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JPMorgan Is Accused Of Helping Epstein

By Emily Flitter
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A lawsuit says the bank helped conceal the exploitation of women and girls by the convicted sex offender Jeffrey Epstein.

The attorney general of the U.S. Virgin Islands is accusing JPMorgan Chase of helping Jeffrey Epstein illegally exploit women and girls, according to a lawsuit filed Tuesday in federal court in Manhattan. The suit says JPMorgan provided banking services to Mr. Epstein after he had been convicted of sex charges and failed to report his suspicious activities.

The lawsuit said the bank should have known about Mr. Epstein's illegal activities at a villa on Little St. James Island, an island he owned in the territory, and should have reported them to the authorities as part of its adherence to **anti**-**money**-**laundering** laws.

"JPMorgan knowingly, negligently and unlawfully provided and pulled the levers through which recruiters and victims were paid and was indispensable to the operation and concealment of the Epstein trafficking enterprise," the lawsuit said.

A JPMorgan spokeswoman declined to comment.

Mr. Epstein, a secretive financier, maintained close associations with a long list of wealthy men, politicians and celebrities even after he pleaded guilty in 2008 to two counts of soliciting prostitution from a teenage girl and faced allegations in 2016 that he had helped smother a larger investigation into his activities. He died in an apparent suicide in August 2019 while in federal custody on a new set of sex exploitation charges.

Mr. Epstein was a client of JPMorgan's high-end banking services for 15 years, a relationship that continued well after his 2008 conviction even though the bank's employees raised alarms about the legal and reputational risks. The bank ejected him as a client in 2013.

Tuesday's lawsuit, parts of which were redacted from public view, said the bank's failure to cut ties with Mr. Epstein after his 2008 conviction, as well as its failure to scrutinize his activities when new sexual abuse allegations against him became public, amounted to helping Mr. Epstein carry out his schemes.

The lawsuit cited civil racketeering claims that the territory's attorney general, Denise N. George, filed in 2020 against Mr. Epstein's estate. The 2020 case described a complex operation focused on bringing women and girls to Little St. James Island, where they were abused and then paid to stay silent.

On Nov. 30, Ms. George and the estate announced an agreement to settle the case for around $105 million, including $80 million in repayments to the government for tax benefits that Mr. Epstein inappropriately obtained, and about half the proceeds from the sale of Mr. Epstein's island, which could total $55 million. Neither the estate nor its executors admitted wrongdoing as part of the settlement.

This week's lawsuit against JPMorgan seeks to force the bank to turn over profits from its business with Mr. Epstein and his companies and to pay unspecified amounts in penalties and damages to the government.

"JPMorgan facilitated and concealed wire and cash transactions that raised suspicion of -- and were in fact part of -- a criminal enterprise whose currency was the sexual servitude of dozens of women and girls in and beyond the Virgin Islands," the lawsuit said.

Denise N. George, attorney general of the U.S. Virgin Islands, filed a suit against JPMorgan on Tuesday. (PHOTOGRAPH BY GABRIELLA N. BAEZ FOR THE NEW YORK TIMES) This article appeared in print on page B3.

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THE WALL STREET JOURNAL.

EXCHANGE --- JPMorgan Widens Lending --- Program aims to help minority-owned small businesses with funds as well as mentoring

By David Benoit
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HOUSTON -- JPMorgan Chase & Co. is launching a national program to try to get more loans into the hands of minority small-businesses owners and close a persistent racial gap in financing.

The country's biggest bank has been quietly piloting a special-purpose credit program this year here and in Dallas, Detroit and Miami that allows it to offer more loans to business owners who might have otherwise been rejected.

JPMorgan isn't changing its lending rules based on race. Instead, it is targeting minority-majority neighborhoods across the country with loans and business mentoring. All customers who apply in those areas will benefit from the changes.

Other banks have been working on similar projects and pilots, but JPMorgan's is the first with national reach. The bank says the lending, and a program starting next year on credit cards, will help the bank open 100,000 new accounts over five years.

Chief Executive Jamie Dimon said the bank put a focus on small-business lending when looking at its broader commitment to spend $30 billion on racial equity because of feedback from communities.

"One of the biggest things we heard was, 'Go help our minority small businesses,'" he said.

In 2021, small businesses owned by people of color were more likely to apply for financing than white-owned firms, but were about half as likely to get all the funding they requested, according to a Federal Reserve survey. Even minority applicants with good credit scores were less likely to get financing.

The JPMorgan Chase Institute, the bank's in-house think tank, found that 90% of businesses in majority-Black, Hispanic and Latino communities had less than two weeks of cash on hand, compared with a third of businesses in white areas.

In 2019, Dr. Tennille Johnson, a pharmacist and admitted fashionista, grew tired of her scrubs. She and two partners decided to launch a side business, Scrubs to the Rescue, selling higher quality and better-fitting uniforms. A longtime Chase customer, Dr. Johnson tried to get a loan but was rejected. She was told she hadn't been in business long enough and didn't have enough profit.

"What do I need to do to qualify next time?" she asked herself.

This year, Dr. Johnson dove in more fully. She started working with a Chase mentor, quit her day job and bought out her partners. She was able to get a Chase credit card and $100,000 in loans to expand offerings and hire more staff, including her daughter, Imani Wilson. Dr. Johnson wants to sign contracts with local medical offices to land bigger sales. She is on track to double her revenue this year to $300,000 and expects to do the same next year.

