

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

In the Matter of:

J.P. MORGAN CHASE & CO.
New York, New York

Docket No. 16-22-B-HC
16-22-CMP-HC

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

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

WHEREAS, J.P. Morgan Securities (Asia Pacific) Limited (“JPMSAP”) is a subsidiary of an Edge Act corporation organized under section 25A of the Federal Reserve Act (12 U.S.C. § 611 *et seq.*);

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

WHEREAS, JPMC has adopted a firm-wide compliance risk management program designed to identify and manage risks across the consolidated organization related to compliance with all applicable laws, rules and regulations;

WHEREAS, JPMC conducts investment banking and other business activities in the Asia-Pacific region (“APAC”) through its subsidiaries, including JPMSAP;

WHEREAS, from at least 2008 through 2013, JPMC’s APAC investment banking group operated a referral hiring program whereby candidates who were referred, directly or indirectly, by foreign government officials and existing or prospective commercial clients, and who in most instances were less qualified than non-referred candidates who were hired through the Firm’s standard hiring programs, were offered internships, training, and other employment opportunities in order to obtain improper business advantages for the Firm;

WHEREAS, federal law and JPMC’s firm-wide policies prohibit the Firm’s employees from offering, directly or indirectly, anything of value, including the offer of internships, training, or other employment opportunities for relatives of a foreign government official, to foreign government officials in order to obtain improper business advantages for the Firm;

WHEREAS, as of September 2007, JPMC’s firm-wide Anti-Corruption Policy identified the offering of internships and training to the relatives of foreign government officials as a potential bribery risk pursuant to federal law and other anti-corruption statutes;

WHEREAS, the laws in many foreign jurisdictions in which the Firm conducts business and JPMC’s firm-wide policies prohibit the Firm’s employees from offering, directly or indirectly, anything of value to existing or prospective commercial clients in order to obtain improper business advantages for the Firm;

WHEREAS, internships, training, and other employment opportunities offered to candidates referred, directly or indirectly, by foreign government officials are a thing of value for purposes of federal anti-bribery law;

WHEREAS, senior management in JPMC's APAC investment banking group was aware that the Firm offered internships, training, and other employment opportunities to candidates who were referred, directly or indirectly, by foreign government officials and existing or prospective commercial clients in order to obtain or retain business for the Firm;

WHEREAS, adequate governance, controls, compliance, and audit policies and procedures related to the Firm's hiring practices are necessary to minimize the Firm's exposure to reputational, legal, and financial harm;

WHEREAS, the Firm failed to appropriately implement an effective and comprehensive compliance risk management framework to ensure that the Firm's employees complied with all applicable laws, firm-wide policies and procedures, and internal controls in connection with hiring candidates who were referred, directly or indirectly, by foreign government officials and existing or prospective commercial clients;

WHEREAS, the Board of Governors, the United States Department of Justice ("DOJ"), and the U.S. Securities and Exchange Commission ("SEC") have conducted or have been conducting investigations into the hiring practices of JPMC and its direct and indirect subsidiaries relating to whether certain referral hiring activities violated federal anti-bribery laws;

WHEREAS, on November 17, 2016, JPMSAP entered into a non-prosecution agreement with the DOJ and consented to the issuance of a criminal fine for violations of federal anti-bribery laws relating to the JPMC APAC investment banking group's referral hiring practices;

WHEREAS, on November 17, 2016, JPMC entered into a consent order with the SEC finding violations of federal anti-bribery and securities laws relating to the JPMC APAC investment banking group's referral hiring practices;

WHEREAS, to address the deficiencies described above, the Firm has implemented and must continue to implement improvements in its governance, controls, compliance, and audit policies and procedures relating to the Firm's hiring practices in order to comply with safe and sound banking practices, and applicable laws and regulations;

WHEREAS, the Firm has conducted a review of its referral hiring practices, has identified and reported relevant conduct to the Board of Governors and the Federal Reserve Bank of New York (the "Reserve Bank"), and has cooperated with the Board of Governors and the Reserve Bank;

