

September 2011

Re: Rule 5320 - Prohibition Against Trading Ahead of Customer Orders

Dear Client:

J.P. Morgan Securities LLC ("JPMS" or the "Firm") strives to provide its clients with information and transparency regarding our order handling practices. To that end, we are writing to advise you on how we will handle certain of your orders under new customer order protection rules recently adopted by FINRA and certain NYSE exchanges. We believe that this handling allows JPMS maximum flexibility in our efforts to provide your orders with the highest quality executions reasonably available under the circumstances.

FINRA, NYSE, NYSE Arca Equities, and NYSE Amex Equities have adopted identical rules – Rule 5320 (the "Rule") which consolidates, simplifies and replaces the previous customer order protection rules. The rules become effective on September 12, 2011. Rule 5320 replaces existing FINRA customer limit and market order protection rules (commonly known as "Manning"), NYSE Rule 92 and similar exchange rules.

Rule 5320 generally prohibits a member firm that accepts and holds a customer order from trading for its own account at terms that would satisfy the customer order, unless the member immediately thereafter executes the customer order at the same or better price than it traded for its own account. Described below, are certain exceptions to the Rule and an explanation of how JPMS will handle those exceptions. Please note that consistent with existing regulatory guidance, not-held orders are outside the scope of the Rule.

Large Orders and Institutional Account Exceptions

Large orders (orders of 10,000 or more shares with a total value of \$100,000 or more) and/or orders by institutional accounts are excepted from the requirements of Rule 5320. JPMS will generally work such orders in accordance with customer instructions. While working such orders, JPMS may trade for its own account at prices that would satisfy the customer order.

"No-Knowledge" Exception

Where a firm implements and utilizes an effective system of internal controls, Rule 5320 permits the respective separate units to trade independent of one another for purposes of the Rule.

JPMS maintains Rule 5320 internal controls known as information barriers between its trading units. The information barriers are designed to prevent one trading unit from having knowledge of customer orders held by a different trading unit. With these barriers in place, one trading unit may hold a customer order while another trading unit, including the market making trading unit, executes an order for a Firm account that would satisfy the customer order.

If you have any questions or to the extent that you object to the manner in which we are handling your orders, as described in this letter, please contact your JPMS sales representative.