THE WALL STREET JOURNAL.

JPMorgan, SEC Settle Message-Deletion Case

By Richard Vanderford
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23 June 2023
The Wall Street Journal
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English

JPMorgan Chase's brokerage arm will pay $4 million in a settlement with the Securities and Exchange Commission after the accidental deletion of 47 million electronic messages it was supposed to retain.

While trying to clear a backlog of communications dating to the 1970s, JPMorgan inadvertently wiped the messages, the SEC said in an order published Thursday.

The deletion, which took place in 2019, violated rules requiring brokers to retain communications for three years, the regulator said.

JPMorgan's corporate compliance **technology** department was working on a project to delete old emails, instant messages and Bloomberg messages but had difficulty deleting historical communications from the 1970s and 1980s, the SEC said.

During troubleshooting, messages from 2018 that should have been kept were wiped after an outside provider of archival services gave faulty information about the electronic protections the documents were supposed to have, according to the regulator. The bank's legal discovery team discovered the mix-up several months later, but the documents couldn't be recovered, the SEC said.

JPMorgan "takes its record-keeping obligations seriously," a spokeswoman said. "We have taken steps to enhance our process and procedures."

The bank, which itself reported the incident in 2020, didn't admit or deny the allegations, according to the order.

The missing messages hampered regulatory investigations, according to the SEC. In 12 investigations, including eight directly involving the SEC, JPMorgan was unable to produce communications that were sought because they were no longer there, the regulator said.

"Because the deleted records are unrecoverable, it is unknown -- and unknowable -- how the lost records may have affected the regulatory investigations," the SEC said.

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THE WALL STREET JOURNAL.

JPMorgan Makes One of Biggest Bets Ever on Carbon Removal

By Amrith Ramkumar
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English

The biggest U.S. bank is making one of the biggest bets ever to remove carbon from the atmosphere as a way to fight climate change.

JPMorgan Chase has agreed to invest more than $200 million to purchase credits from several companies in the nascent industry, company officials said. The money and JPMorgan's endorsement are a boost to businesses that have removed only small amounts of carbon so far.

JPMorgan is making the purchases to neutralize the bank's environmental footprint. It is also attempting to score new business by becoming a leader in a burgeoning clean-energy industry. The bank helped carbon removal startup Climeworks raise $650 million from investors last year and has fielded questions from big corporate clients about carbon removal.

"We're jumping in the pool all in," Brian DiMarino, JPMorgan's head of operational sustainability, said in an interview. "This is us putting our weight and our capital behind something we believe is truly important to bring to market now."

Carbon removal is gaining increasing attention as it becomes clear that the transition away from fossil fuels is moving too slowly to reduce greenhouse-gas emissions enough to limit climate change. Scientists estimate billions of tons of removal will be needed annually by midcentury to avoid the worst effects of global warming. Critics say carbon removal could allow fossil-fuel producers to continue with business as usual.

As the largest U.S. bank, JPMorgan is also among the largest financiers of both fossil fuels and clean energy. Its relationship with oil-and-gas companies has prompted criticism from climate activists. The bank also has been criticized by Republicans for giving priority to environmental, social and corporate governance -- or ESG -- factors. West Virginia banned JPMorgan from doing business with the state last year, arguing that ESG amounted to a boycott on the state's coal industry. JPMorgan said the move was "disconnected from the facts" and "anti-free market."

The bank will purchase credits tied to the removal of 800,000 metric tons of carbon dioxide from several startups including paying more than $20 million to Climeworks, a Swiss company that recently delivered the industry's first verified carbon removals through a process called direct-air capture, which sucks carbon out of the air using giant fans so it can be buried underground. Climeworks will remove 25,000 metric tons over nine years.

Getting support from a financial powerhouse is validating after much of the sector's initial support came from **technology** companies, carbon-removal executives said.

"It's a big shot in the arm for us to go scale up our operations," said Peter Reinhardt, chief executive of startup Charm Industrial, which turns plant waste into a carbon-rich liquid that can be injected underground. Reinhardt said JPMorgan's purchases should help Charm raise money and reduce costs. The company has removed about 6,000 tons to date.

JPMorgan is buying nearly 30,000 tons of removal from Charm over five years.

The bank is also committing to match its operational emissions from directly consuming natural gas and other fuels with equivalent carbon removals by 2030, one of the first such pledges by a major company.

JPMorgan is aiming to reduce those emissions 40% by 2030 from 2017 levels. Big companies use a combination of emissions reduction and carbon removal to meet their climate goals.

Carbon-removal companies are attracting billions of dollars in government funding. The U.S. is expected to announce the recipients of $3.5 billion in funding for direct-air capture hubs around the country this summer.

Climeworks has three applications in for that funding as part of a recent U.S. expansion, chief marketing officer Julie Gosalvez said.

