

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

In the Matter of

JPMORGAN CHASE & CO.
New York, New York

Docket Nos. 24-007-B-HC
24-007-CMP-HC

Order to Cease and Desist and Order of
Assessment of a Civil Money Penalty Issued
Upon Consent Pursuant to the Federal
Deposit Insurance Act, as Amended

WHEREAS, JPMorgan Chase & Co., New York, New York (“JPMC”), is a registered bank holding company that owns and controls JPMorgan Chase Bank, N.A., Columbus, Ohio (the “Bank”), other U.S. insured depository institutions, Edge Act corporations organized under section 25A of the Federal Reserve Act (12 U.S.C. § 611 *et seq.*), and nonbank subsidiaries around the world (collectively with JPMC, the “Firm”);

WHEREAS, the Board of Governors of the Federal Reserve System (the “Board of Governors”) is the appropriate federal supervisor of JPMC;

WHEREAS, JPMC has adopted a Firm-wide risk management, compliance, and audit program designed to identify and manage risks across the consolidated organization;

WHEREAS, the Firm maintains a global trade surveillance program to monitor employee and customer trading activities throughout the Firm for potential violations of laws and regulations, including those relating to market misconduct and other manipulative behaviors;

WHEREAS, the Board of Governors and the Office of the Comptroller of the Currency (“OCC”) have conducted investigations into the practices of JPMC and its direct and indirect subsidiaries relating to global trade surveillance;

WHEREAS, from 2014 through 2023 (the “Relevant Period”), JPMC failed at various points in time to adequately surveil certain trading and order activity throughout the Firm’s Corporate and Investment Bank (“CIB”) on at least 30 global trading venues, which include systems or electronic platforms operated by investment firms or market operators that bring together third party buying and selling interests in financial instruments to conduct transactions;

WHEREAS, the Federal Reserve Bank of New York (“Reserve Bank”) identified areas where JPMC’s trade surveillance program operated without adequate data oversight and reconciliation processes to achieve effective and comprehensive trade surveillance for CIB;

WHEREAS, as a result of the deficiencies described above, JPMC engaged in unsafe and unsound banking practices;

WHEREAS, it is the common goal of JPMC, the Board of Governors, and the Reserve Bank that JPMC operates in a safe and sound manner and in compliance with all applicable federal and state laws, rules, and regulations;

WHEREAS, JPMC has fully cooperated with the Board of Governors and the Reserve Bank, and has undertaken remedial actions to address the foregoing deficiencies;

WHEREAS, JPMC and the Board of Governors have agreed to this Cease and Desist Order and Order of Assessment of a Civil Money Penalty (the “Order”) pursuant to section 8(b) and (i)(2)(B) of the Federal Deposit Insurance Act, as amended (the “FDI Act”) (12 U.S.C. § 1818(b) and (i)(2)(B)) for the unsafe or unsound practices described above; and

WHEREAS, the board of directors of JPMC at a duly constituted meeting adopted a resolution authorizing and directing the undersigned to enter into this Order on behalf of JPMC, and consenting to compliance with each and every provision of this Order by JPMC, and waiving all rights that JPMC may have pursuant to section 8 of the FDI Act, including but not limited to:

(i) the issuance of a notice of charges on any and all matters set forth in this Order; (ii) a hearing for the purpose of taking evidence on any matters set forth in this Order; (iii) judicial review of this Order; and (iv) challenging or contesting, in any manner, the basis, issuance, validity, terms, effectiveness or enforceability of the Order or any provision hereof.

NOW, THEREFORE, before the filing of any notices, or taking of any testimony or adjudication of or finding on any issues of fact or law herein, and solely for the purpose of settling this matter without a formal proceeding being filed and without the necessity for protracted or extended hearings or testimony, pursuant to section 8(b)(1) and (3) of the FDI Act (12 U.S.C. § 1818(b)(1) and (b)(3)), it is hereby ordered that JPMC shall cease and desist and take affirmative actions as follows:

Restriction on New Trading Venues

1. The Firm may not onboard new trading venues without receiving prior written non-objection from the Reserve Bank.
2. All requests for prior non-objection from the Reserve Bank shall be submitted at least thirty (30) days prior to the proposed onboarding of a new trading venue. All such requests shall contain a description of: (i) the trading activities the Firm intends to conduct or facilitate on the proposed new trading venue; (ii) the market misconduct risks related to those trading activities; and (iii) the controls within the Firm's trade surveillance program that would surveil trading activities for market misconduct on the proposed trading venue.

Internal Trade Surveillance Report

3. Within one hundred and twenty (120) days of the date of this Order, JPMC shall (i) substantially complete its ongoing review of trading and order activities during the Relevant Period; and (ii) provide a written report (the "JPMC Report") to the Reserve Bank documenting

the affected trading venue and trading activities, including the time period of non-surveillance, the volume of non-surveilled trading activity, and any related instances of market misconduct.

Trade Surveillance Program Review

4. Within ninety (90) days of the date of this Order, JPMC shall retain an independent third party acceptable to the Reserve Bank to assess the effectiveness of the Firm's trade surveillance program (the "Trade Surveillance Program Review"). The independent party shall prepare a written report of findings and recommendations from the Trade Surveillance Program Review (the "Independent Report"). The Trade Surveillance Program Review shall include an assessment of the following seven items:

- a. policies and procedures for effective surveillance of the trading activities of the Firm, as a principal trader or on behalf of customers;
- b. oversight by the board of directors, or a committee thereof, of the trade surveillance program;
- c. controls for maintaining accurate and complete inventories and risk assessments of all trading venues, including attendant legal obligations, on which the Firm engages in or facilitates trading activities;
- d. effective automated data reconciliation processes, and effective compensating controls where automation is unavailable, sufficient to assess the effectiveness and comprehensiveness of the trade surveillance program on a routine basis;
- e. measures to ensure trade surveillance scenarios and parameters are reasonably calibrated to detect market misconduct;
- f. measures to ensure routine and annual monitoring, testing, and assessments of the trade surveillance program; and

g. measures to address the instances of non-surveilled trading activity identified in the JPMC Report.

