

UNITED STATES OF AMERICA  
BEFORE THE  
BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM  
WASHINGTON, D.C.

Written Agreement by and between

JPMORGAN CHASE & CO.  
New York, New York

and

FEDERAL RESERVE BANK OF  
NEW YORK  
New York, New York

Docket No.11-081-WA/RB-HC

WHEREAS, JPMorgan Chase & Co., New York, New York (“JPMC”), a registered bank holding company, owns and controls JPMorgan Chase Bank, N.A., Columbus, Ohio (the “Bank”), a national bank, and multiple subsidiaries (collectively “JPMorgan Chase”);

WHEREAS, the U.S. Department of Justice, Antitrust Division, the U.S. Securities and Exchange Commission, the Office of the Comptroller of the Currency (the “OCC”), the Internal Revenue Service, and the Federal Reserve Bank of New York (the “Reserve Bank”) (collectively, “the Agencies”) conducted investigations, examinations, and reviews concerning various types of anti-competitive activities at JPMorgan Chase by certain employees in conjunction with the sale of certain derivative financial products to municipalities and other non-profit organizations in competitively bid transactions between the years 1999 and 2005;

WHEREAS, in November 2010, a former employee of JPMorgan Chase pled guilty for participation in bid rigging and fraud conspiracies related to contracts for municipal bond

proceeds and other municipal contracts between at least 2001 and 2006;

WHEREAS, JPMorgan Chase terminated its marketing and sale of derivative products to U.S. municipalities, other than commodities derivatives, in August 2008 but continues to provide such products to certain public pension funds and non-profit organizations such as universities and non-profit hospitals under Section 501(c)(3) of the Internal Revenue Code;

WHEREAS, it is the common goal of JPMC and the Reserve Bank that JPMorgan Chase operates in compliance with all applicable federal and state laws, rules, and regulations concerning competitively bid transactions; and

WHEREAS, on July 6, 2011, the board of directors of JPMC, at a duly constituted meeting adopted a resolution authorizing and directing Anthony J. Horan to enter into this Agreement on behalf of JPMC, and consenting to compliance with each and every provision of this Agreement by JPMC and its institution-affiliated parties, as defined in sections 3(u) and 8(b)(3) of the Federal Deposit Insurance Act, as amended (the “FDI Act”) (12 U.S.C. §§ 1813(u) and 1818(b)(3)).

NOW, THEREFORE, JPMC and the Reserve Bank agree as follows:

### **Source of Strength**

1. The board of directors of JPMC shall take appropriate steps to fully utilize JPMC’s financial and managerial resources, pursuant to section 225.4(a) of Regulation Y of the Board of Governors of the Federal Reserve System (the “Board of Governors”) (12 C.F.R. § 225.4(a)), to serve as a source of strength to the Bank, including, but not limited to, taking steps to ensure that the Bank complies with the Formal Agreement issued by the OCC.

### **Board Oversight**

2. Within 90 days of this Agreement, JPMC’s board of directors shall submit to the

Reserve Bank a written plan to strengthen board oversight of JPMorgan Chase's compliance risk management program as it relates to competitively bid transactions. For the purposes of this Agreement, a "competitively bid transaction" means a transaction in which JPMorgan Chase submits a binding bid to provide or purchase a financial product in a competitive process that is intended to result in the selection of one or more winning bids, free from any collusion. The plan, which may include elements from existing or already proposed oversight systems, shall be designed to ensure that competitively bid transactions comply with all applicable laws and regulations within and across business lines, support units, and legal entities. The plan shall, at a minimum, address, consider, and include: measures to improve the board of directors' and senior management's oversight of the development and implementation of formalized firm-wide policies, procedures, and controls for compliance risks associated with competitively bid transactions.