Last year's Inflation Reduction Act includes tax credits for direct-air capture that Goldman Sachs analysts estimate could cover nearly half the cost of certain projects.

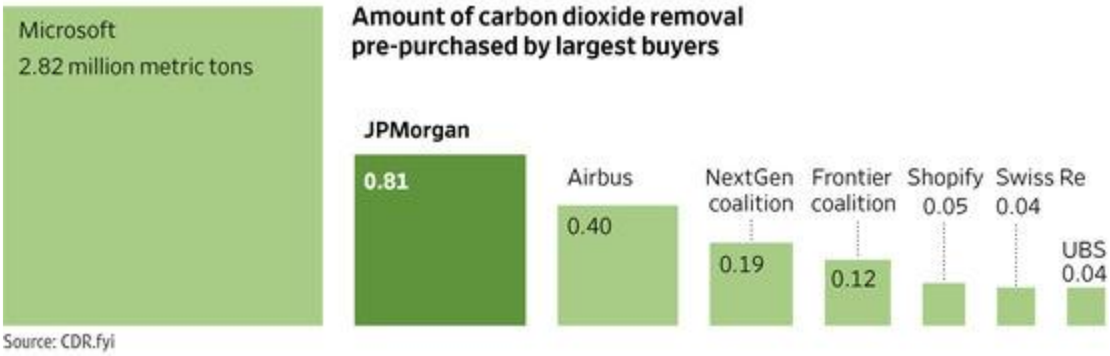
JPMorgan's commitment to fund about 800,000 tons of removal is the second-largest purchase in the market's history, according to data provider CDR.fyi. It would neutralize the annual emissions of roughly 160,000 passenger cars.

In the sector's largest-ever deal, Microsoft said last week it would pay for about 2.8 million tons of removal through a wood-chip-fired power station in Denmark operated by energy firm Orsted. When trees and plants grow, they naturally absorb carbon. Capturing that carbon, then permanently storing it, is one form of carbon removal.

By agreeing to pay years in advance, companies like JPMorgan and Microsoft hope to accelerate the industry's growth. They are willing to pay hundreds of dollars per ton for each removal credit to get the certainty that they are helping fight climate change. They also want to secure the credits they need to hit emissions targets.

Removal credits can cost 100 times more than conventional carbon credits, some of which don't benefit the planet. JPMorgan will still use some traditional credits, DiMarino said.

The bulk of JPMorgan's commitment -- about 450,000 tons -- is a preliminary 15-year agreement to purchase from CO280, a startup. The company's removal plans are roughly similar to those of Orsted in that it aims to capture carbon absorbed by plants when biomass is used in industrial processes. If CO280 fails, the bank will pay for removal from other companies, DiMarino said.



Document J000000020230524ej5o0001h

The New York Times

WITH INTEREST
Money and Business/Financial Desk; SECTBU
The Week in Business: The 10th Straight Rate Increase

By Marie Solis
972 words
7 May 2023
The New York Times
NYTF
Late Edition - Final
2
English

What's Up? (April 30-May 6)

The Fed Keeps the Pressure On

In the wake of another bank failure and signs of slowdown in the economy, the Federal Reserve raised its benchmark rate a quarter point. It was the third consecutive increase of that size and the 10th straight rate increase since last March. The central bank's move last week increased rates to a range of between 5 and 5.25 percent, a level not seen since the summer of 2007. In announcing the decision, Fed officials left the door open to a possible pause in the streak of aggressive rate increases at their next meeting. But later at a news conference, Jerome H. Powell, the Fed chair, made it clear that the door was open only a crack: Additional moves, he said, ''may'' be appropriate. Even this somewhat mild rhetoric represents a significant shift in the Fed's stance. For months, it has been a question of how much, not if, the central bank would raise rates.

A Third Bank Collapse

JPMorgan Chase, the nation's biggest bank, took ownership of First Republic Bank last week, after the Federal Deposit Insurance Corporation seized First Republic to rescue it from a free fall, and to contain a wider banking crisis. First Republic, a midsize bank based in San Francisco, received a $30 billion lifeline from 11 of the largest U.S. banks in March, shortly after the collapse of Silicon Valley Bank and Signature Bank touched off panic across the banking sector. But that cash infusion just held off the inevitable: First Republic announced late last month that it had lost an eye-popping $102 billion in customer deposits. In taking over First Republic, Jamie Dimon, chief executive of JPMorgan, is reprising a role he played during the 2008 financial crisis, when he acquired Bear Stearns and Washington Mutual at federal regulators' behest. JPMorgan said on Monday that it expected its latest acquisition to raise profits this year by $500 million.

