accepted for payment by credit card. If this option is chosen, the appropriate forms will be mailed to you, with an invoice, by FINRA's Finance Department. Do not include your credit card number on this form.

² The installment payment plan is only available for fines of \$5,000 or more. Certain interest payments, minimum initial and monthly payments, and other requirements apply. You must discuss these terms with FINRA staff prior to requesting this method of payment.