

JP Morgan Chase Bank Safety Fact Sheet

1. Bailout Amounts and Placement on the FSB List of Too-Big-To-Fail Banks

JP Morgan Chase (JPM) received \$25 billion in bailout funds¹ in the 2008-09 financial crisis.

JPM is listed by the Financial Stability Board (FSB) as a global systemically important bank.² The FSB is an international body that monitors³ the global financial system and is made up of members from the G20 nations.⁴

- ◆ In November 2012, the Financial Stability Board listed JPM as one of 28 banks whose failure could cause serious systemic financial/economic problems.⁵
- ◆ JPM's placement on the list is at the highest rung used for 2012, which indicates that it is among the four most critical financial institutions in the global economy. Banks in this category are required by the FSB to have the highest level of capitalization, which is actually quite low, at 2.5%.
- ◆ FDIC Vice Chairman Thomas Hoenig, testifying before the House Financial Services Committee on June 26, 2013, said the biggest Wall Street banks are "woefully undercapitalized," while calling the industry underpinnings a "very vulnerable financial system."

2. Derivatives Holdings

- ◆ JPM holds a breath-taking \$70.288 trillion (notional value) exposure to derivative holdings, the most of any bank in the world, and an amount equal to the entire annual global GDP. During Chapter 11 bankruptcy in the U.S., derivatives counterparties receive "super-priority" status *above all other creditors, including depositors*. This means that derivatives counterparties will get *all* of the bank's assets before *any* other creditors, including depositors, are paid.⁶
- ◆ Due to the contagion effect⁷ of the fractional reserve banking system and JPM's significant investments in derivatives, deposits held with JPM may be vulnerable. JPM's failure could have a significant impact on our economy in Washington, DC. As noted below JPM holds a significant share of deposits for the government of DC.

¹ JP Morgan Chase June 17, 2009, <http://investor.shareholder.com/jpmorganchase/releases.cfm?Year=2009&ReleasesType=Current&PageNum=6>

²Financial Stability Board, http://www.financialstabilityboard.org/publications/r_111104bb.pdf

³ Financial Stability Board, <http://www.financialstabilityboard.org/about/mandate.htm>

⁴ Financial Stability Board, <http://www.financialstabilityboard.org/members/links.htm>

⁵ Financial Stability Board, http://www.financialstabilityboard.org/publications/r_121031ac.pdf

⁶ Princeton Law Review, Prof. Mark J. Roe, *The Derivatives Market's Payment Priorities as Financial Crisis Accelerator*:
http://www.naic.org/documents/committees_e_receivership_110819_comments_mo_doi.pdf

⁷ Chris Martenson Peak Prosperity, <http://www.peakprosperity.com/video/223/playlist/153/chapter-7-money-creation>

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3. Market Share

Listed below is market share of some of the banks in the District of Columbia, not including JPM, which does not have branches in Washington, DC. The DC Government Deposits/Investments table on the following page indicates \$150 million of government deposits are held in JPM, which is a potential missed opportunity for leveraging increased lending for District of Columbia businesses, jobs, affordable housing, and infrastructure.