She is working with Chase now on a line of credit that will help her pay for inventory, **technology** and more staff. The 45-year-old says she needs to fund her growth with ideas such as scrub subscriptions. "We want to innovate," she said.

Banks seek to strike a balance in creating special-purpose lending programs. They don't want to make loans that are bad for the bank or the customer. They have struggled to change the credit criteria, including credit scores, cash flows and business history, that make it more likely minority applicants are rejected.

The Office of the Comptroller of the Currency has been urging banks to try to solve the issue. As part of that program, Citigroup Inc. this summer started a pilot program to lend to minority small-businesses in Los Angeles, by changing rules concerning credit scores and requirements around how a business operates.

This summer, Chase revamped its small-business lending procedures to consider more information about an entrepreneur, including cash flows in and out of their deposit accounts and third-party and **fintech** data about their businesses. In the few minority cities, Chase took the new data and tweaked the criteria for approval, including taking lower credit scores.

Chase found that it was increasing lending to minority borrowers, said Ben Walter, the head of business banking.

"It appears to be doing exactly what it was supposed to do, which is closing the gap," he said.

Sherice and Steve Garner, Chase customers who started selling barbecue in 2010 in Houston, didn't think the banks would help them. They used their personal bank account and bought equipment with cash after another bank turned them down for a loan for a food truck.

One day, Ms. Garner was trying to get a Chase teller to come buy some barbecue, when the teller told her she should meet the business bankers.

When Chase lent them $110,000 to finish a renovation, they were surprised. This March, they fulfilled one of their top goals, buying their location with a $1 million loan from Chase. They have gone from $400,000 in annual revenue to $2 million, Ms. Garner said.

"They were supporting us," Ms. Garner said. "We were doing it the hard way and we didn't even know it."

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THE WALL STREET JOURNAL.

JPMorgan Avoids Worst Buyouts Of 2022

By Matt Wirz
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Sometimes in investment banking, it is the deals you don't do.

JPMorgan Chase & Co. has avoided most of 2022's so-called hung deals that have cost competitors billions of dollars in paper losses. Whether by luck or by design, the biggest U.S. bank didn't make loans backing takeovers of companies such as Twitter Inc., Citrix Systems Inc. and Nielsen Holdings PLC, which fell in value as markets turned choppy.

JPMorgan's record contrasts with that of Bank of America Corp., which made large loans for buyers of Twitter, Citrix, Nielsen and others. Bank of America Chief Executive Brian Moynihan has consistently sounded an optimistic note about the U.S. economy, clashing with JPMorgan head Jamie Dimon's gloomier warnings.

There is one thing Mr. Dimon feels good about: his firm's low exposure to bad buyout loans, which bankers call leveraged loans.

"There are no real leveraged loan write-downs this quarter and that market isn't yet cleared," Mr. Dimon said on an October conference call with Wall Street analysts. "Our share of it is very small, so we're very comfortable."

Competitors attribute JPMorgan's absence as a lender on big deals in 2022 to a diminished relationship with private-equity firms in recent years. The bank also served as an adviser on some of the mergers, like Nielsen, which prevented it from providing loans, they said.

JPMorgan ranks fourth among U.S. arrangers of buyout bonds and loans this year while Bank of America is third, according to data from Dealogic. JPMorgan's average rank over the past 10 years is seventh, compared with its average of third place during the prior decade.

JPMorgan also is grappling with the fallout from some relatively recent buyout financing that went sour, such as loans it made backing the purchase of sports betting company William Hill International. Still, it has far fewer hung deals on its balance sheet than competitors, leaving it with more cash to win new business.

Private-equity firms, corporations and individuals that acquire companies often pay in part with loans made by investment banks to the businesses they buy. The banks aim to unload the debt to fund managers for more money than they lent out, pocketing the difference.

Buyout loans account for only a small portion of total lending in the U.S., and funding them doesn't necessarily mean that a bank has an unusual risk exposure.

Still, the strategy backfired this year for firms such as Bank of America, Barclays PLC, Goldman Sachs Group Inc. and Morgan Stanley, which committed in the winter and early spring to bankroll large takeovers. Interest rates subsequently rose, turning debt investors cautious and sending the price of leveraged loans tumbling. Now the banks must choose between liquidating the loans at a loss or keeping them on their balance sheets at marked-down prices.

JPMorgan's global head of corporate debt, Kevin Foley, was a midlevel banker during the 2008 credit crisis, when the bank was swamped with deals gone wrong. JPMorgan was lead lender on J.C. Flowers & Co.'s $25 billion takeover of student loan lender Sallie Mae, which eventually was canceled, and Cerberus Capital Management LP's troubled purchase of car maker Chrysler.

Mr. Foley switched from making loans to restructuring them, tussling with other creditors -- often hedge funds -- to recover as much money as possible from companies in bankruptcy court. He worked on some of the most contentious workouts of the era, including automotive supplier Lear Corp. and newspaper publisher Tribune Media Co.

This time around, JPMorgan dialed back its appetite for buyout loans in the fall of 2021, people familiar with the matter said. Mr. Foley and his team thought inflation then cropping up in the U.S. would last for years, the people said.

In January, Vista Equity Partners and the private-equity arm of Elliott Management Corp. won the buyout of **cloud computing** company Citrix Systems with a $16.5 billion bid. Bank of America, Credit Suisse and Goldman Sachs committed to financing the bulk of the purchase with $15 billion of debt. By September, they and other banks had collectively taken $500 million of paper losses, The Wall Street Journal has reported.

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