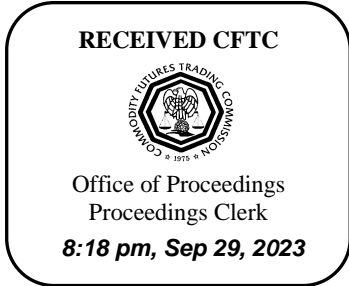


UNITED STATES OF AMERICA
Before the
COMMODITY FUTURES TRADING COMMISSION



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In the Matter of:)
)
JPMorgan Chase Bank, N.A., J.P.)
Morgan Securities LLC, and J.P.) **CFTC Docket No. 23-61**
Morgan Securities plc,)
)
)
 Respondents.)
_____)

**ORDER INSTITUTING PROCEEDINGS PURSUANT TO
SECTION 6(c) AND 6(d) OF THE COMMODITY EXCHANGE ACT,
MAKING FINDINGS, AND IMPOSING REMEDIAL SANCTIONS**

I. INTRODUCTION

The Commodity Futures Trading Commission (“Commission”) has reason to believe that during the period from at least November, 2017 through the present (the “Relevant Period”), JPMorgan Chase Bank, N.A., J.P. Morgan Securities LLC, and J.P. Morgan Securities plc (collectively, “JPM” or “Respondents”) violated Sections 2(a)(13) and 4r(a)(3) of the Commodity Exchange Act (the “Act”), 7 U.S.C. §§ 2(a)(13), 6r(a)(3), and Regulations 43.3 and 45.3; 17 C.F.R. § 43.3, 45.3 (2020) (amended 2021)¹ of the Commission’s Regulations (“Regulations”) promulgated thereunder. Therefore, the Commission deems it appropriate and in the public interest that public administrative proceedings be, and hereby are, instituted to determine whether Respondents engaged in the violations set forth herein and to determine whether any order should be issued imposing remedial sanctions.

In anticipation of the institution of an administrative proceeding, Respondents have submitted an Offer of Settlement (“Offer”), which the Commission has determined to accept. Respondents admit the facts set forth in Section II.C below, acknowledge that their conduct violated the Act and Regulations, and consent to the entry of this Order Instituting Proceedings

¹ The Commission amended Parts 43 and 45 on November 25, 2020, with the new regulations becoming effective on January 25, 2021. *See* Swap Data Recordkeeping and Reporting Requirements, 85 Fed. Reg. 75503 (Nov. 25, 2020); Real-Time Public Reporting Requirements, 85 Fed. Reg. 75422 (Nov. 25, 2020); Certain Swap Data Repository and Data Reporting Requirements, 85 Fed. Reg. 75601 (Nov. 25, 2020). The amendments did not affect the substantive requirements at issue in this order.

Pursuant to Section 6(c) and (d) of the Act, Making Findings, and Imposing Remedial Sanctions (“Order”), and acknowledge service of this Order.²

II. FINDINGS

The Commission finds the following:

A. SUMMARY

The 2008 financial crisis highlighted the need for market regulators to have accurate data to identify and evaluate market exposure, counterparty relationships, and counterparty risk. In the Dodd-Frank Act, Congress directed the Commission to adopt regulations that prescribe standards for swap data reporting. The Commission adopted these regulations, and intends that the reported information be used for a variety of purposes, including assessing individual traders' activities and potential market power and risk, as well as monitoring compliance with Commission or exchange speculative position limit rules. The Commission's market surveillance system depends on firms' properly reporting because, among other things, a firm's failure to accurately report positions may allow traders to hold positions in excess of speculative limits and to exercise market power without detection. In addition, the Commission's swap data reporting regulations provide market participants with crucial real-time information regarding market liquidity and pricing.

In 2020, the Commission refined its reporting requirements to ensure the CFTC receives accurate, complete, and high-quality data for swap transactions. The Commission's reporting framework is critical for both market transparency and the Commission's risk monitoring and oversight functions. The Commission's robust enforcement of its swap reporting requirements ensures that the goals of customer protection, market integrity, and the reduction of systemic risk are fully realized.

During the more than five-year Relevant Period, JPM failed to report, or failed to correctly report, more than 40 million swap transactions. These reporting failures stemmed from multiple, distinct deficiencies in JPM's reporting systems and software during the Relevant Period.