5. Within ten (10) days of the Reserve Bank's approval of the independent third party, JPMC shall submit an engagement letter to the Reserve Bank for approval. The engagement letter shall require the third party to submit the Independent Report to JPMC's board of directors and the Reserve Bank within one hundred and twenty (120) days of the Reserve Bank's approval of the third party engagement letter. All documentation associated with the third party's Trade Surveillance Program Review shall be made available to the Reserve Bank at the time that the Independent Report is provided.

6. Within ninety (90) days of receipt of the Independent Report, JPMC's board of directors shall submit a written plan acceptable to the Reserve Bank that fully addresses the findings and recommendations in the Independent Report and describes the specific actions that the board of directors will take to strengthen the Firm's trade surveillance program.

Assessment of Civil Monetary Penalty

7. The Board of Governors hereby assesses JPMC a civil money penalty in the amount of \$98,167,980.00, which shall be paid upon the execution of this Order by Fedwire transfer of immediately available funds to the Federal Reserve Bank of Richmond ABA No. 051000033, beneficiary, Board of Governors of the Federal Reserve System. This penalty is a penalty paid to a government agency for a violation of law for purposes of 26 U.S.C. § 162(f) and 26 C.F.R. § 1.162-21. The Federal Reserve Bank of Richmond, on behalf of the Board of Governors, shall distribute this sum to the U.S. Department of Treasury, pursuant to section 8(i) of the FDI Act (12 U.S.C. § 1818(i)).

Approval, Implementation, and Progress Reports

8. a. The engagement letter shall be submitted to the Reserve Bank within the time period set forth in paragraph 5 of this Order. The independent third party shall be retained in accordance with the Reserve Bank's requirements by JPMC within the time period set forth in paragraph 4 of this Order. JPMC shall submit the plan acceptable to the Reserve Bank within the time period set forth in paragraph 6 of this Order. The plan shall contain a timeline for full implementation of the plan with specific deadlines for the completion of each component of the plan.

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

c. During the term of this Order, the approved plan and engagement letter shall not be amended or rescinded without the prior approval of the Reserve Bank.

9. Within forty-five (45) days after the end of the first full calendar quarter following the date of this Order and each quarter thereafter, JPMC's board of directors, or an authorized committee thereof, shall submit to the Reserve Bank consolidated written progress reports detailing the form and manner of all actions taken to comply with the provisions of this Order, a timetable and schedule to implement specific remedial actions to be taken, and the results thereof. The Reserve Bank may, in writing, discontinue the requirement for the progress reports, request modification of form or content, or modify the reporting schedule.

Primary Contact

10. Within ten (10) days after the effective date of this Order, JPMC shall designate an officer to be responsible for coordinating and submitting to the Reserve Bank the written plan and reports required under the terms of this Order.

Communications

11. All communications regarding this Order shall be sent to:

- a. Jason A. Gonzalez
Assistant General Counsel
Board of Governors of the Federal Reserve System
Washington, DC 20551
- b. Kevin Coffey
Director, LISCC Supervision
Federal Reserve Bank of New York
33 Liberty Street
New York, New York 10045
- c. Stacey Friedman
General Counsel
JPMorgan Chase & Co.
383 Madison Avenue
New York, New York 10179

Miscellaneous

12. Notwithstanding any provision of this Order to the contrary, the Reserve Bank may, in its sole discretion, grant written extensions of time to JPMC to comply with any provision of this Order. JPMC shall submit a written request to the Reserve Bank for any such extensions of time.

13. The provisions of this Order shall be binding on JPMC and each of its institution-affiliated parties, as defined in sections 3(u) and 8(b)(4) of the FDI Act (12 U.S.C. §§ 1813(u) and 1818(b)(4)), in their capacities as such, and their successors and assigns.

14. Each provision of this Order shall remain effective and enforceable until stayed, modified, terminated, or suspended in writing by the Board of Governors.

15. Except as otherwise provided in this paragraph, the Board of Governors hereby agrees not to initiate any further enforcement actions, including for civil money penalties, against the Firm and its affiliates, successors, and assigns, with respect to the conduct described in the WHEREAS clauses of this Order to the extent known by the Board of Governors as of the effective date of this Order. This release and discharge shall not preclude or affect (i) any right of the Board of Governors to determine and ensure compliance with this Order; (ii) any proceedings brought by the Board of Governors to enforce the terms of this Order; (iii) any proceedings brought by the Board of Governors against individuals who are or were institution-affiliated parties of the Firm and its affiliates, successors, and assigns; or (iv) any right of the Board of Governors to bring any additional sanctions for failure to implement the remediation required by this Order.

16. Except as provided in paragraph 15, the provisions of this Order 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 or any of its current or former institution-affiliated parties and their successors and assigns.

By order of the Board of Governors of the Federal Reserve System effective this 8th day of March, 2024.

JPMORGAN CHASE & CO

By: /s/ Stacey Friedman
Stacey Friedman
General Counsel

BOARD OF GOVERNORS OF THE
FEDERAL RESERVE SYSTEM

By: /s/ Ann E. Misback
Ann E. Misback
Secretary of the Board