Jobs Pick Up

After slowing significantly in the first quarter of the year, the number of jobs added in April unexpectedly picked up, blowing well past analysts' predictions. According to the latest report from the Labor Department on Friday, employers added 235,000 jobs last month; analysts had forecast 170,000. The resilience of the labor market has confounded officials at the Fed, whose campaign of raising interest rates to tame inflation and cool the economy should have had more of an effect on jobs by now. In other bad news for the Fed, wage growth -- used by central bankers as an indicator of inflation's staying power -- climbed by 4.4 percent in the year through April.

What's Next? (May 7-13)

Butting Up Against the Debt Ceiling

President Biden is expected to meet with congressional leaders on Tuesday to discuss raising the debt limit, which the United States technically hit in January, though the Treasury Department has been using accounting maneuvers to keep the government paying its bills. Last week, Treasury Secretary Janet Yellen said the country could run out of money as soon as June 1. This encroaching deadline presents a tricky political problem for Mr. Biden. Republicans are trying to extract concessions from Mr. Biden that would significantly undermine his agenda. Mr. Biden has a few options at his disposal. He could refuse to negotiate. He could negotiate spending cuts but divorce those discussions from the debt limit. Or he could try to win over a handful of moderate Republicans to raise the limit. There is one other possible option: a constitutional challenge to the debt limit, a long-shot plan that would rely on a clause in the 14th Amendment.

A Hollywood Strike Stretches On

Thousands of screenwriters joined picket lines last week after the contract between their union, the Writers Guild of America, and the industry's largest studios expired early Tuesday morning and union officials voted unanimously to call a strike. It is the first Hollywood strike in 15 years -- the last one, in 2007, lasted for more than three months and cost the Los Angeles economy an estimated $2.1 billion before the two sides reached a tentative agreement. A central issue once again is pay. But the exact demands are a bit different because of the streaming boom, which writers say has meant lower wages and worsening working conditions.
Late-night television shows like ''Late Night With Seth Meyers'' and ''Jimmy Kimmel Live'' were the first to go dark when writers stopped working. If the strike continues, scripted television will soon follow.

More Bank Worries

Shares of Pacific Western and Western Alliance, two regional banks, skidded last Thursday, despite the companies' protestations that their finances were solid. On Friday, the banks' stocks recouped a chunk of the earlier losses, giving them some breathing room. While this may sound like a familiar tale, the two banks are not in the same situation as First Republic and the other two failed banks, Silicon Valley and Signature. They have yet to see the kind of deposit outflows that other troubled banks have experienced. They are also much smaller. But they are struggling to persuade investors, and depositors, of their solvency.

What Else?

The Biden administration met with the heads of several Silicon Valley giants on Thursday, urging them to consider the ''enormous danger'' of artificial intelligence **technology**. Goldman Sachs said federal authorities were investigating its work for Silicon Valley Bank in the weeks before the bank's failure. And last week, the European Central Bank, which sets interest rates for the 20 countries that use the euro, also raised its benchmark rate by a quarter point.

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THE WALL STREET JOURNAL.

Heard on the Street
JPMorgan's First Republic Merger Adds Up

By Telis Demos
521 words
2 May 2023
The Wall Street Journal
J
B12
English

[Financial Analysis and Commentary]

Investors seem pleased with JPMorgan Chase's acquisition of First Republic, with its shares climbing 2.1% in Monday's trading. Here is how they may be thinking about the numbers behind the deal.

The deal with the Federal Deposit Insurance Corp. is complex, but it boils down to this: JPMorgan gets $207.5 billion worth of assets, including securities and loans. This is money due to the bank. It took on $122 billion worth of deposits, Federal Home Loan Bank advances and some other liabilities. This is money the bank owes to others.

The difference between those two numbers is basically the available potential value of the deal to JPMorgan. However, that is whittled down in a number of ways. For one, JPMorgan says the assets are worth $185.8 billion today, thanks to mark-to-market adjustments for things like movements in interest rates.

On the liability side, JPMorgan will get $50 billion in financing from the FDIC for five years. That adds to its debts, even though it gets to wipe away the $5 billion in its own money deposited at First Republic.

JPMorgan also will pay $10.6 billion to the FDIC as part of the deal. Taxes take out a big chunk after that. After some other possible adjustments, the end result is a gain of $2.6 billion for JPMorgan.

That gain in turn will be eroded by what JPMorgan expects to be about $2 billion in restructuring costs over the next two years as it figures out how to integrate First Republic's employees, branches and **technology**.

After all is said and done, what will remain is what JPMorgan estimates will be roughly $500 million in ongoing annual net income from First Republic's business.

The ultimate benefit to the bank's return on equity -- a key metric tracked by investors -- is a bit more complex. The question there is how much equity capital JPMorgan must retain against the added assets. Banks are subject to regulatory capital requirements based on a risk weighting of their assets.

Here, JPMorgan's loss-sharing agreement with the FDIC is crucial. With the FDIC agreement to cover 80% of losses on single-family residential mortgages and commercial loans, for seven years and five years, respectively, JPMorgan says it will be able to give an overall risk weighting of about 25% to the assumed assets.

