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PRESS RELEASE

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J.P. Morgan to Pay $18 Million for Violating Whistleblower Protection Rule

Firm's confidential agreements impeded clients from communicating with the SEC

FOR IMMEDIATE RELEASE | 2024-7

Washington D.C., Jan. 16, 2024 — The Securities and Exchange Commission today announced settled charges against J.P. Morgan Securities LLC (JPMS) for impeding hundreds of advisory clients and brokerage customers from reporting potential securities law violations to the SEC. JPMS agreed to pay an $18 million civil penalty to settle the charges.

According to the SEC's order, from March 2020 through July 2023, JPMS regularly asked retail clients to sign confidential release agreements if they had been issued a credit or settlement from the firm of more than $1,000. The agreements required the clients to keep confidential the settlement, all underlying facts relating to the settlement, and all information relating to the account at issue. In addition, even though the agreements permitted clients to respond to SEC inquiries, they did not permit clients to voluntarily contact the SEC.

"Whether it's in your employment contracts, settlement agreements or elsewhere, you simply cannot include provisions that prevent individuals from contacting the SEC with evidence of wrongdoing," said Gurbir S. Grewal, Director of the SEC's Division of Enforcement. "But that's exactly what we allege J.P. Morgan did here. For several years, it forced certain clients into the untenable position of choosing between receiving settlements or credits from the firm and reporting potential securities law violations to the SEC. This either-or proposition not only undermined critical investor protections and placed investors at risk, but was also illegal."

"Investors, whether retail or otherwise, must be free to report complaints to the SEC without any interference," said Corey Schuster, Co-Chief of the Enforcement Division's Asset Management Unit. "Those drafting or using confidentiality agreements need to ensure that they do not include provisions that impede potential whistleblowers."

The SEC's order finds that JPMS violated Rule 21F-17(a) under the Securities Exchange Act of 1934, a whistleblower protection rule that prohibits taking any action to impede an individual from communicating directly with the SEC staff about possible securities law violations. Without admitting or denying the SEC's findings, JPMS agreed to be censured, to cease and desist from violating the whistleblower protection rule, and to pay the $18 million civil penalty.

The SEC's investigation was conducted by Marie DeBonis and Jessica Neiterman, with assistance from John Farinacci, and supervised by Virginia Rosado Desilets, Brianna Ripa, Mr. Schuster, and Andrew Dean, all of the SEC's Asset Management Unit. Rua Kelly of the Trial Unit also assisted in the investigation.

The SEC strongly encourages the public to submit any tips, complaints, and referrals via https://www.sec.gov/tcr.

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RESOURCES

- SEC Order