

Case Study Proposal: JP Morgan Coin

What Is It

JPM Coin is a digital coin that JP Morgan Chase announced in February to allow institutional customers to make instantaneous payments to other institutional customers using blockchain technology. Although these payments can only be made in US Dollars at present, Morgan plans to expand their offering to other currencies.

Why This Matters

A few years ago, Jamie Dimon, JP Morgan's CEO famously said that any employee of his that was caught trading cryptocurrencies would be fired. And that mattered because Morgan is banking royalty. In the 19th century, the House of Morgan did more than any other private institution to transform the United States from "zero to hero" economically. After merging with Chase (to become officially JP Morgan Chase), they are currently the largest bank in the United States by assets and one of the most respected, employing over 256,000 people.

Nevertheless, like every other established business, they are worried about being "Amazon-ed" and rendered irrelevant by some transformative new business model. So they are trying everything they can think of to transform themselves first, including eating their words and joining the cryptocurrency bandwagon (sort of) with JPM Coin.

This is a very big deal for several reasons:

1. Given the Dimon's earlier statement, the JPM Coin initiative goes a long way towards legitimizing cryptocurrency, especially since
2. JPM Coin uses Quorum, which is built on Ethereum, a leading cryptocurrency platform. Of particular note is the ability of Ethereum to support smart contracts. The fact that JP Morgan chose an Ethereum based platform also legitimizes this platform, even though there was a major theft of \$50 million from smart contracts based on this platform.
3. JP Morgan is the first major bank to announce anything like this.

Why This May Be Interesting

JP Morgan itself actively recruits young people, most notably through their internship and associate programs. It has a massive presence in New York City and is partial to Columbia grads, who will be our first cohort of students. No doubt, the Bank will need lots of new staff to work on JPM Coin and the smart contracts written on top of it: important areas of banking, such as financial derivatives, construction finance, and letters of credit, are obvious candidates for smart contracts, and the infrastructure for this has yet to be built out. See [GlassDoor link to JP Morgan Blockchain jobs](#).

Furthermore, the boost to Ethereum’s legitimacy is likely to create an entire ecosystem surrounding it, such as specialty software vendors, specialty law firms to draft and litigate smart contracts, and consultants. One such software vendor (which also offers Ethereum training) is Consensys, which seems to have worked with JP Morgan to develop Quorum.

Things to Keep in Mind for a Case Study

- The mechanics of JPM Coin, and why it isn’t quite a cryptocurrency, but actually a “stablecoin”, which is pegged to the US Dollar. It is important to include a discussion of the difference between a cryptocurrency, which has no government backing, and a “fiat currency”, such as the US Dollar (Fiat currencies acquire their name because they are declared to have value “by fiat” by a government, i.e. a government declares that its citizens – and the government – must accept payment in that currency. So fiat currencies have value because you can pay your taxes with them!).
- Some of the media buzz surrounding JPM Coin.
- Some details of Ethereum and how Quorum is built on top of it.
- The hack of the DAO contracts, resulting in the theft of \$50 million in Ether (the Ethereum cryptocurrency)
- An use case of a smart contract using Quorum for a banking transaction, such as the ones listed above.

Resources

- Wikipedia page about JP Morgan Chase
- JP Morgan’s announcement about JPM Coin, with some details
- Wikipedia page about JPM Coin, with links to media buzz
- Wikipedia page about Ethereum, with sections on smart contracts and the DAO theft