So JPMorgan's so-called common equity Tier 1 capital ratio will only go down by 0.4 percentage point as a result of the deal, from the bank's estimate of 13.8% for the first quarter of 2023. That is in line with its 13.5% target, suggesting the bank won't need to hold off on buybacks to accommodate this deal.

Of course, there may be other less quantifiable costs or benefits to JPMorgan. One key question is whether it will be able to turn the acquired customers into lucrative wealth management relationships. For now, investors have good reasons to expect the deal to benefit JPMorgan.

page,5043

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The New York Times

Business/Financial Desk; SECTB
What to Know About the Forced Sale of First Republic

By Lora Kelley
1,079 words
2 May 2023
The New York Times
NYTF
Late Edition - Final
5
English

First Republic is the second-largest bank by assets to fail in U.S. history. Here are some answers to questions you may have about what comes next for the bank and for depositors' money.

The federal government seized First Republic Bank and sold it to JPMorgan Chase on Monday, ending the lender's six-week-long free fall and reassuring depositors that their money is safe.

First Republic Bank's failure had much the same roots as the collapses of Silicon Valley Bank and Signature Bank -- spooked depositors and investors pulling their money and selling their shares in droves.

Here are some answers to questions you may have about what comes next for the bank and for your money.

Why was First Republic seized?

In the turmoil set off by Silicon Valley Bank's collapse, First Republic was initially bailed out by the private sector. In March, it received $30 billion in deposits from 11 of the country's largest banks, including JPMorgan, Morgan Stanley and Wells Fargo.

But First Republic struggled nonetheless, and its condition had been deteriorating for weeks. It had seen a large outflow of funds as depositors rushed to pull their money and park it in institutions they viewed as safer.

Its shares had been pummeled -- they dropped 75 percent just last week -- as investors feared that it would fail. That drop came after the company released earnings results saying that it had borrowed heavily from the Federal Reserve and government-backed lending groups, the financial industry's lenders of last resort.

Ultimately the F.D.I.C. decided it was no longer viable on its own.

The First Republic bank failure is the second-largest in U.S. history, after the collapse of Washington Mutual in 2008, and certainly a dramatic turn. But what happened to the bank this weekend follows a playbook that's been used before. The government usually arranges a sale of a failed bank over the weekend, so it can open for business as usual on Monday, said Amanda Heitz, an assistant professor of finance at Tulane University.

''Most failed banks,'' she said, ''are resolved by a purchase and assumption agreement,'' in which another institution takes over the bank with the support of the F.D.I.C. In this case that agreement is with JPMorgan.

Though the collapse of Silicon Valley Bank was in many ways not a typical bank failure, depositors did have access to their money the Monday after it was seized. And the Bank of England was quick to announced that HSBC had bought SVBUK, the bank's British subsidiary.

But in the United States, the sale took a little longer. It wasn't until late March that the F.D.I.C. said Silicon Valley Bank had been sold to a North Carolina bank, and until it could arrange that sale the government created what's called a bridge bank to operate it until a sale.

Why would JPMorgan buy First Republic?

In the event of a bank failure, another bank may have an incentive to take over the embattled lender because it's looking to expand its footprint in a region or build relationships with new customers.

On Monday, 84 First Republic branches in eight states will reopen as JPMorgan branches.

But the acquisition makes JPMorgan, already the nation's largest bank, even bigger and could draw political scrutiny.

Over the weekend, federal regulators were racing to find a buyer for First Republic before the markets opened on Monday. JPMorgan, PNC Financial Services and Bank of America were all at some point in talks with the F.D.I.C. about a potential deal.

"The F.D.I.C. wants banks to take over other banks," Ms. Heitz said.

One way it incentivizes buyers is by sharing in any potential losses that a buyer might take, in what's called a shared-loss agreement. JPMorgan said the F.D.I.C. would provide loss share agreements in the First Republic deal including for some home mortgages and business loans.

Does this mean deposits are safe?

Yes. The F.D.I.C.'s rules guarantee that deposits up to $250,000 will be covered, per depositor, per bank. The insurance coverage categories include checking and savings accounts and certificates of deposit. People who have a joint account with someone else, like a spouse, each get $250,000 in coverage, for a potential total of $500,000 in a single joint account.

People with different types of holdings can add them up. If the total does not exceed $250,000, multiple holdings -- say a $50,000 savings account and a $20,000 certificate of deposit -- will be covered. And the insurance is automatic.

Customers of Silicon Valley Bank and Signature Bank did not lose any of their deposits. Regulators opted to pay all depositors back in full after invoking the "systemic risk exception," which is intended to protect against systemwide destabilization.

In First Republic's case, JPMorgan will assume the lender's deposits, which would eliminate the need for the government to grant a systemic risk exception.

What about First Republic's stock?

