

Part I

the heightened standards established by its regulators, it could be required to:

- enter into further resolutions of investigations or enforcement actions
- pay additional regulatory fines, penalties or judgments, or
- accept material regulatory restrictions on, or changes in the management of, its businesses.

In these circumstances, JPMorgan Chase could also become subject to other sanctions, or to prosecution or civil litigation with respect to the conduct that gave rise to an investigation or enforcement action.

Complying with economic sanctions and anti-corruption and anti-money laundering laws and regulations can increase JPMorgan Chase’s operational and compliance costs and risks.

JPMorgan Chase must comply with economic sanctions and embargo programs administered by the Office of Foreign Assets Control (“OFAC”) and similar national and multi-national bodies and governmental agencies outside the U.S., as well as anti-corruption and anti-money laundering laws and regulations throughout the world. JPMorgan Chase can incur higher costs and face greater compliance risks in structuring and operating its businesses to comply with these requirements. Furthermore, a violation of a sanction or embargo program or anti-corruption or anti-money laundering laws and regulations could subject JPMorgan Chase, and individual employees, to regulatory enforcement actions as well as significant civil and criminal penalties.

JPMorgan Chase’s operations can be constrained in countries with less predictable legal and regulatory frameworks.

If the legal and regulatory system in a particular country is less predictable, this can create a more difficult environment in which to conduct business. For example, any of the following could hamper JPMorgan Chase’s operations and reduce its earnings in these types of countries:

- the absence of a statutory or regulatory basis or guidance for engaging in specific types of business or transactions
- conflicting or ambiguous laws and regulations, or the inconsistent application or interpretation of existing laws and regulations
- uncertainty concerning the enforceability of contractual, intellectual property or other obligations
- difficulty in competing in economies in which the government controls or protects all or a portion of the local economy or specific businesses, or where graft or corruption may be pervasive, and
- the threat of arbitrary regulatory investigations, civil litigations or criminal prosecutions, the termination of licenses required to operate in the local market or the

suspension of business relationships with governmental bodies.

Conducting business in countries with less predictable legal and regulatory regimes could require JPMorgan Chase to devote significant additional resources to understanding, and monitoring changes in, local laws and regulations, as well as structuring its operations to comply with local laws and regulations and implementing and administering related internal policies and procedures.

There can be no assurance that JPMorgan Chase will always be successful in its efforts to fully understand and to conduct its business in compliance with the laws and regulations of all of the jurisdictions in which it operates, and the risk of non-compliance can be greater in countries that have less predictable legal and regulatory systems.

Requirements for the orderly resolution of JPMorgan Chase could result in JPMorgan Chase having to restructure or reorganize its businesses.

JPMorgan Chase is required under Federal Reserve and FDIC rules to prepare and submit periodically to those agencies a detailed plan for rapid and orderly resolution in bankruptcy, without extraordinary government support, in the event of material financial distress or failure. The agencies’ evaluation of JPMorgan Chase’s resolution plan may change, and the requirements for resolution plans may be modified from time to time. Any such determinations or modifications could result in JPMorgan Chase needing to make changes to its legal entity structure or to certain internal or external activities, which could increase its funding or operational costs, or hamper its ability to serve clients and customers.

If the Federal Reserve and the FDIC were to determine that a resolution plan submitted by JPMorgan Chase has deficiencies, they could jointly impose more stringent capital, leverage or liquidity requirements or restrictions on JPMorgan Chase’s growth, activities or operations. After two years, if the deficiencies are not cured, the agencies could also require that JPMorgan Chase restructure, reorganize or divest assets or businesses in ways that could materially and adversely affect JPMorgan Chase’s operations and strategy.

Holders of JPMorgan Chase & Co.’s debt and equity securities will absorb losses if it were to enter into a resolution.

Federal Reserve rules require that JPMorgan Chase & Co. (the “Parent Company”) maintain minimum levels of unsecured external long-term debt and other loss-absorbing capacity with specific terms (“eligible LTD”) for purposes of recapitalizing JPMorgan Chase’s operating subsidiaries if the Parent Company were to enter into a resolution either:

- in a bankruptcy proceeding under Chapter 11 of the U.S. Bankruptcy Code, or
- in a receivership administered by the FDIC under Title II of the Dodd-Frank Act (“Title II”).