Title: Wall Street On Parade, Jun 24, 2022: JPMorgan Chase’s Derivatives Spike by $14 Trillion in Q1 to 6-Year High of $60 Trillion: Add JPMorgan Chase, the biggest bank in the US with an unprecedented 5 criminal felony counts since 2014, to the growing list of debacles of which the Fed has lost control
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+$14 Trillion / 25% spike over just 3 months huh? Is Jamie Dimon running from GME? :)

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[JPMorgan Chase’s Derivatives Spike by $14 Trillion in First Quarter to Six-Year High of $60 Trillion](https://archive.ph/Lc9vT)

Add JPMorgan Chase, the biggest bank in the United States with an unprecedented [five criminal felony counts](https://archive.ph/LkgMc) since 2014, to the growing list of debacles of which the Fed has lost control.

The Fed has its bank examiners pouring over the books of JPMorgan Chase on an ongoing basis, but somehow the bank’s dangerous book of derivatives has been allowed to spike by $14.42 trillion in the first quarter of this year, soaring from $45.84 trillion on December 31, 2021 to $60.26 trillion on March 31, 2022. That’s an increase of 24 percent in a three-month span. That information comes from page 18 of the [newly-released report](https://archive.ph/o/Lc9vT/https://www.occ.gov/publications-and-resources/publications/quarterly-report-on-bank-trading-and-derivatives-activities/files/pub-derivatives-quarterly-qtr1-2022.pdf) on derivatives in the banking system from the Office of the Comptroller of the Currency (OCC).

The Dodd-Frank Act of 2010 was supposed to stop the insanity of unfathomable amounts of risky derivatives being held at federally-insured banks. Under the so-called “push-out” rule in Dodd-Frank, derivatives were supposed to be moved out of the federally-insured bank to other parts of the bank holding company so that they could be wound down in a bankruptcy proceeding without endangering the federally-insured bank. Citigroup and its lobbyists succeeded in getting that provision [repealed in a sneak maneuver in December 2014](https://archive.ph/8x4f9).

Then there was Dodd-Frank’s promise that all of these dangerous derivatives would become centrally-cleared in short order instead of being opaque over-the-counter contracts with bespoke (custom) terms that regulators and the public could not make heads or tails of. Well, that didn’t happen either. The current OCC report tells us that 71 percent of JPMorgan Chase’s equity derivatives are *not* centrally cleared; 100 percent of its precious metals contracts are *not* centrally cleared; and 96 percent of its foreign exchange derivative contracts are *not* centrally cleared.

The Fed and its fellow regulators deserve a grade of F for brazenly ignoring the intent of Congress when it passed the Dodd-Frank Act in 2010. Twelve years after its passage, dangerous derivatives are still not centrally cleared and instead of shrinking, their quantities and threat to financial stability are growing.

According to the [official report from the Financial Crisis Inquiry Commission](https://archive.ph/o/Lc9vT/https://www.govinfo.gov/content/pkg/GPO-FCIC/pdf/GPO-FCIC.pdf), which was statutorily mandated to investigate and report on the Wall Street financial collapse of 2008, derivatives played a central role in the crash. The report summarized its findings as follows:

>“We conclude over-the-counter derivatives contributed significantly to this crisis. The enactment of legislation in 2000 to ban the regulation by both the federal and state governments of over-the-counter (OTC) derivatives was a key turning point in the march toward the financial crisis…without any oversight, OTC derivatives rapidly spiraled out of control and out of sight, growing to $673 trillion \[globally\] in notional amount. This report explains the uncontrolled leverage; lack of transparency, capital, and collateral requirements; speculation; interconnections among firms; and concentrations of risk in this market. OTC derivatives contributed to the crisis in three significant ways.

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>“First, one type of derivative—credit default swaps (CDS)—fueled the mortgage securitization pipeline. CDS were sold to investors to protect against the default or decline in value of mortgage-related securities backed by risky loans. Companies sold protection—to the tune of $79 billion, in AIG’s case—to investors in these newfangled mortgage securities, helping to launch and expand the market and, in turn, to further fuel the housing bubble.
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>“Second, CDS were essential to the creation of synthetic CDOs. These synthetic CDOs were merely bets on the performance of real mortgage-related securities. They amplified the losses from the collapse of the housing bubble by allowing multiple bets on the same securities and helped spread them throughout the financial system. Goldman Sachs alone packaged and sold $73 billion in synthetic CDOs from July 1, 2004, to May 31, 2007…
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>“Finally, when the housing bubble popped and crisis followed, derivatives were in the center of the storm. AIG, which had not been required to put aside capital reserves as a cushion for the protection it was selling, was bailed out when it could not meet its obligations. The government ultimately committed more than $180 billion because of concerns that AIG’s collapse would trigger cascading losses throughout the global financial system. In addition, the existence of millions of derivatives contracts of all types between systemically important financial institutions—unseen and unknown in this unregulated market—added to uncertainty and escalated panic, helping to precipitate government assistance to those institutions.”