The stock will be delisted. When a bank is seized by the government, its common shareholders are wiped out. In this case, First Republic shareholders, along with its debt holders, will not receive anything. JPMorgan Chase said that it would not assume First Republic's corporate debt or preferred stock.

Does anything happen to mortgages?

The short answer is: Nothing meaningful. With any purchase and assumption agreement, the acquiring bank takes over any loans on the balance sheet, including mortgages, Ms. Heitz said.

Can customers keep going to First Republic branches?

Yes. All offices of First Republic reopened on Monday as branches of JP Morgan Chase. They will keep operating as usual, and over time customers will get access to JP Morgan Chase's network of branches, as well.

First Republic's customers can also expect to continue having access to uninterrupted services, including mobile and **digital banking** features.

Maureen Farrell contributed reporting.

Maureen Farrell contributed reporting.

The failure of First Republic Bank is the second-largest in U.S. history, after the collapse of Washington Mutual in 2008. It's the third sizable failure this year. (PHOTOGRAPH BY IAN C. BATES FOR THE NEW YORK TIMES) This article appeared in print on page B5.

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The New York Times

National Desk; SECTA
U.S. Intends to Take Over Faltering Bank and Sell It Before Monday

By Lauren Hirsch and Maureen Farrell
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30 April 2023
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English

JPMorgan, PNC and Bank of America are said to be interested in acquiring the troubled lender after it is seized by the Federal Deposit Insurance Corporation.

Federal regulators were racing on Saturday to seize and sell the troubled First Republic Bank before financial markets open on Monday, according to several people with knowledge of the matter, in a bid to put an end to a banking crisis that began last month with the collapse of Silicon Valley Bank.

The effort, led by the Federal Deposit Insurance Corporation, comes after First Republic's shares tumbled 75 percent since Monday, when the bank disclosed that customers had withdrawn more than half of its deposits. It became clear this past week that nobody was willing to ride to First Republic's rescue before a government seizure because larger banks were worried that buying the company would saddle them with billions of dollars in losses.

The F.D.I.C. has been talking with banks that include JPMorgan Chase, PNC Financial Services and Bank of America about a potential deal, three of the people said. A deal could be announced as soon as Sunday, these people said, cautioning the situation was rapidly evolving and might still change. Any buyer would most likely assume the deposits of First Republic, eliminating the need for a government guarantee of deposits in excess of $250,000 -- the limit for deposit insurance.

It's possible that an agreement won't be reached, in which case the F.D.I.C. would need to decide if it would seize First Republic anyway and take ownership itself. In that case, federal officials could invoke a systemic risk exception to protect those bigger deposits, something they did after the failures of Silicon Valley Bank and Signature Bank in March.

The bank regulator started sounding out potential buyers late last week as it became clear that there were few options outside a government- takeover, one of the people said. By Friday, the F.D.I.C. asked potential bidders to submit binding offers by Sunday, this person said. Those potential bidders have been given access to detailed information on First Republic's finances, one of the people said.

The people requested anonymity because the process is confidential. Bloomberg and The Wall Street Journal reported the talks earlier. The F.D.I.C. declined to comment. The F.D.I.C. is working with the financial advisory firm Guggenheim Partners on the process, according to three people with knowledge of the situation.

Regulations preclude JPMorgan Chase and Bank of America from acquiring another deposit-taking bank because of their size, and regulators would have to grant an exemption if one of those banks were to acquire First Republic.

Progressive Democrats were not thrilled about having JPMorgan or Bank of America take over the bank, given that such a deal would make the already huge institutions larger, and that probably tilted things slightly toward PNC, another person familiar with the situation said. Some other smaller regional banks also showed some interest in First Republic, this person said.

JPMorgan Chase, PNC and Bank of America were part of a consortium of 11 large banks that temporarily deposited $30 billion into First Republic last month as part of an industry effort to prop up the bank. But that lifeline did little to put to rest concerns about First Republic's viability.

First Republic, which is based in San Francisco and has most of its branches on the coasts where it serves affluent customers who work in industries like **technology** and finance, has been considered the most vulnerable regional bank since the banking crisis began unfolding in March with the sudden collapse of

Silicon Valley Bank. First Republic spooked investors and customers anew by revealing on Monday that it had lost $102 billion in customer deposits, much of it in just three weeks in March, not including the $30 billion in deposits it received from the 11 big banks. The outflow was well over half the $176 billion it held at the end of last year.

Like Silicon Valley Bank, First Republic has also suffered losses on its loans and investments as the Federal Reserve rapidly raised interest rates to fight inflation.

First Republic had been hoping to strike a deal before being put into F.D.I.C. receivership, because a government seizure would mean shareholders of the company and some of its bondholders would probably lose all or most of their investment. Until Thursday night, the bank and its advisers remained in conversation with the government, some banks and private equity firms about a potential deal. But neither the government nor the banks, were ultimately interested in such an arrangement, one of the people said.

