PUBLIC STATEMENT

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Statement on SEC Enforcement Action Against JPMorgan

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Co-Director of the SEC's Division of Enforcement

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Today we are announcing that JPMorgan Chase & Co. has agreed to admit wrongdoing and pay a $200 million penalty for its conduct in connection with the trading losses suffered by JPMorgan's chief investment office (CIO) in 2012.

Last month, when we filed fraud charges against JPMorgan's former traders, Javier Martin-Artajo and Julien Grout, we said these traders exploited massive shortcomings in JPMorgan's internal controls infrastructure.

Today's action makes clear that JPMorgan's control breakdowns went far beyond the CIO trading book. In addition to failing to keep watch over how the traders valued a very complex portfolio, JPMorgan's senior management broke a cardinal rule of corporate governance: inform your board of directors of matters that call into question the truth of what the company is disclosing to investors. Here, at the very moment JPMorgan's management was grappling with how to fix its internal control breakdowns and disclose the full scope of its CIO trading disaster, the bank's Audit Committee was in the dark about the extent of these problems.

By not sharing these troubling facts with its directors, JPMorgan deprived them of information they vitally needed to make proper judgments about how to address the company's problems — including what information could be relied upon as accurate and what information needed to be disclosed to investors and regulators.

At its core, today's case is about transparency and accountability, and JPMorgan's admissions are a key component in that message. While not every case will be appropriate for admissions of wrongdoing, the SEC required JPMorgan to admit the facts in the SEC's order – and acknowledge that it broke the law – because JPMorgan's egregious breakdowns in controls and governance put its millions of shareholders at risk and resulted in inaccurate public filings.

The facts described in the SEC's action called for a substantial penalty in addition to admissions of wrongdoing. The $200 million penalty against JPMorgan is unprecedented for an internal controls case and is one of the largest penalties in the history of the SEC. The penalty reflects the SEC's assessment of the gravity of the control failures and the risks to which they exposed the firm and investors. The $200 million will be placed in a fund for compensation of investors harmed by JPMorgan's inaccurate financial reports.

Although today's settlement resolves claims against JPMorgan relating to this matter, our investigation is continuing as to individuals.

I would like to thank the U.S. Attorney's Office for the Southern District of New York, the FBI, the Federal Reserve, and the Office of the Controller of the Currency for their assistance in this investigation.

I also thank the United Kingdom Financial Conduct Authority for its tremendous collaboration with the SEC in this matter. The securities markets are global, and many of the leading participants in those markets operate all over the world. Complex cases like this one — involving cross-border conduct in New York and London — cannot be effectively investigated and prosecuted without close cooperation of financial regulators in different countries. Such cooperation is vital not only in developing the evidence of wrongdoing but in determining the appropriate regulatory response, including assessment of sanctions that reflect JPMorgan's violation of the distinct laws in both countries but avoid duplication of punishment for the same conduct.

Last, I want to recognize the hard work and dedication of the SEC staff from the New York Regional Office that conducted this investigation, and that continue to aggressively investigate the facts surrounding this case: Michael Osnato, Steven Rawlings, Daniel

Related Materials

- Press Release: SEC Enforcement Action Against JPMorgan

Michael, Peter Altenbach, Joshua Brodsky, and Joseph Boryshansky.

Just as last month's trader mismarking case was the product of the SEC staff's expertise and determination, the staff propelled today's action forward by analyzing millions of documents, questioning dozens of witnesses, and ultimately discovering the facts that led to JPMorgan's acknowledgement of wrongdoing. Using e-mail inboxes, calendars, and witness statements, the staff was able to reconstruct in vivid detail and as they unfolded the events in the first half of 2012, exposing both control weaknesses at CIO and the deficiencies in corporate governance at the highest level of the bank that JPMorgan has admitted in today's action.

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