



DIVISION OF
CORPORATION FINANCE

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

May 31, 2006

Steven Lofchie, Esq.
Davis Polk & Wardwell
450 Lexington Avenue
New York, NY 10017

**Re: J.P. Morgan Securities, Inc., Administrative Proceeding File No. 3-12310—Waiver
Request under Regulation A and Rule 505 of Regulation D**

Dear Mr. Lofchie:

This is in response to your letter dated today, written on behalf of J.P. Morgan Securities, Inc. ("J.P. Morgan") 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 ("Securities Act"). You requested relief from disqualifications from exemptions available under Regulation A and Rule 505 of Regulation D that arose by virtue of the entry of an order dated today against J.P. Morgan and others as respondents by the Securities and Exchange Commission in the referenced administrative proceeding (the "Order"). The disqualifications arose because the Order was issued under Section 15(b) of the Securities Exchange Act of 1934 and contained paragraphs numbered IV.D and IV.E, which ordered J.P. Morgan, among other things, to provide written descriptions of its material auction practices and procedures for auction rate securities. The order also was issued under Section 8A of the Securities Act and also censured J.P. Morgan, ordered J.P. Morgan to cease and desist from committing or causing any violations and any future violations of Section 17(a)(2) of the Securities Act, and ordered J.P. Morgan to pay a civil money penalty in the amount of \$1,500,000.

For purposes of this letter, we have assumed as facts the representations set forth in your letter and the findings supporting entry of the Order against J.P. Morgan. We have also assumed that J.P. Morgan has complied and will continue to comply with the Order.

On the basis of your letter, I have determined that J.P. Morgan has made a showing of good cause under Rule 262 and Rule 505(b)(2)(iii)(C) that it is not necessary under the circumstances to deny the exemptions available under Regulation A and Rule 505 of Regulation D by reason of entry of the Order against J.P. Morgan. Accordingly, pursuant to delegated authority, J.P. Morgan is granted relief from any disqualifications from exemptions otherwise available under Regulation A and Rule 505 of Regulation D that arose as a result of entry of the Order against it.

Very truly yours,

Gerald J. Laporte
Chief, Office of Small Business Policy

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May 31, 2006

Gerald J. Laporte, Esq.
Chief, Office of Small Business Policy
Division of Corporation Finance
U.S. Securities and Exchange Commission
100 F Street, N.E.
Washington, D.C. 20549-3628

Re: In the Matter of Certain Auction Rate Securities Practices,
File No. HO-09954

Dear Mr. Laporte:

We submit this letter on behalf of our client, J.P. Morgan Securities, Inc. ("JPMSI"), in connection with the Settlement Order (defined below) in the above-referenced matter arising out of an investigation by the Securities and Exchange Commission (the "Commission") into certain auction rate securities practices at JPMSI and several other broker-dealers.

JPMSI below requests, pursuant to Rule 262 of Regulation A and Rule 505(b)(2)(iii)(C) of Regulation D of the Commission promulgated under the Securities Act of 1933 (the "Securities Act"), a waiver of any disqualification from exemptions under Regulation A and Rule 505 of Regulation D that may be applicable to JPMSI and any of its affiliates as a result of the entry of the Settlement Order (as defined below). JPMSI also requests that these waivers be granted effective upon entry of the Settlement Order. It is our understanding that the Division of Enforcement does not object to the grant of the requested waivers by the Division of Corporation Finance.

BACKGROUND

The Commission Staff and JPMSI have agreed to a settlement in connection with the above-referenced matter. This agreement has resulted in the Commission issuing the Cease and Desist Order (the "**Settlement Order**") dated May 31, 2006. The Settlement Order alleges that, in connection with JPMSI's auction rate securities practices, JPMSI violated Section 17(a)(2) of the Securities Act. JPMSI consented to the entry of such order, while neither admitting nor denying the allegations in such order (apart from jurisdiction). Additionally, the Settlement Order orders JPMSI to pay one million five hundred thousand dollars in settlement of the matters addressed in the Settlement Order, and to comply with the undertakings set forth in the Settlement Order.