In accepting Respondents' Offer of Settlement, the Commission recognizes JPM's substantial cooperation during the Division of Enforcement's (“Division”) investigation of this matter. The Commission also acknowledges Respondents' representations concerning their remediation in connection with this matter. The Commission's recognition of JPM's substantial

² Respondents consent to the use of the findings of fact and conclusions of law in this Order in this proceeding and in any other proceeding brought by the Commission or to which the Commission is a party or claimant, and agrees that they shall be taken as true and correct and be given preclusive effect therein, without further proof. Respondents do not consent, however, to the use of this Order, or the findings or conclusions herein, as the sole basis for any other proceeding brought by the Commission or to which the Commission is a party or claimant, other than: a proceeding in bankruptcy or receivership; or a proceeding to enforce the terms of this Order. Respondents do not consent to the use of the Offer or this Order, or the findings or conclusions in this Order, by any other party in any other proceeding.

cooperation and appropriate remediation is further reflected in the form of a reduced civil monetary penalty.

B. RESPONDENTS

JPMorgan Chase Bank, N.A., J.P. Morgan Securities LLC, and J.P. Morgan Securities plc are each registered with the Commission as swap dealers. Respondent J.P. Morgan Securities LLC is also registered with the Commission as a Futures Commission Merchant.

C. FACTS

1. Swap Reporting Violations

During the Relevant Period, JPM did not report more than 40 million swap transactions in a manner consistent with the Act and the Regulations. JPM's reporting deficiencies during this period, which included both underreporting and misreporting in a manner inconsistent with Commission rules, violated the Act and the Regulations. The specific causes of JPM's failure to report (or correctly report) swap transactions were varied. JPM's swap reporting issues included, but were not limited to, the following:

From at least November, 2017 through October, 2019, for transactions executed on Bloomberg and FX Connect, JPM did not report more than 150,000 constituent FX spot transactions because they were incorrectly recorded as stand-alone trades. Consequently, these FX spot transactions, which, as constituents of FX swaps should have been reported, were not.

From May, 2019 to February, 2020, as a result of a technology enhancement pertaining to foreign regulations, JPM incorrectly classified certain FX forwards as FX spot transactions. As a result of this misclassification, more than 35,000 FX forwards transactions, which should have been reported to a swap data repository, were not reported.

From at least November, 2017 through June, 2020, JPM had two distinct technical issues with its swap reporting process for pre-allocation FX swaps. During this period, these issues collectively resulted in a failure to report more than 600,000 pre-allocation FX swaps that should have been reported.

From at least November, 2017 through December, 2022, JPM did not report valuation data for more than 44,000 rates swaps. During this period, as part of its swap reporting process, JPM made use of a manual process to facilitate reporting swap valuation data. This manual process was flawed, with the result that valuation data did not get reported to the swap data repository.

From at least November, 2017 through December, 2022, JPM incorrectly reported more than 15 million collateralized FX, rates, and commodities swaps as if they were uncollateralized. This was caused by the use of stale reference data for these transactions, with the result that collateralized transactions during this period were incorrectly reported as uncollateralized. The

affected swaps were not correctly reported to the swap data repository, and real-time reporting was also affected for more than one million of these swaps.

From November, 2020 through April, 2021, JPM incorrectly reported to the swap data repository the price-notation field for at least six million pre-allocated equities swaps. For these swaps, JPM submitted a dividend percentage, and did so in such a way that the dividend percentage, not the price, was recorded as the price by the swap data repository. Accordingly, at least six million swaps were incorrectly reported to the swap data repository. For more than two million of these swaps, real-time reporting was also affected.

During the periods from at least November, 2017 through April, 2021 and from December, 2022 to January, 2023, JPM did not correctly report pre-allocated trades for at least 20 million cross-currency equity swaps. Specifically, due to programming failures, JPM was not reporting the “notional amount” field correctly. Instead of reporting the correct amount in the actual settlement currency for the swap, JPM reported a number expressed in the local currency equivalent. This error resulted in millions of incorrect reports to the swap data repository. For a substantial number of these swaps, real-time reporting was also affected.

From December, 2022 through May, 2023 JPM incorrectly reported certain notional data elements for approximately 10,000 variable-notional commodity swaps. This error resulted in thousands of incorrect reports to the swap data repository. For a substantial number of these swaps, real-time reporting was also affected.

2. JPM’s Cooperation and Remediation

Throughout the Division’s investigation, JPM provided substantial cooperation. JPM’s cooperation has included proactively flagging swap reporting issues for the Commission, and providing specific, detailed information regarding the scope of these issues.