WHEREAS, the Board of Governors, the Reserve Bank, and the Firm have the common goal to ensure that the Firm and its subsidiaries conduct their activities in a safe and sound manner and comply with U.S. laws, rules, and regulations that apply to the activities of the Firm;

WHEREAS, the Board of Governors expects the Firm to have an effective and comprehensive compliance risk management framework that includes strong governance over compliance risk at all levels of management, appropriate policies and procedures, rigorous surveillance and escalation mechanisms, and staff training programs that thoroughly address compliance risks;

WHEREAS, the Firm's board of directors must ensure that senior management implements a compliance risk management framework that is effective and comprehensive, and that actual or potential compliance risk failures are addressed immediately and escalated appropriately;

WHEREAS, the Board of Governors is issuing this Consent Order to Cease and Desist and Assessment of Civil Money Penalty ("Order");

WHEREAS, pursuant to delegated authority, Stacey R. Friedman is authorized to enter into this Order on behalf of the Firm, and to consent to compliance with each and every provision of this Order by the Firm, and to waive any and all rights that the Firm may have pursuant to section 8 of the Federal Deposit Insurance Act, as amended (the “FDI Act”) (12 U.S.C. § 1818), and 12 C.F.R. Part 263, including, but not limited to: (i) the issuance of a notice of charges on any 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) the right to challenge or contest, in any manner, the basis, issuance, validity, terms, effectiveness or enforceability of the Order or any provision hereof.

NOW, THEREFORE, it is hereby ordered by the Board of Governors that, before the filing of the 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 sections 8(b)(1) and (3) of the FDI Act (12 U.S.C. §§1818(b)(1) and (3)), the Firm and its institution-affiliated parties, as defined in sections 3(u) and 8(b)(3) of the FDI Act (12 U.S.C. § 1813(u) and § 1818(b)(3)), shall cease and desist and take affirmative action as follows:

Senior Management Oversight

1. Within 90 days of this Order, the board of directors of JPMC or an authorized committee thereof shall submit to the Board of Governors an acceptable written plan, and timeline for implementation, to improve senior management’s oversight of JPMC’s firm-wide compliance risk management program with regard to compliance with applicable U.S. laws and regulations and applicable internal policies and procedures in connection with the Firm’s hiring of candidates who were referred, directly or indirectly, by foreign government officials and

existing or prospective commercial clients (“Referral Hiring Practices”). The plan shall, at a minimum, address, consider, and include:

(a) measures to ensure that senior management periodically reassesses risks associated with the Firm’s Referral Hiring Practices to proactively identify practices vulnerable to legal and reputational risks; and

(b) measures to ensure senior management’s effective oversight of staff’s compliance with policies, procedures, and internal controls designed to deter and detect potential violations of anti-bribery laws or policies and address other risks related to the Firm’s Referral Hiring Practices.

Compliance Risk Management Program

2. Within 90 days of this Order, the Firm shall submit to the Board of Governors an acceptable written plan, and timeline for implementation, to enhance the effectiveness of JPMC’s firm-wide compliance risk management program with regard to the oversight and implementation of anti-bribery processes and procedures in connection with the Firm’s Referral Hiring Practices. The plan shall, at a minimum, address, consider, and include:

(a) written policies and procedures governing the appropriate evaluation of, and processes for, vetting referred candidates consistent with the Firm’s anti-bribery policies and procedures;

(b) measures to ensure compliance with applicable anti-bribery laws and policies within all business lines, legal entities and their respective compliance functions, including, but not limited to, human resources;

(c) the duties and responsibilities of personnel responsible for overseeing compliance with policies and procedures relating to Referral Hiring Practices, including the reporting lines within the Firm;

(d) the duties and responsibilities of personnel responsible for overseeing compliance with applicable anti-bribery laws and policies, including the reporting lines within the Firm;

(e) human resources written policies and procedures designed to ensure compliance with applicable anti-bribery laws and policies within all business lines; and

(f) training for appropriate Firm personnel regarding appropriate hiring practices and compliance with applicable anti-bribery laws and policies.