30 June 2012 Selected Market: State: District of Columbia		Total Market		DC Market		
Institution Name	State/Federal Charter	No. of Offices	Deposits \$0	No. of Offices	Deposits \$0	Market Share
<u>Bank of America, National Association</u>	Federal	5,624	985,318,828	<u>32</u>	6,366,177	19.21%
<u>Wells Fargo Bank, National Association</u>	Federal	6,281	841,486,135	<u>31</u>	6,240,865	18.83%
<u>PNC Bank, National Association</u>	Federal	3,017	198,781,944	<u>27</u>	4,593,219	13.86%
<u>SunTrust Bank</u>	State	1,660	126,495,538	<u>28</u>	3,919,097	11.83%
<u>Citibank, National Association</u>	Federal	1,041	392,237,790	<u>17</u>	2,427,008	7.32%
<u>HSBC Bank USA, National Association</u>	Federal	314	98,034,092	<u>3</u>	2,339,113	7.06%
<u>Branch Banking and Trust Company</u>	State	1,762	130,215,323	<u>12</u>	1,379,175	4.16%
<u>Manufacturers and Traders Trust Company</u>	State	738	61,935,430	<u>7</u>	1,044,139	3.15%
<u>Capital One, National Association</u>	Federal	948	102,155,067	<u>22</u>	946,866	2.86%
<u>EagleBank</u>	State	11	1,685,727	<u>5</u>	830,894	2.51%
<u>TD Bank, National Association</u>	Federal	1,299	158,678,513	<u>10</u>	650,979	1.96%
<u>United Bank</u>	State	49	2,380,050	<u>7</u>	417,577	1.26%
<u>Bank of Georgetown</u>	State	3	188,378	<u>6</u>	408,419	1.23%
<u>The National Capital Bank of Washington</u>	Federal	0	0	<u>2</u>	348,186	1.05%
<u>Industrial Bank</u>	State	2	43,734	<u>6</u>	235,810	0.71%
<u>WashingtonFirst Bank</u>	State	7	245,434	<u>3</u>	203,252	0.61%
<u>Premier Bank, Inc.</u>	State	17	485,434	<u>6</u>	147,830	0.45%
<u>City First Bank of D.C., National Association</u>	Federal	0	0	<u>1</u>	144,217	0.44%
Number of Institutions in the Market: 35	TOTALS	29,034	4,006,758,394	244	33,135,034	100

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4. DC Government Deposits/Investments

The District of Columbia government has roughly \$150 million in JPM accounts, which is 7.2% of DC's roughly \$2.1 billion deposit and investment funds.

Financial Institution List		Balances as of January 31, 2012
1	AIM -Canter Fitzgerald (Money Market Fund)	\$74,729,626
2	Premier Bank, formerly Adams Bank (CD)	\$6,000,000
3	Bank of America (Sweep Product)	\$33,877,274
4	BOA Global Capital Mgmt. (Money Market Fund)	\$154,615,864
5	Bank of Georgetown (CD)	\$20,000,000
6	Bank of New York (Money Market Fund)	\$564,133
7	BB&T (NOW Account)	\$37,063,750
9	Blackrock Inc. (Money Market Fund)	\$161,142,977
11	City First (CD, NOW Account)	\$5,000,000
12	Colombo (CD)	\$30,000,000
13	Congressional Bank (CD)	\$5,000,000
14	Dreyfus Money Market (Money Market Funds)	\$203,580,425
15	Eagle Bank (CD)	\$20,000,000
16	Evergreen Prime (Money Market Fund)	\$79,384,612
17	US Treasury (Direct Obligations)	\$269,305,018
18	Federated Obligations (Money Market Funds)	\$207,128,769
19	Fidelity Money Market (Money Market Fund)	\$53,141,264
20	Goldman Sachs (Money Market Fund)	\$5,663,917
22	Industrial Bank (CD, Sweep)	\$13,560,322
23	JP Morgan (Money Market Fund)	\$150,777,786
24	Morgan Stanley (Money Market Fund)	\$93,230,231
25	Morgan Stanley - Managed Account	\$2,754,383
26	M&T Bank (Money Market Fund)	\$87,550,120
28	PFM Money Market Fund (Money Market Fund)	\$85,370,613
29	RBC - Managed Account	\$3,907,028
32	TD Bank (NOW Account)	\$25,209,577
33	The Reserve (Money Market Fund)	\$540,547
34	UBS (Money Market Fund)	\$121,366,030
35	US Bank (Money Market Fund)	\$361,393
37	Wells Fargo (Money Market Funds)	\$108,907,013
38	Williams Capital (Money Market Fund)	\$27,328,008
TOTAL		\$2,087,060,681

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5. Criminal Activity List

Listed below are some of the recent criminal cases against JP Morgan Chase:

- ◆ On November 16, 2012, JP Morgan Chase was fined \$296.9 million for misleading investors in offerings of residential mortgage-backed securities ^{8 9}
- ◆ As of 11 July 2012, JP Morgan Chase is one of sixteen banks being investigated for rate rigging in the LIBOR scandal ¹⁰
- ◆ On April 4, 2012, JP Morgan Chase was fined \$20 million for mishandling customer funds from [Lehman Brothers](#), the bank whose collapse heralded the start of the [financial crisis](#) that began in 2008 ^{11 12}
- ◆ On July 7, 2011, JP Morgan Chase was charged \$228 million for charges the bank's securities division rigged the market for municipal bond derivatives. ^{13 14}
- ◆ On April 21 2011, JP Morgan Chase agreed to pay a total of \$27 million in compensation to military families for wrongly overcharging their mortgages including active duty personnel in Afghanistan. The bank also admitted it improperly foreclosed on more than a dozen military families ^{15 16}
- ◆ In June 2010, JP Morgan Chase was fined £33.32 million (\$49.12 million) by the UK [Financial Services Authority](#) for failing to properly segregate client funds from corporate funds ^{17 18}

