

Why is JPMorgan's Jamie Dimon immune from prosecution?

Andre Damon
12 August 2013

The *New York Times* reported in a front-page article Saturday that the US government will arrest two employees of JPMorgan Chase in connection with a multi-billion-dollar trading loss in 2012 which the bank hid from regulators and investors.

The criminal charges are part of an attempt by the Obama administration to create the appearance that it is cracking down on Wall Street criminality, while it continues to shield top executives and allow banking fraud and criminality to continue unabated.

US authorities made clear to the *Times* that they have no plans to seek criminal charges against executives such as JPMorgan CEO Jamie Dimon. The decision not to bring charges against Dimon is neither an accident nor the result of insufficient evidence. Nearly five years after the greatest financial crash since the Great Depression, triggered by rampant illegality and fraud on the part of the major banks, not a single major institution or leading bank executive has been indicted, let alone tried, convicted and jailed.

Congressional committees and a special commission appointed to investigate the financial meltdown of September 2008 have published voluminous studies documenting in detail the criminal actions of such banks as Goldman Sachs, JPMorgan and Deutsche Bank, and the role of their top executives. These reports have been buried and ignored, including by their authors.

Meanwhile, the scandals have proliferated—the Libor-rigging scandal, the foreclosure document forgery scandal, multiple scandals involving the fraudulent marketing of sub-prime mortgages, etc.—without any serious response from the government. What all of this shows is that in contemporary America, there is a financial aristocracy that is above the law.

In early 2012, JPMorgan suffered losses of some \$6

billion from high-risk trades in derivatives. The company sought to hide the losses from the Securities and Exchange Commission (SEC) by using fraudulent accounting methods in its first-quarter filing. In April of that year, Dimon told investors and the public that the bank's derivatives losses were a “complete tempest in a teapot.”

Last March, the Senate Permanent Subcommittee on Investigations released a 300-page report documenting fraud and law-breaking by JPMorgan in connection with its derivatives trading loss. The report concluded that JPMorgan used false accounting “to hide hundreds of millions of dollars of losses,” and “misinformed investors, regulators, and the public about the nature of its risky derivatives trading.”

The activities documented by the subcommittee report were so systematic, coordinated, and pervasive that they could not have taken place without the direct knowledge and complicity of the banks' executives, including Dimon. The report noted that even as Dimon was speaking in April 2012 of a “tempest in a teapot,” he “was already in possession of information about... sustained losses for three straight months, the exponential increase in those losses during March, and the difficulty of exiting the... positions.”

The day after the subcommittee released its report, it held a hearing on JPMorgan's loss that included company executives and regulators. The committee, however, did not even ask Dimon to testify.

Known as Obama's “favorite banker,” the JPMorgan CEO was a regular guest at the White House during Obama's first term. Only days after Dimon announced the massive trading loss, Obama publicly defended him, calling him “one of the smartest bankers we've got,” and adding that JPMorgan was “one of the best managed banks there is.”

The report of plans to arrest and charge the two JPMorgan employees follows the August 1 conviction in a civil trial of former Goldman Sachs trader Fabrice Tourre on six counts of securities fraud in relationship to the sale in 2007 of mortgage-backed collateralized debt obligations.

Tourre was made the fall guy for one of the most egregious and well-documented cases of fraud related to the 2008 financial crisis, in which Goldman Sachs sold toxic sub-prime mortgage-backed securities created by the hedge fund Paulson & Co. What Goldman did not tell the investors to which it marketed the securities was that both Paulson and Goldman were betting against the very securities they were selling.

As in the case of JPMorgan's trading loss, there is no discussion of bringing charges against Goldman Sachs executives such as CEO Lloyd Blankfein. The goal in convicting Tourre is to give the illusion of cracking down on Wall Street criminality by charging a few low-level figures, while letting the executives, who bear major responsibility, go unpunished.

The list of scandals involving JPMorgan is voluminous. Last Wednesday, the bank said it was being investigated by the US Attorney's Office for the Eastern District of California for selling fraudulent sub-prime mortgage-backed securities prior to the 2008 crash.

This adds to a raft of investigations. According to the *New York Times*, these include inquiries by "at least eight federal agencies, a state regulator and two European nations."

The actions under examination include the bank's participation in the Libor scandal, allegations that JPMorgan facilitated Bernard Madoff's multi-billion-dollar Ponzi scheme, accusations by the Federal Energy Regulatory Commission that it manipulated energy prices, and the bank's participation in the so-called robo-signing scandal, in which the employees of major mortgage lenders claimed to have reviewed foreclosure documents with which they were totally unfamiliar.

The corrupt and incestuous relationship between Wall Street and the regulatory agencies that supposedly police it is summed up in the fact that JPMorgan's current chief counsel, Stephen Cutler, headed the enforcement division of the Securities and Exchange Commission from 2001 to 2005.

Meanwhile, JPMorgan's profits, like those of the

other major banks, continue to surge. The company's second quarter earnings rose 31 percent compared to a year ago, to \$6.5 billion.

The Obama administration's protection of Dimon and his co-conspirators is only one expression of the fact that the entire political system is in the pay of this layer of financial swindlers, who exercise unrestrained domination over all aspects of society.

The only way to break the political stranglehold of this financial mafia is through a mass movement of the working class, armed with a socialist program. The *World Socialist Web Site* calls for full criminal prosecution of the Wall Street executives and the seizure of all profits gained through illegal means.

The banks and major corporations must be nationalized, with compensation for small shareholders, and transformed into public utilities run democratically to meet social needs, not private profit.



To contact the WSWS and the
Socialist Equality Party visit:

wsws.org/contact