As an example of just how lax regulators have been when it comes to reining in the threat of derivatives at the megabanks on Wall Street which, like JPMorgan Chase, own the largest federally-insured banks in the country, consider the research report that was released by the Office of Financial Research (OFR) on July 12, 2021. (OFR was also created under the Dodd-Frank Act to keep U.S. regulators informed about threats to financial stability.)

The OFR report is titled: “[Counterparty Choice, Bank Interconnectedness, and Systemic Risk](https://archive.ph/o/Lc9vT/https://www.financialresearch.gov/working-papers/files/OFRwp-21-03_counterparty-choice-bank-interconnectedness-and-systemic-risk.pdf).” The researchers, Andrew Ellul and Dasol Kim, examined 18 different over-the-counter (OTC) derivative markets and concluded the following:

>“Bank interconnectedness through the OTC derivative markets was identified as an important factor that contributed to the severity of the Great Financial Crisis…and remains an area of fragility of systemically important banks on which we have very limited understanding. The trading of OTC derivatives is notoriously concentrated in the largest banks, which are also the ones for which we have data. One important feature is the substantial counterparty risk that banks face, in our context the most important counterparty risk is that faced by banks trading with non-bank entities.”

Just how concentrated are these risky derivatives at the megabanks? The current report from the OCC tells us this:

>“A total of 1,291 insured U.S. national and state commercial banks and savings associations reported trading and derivatives activities at the end of the first quarter of 2022. A small group of large financial institutions continues to dominate trading and derivatives activity in the U.S. commercial banking system. During the first quarter of 2022, four large commercial banks represented 89.0 percent of the total banking industry notional amounts \[of derivatives\] and 68.8 percent of industry net current credit exposure (NCCE).”

Notional means face amount of derivatives. As of March 31, 2022, the four federally-insured commercial banks that held 89 percent of all derivatives in the banking system were as follows: JPMorgan Chase with $60.26 trillion; Goldman Sachs Bank USA with $49.75 trillion; Citibank (part of Citigroup) with $45.74 trillion; and Bank of America NA with $22.48 trillion.

Yesterday, Fed Chairman Powell [appeared before the House Financial Services Committee](https://archive.ph/o/Lc9vT/https://financialservices.house.gov/events/eventsingle.aspx?EventID=409519) to deliver his monetary policy report. During the hearing, Powell was asked a question about systemic risks in the financial system by Congressman Jim Himes, a Democrat from Connecticut. The exchange went as follows:

>**Himes**: “In my remaining minute I’m going to ask you a question I ask you a lot, Mr. Chairman. We’re obviously seeing pretty dramatic swings in the financial markets. Money is no longer free. We’re seeing that in the SPAC market, in the high yield market, the equities market, cryptocurrency. In my very short remaining time Mr. Chairman, what should we be focused on? What is concerning you with respect to systemic risk that may develop in the face of rising rates and rising inflation?”
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>**Powell**: “Basically, the financial markets have been functioning well and the banking system in particular is very strong, well-capitalized, has lots of liquidity, better understanding and management of its risks….”

Consider that statement from Powell against [this headline from May 27](https://archive.ph/QYnLS): “Dow Ends Biggest Losing Streak Since 1932 as Tech Prevails.” Not to put too fine a point on it, but 1932 was the early days of the Great Depression – the worst economic collapse in U.S. history.

Under Powell’s tenure at the helm of the Fed, the Fed has lost control of inflation, which is now hovering at a 40-year high. The Fed lost control of policing its own officials, triggering [the biggest trading scandal](https://archive.ph/N4bO6) in the Fed’s 109-year history. (Investigative findings regarding that scandal, by the way, have yet to be released by any federal body after nine months.) Instead of reining in the trading abuses on Wall Street, the Fed has encroached further into markets with its own trading activities. See our report: [The New York Fed Has Quietly Staffed Up a Second Trading Floor Near the S&P; 500 Futures Market in Chicago](https://archive.ph/0OmIl).

Powell also permitted the biggest, secret, bailout of the megabanks and their derivative counterparties beginning in September 2019 – months before there was any reported case of COVID-19 anywhere in the world. And, somehow, when the names of the banks that received these windfall repo loans from the Fed were finally released two years later, there was a blanket news blackout by mainstream media. Only *Wall Street On Parade*, a two-person investigative team, has documented this bailout, graphed the data, and named names. (See [our archive of more than 100 articles on these Fed bailouts](https://archive.ph/kWBuJ).)

Senator Elizabeth Warren is the only member of Congress with the courage to tell the simple truth to the American people about Fed Chairman Powell: He’s a “[dangerous man](https://archive.ph/hjybo).”