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JPMorgan's Crime Wave Continues, Calling into Question the Justice Department's Lax Settlement with the Bank Last Year

By [Pam Martens](#) and [Russ Martens](#): December 20, 2021 ~

JPMorgan Chase is the largest bank in the United States. It also has the scandalous distinction of having admitted to five criminal felony counts brought by the U.S. Department of Justice since 2014 and a breathtaking series of additional charges from other regulators. (See its [Rap Sheet](#) [here](#).)



Gary Gensler, SEC Chairman

On Friday, the Securities and Exchange Commission fined the securities unit of JPMorgan Chase \$125 million for evading the ability of the SEC to adequately conduct its investigations of the bank because there was "firmwide" use by traders, supervisors and other personnel of non-official communications devices to conduct its business, while the firm failed to record and retain these messages as required by law.

These new violations occurred despite similar conduct during the bank's participation in the rigging of the foreign exchange market, which brought a criminal felony charge against the bank by the Justice Department in May of 2015. In that case, conspiring banks including JPMorgan Chase [used Bloomberg electronic chat rooms](#), which they referred to as "The Cartel" or "The Mafia." JPMorgan Chase admitted to the felony charge and received a Deferred Prosecution Agreement. It was also put on probation and required to cease and desist from further lawbreaking. But just last September 29, the Justice Department brought two more felony counts against the bank for rigging the precious metals and U.S. Treasury markets. It was again handed a Deferred Prosecution Agreement and put on probation. It now appears that the Justice Department may have been denied access to the full scale of the wrongdoing since the bank is now admitting some messages on personal devices were destroyed.

The SEC [described the new violations as follows](#):

"...JPMS [J.P. Morgan Securities LLC] admitted that from at least January 2018 through November 2020, its employees often communicated about securities business matters on their personal devices, using text messages, WhatsApp, and personal email accounts. None of these records were preserved by the firm as required by the federal securities laws. JPMS further admitted that these failures were firm-wide and that practices were not hidden within the firm. Indeed, supervisors, including managing directors and other senior supervisors – the very

The Justice Department had charged in 2016 that JPMorgan's Asia subsidiary had through "certain senior executives and employees of the Company conspired to engage in quid pro quo agreements with Chinese officials to obtain investment-banking business, planned and executed a program to provide specific personal benefits to senior Chinese officials in the position to award or influence the award of banking mandates, and repeatedly falsified or caused to be falsified internal compliance documents in place to prevent the specific conduct at issue...."

To put it succinctly, the bank was putting on its payroll the children of high Chinese government officials in order to further its business interests in China.

In exchange for avoiding prosecution, the Justice Department required the bank to put in place compliance controls around third-party payments. Williams alleges the following was happening inside the bank to subvert those controls:

"If properly implemented, invoice controls would ensure that JPMorgan was not funding corruption by labeling corrupt third-party payments as legitimate business expenses.

"Williams also raised concerns because the Bank had no requirements for the Compliance group to review invoices for red flags, high risk indicators, or other anomalies that indicate corrupt payments; because the Bank granted many third-party intermediaries exemptions from invoice requirements without documenting or explaining the basis for doing so; because the Bank had no controls to ensure that the entity requesting payment was the same third-party intermediary that had contracted with the Bank; because the Bank had no controls to ensure that the third party intermediary had a contract or other agreement with the Bank before performing the services; and because the Bank could not reconcile actual payments with the invoices...

"Williams also raised concerns about JP Morgan's inaccurate books and records. There were inconsistencies between the TPI payment records and the Bank's centralized payment systems that feed into its general ledger. For example, a former government official ('TPI1') was a high risk JPMorgan third-party intermediary for Jamie Dimon ('Dimon'), JPMorgan's Chief Executive Officer. The Bank processed the invoices for TPI1 through the 'emergency payment method.' The Bank's policies made clear that the 'emergency payment method' should be used for urgent payments critical to the day-to-day operations of Chase such as emergency utility bills 'to prevent the lights from going out.' The TPI1 invoices did not satisfy this standard, thus leaving the payment method open to unchecked corrupt

were not hidden within the firm. Indeed, supervisors, including managing directors and other senior supervisors – the very people responsible for implementing and ensuring compliance with JPMS's policies and procedures – used their personal devices to communicate about the firm's securities business.

"JPMS received both subpoenas for documents and voluntary requests from SEC staff in numerous investigations during the time period that the firm failed to maintain required records. In responding to these subpoenas and requests, JPMS frequently did not search for relevant records contained on the personal devices of its employees. JPMS acknowledged that its recordkeeping failures deprived the SEC staff of timely access to evidence and potential sources of information for extended periods of time and in some instances permanently. As such, the firm's actions meaningfully impacted the SEC's ability to investigate potential violations of the federal securities laws."

The SEC's Consent Order suggests that the unauthorized devices were being used to intentionally get around subpoenas, writing that: "Even after the firm became aware of significant violations, the widespread recordkeeping failures and supervisory lapses continued with a significant number of JPMorgan employees failing to follow basic recordkeeping requirements."

The Consent Order provides numerous specific instances of how the violations subverted SEC investigations, including this example:

"...in connection with work performed on behalf of an investment banking client between at least January 2018 and November 2019, JPMorgan employees, including desk heads, managing directors, and other senior executives sent and received more than 21,000 securities business-related text and email messages using unapproved communications methods on their personal devices. These messages were not preserved by JPMorgan. The messages reflect extensive discussion between and among senior-level JPMorgan executives and employees, customers, clients, third-party advisers, and other market participants about debt and equity underwriting issues."

The SEC's latest charges against the securities unit of the firm lend further substantiation to charges being made by a former attorney/compliance official at the bank, Shaquala Williams. [According to a federal lawsuit filed by Williams](#), the bank was falsely reporting to the Justice Department that it was in compliance with a Non-Prosecution Agreement it had reached in 2016 when, in fact, it was simply reporting what the Justice Department wanted to hear while gaming the terms of the agreement.

The Justice Department had charged in 2016 that JPMorgan's Asia

of Chase such as emergency utility bills 'to prevent the lights from going out.' The TPII invoices did not satisfy this standard, thus leaving the payment method open to unchecked corrupt payments and violations of the Bank's accounting controls, the NPA, SEC Order, SEC rules and regulations, and provisions of Federal law relating to fraud against shareholders. Further, the payments as reflected in the general ledger did not correspond with management's general or specific authorization for the invoice payments, thereby creating inaccurate records that also constituted violations of the NPA, the SEC Order, SEC rules and regulations and/or provisions of Federal law relating to fraud against shareholders."

The lawsuit contains this additional stunning allegation related to these invoices: "Williams raised concerns that GACC [her department] was maintaining an alternate ledger of corrected transactions that did not match the uncorrected transactions on the official JPMorgan balance sheet."

In the current case, the SEC is relying on the Audit Committee of the Board of Directors of JPMorgan Chase to oversee a newly hired "Compliance Consultant." This is the same Board of Directors that has retained the same Chairman and CEO, Jamie Dimon, throughout this unprecedented crime wave – even [giving Dimon a \\$50 million bonus](#) less than a year after the bank had notched its fourth and fifth felony count.

This serial crime wave at the largest federally-insured bank in the United States warrants the urgent attention of the Senate's Permanent Subcommittee on Investigations, which previously investigated the bank and issued a [300-page report](#) which found that it had used deposits to gamble in derivatives in London and lose at least \$6.2 billion. Dimon also sat at the helm of the bank at that time.



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