By Friday morning, it was clear to everybody involved that First Republic had no option other than a government takeover, the people said. First Republic's stock closed Friday down another 43 percent and continued falling in extended trading.

First Republic was worth just $650 million as of Friday afternoon, down from more than $20 billion before the March crisis, a reflection of investors' realization that shareholders could be wiped out.

A sale to a larger bank would likely mean that all of First Republic's deposits are protected since they would become accounts at the acquiring bank. That includes uninsured deposits, which stood at $50 billion at the end of March -- a sum that includes the $30 billion from the 11 big banks.

By seeking to line up a buyer for First Republic before formally putting the bank into receivership, regulators appear to be hoping to avoid the tumult that characterized the fall of Silicon Valley Bank. It took several weeks for government officials to sell that bank's remnants to First Citizens BancShares, in a deal that included about $72 billion in loans at a deeply discounted price.

And the government appeared to be learning from the fall of Silicon Valley Bank in another way: The information it provided on First Republic's financial situation to potential buyers was much more detailed than what it provided in the case of Silicon Valley Bank, according to one of the people. Government officials spent additional time putting together a more cleaned-up set of facts that mapped out the bank's relationships and risks.

The government prefers to find a buyer for a failed bank as quickly as possible to minimize losses to the government's deposit insurance fund. The longer it takes to find a buyer, the more likely that customers and employees will abandon a failed bank, leaving behind a rapidly withering business.

PNC, one of the country's largest regional banks that is based in Pittsburgh, had previously considered buying First Republic. But PNC couldn't make a deal work because it would have to take on large losses from First Republic's relatively low-rate home mortgages and other loans, according to one of the people. The challenges of accounting for First Republic's loans put off other potential buyers, too.

JPMorgan's chief executive, Jamie Dimon, was a key architect of the plan to inject $30 billion into First Republic Bank. During the 2008 financial crisis, Mr. Dimon led the rescue of two banks -- Bear Stearns and Washington Mutual.

Jeanna Smialek contributed reporting.

Jeanna Smialek contributed reporting.

First Republic Bank's shares have tumbled since it disclosed that customers had withdrawn more than half of its deposits. (PHOTOGRAPH BY JIM WILSON/THE NEW YORK TIMES) This article appeared in print on page A22.

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THE WALL STREET JOURNAL.

JPMorgan's Epstein Ties Were Deeper Than Bank Has Said

By Khadeeja Safdar and David Benoit
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English

JPMorgan Chase & Co. had ties to Jeffrey Epstein that ran deeper than the bank has acknowledged and extended years beyond when it decided to close the convicted sex offender's accounts, according to people familiar with the matter.

Mary Erdoes, a top lieutenant to Chief Executive Jamie Dimon, made two trips to Epstein's townhouse on Manhattan's Upper East Side, in 2011 and 2013, when Epstein still was a client of the bank, said the people familiar with the matter. She exchanged dozens of emails with him and discussed sharing with him fees related to a charitable fund the bank was considering launching, the people said.

John Duffy, who ran JPMorgan's U.S. private bank for the ultrarich, went to Epstein's townhouse for a meeting in April 2013, the people said. One month later, the private bank renewed an authorization allowing Epstein to borrow money against his accounts despite repeated warnings from compliance staffers about his unusual banking practices.

Justin Nelson, one of Epstein's bankers at JPMorgan, had about a half-dozen meetings at Epstein's townhouse between 2014 and 2017, the people said. He also traveled to Epstein's ranch in New Mexico in 2016, the people said.

JPMorgan has said it closed Epstein's accounts in 2013. Ms. Erdoes has previously said through a JPMorgan spokesman that the only time she remembered meeting Epstein was the day she fired him as a client of JPMorgan's private bank. Ms. Erdoes declined to comment for this article.

Epstein was convicted of soliciting a minor for prostitution in 2008 and forced to register as a sex offender. He was arrested in 2019, accused of orchestrating a scheme to traffic and sexually abuse girls.

The bank has denied knowing about Epstein's crimes and has sued one of its former executives, Jes Staley, accusing him of misleading the bank about Epstein's character and conduct. Mr. Staley's lawyers have said the allegations against him are baseless.

The new details show that JPMorgan was treating Epstein like a star client after his first conviction and despite repeated warnings from its own employees. And after JPMorgan closed Epstein's accounts, bankers kept meeting with him for years.

A JPMorgan spokesman said the level of interaction with Epstein wasn't atypical for a client of a private bank. Any meeting held with Epstein after 2013, the spokesman said, was regarding other JPMorgan bank clients whom Epstein represented.

Mr. Nelson declined to comment, the spokesman said. Mr. Duffy, who no longer works at the bank, didn't respond to requests for comment.

