



ASIC

Australian Securities & Investments Commission

EU final compliance report by ASIC

ASIC's final report dated **11 May 2018** on compliance with the s93AA ASIC Act enforceable undertaking given by **J.P. Morgan Securities plc; J.P. Morgan Securities (Asia Pacific) Ltd and J.P. Morgan Securities LLC** (together "JP Morgan Entities") dated **16 November 2015**.

Terms used in this report have the same meaning as in the 16 November 2015 enforceable undertaking (**EU**).

Note: A variation to the EU was executed on 10 February 2017 to reflect the change in reliance by J.P. Morgan Securities LLC from ASIC Instrument 09-00905 to the relief formerly provided under ASIC Class Order [CO 03/1100] *US SEC regulated financial service providers*, the effect of which was extended by ASIC Corporations (Repeal and Transitional) Instrument 2016/396.

| Undertakings | Report on compliance |
|--|--|
| Independent Expert EU paragraphs 6.2 - 6.7 | 1. KPMG Financial Advisory Services (Australia) Pty Ltd (KPMG) was appointed with ASIC's approval as the Independent Expert (IE) for the purposes of the EU, in accordance with the requirements and time frame specified in the EU. |
| First Review Paragraphs 6.7(a) and paragraph 1 of Annexure 1 of the EU | 2. The First Review of J.P. Morgan's policies, procedures, practices, training and monitoring (Compliance Framework) implemented to comply with the Disclosure Requirement, was conducted and completed by the IE in accordance with the requirements and time frame specified in the EU. |

| Undertakings | Report on compliance |
|--|--|
| <p>First Report</p> <p>Paragraphs 6.7(b), 6.8 and 6.9, and Annexure 1 of the EU</p> | <p>3. The First Report in relation to the conduct and completion of the First Review was delivered in accordance with the requirements and time frame specified in the EU. The First Report made a number of observations and recommendations to strengthen J.P. Morgan's Compliance Framework implemented to comply with the Disclosure Requirement.</p> <p>4. A summary of the First Report was published on ASIC's EU Register on 15 July 2016 in accordance with the EU.</p> |
| <p>First Remedial Action Plan</p> <p>EU paragraphs 6.10 – 6.14</p> | <p>5. The J.P. Morgan Entities provided the First Remedial Action Plan in response to the First Report on 13 May 2016, in accordance with the requirements and the time frame specified in the EU.</p> <p>6. The J.P. Morgan Entities notified ASIC on 19 August 2016 that it had implemented all remedial actions set out in the First Remedial Action Plan.*</p> |
| <p>Second Review</p> <p>Paragraphs 6.7(c) and Annexure 2 of the EU</p> | <p>7. The Second Review was conducted and completed by the IE in accordance with the requirements and time frame specified in the EU.</p> |

| Undertakings | Report on compliance |
|--|--|
| <p>Second Report</p> <p>Paragraphs 6.7(d), 6.15 and 6.16, and paragraph 2 of Annexure 2 of the EU</p> | <p>8. The Second Report was delivered in accordance with the requirements and time frame specified in the EU. The Second Report, subject to its terms:</p> <ul style="list-style-type: none"> • expressed the view that J.P. Morgan's Compliance Framework was designed sufficiently, and operating effectively, to ensure effective and enduring compliance with the Disclosure Requirement; • assessed J.P. Morgan's response to the First Report as effective; and • made some observations and recommendations in relation to a number of matters that could further enhance J.P. Morgan's Compliance Framework implemented to comply with the Disclosure Requirement, but which did not constitute deficiencies or gaps that were likely to impact on J.P. Morgan's enduring compliance with the Disclosure Requirement. <p>9. A summary of the Second Report was published on ASIC's EU Register on 20 February 2018 in accordance with the EU.</p> |
| <p>Second Remedial Action Plan</p> <p>EU paragraphs 6.17 – 6.22</p> | <p>10. A Second Remedial Action Plan was not required as the Second Report did not identify any deficiencies or gaps in J.P. Morgan's Compliance Framework implemented to comply with the Disclosure Requirement.</p> |

* Substantial, satisfactory compliance with these paragraphs of the undertakings relating to timing.