has resulted in the modification or extinguishment of specific contracts for accounting purposes.

Representatives of the U.K. Financial Conduct Authority (the “FCA”), which regulates the London interbank offered rate (“LIBOR”), have made a series of public statements during the past several years to the effect that:

- the FCA will no longer persuade or compel banks to submit rates for the calculation of the LIBOR benchmark after 2021, and
- once a significant number of banks are no longer submitting such rates, the FCA may make a determination under applicable regulations that the LIBOR benchmark may not meet the standards required under those regulations for use as a benchmark.

These statements indicate that it is highly likely that LIBOR will be discontinued on or about the end of 2021. Vast amounts of loans, mortgages, securities, derivatives and other financial instruments are linked to the LIBOR benchmark, and any inability of market participants and regulators to successfully introduce benchmark rates to replace LIBOR and implement effective transitional arrangements to address the discontinuation of LIBOR could result in disruption in the financial markets and suppress capital markets activities, all of which could have a negative impact on JPMorgan Chase’s results of operations and on LIBOR-linked securities, credit or other instruments which are issued, funded, serviced or held by JPMorgan Chase.

JPMorgan Chase could also become involved in litigation and other types of disputes with clients, customers, counterparties and investors as a consequence of the transition from LIBOR and other benchmark rates to replacement rates, including claims that JPMorgan Chase has:

- treated clients, customers, counterparties or investors unfairly, or caused them to experience losses, higher financing costs or lower returns on investments
- failed to appropriately communicate the effects of the transition from benchmark rates on the products that JPMorgan Chase has sold to its clients and customers, or failed to disclose purported conflicts of interest
- made inappropriate product recommendations to or investments on behalf of its clients, or sold products that did not serve their intended purpose, in connection with the transition from benchmark rates
- engaged in anti-competitive behavior, or in the manipulation of markets or specific benchmarks, in connection with the discontinuation of or transition from benchmark rates, or
- disadvantaged clients, customers, counterparties or investors when interpreting or making determinations under the terms of agreements or financial instruments.

These types of claims could subject JPMorgan Chase to higher legal expenses and operational costs, require it to pay significant amounts in connection with resolving litigation and other disputes, and harm its reputation.

Capital

Maintaining the appropriate level and composition of capital is critical to support JPMorgan Chase’s business activities, meet regulatory requirements and distribute capital to shareholders.

JPMorgan Chase is subject to various regulatory capital requirements, and although many of these requirements have been finalized, prudential regulators have recently issued new regulatory capital proposals, and continued uncertainty remains as to the manner in which these requirements ultimately will apply to JPMorgan Chase. As a result, it is possible that these requirements could limit JPMorgan Chase’s ability to support its businesses and make capital distributions to its shareholders.

JPMorgan Chase is required to submit, on an annual basis, a capital plan describing proposed dividend payments to shareholders, redemptions and repurchases of its outstanding securities and other capital actions that it intends to take. JPMorgan Chase considers various factors in the management of capital, including the impact of stress on its capital levels, as determined by both internal modeling and the Federal Reserve’s modeling of JPMorgan Chase’s capital position in supervisory stress tests and CCAR. Because the Federal Reserve and JPMorgan Chase use different forecasting models and methodologies when determining stress test results, there can be significant differences between the estimates of stress loss as determined by the Federal Reserve and JPMorgan Chase, respectively. The Federal Reserve may object to or require modifications to JPMorgan Chase’s capital plan, or JPMorgan Chase may otherwise modify its capital plan, and any such modification could have an adverse effect on JPMorgan Chase’s shareholders, including by:

- constraining the amount of dividends that may be paid on common stock
- reducing the amount of common stock that JPMorgan Chase is permitted to repurchase
- requiring the issuance of, or prohibiting the redemption of, capital instruments in a manner inconsistent with JPMorgan Chase’s capital management strategy
- curtailing JPMorgan Chase’s business activities or operations, or
- damaging JPMorgan Chase’s reputation.