A pair of lawsuits filed against JPMorgan late last year in federal court in Manhattan have drawn fresh attention to the bank's ties to Epstein, who died in 2019 in New York jail of what the city's medical examiner said was a suicide. At the time, he was awaiting trial on sex-trafficking charges. The lawsuits, brought by a woman who has accused Epstein of sexual abuse and by the U.S. Virgin Islands -- home to Epstein's private island getaway -- alleged that the bank moved the money that was used to pay off his purported victims.

JPMorgan said it isn't liable for Epstein's crimes. Through a spokeswoman, lawyers for the Virgin Islands and the Epstein accuser said the public filings in the lawsuits speak for themselves.

In response to the two lawsuits, JPMorgan has handed over documents detailing interactions between Epstein and more than 20 employees and executives, past and present.Many of them have given sworn testimony in depositions, and Mr. Dimon, the CEO, is expected to do the same next month.

Epstein became a JPMorgan client in about 1998, according to documents filed in connection with the lawsuits. Over the years, the bank would come to manage some 55 Epstein-related accounts containing hundreds of millions of dollars, the documents show.

Epstein formed a close bond with Mr. Staley, who ran the private bank that caters to the firm's wealthiest clients. Epstein connected JPMorgan to Glenn Dubin, co-founder of Highbridge Capital Management, one of the fastest-growing hedge-fund firms of the 2000s. JPMorgan bought a controlling stake in Highbridge in 2004 for more than $1 billion. Epstein earned a finder's fee of about $15 million, The Wall Street Journal has reported.

The next year, the Palm Beach, Fla., police department launched an investigation after several teenage girls said Epstein paid them for massages and sexually assaulted them. He was indicted in 2006 for sex crimes.

That year, JPMorgan executives and compliance staffers began writing emails and memos sharing press reports about Epstein and discussing what to do with his accounts, classifying them as "high risk," according to the Virgin Islands lawsuit.

JPMorgan executives were aware that Epstein had been accused of using cash to pay for girls to come to his house, Ms. Erdoes said in a previously reported deposition for the lawsuits. A compliance team pointed out that Epstein routinely made large cash withdrawals, up to $80,000 at a time and more than $750,000 a year, according to the lawsuit.

Epstein pleaded guilty in 2008 in Florida state court to procuring and soliciting a minor for prostitution. He was sentenced to 18 months and required to register as a sex offender. He ultimately served about 13 months in a work-release program.

Epstein advised JPMorgan's Mr. Staley in 2008 as he negotiated his compensation at the bank, according to the lawsuit. In 2009, Mr. Staley visited Epstein's Palm Beach mansion and Little St. James, his private island, the K lawsuit said.

The Virgin Islands lawsuit said communication between the two men "suggest that Staley may have been involved in Epstein's sex-trafficking operation." The suit alleges Epstein wired money to a woman around the time that Mr. Staley stayed at Epstein's Palm Beach, Fla., mansion and then again to the same woman when Mr. Staley told Epstein he would be in London.

Mr. Staley has said he was in the dark about Epstein's alleged crimes and regrets their long-running friendship.

In September 2009, Mr. Staley was promoted to a new job running JPMorgan's sprawling corporate and investment bank. Ms. Erdoes took over running its asset and wealth-management unit.

Mr. Staley visited Little St. James that November. "Presently, I'm in the hot tub with a glass of white wine," Mr. Staley emailed Epstein, according to the lawsuit. "This is an amazing place. Truly amazing. Next time, we're here together. I owe you much. And I deeply appreciate our friendship. I have few so profound."

JPMorgan's compliance department was pressuring the bank to drop Epstein. "See below new allegations of an investigation related to child trafficking -- are you still comfortable with this client who is now a registered sex offender," one compliance officer wrote in a 2010 email, according to a recent filing in the Virgin Islands suit.

JPMorgan stuck with Epstein and granted him the ability that year to borrow against his $50 million account.

In January 2011, the bank's **anti**-**money**-**laundering** compliance director contacted general counsel Stephen Cutler to get him to re-approve the relationship, according to the recent filing. Mr. Cutler didn't respond to a request for comment.

A review of the relationship fell to Mr. Staley. Epstein told him "there was no truth to the allegations, no evidence," compliance officials reported in 2011, the Virgin Islands lawsuit said. "We will continue to monitor the accounts and cash usage closely going forward."

Mr. Staley traveled to Little St. James again inJanuary 2011, the people said.

In March of that year, Mr. Cutler asked a member of his team to seek information about Epstein from prosecutors, but the U.S. attorney in Miami didn't disclose whether it was conducting a criminal investigation, according to the people familiar with the matter. The bank's **anti**-**money**-**laundering** division recommended closing Epstein's accounts, the Virgin Islands lawsuit said.

Top bank executives continued meeting with Epstein. Epstein had pitched to JPMorgan a multibillion-dollar donor-advised philanthropy fund, where he would help bring in wealthy clients that could put in a minimum $100 million, according to the people familiar with the matter.

