

UNITED STATES OF AMERICA
DEPARTMENT OF THE TREASURY
COMPTROLLER OF THE CURRENCY

| | | |
|---------------------------------------|---|--------------|
| In the Matter of: |) | |
| |) | |
| JPMorgan Chase Bank, N.A. |) | AA-EC-13-109 |
| Columbus, OH |) | |
| |) | |
| JPMorgan Bank and Trust Company, N.A. |) | |
| San Francisco, CA |) | |
| |) | |
| Chase Bank USA, N.A. |) | |
| Wilmington, DE |) | |
| |) | |
| |) | |

CONSENT ORDER FOR THE ASSESSMENT OF A CIVIL MONEY PENALTY

The Comptroller of the Currency of the United States of America (“Comptroller”), through his national bank examiners and other staff of the Office of the Comptroller of the Currency (“OCC”), has conducted examinations of JPMorgan Chase Bank, N.A., Columbus, Ohio; JPMorgan Bank and Trust Company, N.A., San Francisco, California; and Chase Bank USA, N.A., Wilmington, Delaware (collectively referred to as “Bank”). The OCC has identified deficiencies in the Bank’s Bank Secrecy Act/anti-money laundering (“BSA/AML”) compliance program, resulting in violations of 31 U.S.C. § 5318(i) and its implementing regulation, 31 C.F.R. § 1010.610(a), (b) and (c); 12 U.S.C. § 1818(s) and its implementing regulation, 12 C.F.R. § 21.21(c); and 12 C.F.R. § 21.11(c) and (d). The Bank is also the subject of a prior OCC Consent Cease and Desist Order issued on January 14, 2013 (“January 2013 Order”).

Examinations conducted subsequent to the issuance of the January 2013 Order have revealed additional deficiencies in the Bank’s BSA/AML compliance program, which resulted in

the citation of additional violations of law and regulation. The Bank has been notified of the findings of these examinations.

The Bank, by and through its duly elected and acting Boards of Directors, has executed a “Stipulation and Consent to the Issuance of a Consent Order for the Assessment of a Civil Money Penalty,” dated January 7, 2014, that is accepted by the Comptroller (“Stipulation”). By this Stipulation, which is incorporated herein by reference, the Bank has consented to the issuance of this Consent Order for the Assessment of a Civil Money Penalty (“Consent Order”) by the Comptroller.

On January 6, 2014, the Bank entered into a Deferred Prosecution Agreement (“DPA”) with the United States Attorney’s Office for the Southern District of New York. In the DPA, the Bank admitted to certain facts concerning the failure to file a Suspicious Activity Report (“SAR”) in the United States on Bernard L. Madoff Investment Securities, LLC (“Madoff”).

ARTICLE I

COMPTROLLER’S FINDINGS

The Comptroller finds the following:

The Comptroller incorporates the following findings from Article I of the January 2013 Order:

(1) The OCC’s examination findings establish that the Bank has deficiencies in its BSA/AML compliance program. These deficiencies have resulted in the failure to correct a previously reported problem and a BSA/AML compliance program violation under 12 U.S.C. § 1818(s) and its implementing regulation, 12 C.F.R. § 21.21 (BSA Compliance

Program). In addition, the Bank has violated 12 C.F.R. § 21.11 (Suspicious Activity Report Filings).

(2) The Bank has failed to adopt and implement a compliance program that adequately covers the required BSA/AML program elements due to an inadequate system of internal controls and ineffective independent testing. The Bank did not develop adequate due diligence on customers, particularly in the Commercial and Business Banking Unit, a repeat problem, and failed to file all necessary SARs related to suspicious customer activity.

(3) The Bank failed to correct previously identified systemic weaknesses in the adequacy of customer due diligence and the effectiveness of monitoring in light of the customers' cash activity and business type, constituting a deficiency in its BSA/AML compliance program and resulting in a violation of 12 U.S.C. § 1818(s)(3)(B).

(4) Some of the critical deficiencies in the elements of the Bank's BSA/AML compliance program, resulting in a violation of 12 U.S.C. § 1818(s)(3)(A) and 12 C.F.R. § 21.21, include the following:

(a) The Bank has an inadequate system of internal controls and independent testing.

(b) The Bank has less than satisfactory risk assessment processes that do not provide an adequate foundation for management's efforts to identify, manage, and control risk.

(c) The Bank has systemic deficiencies in its transaction monitoring systems, due diligence processes, risk management, and quality assurance programs.