⁸ Yahoo, <http://finance.yahoo.com/news/jpmorgan-credit-suisse-agree-settle-182406574.html>

⁹ Financial Fraud Enforcement Task Force, <http://www.stopfraud.gov/iso/opa/stopfraud/DC-121116.html>

¹⁰ Reuters, <http://www.reuters.com/article/2012/07/11/us-banking-libor-panel-idUSBRE86A0P020120711>

¹¹ Guardian, <http://www.guardian.co.uk/business/2012/apr/04/jpmorgan-chase-lehman-brothers>

¹² Commodities Futures Trading Commission, <http://www.cftc.gov/PressRoom/PressReleases/pr6225-12>

¹³ Department of Justice, http://www.justice.gov/atr/public/press_releases/2011/272815.htm

¹⁴ CNN, http://money.cnn.com/2011/07/07/news/companies/jpmorgan_sec_muni_settlement/index.htm

¹⁵ Washington Post, http://www.washingtonpost.com/business/economy/chase-pays-27-million-to-settle-suit-over-military-mortgages/2011/04/22/AFB4NBRE_story.html

¹⁶ JP Morgan Chase April 21, 2011, <http://investor.shareholder.com/jpmorganchase/releases.cfm?Year=2011&ReleasesType=Current&PageNum=9>

¹⁷ Reuters, <http://www.reuters.com/article/2010/06/03/us-britain-fine-jpmorgan-idUSTRE6521J520100603>

¹⁸ UK [Financial Services Authority](#), <http://www.fsa.gov.uk/pages/library/communication/pr/2010/089.shtml>

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- ◆ In November 2009, JPMorgan Chase agreed to a \$722 million settlement to end a probe into sales of [derivatives](#) that helped push Alabama's most populous county to the brink of bankruptcy ^{19 20}
- ◆ On September 9, 2009, JP Morgan Chase was fined \$300,000 for failing to properly separate customer funds from its own. J.P. Morgan Futures tapped its customer accounts beyond its interest and mixed some of that money with its own ²¹
- ◆ As of August 16, 2005, JP Morgan Chase paid out over \$3.3 billion in fines and legal settlements for their role in financing [Enron](#) Corporation, which collapsed amid a financial scandal in 2001. ^{22 23}
- ◆ On March 16, 2005, JP Morgan Chase paid \$2 billion in settlement for their role in underwriting WorldCom, which collapsed amid a financial scandal in 2002 ^{24 25}
- ◆ On April 28, 2003, JP Morgan Chase was one of ten banks fined for deceiving investors with biased research. JP Morgan Chase was fined \$80 million ^{26 27}

¹⁹ Huffington Post, http://www.huffingtonpost.com/2009/11/04/jpmorgan-settlement-bank-_n_345889.html

²⁰ Security and Exchange Commission, <http://www.sec.gov/news/press/2009/2009-232.htm>

²¹ Commodities Futures Trading Commission, <http://www.cftc.gov/PressRoom/PressReleases/pr5713-09>

²² New York Times, http://www.nytimes.com/2005/08/16/business/16cnd-enron.html?_r=0

²³ Securities and Exchange Commission, <http://www.sec.gov/news/press/2003-87.htm>

²⁴ Bloomberg, http://www.bloomberg.com/apps/news?pid=newsarchive&sid=auybDoZIEQTg&refer=news_index

²⁵ JP Morgan Chase March 16, 2005, <http://investor.shareholder.com/jpmorganchase/releases.cfm?Year=2005&ReleasesType=Current&PageNum=6>

²⁶ Marketwatch, <http://www.marketwatch.com/story/wall-street-firms-to-pay-14-billion-in-probe>

²⁷ Securities and Exchange Commission, <http://www.sec.gov/news/press/2003-54.htm>