For months, Ms. Erdoes, Mr. Staley and Epstein discussed working together on the fund. Epstein's potential compensation was a sticking point, according to emails reviewed by the Journal.

"Everyone is marching together to create something very powerful and we will solve the comp issues," Ms. Erdoes wrote to Epstein in October 2011. The fund never got off the ground.

Ms. Erdoes visited Epstein's Manhattan townhouse in 2011 and 2013, said the people familiar with the matter. The 2011 meeting was about settling a lawsuit Epstein had filed against Bear Stearns, which JPMorgan had acquired, over losses from the investment bank's collapse, the JPMorgan spokesman said.

Ms. Erdoes played a role in negotiating that settlement with Epstein for JPMorgan, according to the emails reviewed by the Journal. The bank offered Epstein $9.2 million to resolve the lawsuit, the emails show.

Mr. Nelson, who is currently a managing director at JPMorgan working with hedge-fund founders and big investors, visited Epstein at his New York townhouse several times, accompanied by other JPMorgan executives and bankers, the people said.

None of those visits have previously been reported.

Mr. Staley left the bank in early 2013, and JPMorgan decided to close Epstein's accounts a few months later. Mr. Staley later became the CEO of Barclays PLC, but left the British bank in late 2021 after U.K. regulators said he provided an incomplete accounting of his relationship with Epstein.

JPMorgan employees continued meeting with Epstein after his accounts were closed about other clients and to discuss introductions he could make to potential clients, according to people familiar with the meetings.

Epstein had ties to ultrarich JPMorgan clients such as Leon Black, the co-founder of private-equity firm Apollo Global Management. Over the years, Mr. Black paid Epstein a total of $148 million for trust- and estate-tax advice, an independent review found.

Mr. Nelson went to Epstein's townhouse seven times between 2014 to 2017, and visited Epstein's ranch south of Santa Fe in January 2016, according to the people familiar with the matter.

Managing director Paul Barrett scheduled at least five meetings with Epstein from 2014 to 2017 before he left JPMorgan, according to documents reviewed by the Journal.

Epstein's 2019 death ended the criminal trial against him.

The lawsuits against JPMorgan are scheduled to go to trial in October.

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New JPMorgan Fund Raises $1 Billion Plus

By Isaac Taylor
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A private investment arm of banking giant JPMorgan Chase & Co. has wrapped up its inaugural growth-equity fund with commitments of more than $1 billion despite an increasingly challenging fundraising market over the past year.

The asset manager plans to invest from the pool, 270 Growth Fund I LP and related vehicles, in software, real estate, financial- and consumer-**technology** startups up to the point that they may be ready for an initial public offering, according to fund sponsor J.P. Morgan Growth Equity Partners. The group had a $1 billion target for the strategy when it began seeking the capital in 2021.

The sponsor succeeded in raising the pool at a difficult time for gathering new commitments for growth investment and venture-capital vehicles. Institutional investors have tightened their purse strings since the Federal Reserve embarked on a series of interest-rate increases while Russia's invasion of Ukraine set off a period of volatility in the public markets that has depressed valuations of many private companies.

Fundraising for global venture-capital investment vehicles declined about 11% to $254 billion last year from $286.3 billion in 2021, according to research provider PitchBook Data Inc. The ebb in demand came as venture capital delivered losses in each quarter last year, PitchBook data show, marking the first sequence of four or more consecutive quarterly losses since June 2009, when the longest recession since World War II ended.

The new J.P. Morgan fund reached the $1 billion level near the end of last year, said Christopher Dawe, the Growth Equity group's managing partner. Only two venture funds managed to close with more than $1 billion in the first quarter, compared with 36 in the first three months of last year, according to PitchBook.

The J.P. Morgan group plans to invest in roughly 25 companies using capital from the new strategy.

"In this environment where it's no longer growth at all costs, there is scarcity value on private-equity, venture and growth-equity capital," Mr. Dawe said. "If you can move quickly and be competitive on valuation, all else being equal, our thesis is that the value-added partner who really can add demonstrable value to your company will be the beneficiary of that."

His group has made four investments so far, including backing Plaid Inc., a San Francisco-based company that builds data transfer networks used in banking and by financial **technology** and digital finance products. The group has also invested in New York-based information security compliance automation company Laika Inc., which operates as Thoropass.

"So far, we have not seen a significant amount of down rounds," Mr. Dawe said about recent valuations of startups. "We are seeing an increase in structured deals, convertible financings, bridge financings. And I think that does preserve the optics of the valuations."

Before joining JPMorgan, Mr. Dawe spent 15 years at Goldman Sachs Group Inc., where he co-headed the venture-capital and growth-equity business of the bank's Goldman Sachs Investment Partners group. Investments credited to him include those made in Spotify **Technology** SA and Pinterest Inc.

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