JPM moreover has represented that it has voluntarily taken steps to remediate the swap dealers’ reporting deficiencies and improve its processes going forward. This remediation has included, in addition to back-reporting, voluntarily retaining a third-party consultant to conduct periodic reviews of its swap reports. Also, JPM has represented that it has adopted additional internal processes and procedures for reviewing its swap reports in order to identify swap reporting errors going forward.

III. LEGAL DISCUSSION

JPM’s swap reporting failures violated Sections 2(a)(13) and 4r(a)(3) of the Act, 7 U.S.C. §§ 2(a)(13), 6r(a)(3) and Regulations 43.3 and 45.3, 17 C.F.R. §§ 43.3, 45.3 (2020) (amended 2021).

Sections 2(a)(13) and 4r(a)(3) of the Act, 7 U.S.C. §§ 2(a)(13), 6r(a)(3), and Regulations 43.3 and 45.3, 17 C.F.R. §§ 43.3, 45.3 (2020) (amended 2021) require reporting of reportable swap transactions to a registered Swap Data Repository (“SDR”), as soon as technologically practicable, after execution. These swap data reporting provisions were designed to enhance

transparency, promote standardization, and reduce systemic risk. The accuracy and completeness of swap reporting are critical to the Commission's mission to protect market participants and to ensure market integrity. *See, e.g., In re NatWest Markets Plc*, CFTC No. 18-32, 2018 WL 4502270 (Sept. 14, 2018) (consent order); *In re Citibank, NA.*, CFTC No. 17-26, 2017 WL 4280594 (Sept. 25, 2017) (consent order); *In re Société Générale S.A.*, CFTC No. 17-01, 2016 WL 7210405 (Dec. 7, 2016) (consent order).

Through its failure to report swap transactions consistent with Commission Regulations, JPM violated Sections 2(a)(13) and 4r(a)(3) of the Act and Regulations 43.3 and 45.3.

IV. FINDINGS OF VIOLATIONS

Based on the foregoing, the Commission finds that Respondents violated Sections 2(a)(13) and 4r(a)(3) of the Act, 7 U.S.C. §§ 2(a)(13), 6r(a)(3), and Regulations 43.3 and 45.3, 17 C.F.R. § 43.3, 45.3 (2020) (amended 2021).

V. OFFER OF SETTLEMENT

Respondents have submitted the Offer in which they:

- A. Acknowledge receipt of service of this Order;
- B. Admit the facts described in Section II.C above and acknowledge that their conduct violated the Act and Regulations;
- C. Admit the jurisdiction of the Commission to all the matters set forth in this Order and for any action or proceeding brought or authorized by the Commission based on a violation of or enforcement of this Order;
- D. Waive:
 1. The filing and service of a complaint and notice of hearing;
 2. A hearing;
 3. All post-hearing procedures;
 4. Judicial review by any court;
 5. Any and all objections to the participation by any member of the Commission's staff in the Commission's consideration of the Offer;
 6. Any and all claims that they may possess under the Equal Access to Justice Act, 5 U.S.C. § 504 and 28 U.S.C. § 2412, and/or the rules promulgated by the Commission in conformity therewith, Part 148 of the Regulations, 17 C.F.R. pt. 148 (2021), relating to, or arising from, this proceeding;
 7. Any and all claims that they may possess under the Small Business Regulatory

Enforcement Fairness Act of 1996, (“SBREFA”), Pub. L. No. 104-121, tit. II, §§ 201-253, 110 Stat 847-74 (codified as amended in scattered sections of 5 U.S.C. and 15 U.S.C.), relating to, or arising from, this proceeding; and

8. Any claims of Double Jeopardy based upon the institution of this proceeding or the entry in this proceeding of any order imposing a civil monetary penalty or any other relief, including this Order;
- E. Acknowledge that the Commission is the prevailing party in this action for purpose of the waiver of any and all rights under the Equal Access to Justice Act and the Small Business Regulatory Enforcement Fairness Act of 1996, specified in subparts 6 and 7 of Paragraph D of this Section.
- F. Stipulate that the record basis on which this Order is entered shall consist solely of the findings contained in this Order to which Respondents have consented in the Offer; and
- G. Consent, solely on the basis of the Offer, to the Commission’s entry of this Order that:
1. Makes findings by the Commission that Respondents violated Sections 2(a)(13) and 4r(a)(3) of the Act, 7 U.S.C. §§ 2(a)(13), 6r(a)(3), and Regulations 43.3 and 45.3, 17 C.F.R. § 43.3, 45.3 (2020) (amended 2021);
 2. Orders Respondents to cease and desist from violating violated Sections 2(a)(13) and 4r(a)(3) of the Act, 7 U.S.C. §§ 2(a)(13), 6r(a)(3), and Regulations 43.3 and 45.3, 17 C.F.R. § 43.3, 45.3 (2020) (amended 2021);
 3. Orders Respondents jointly and severally to pay a civil monetary penalty in the amount of fifteen-million dollars (\$15,000,000) within ten days of the date of entry of this Order, plus any applicable post-judgment interest; and
 4. Orders Respondents and their successors and assigns to comply with the conditions and undertakings consented to in the Offer and set forth in Part VI of this Order.