Internal Audit

3. Within 90 days of this Order, the Firm shall submit to the Board of Governors an acceptable written plan, and timeline for implementation, to enhance the effectiveness of the Firm's compliance with internal policies and procedures as well as applicable U.S. laws and regulations in its Referral Hiring Practices. The program shall, at a minimum, address, consider, and include:

(a) periodic internal audit reviews conducted on a regular basis by qualified parties who are independent of the Firm's business lines and compliance functions of business line controls and compliance detection and monitoring processes, as applicable, designed to identify and prevent potential misconduct in connection with the Firm's Referral Hiring Practices;

(b) enhanced escalation procedures for the timely resolution of material audit exceptions and recommendations in connection with the Firm's Referral Hiring Practices; and

(c) the periodic review of risk assessments to ensure emerging risks associated with the Firm's Referral Hiring Practices are appropriately identified and monitored.

Assessment of Civil Money Penalty

4. The Board of Governors hereby imposes a civil money penalty on the Firm in the amount of \$61,932,500, for the violations of law and unsafe or unsound practices described above, 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 the Treasury, pursuant to section 8(i) of the FDI Act (12 U.S.C. § 1818(i)).

Accountability for Employees Involved in Misconduct

5. The Firm shall not in the future directly or indirectly retain any individual as an officer, employee, agent, consultant, or contractor of the Firm or of any affiliate of the Firm who, based on the investigative record compiled by U.S. authorities, has done all of the following:

(i) participated in the illegal conduct described in this Order; (ii) been subject to formal disciplinary action as a result of the Firm's internal disciplinary review or performance review in connection with the conduct described herein; and (iii) has been separated from or has had his or her employment terminated by the Firm in connection with the conduct described above.

6. The Firm shall continue to fully cooperate with and provide substantial assistance to the Board of Governors, including but not limited to, the provision of information, testimony, documents, records, and other tangible evidence and perform analyses as directed by the Board

of Governors in connection with the investigations of whether separate enforcement actions should be taken against individuals who are or were institution-affiliated parties of the Firm and who were involved in the misconduct underlying this Order. For purposes of clarity and not limitation, substantial assistance as used in this Order means the Firm will use its best efforts, as determined by the Board of Governors, to make available for interviews or testimony, as requested by the Board of Governors, present or former officers, directors, employees, agents and consultants of the Firm, to the extent permitted by law. This obligation includes, but is not limited to, sworn testimony pursuant to administrative subpoena as well as interviews with regulatory authorities. Cooperation under this paragraph shall also include identification of witnesses who, to the Firm's knowledge, may have material information regarding the matters under investigation.

Communications

7. All communications regarding this Order shall be sent to:
 - (a) Richard M. Ashton, Esq.
Deputy General Counsel
Patrick M. Bryan, Esq.
Assistant General Counsel
Board of Governors of the Federal Reserve System
20th & C Streets, N.W.
Washington, DC 20551
 - (b) Caroline Frawley
Federal Reserve Bank of New York
33 Liberty Street
New York, NY 10045
 - (c) Attn: Stacey R. Friedman
JPMorgan Chase & Co.
270 Park Avenue
New York, NY 10017

Miscellaneous

8. Notwithstanding any provision of this Order to the contrary, the Reserve Bank

may, in its sole discretion, grant written extensions of time to the Firm to comply with this Order.

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

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

11. 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 involving the Firm's Referral Hiring Practices 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, or (iii) any proceedings brought by the Board of Governors against individuals who are or were institution-affiliated parties of the Firm.

12. Except as provided in paragraph 11, the provisions of this Order shall not bar, estop or otherwise prevent the Board of Governors, or any other federal or state agency from taking any other action affecting the Firm or any of its current or former institution-affiliated parties and their successors and assigns.

13. Nothing in this Order, express or implied, shall give to any person or entity, other than the parties hereto and their successors hereunder, any legal or equitable right, remedy, or claim under this Order.

By Order of the Board of Governors of the Federal Reserve System effective this 17th
day of November, 2016.

J.P. MORGAN CHASE & CO.

BOARD OF GOVERNORS OF THE
FEDERAL RESERVE SYSTEM

By: /s/ _____
Stacey R. Friedman
General Counsel

By: /s/ _____
Robert deV. Frierson
Secretary of the Board