DISCUSSION

JPMSI understands that the entry of the Settlement Order could disqualify it and its affiliated entities from participating in certain offerings otherwise exempt under Regulation A and Rule 505 of Regulation D promulgated under the Securities Act, insofar as the Settlement Order may be deemed to cause JPMSI to be subject to an order of the Commission entered pursuant to section 15(b) of the Securities Exchange Act. The Commission (or any Commission Staff delegated with such authority under 17 C.F.R. § 200.30-1) has the authority to waive the Regulation A and Rule 505 of Regulation D exemption disqualifications upon a showing of good cause that such disqualifications are not necessary under the circumstances. *See* 17 C.F.R. §§ 230.262 and 230.505(b)(2)(iii)(C). JPMSI requests that the Commission (or such authorized Commission Staff) waive any disqualifying effects that the Settlement Order has under Regulation A and Rule 505 of Regulation D with respect to JPMSI or its affiliates on the following grounds:

1. JPMSI's conduct addressed in the Settlement Order does not relate to offerings under Regulation A or D.
2. To the extent that JPMSI has engaged in such actions, it has undertaken to cease and desist from all such action as delineated in the Settlement Order.
3. JPMSI's chief executive officer or general counsel will certify to the Commission, no later than 6 months after the Settlement Order, that JPMSI has implemented procedures that are reasonably designed to prevent and detect failures by JPMSI to conduct the auction process in accordance with the auction procedures disclosed in the disclosure documents and any supplemental disclosures.
4. The disqualification of JPMSI from the exemptions under Regulation A and Rule 505 of Regulation D would, we believe, have an adverse impact on third parties that have retained JPMSI and its affiliates in connection with transactions that rely on these exemptions.

5. The disqualification of JPMSI from the exemptions available under Regulation A and Rule 505 of Regulation D would be unduly and disproportionately severe, given that the Commission staff has negotiated a settlement with JPMSI and reached a satisfactory conclusion to this matter that censures JPMSI, requires JPMSI to pay one million five hundred thousand dollars, requires JPMSI to provide written descriptions of its material auction practices to relevant customers, and requires JPMSI's chief executive officer or the general counsel to certify that JPMSI has provided such written descriptions to customers and has implemented procedures that are reasonably designed to prevent and detect any failures by JPMSI to conduct the auction process in accordance to the disclosed procedures.

In light of the foregoing, we believe that disqualification is not necessary, in the public interest, or for the protection of investors, and that JPMSI has shown good cause that relief should be granted. Accordingly, we respectfully request the Commission, pursuant to Rule 262 of Regulation A and Rule 505(b)(2)(iii)(C) of Regulation D, or any Commission Staff delegated with such authority under 17 C.F.R. § 200.30-1, to waive, effective immediately on this day of the entry of the Settlement Order, or any related disqualifying order, judgment, or decree of a U.S. state or territorial court based on the same facts and addressing the same conduct as is addressed in the Settlement Order, the disqualification provisions in Regulation A and Rule 505 of Regulation D to the extent they may be applicable to JPMSI and any of its affiliates as a result of the entry of the Settlement Order and any such order, judgment, or decree.¹

Please do not hesitate to contact the undersigned at 212-450-4075 regarding this request.

Sincerely,



Steven Lofchie

cc: Andrew Sporkin, Esq.

By Overnight Courier

¹ We note in support of this request that the Commission has in other instances granted relief under Rule 262 of Regulation A and Rule 505(b)(2)(iii)(C) of Regulation D for similar reasons. *See, e.g., Credit Suisse First Boston Corporation*, S.E.C. No-Action Letter (pub. avail. Oct. 31, 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); *Legg Mason Wood Walker, Incorporated*, S.E.C. No-Action Letter (pub. avail. Jun. 11, 2001); *In the Matter of Certain Market-Making Activities*, S.E.C. No-Action Letter (pub. avail. Jan. 11, 1999); *Stephens Incorporated*, S.E.C. No-Action Letter (pub. avail. Nov. 23, 1998).