

Senate report documents fraud and lawbreaking by JPMorgan Chase

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The Senate Permanent Subcommittee on Investigations released a 300-page report Thursday documenting systematic fraud and deception by JPMorgan Chase, the biggest US bank, in connection with over \$6.2 billion in losses from high-risk speculative trades in financial derivatives in 2012.

The losses, incurred by the bank's London-based Chief Investment Office (CIO) and a trader dubbed the "London whale" because of the size of his bets, were concealed from investors, analysts, regulators and the public by the bank's top management, including its chairman and CEO, Jamie Dimon.

The report details from emails, phone conversations and interviews with bank officials the use of accounting gimmicks to vastly understate the scale of the losses in the first quarter of 2012, the withholding and falsification of information on the trading activities in reports made to the chief federal regulator of JPMorgan, the Office of the Comptroller of the Currency (OCC), and misrepresentations and lies from top bank officials in public statements issued beginning last April, when press reports of the massive bets being made by the CIO's Synthetic Credit Portfolio began to emerge.

The report also documents the complicity of federal regulators, led by the OCC, in the bank's fraudulent activities. The OCC gave its stamp of approval when JPMorgan informed it in January 2012, as the losses at its Chief Investment Office were piling up, that it was altering its calculation of risk so as to free up more funds for speculative investments. The regulator did nothing when the bank stopped providing it with profit and loss reports from its CIO division concerning its Synthetic Credit Portfolio.

At a press conference Thursday, Senator Carl Levin (Democrat of Michigan), the chairman of the

Permanent Subcommittee on Investigations, said investigators "found a trading operation that piled on risk, ignored limits on risk taking, hid losses, dodged oversight and misinformed the public."

The report demonstrates that nothing has changed on Wall Street since the financial meltdown four-and-a-half years ago that was triggered by rampant speculation and illegality on the part of the banks. The same types of exotic bets and parasitic wheeling and dealing—in the case of JPMorgan, with depositors' money—that brought the global financial system to the point of collapse and ushered in a world slump, continue unabated. The bets that backfired for JPMorgan in early 2012 were a form of gambling on credit default swaps.

Likewise, the role of the government and regulatory agencies as protectors of the financial criminals remains unchanged.

Two years ago, the same Senate committee released a 630-page report on the practices that led to the banking crash of September 2008, documenting the role of major banks, regulatory agencies and credit rating firms. At the time, Senator Levin said his investigation had found "a financial snake pit rife with greed, conflicts of interest and wrongdoing." Yet not a single bank or high-ranking bank executive has been criminally charged, let alone convicted and sent to prison.

The report issued Thursday lays out a prima facie case for the criminal prosecution of the top executives of JPMorgan, including CEO Dimon. The cover-up of losses, use of accounting tricks to deceive investors, and issuance of false statements to regulators and the public are violations of federal securities statutes punishable by fines and jail terms.

But the report carefully avoids accusing the bank or

any of its executives of breaking the law. The *New York Times* on Friday reported that the Federal Bureau of Investigation (FBI) was looking into the JPMorgan “London whale” losses and planned to interview top executives in the coming weeks, including Dimon. It added, however, that “authorities do not suspect the chief executive of wrongdoing.”

This is consistent with the policy of the Obama administration of shielding the financial elite and running interference for its socially destructive and criminal actions. Last week, Attorney General Eric Holder, testifying before the Senate Judiciary Committee, declared that it was “difficult” for the Justice Department to prosecute major banks or their top executives because of the “negative impact” it would have on the economy. This was an open acknowledgment that the Obama administration deems the major banks to be above the law.

For much of Obama’s first term in office, Dimon was known as “the president’s favorite banker.” The CEO, whose net worth is estimated at \$400 million, was a frequent guest at the White House.

On April 13, 2012, JPMorgan submitted a first-quarter earnings report to the Security and Exchange Commission (SEC) that concealed losses at its Chief Investment Office of more than \$1 billion over the previous three months. That in itself was a criminal act.

In an attempt to counter press reports of massive bets and potential losses, JPMorgan officials told a conference call with investors and analysts the same day that the suspicious trading activity was merely for the purpose of hedging the bank’s overall position and that the bank was keeping federal regulators fully informed. In fact, the bank in January had told the OCC that it planned to reduce the size of its Synthetic Credit Portfolio, only to triple its size over the following quarter.

In the same conference call, Dimon called the London whale matter a “complete tempest in a teapot.”

The Senate report released Thursday states that Dimon was at that time “already in possession of information about the ... complex and sizeable portfolio, its sustained losses for three straight months, the exponential increase in those losses during March, and the difficulty of exiting the ... positions.”

Less than a month later, on May 10, the bank was compelled to acknowledge large losses in a further

filing with the SEC. On that day, Dimon suddenly announced that JPMorgan had incurred some \$2 billion in losses at its London unit.

Obama personally rushed to vouch for Dimon and his bank, publicly declaring only days later that Dimon was “one of the smartest bankers we’ve got” and that JPMorgan was “one of the best managed banks there is.”

On Friday, one day after releasing its report on JPMorgan, the Permanent Subcommittee on Investigations held a hearing at which it took testimony from former and current JPMorgan executives and officials from the Office of the Comptroller of the Currency. Like all such hearings, it was an exercise in cover-up and damage control, in which the witnesses, including the former head of the bank’s Chief Investment Office, Ina Drew, palmed off responsibility and the senators of both parties avoided any suggestion that they should be prosecuted or otherwise held accountable for their actions.

Dimon was not even asked to appear before the committee. He did testify last June before the Senate Banking Committee and used the occasion to denounce bank regulations. The bowing and scraping by Democrats and Republicans alike was so profuse and shameless, the *Washington Post*’s Dana Milbank felt obliged to write that they “acted as though they were wholly owned subsidiaries of JPMorgan.”

In fact, all but six of the committee members were recipients of JPMorgan campaign cash, the bank being the biggest campaign contributor to the committee chairman, Democrat Tim Johnson.



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