### **Compliance Risk Management Program**

3. Within 120 days of this Agreement, JPMC shall submit to the Reserve Bank an acceptable written plan to satisfactorily strengthen JPMorgan Chase's compliance risk management program as applicable to any competitively bid transaction. The plan, which may include elements from existing or already proposed compliance risk management systems, shall, at a minimum, address, consider, and include:

- (a) Policies and procedures to ensure that competitively bid transactions comply with applicable laws and regulations;
- (b) measures to ensure compliance and improve accountability of competitively bid transactions;

(c) procedures for the periodic testing of the effectiveness of the compliance risk management program as it relates to competitively bid transactions and staff's adherence to policies and procedures that relate to such transactions;

(d) procedures to require the escalation of significant matters related to compliance risks associated with competitively bid transactions;

(e) internal controls to monitor adherence to firm-wide codes of ethics in conducting competitively bid transactions;

(f) ongoing training on policies and procedures for compliance with laws and regulations, including, but not limited to, securities and tax laws and regulations, for JPMorgan Chase staff who participate in competitively bid transactions; and

(g) the scope and frequency of reporting within JPMorgan Chase to senior management and board committees as to compliance risks associated with competitively bid transactions.

#### **Requirement of Notification**

4. Prior to re-engaging in the marketing or sale of such derivative financial products to U.S. municipalities in the future by any JPMC entity, JPMC shall notify the Reserve Bank in writing 120 days prior to engaging in such activities. With the notification, JPMC shall also submit to the Reserve Bank an acceptable written plan which shall include:

(a) A comprehensive compliance risk assessment of the planned new business; controls for the new business to ensure compliance with all applicable laws and regulations; the development and implementation of policies and procedures to govern the new business; and, compliance training for the new business;

(b) a specific time frame for implementation of all new compliance measures and the names of individuals responsible for completing the steps; and

(c) progress reports to the Reserve Bank regarding implementation of the new compliance measures.

### **Compliance with Agreement**

5. (a) Within 30 days of this Agreement, the board of directors of JPMC shall appoint a committee (the “Compliance Committee”) comprised of members of senior management to monitor and coordinate compliance with the provisions of this Agreement. The Compliance Committee shall report directly to the Audit Committee of the board of directors of JPMC. At a minimum, the Compliance Committee shall meet quarterly, keep detailed minutes of each meeting, and on a quarterly basis, report its findings to the Audit Committee of the board of directors of JPMC.

(b) Within 30 days after the end of each calendar quarter following the date of this Agreement, JPMC shall submit to the Reserve Bank written progress reports detailing the form and manner of all actions taken to secure compliance with this Agreement and the results thereof.

### **Approval and Implementation of Plans**

6. (a) JPMC shall submit written plans that are acceptable to the Reserve Bank within the applicable time period set forth in paragraphs 3 and 4, as appropriate.

(b) Within 10 days of approval by the Reserve Bank, JPMC shall adopt the approved plans. Upon adoption, JPMC shall promptly implement the approved plans and thereafter fully comply with them.

(c) During the term of this Agreement, the approved plans shall not be

amended or rescinded without the prior written approval of the Reserve Bank.

### **Communications**

7. All communications regarding this Agreement shall be sent to:
  - (a) Ms. Barbara Yelcich  
Assistant Vice President  
Federal Reserve Bank of New York  
33 Liberty Street  
New York, New York 10045
  - (b) Mr. Anthony J. Horan  
Corporate Secretary  
JPMorgan Chase & Co.  
270 Park Avenue  
New York, New York 10017

### **Miscellaneous**

8. Notwithstanding any provision of this Agreement, the Reserve Bank may, in its sole discretion, grant written extensions of time to JPMC to comply with any provision of this Agreement.

9. The provisions of this Agreement shall be binding upon JPMC and its institution-affiliated parties, in their capacities as such, and their successors and assigns.

10. Each provision of this Agreement shall remain effective and enforceable until stayed, modified, terminated, or suspended in writing by the Reserve Bank.

11. The provisions of this Agreement shall not bar, estop, or otherwise prevent the Board of Governors, the Reserve Bank, or any other federal or state agency from taking any other action affecting JPMC, the Bank, any other entity owned by JPMC, or any of their current or former institution-affiliated parties and their successors and assigns.

12. Pursuant to section 50 of the FDI Act (12 U.S.C. § 1831aa), this Agreement is enforceable by the Board of Governors under section 8 of the FDI Act (12 U.S.C. § 1818).

IN WITNESS WHEREOF, the parties have caused this Agreement to be executed as of the 6<sup>th</sup> of July, 2011.

JPMORGAN CHASE & CO.

FEDERAL RESERVE BANK  
OF NEW YORK

By: /s/ Anthony J. Horan  
Anthony J. Horan  
Corporate Secretary

By: /s/ Barbara Yelcich  
Barbara Yelcich  
Assistant Vice President