Upon consideration, the Commission has determined to accept the Offer.

VI. ORDER

Accordingly, IT IS HEREBY ORDERED THAT:

- A. Respondents shall cease and desist from violating violated Sections 2(a)(13) and 4r(a)(3) of the Act, 7 U.S.C. §§ 2(a)(13), 6r(a)(3), and Regulations 43.3 and 45.3, 17 C.F.R. §§ 43.3, 45.3 (2020) (amended 2021).
- B. Respondents shall jointly and severally pay a civil monetary penalty in the amount of fifteen-million dollars (\$15,000,000) (“CMP Obligation”). If the CMP Obligation is not paid in full within ten days of the date of entry of the Order, then post-judgment interest shall accrue on the CMP Obligation beginning on the date of entry of the Order and shall

be determined by using the Treasury Bill rate prevailing on the date of entry of the Order pursuant to 28 U.S.C. § 1961.

Respondents shall pay the CMP Obligation and any post-judgment interest by electronic funds transfer, U.S. postal money order, certified check, bank cashier's check, or bank money order. If payment is to be made other than by electronic funds transfer, Respondent shall make the payment payable to the Commodity Futures Trading Commission, and sent to the address below:

MMAC/ESC/AMK326
Commodity Futures Trading Commission
6500 S. MacArthur Blvd.
Room 266
Oklahoma City, OK 73169
9-AMZ-AR-CFTC@faa.gov

If payment is to be made by electronic transfer, Respondents shall contact Tonia King or her successor at the above address to receive payment instructions and shall fully comply with those instructions. Respondents shall accompany payment of the CMP Obligation with a cover letter that identifies Respondents and the name and docket number of this proceeding. Respondents shall simultaneously transmit copies of the cover letter and the form of payment to the Chief Financial Officer, Commodity Futures Trading Commission, Three Lafayette Centre, 1155 21st Street, NW, Washington, D.C. 20581.

- C. Respondents and their successors and assigns shall comply with the following conditions and undertakings set forth in the Offer:
1. Public Statements: Respondents agree that neither they nor any of their successors, assigns, agents or employees under its authority or control shall take any action or make any public statement denying, directly or indirectly, any findings or conclusions in this Order, or creating, or tending to create, the impression that this Order is without a factual basis; provided, however, that nothing in this provision shall affect Respondents' (i) testimonial obligations; or (ii) right to take legal positions in other proceedings to which the Commission is not a party. Respondents and their successors and assigns shall comply with this agreement, and shall undertake all steps necessary to ensure that all of its agents and/or employees under its authority or control understand and comply with this agreement.
 2. Partial Satisfaction: Respondents understand and agree that any acceptance by the Commission of any partial payment of Respondents' CMP Obligation shall not be deemed a waiver of its obligation to make further payments pursuant to this Order, or a waiver of the Commission's right to seek to compel payment of any remaining balance.
 3. Change of Address/Phone: Until such time as Respondents satisfy in full their CMP Obligation as set forth in this Order, Respondents shall provide written notice to the

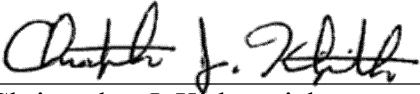
Commission by certified mail of any change to its telephone number and mailing address within ten calendar days of the change.

4. Notices to Creditors: Until such time as Respondents satisfy in full their CMP Obligation, upon the commencement by or against Respondents of insolvency, receivership or bankruptcy proceedings or any other proceedings for the settlement of Respondent's debts, all notices to creditors required to be furnished to the Commission under Title 11 of the United States Code or other applicable law with respect to such insolvency, receivership bankruptcy or other proceedings, shall be sent to the address below:

Secretary of the Commission
Office of the General Counsel
Commodity Futures Trading Commission
Three Lafayette Centre
1155 21st Street N.W.
Washington, DC 20581

The provisions of this Order shall be effective on this date.

By the Commission.



Christopher J. Kirkpatrick
Secretary of the Commission
Commodity Futures Trading Commission

Dated: September 29, 2023