Department of Justice

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JPMORGAN CHASE ADMITS TO ANTICOMPETITIVE CONDUCT BY FORMER EMPLOYEES IN THE MUNICIPAL BOND INVESTMENTS MARKET AND AGREES TO PAY $228 MILLION TO FEDERAL AND STATE AGENCIES

WASHINGTON – JPMorgan Chase & Co. has entered into an agreement with the Department of Justice to resolve the company's role in anticompetitive activity in the municipal bond investments market and has agreed to pay a total of $228 million in restitution, penalties and disgorgement to federal and state agencies, the Department of Justice announced today.

As part of its agreement with the department, JPMorgan admits, acknowledges and accepts responsibility for illegal, anticompetitive conduct by its former employees. According to the non-prosecution agreement, from 2001 through 2006, certain former JPMorgan employees at its municipal derivatives desk, entered into unlawful agreements to manipulate the bidding process and rig bids on municipal investment and related contracts. These contracts were used to invest the proceeds of, or manage the risks associated with, bond issuances by municipalities and other public entities.

"By entering into illegal agreements to rig bids on certain investment contracts, JPMorgan and its former executives deprived municipalities of the competitive process to which they were entitled," said Assistant Attorney General Christine Varney in charge of the Department of Justice's Antitrust Division. "Today's agreements ensure that JPMorgan will pay restitution to the municipalities harmed by its anticompetitive conduct, disgorge its profits from the illegal activity and pay penalties for the criminal conduct. We are committed to rooting out anticompetitive activity in the financial markets and our investigation into the municipal bond derivatives industry, which has led to criminal charges against 18 former executives, remains active and ongoing."

Under the terms of the agreement, JPMorgan agrees to pay restitution to victims of the anticompetitive conduct and to cooperate fully with the Justice Department's Antitrust Division in its ongoing investigation into anticompetitive conduct in the municipal bond derivatives industry. To date, the ongoing investigation has resulted in criminal charges against 18 former executives of various financial services companies and one corporation. One of these charged executives, James Hertz, is a former JPMorgan employee. Nine of the 18 executives charged have pleaded guilty, including Hertz.

The Securities and Exchange Commission (SEC), the Internal Revenue Service (IRS), the Office of the Comptroller of the Currency (OCC), the Federal Reserve Board (Fed) and 25 state attorneys general also entered into agreements with JPMorgan requiring the payment of penalties, disgorgement of profits from the illegal conduct and payment of restitution to the victims harmed by the manipulation and bid rigging by JPMorgan employees, as well as other remedial measures.

As a result of JPMorgan's admission of conduct; its cooperation with the Department of Justice and other enforcement and regulatory agencies; its monetary and non-monetary commitments to the SEC, IRS, OCC, Fed and state attorneys general; and its remedial efforts to address the anticompetitive conduct, the department agreed not to prosecute JPMorgan for the manipulation and bid rigging of municipal investment and related contracts, provided that JPMorgan satisfies its ongoing obligations under the agreement.

In May 2011, UBS AG agreed to pay a total of $160 million in restitution, penalties and disgorgement to federal and state agencies for its participation in anticompetitive conduct in the municipal bond derivatives market.

The department's ongoing investigation into the municipal bonds industry is being conducted by the Antitrust Division, the FBI and the IRS-Criminal Investigation. The department is coordinating its investigation with the SEC, the OCC and the Federal Reserve Bank of New York. The department thanks the SEC, IRS, OCC, Fed and state attorneys general for their cooperation and assistance in this matter.

The Antitrust Division, SEC, IRS, FBI, state attorneys general, OCC and Fed are members of the Financial Fraud Enforcement Task Force. President Obama established the interagency task force to wage an aggressive, coordinated and proactive effort to investigate and prosecute financial crimes. The task force includes representatives from a broad range of federal agencies, regulatory authorities, inspectors general and state and local law enforcement who, working together, bring to bear a powerful array of criminal and civil enforcement resources. The task force is working to improve efforts across the federal executive branch, and with state and local partners, to investigate and prosecute significant financial crimes, ensure just and effective punishment for those who perpetrate financial crimes, combat discrimination in the lending and financial markets, and recover proceeds for victims of financial crimes. For more information about the task force, visit www.stopfraud.gov.

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