(d) The Bank does not have enterprise-wide policies and procedures to ensure that foreign branch suspicious activity involving customers of other bank branches is effectively communicated to other affected branch locations and applicable AML operations staff. The

Bank also does not have enterprise-wide policies and procedures to ensure that on a risk basis, customer transactions at foreign branch locations can be assessed, aggregated, and monitored.

(e) The Bank has significant shortcomings in SAR decision-making protocols and an ineffective method for ensuring that referrals and alerts are properly documented, tracked, and resolved.

(5) The Bank failed to identify significant volumes of suspicious activity and file the required SARs concerning suspicious customer activities, in violation of 12 C.F.R. § 21.11. In some of these cases, the Bank self-identified the issues and is engaged in remediation.

(6) The Bank's internal controls, including filtering processes and independent testing, with respect to Office of Foreign Asset Control ("OFAC") compliance are inadequate.

The Comptroller further finds, for purposes of this Consent Order:

(7) The Bank has not established adequate BSA/AML and due diligence programs for its foreign branches, offices, or affiliates in violation of 31 U.S.C. § 5318(i) (implementing Section 312 of the USA PATRIOT Act, Pub. L. No. 107-56, § 312(a), 115 Stat. 272, 312 (2001)), and 12 C.F.R. § 21.21(c). This violation includes the Bank's failure to conduct suspicious activity monitoring of transactions between the Bank and certain of the Bank's affiliates.

(8) The Bank did not establish and implement an adequate BSA/AML program for correspondent banking and remote deposit capture ("RDC") and international cash letter ("ICL") products or adequate internal controls, including the Bank's due diligence programs, in the correspondent banking and RDC/ICL areas. Inadequate controls resulted in certain special accommodation clients in the Bank that operated outside of the normal AML monitoring and OFAC screening controls. For these reasons, the Bank is in violation of 31 U.S.C. § 5318(i),

12 U.S.C. § 1818(s), 12 C.F.R. § 21.21(c), and 31 C.F.R. § 1010.610(a), (b), and (c). These failures also caused the Bank to fail to file SARs and to do so timely in violation of 12 C.F.R. § 21.11(c) and (d).

(9) The Bank has failed to correct previously reported problems in several areas, including Asia Private Banking, and with respect to one of its correspondent bank relationships, resulting in additional violations of 12 U.S.C. § 1818(s).

(10) The Bank's SAR filing processes and procedures for SAR filing in the areas of Chase Auto Finance and Student Lending were inadequate, and the Bank further failed in certain instances to file SARs related to suspected fraud by employees, resulting in violations of 12 C.F.R. § 21.11(c).

(11) Between 2006 and 2008, the Bank created, sold and made a secondary market for structured products that provided customers access to Madoff's investment strategy through several "feeder funds." Prior to Bernard L. Madoff's arrest, the Bank developed concerns about Madoff and a distributor of Madoff-linked investments created by the Bank. These concerns caused the Bank's London branch to file a suspicious activity report with the United Kingdom's Serious Organised Crime Agency on October 29, 2008. Aware that Madoff was a client of the Bank in the U.S., U.K.-based Bank employees conveyed these concerns to U.S.-based Bank employees. Despite the fact that these concerns caused the Bank to file a suspicious activity report in the U.K., the Bank did not file a SAR in the U.S. based on these concerns. The failure to file a SAR on this activity and to do so timely is significant and a violation of 12 C.F.R. § 21.11(c) and (d).

(12) The Bank maintained a correspondent banking relationship with a Puerto-Rican-chartered affiliate of a Venezuelan bank. Although the Bank filed SARs relating to this

correspondent account, the Bank did not investigate additional suspicious activity, totaling over \$2 billion, pertaining to counterparties that flowed through the account at the Bank. The failure to file SARs on this activity and to do so timely is significant and in violation of 12 C.F.R. § 21.11(c) and (d).

(13) From 2004 to 2010, the Bank failed to adequately monitor, investigate and file SARs on approximately \$450 million of suspicious bulk cash transactions in an account at the Bank for another of its correspondents. The failure to file SARs on this activity and to do so timely is significant and in violation of 12 C.F.R. § 21.11(c) and (d).

(14) From February 2013 to March 2013, the Bank failed to adequately monitor and file a supplemental SAR on ongoing activity relating to \$471,680 in suspicious transactions in an account at the Bank for a third correspondent. The failure to file SARs on this activity and to do so timely is significant and in violation of 12 C.F.R. § 21.11(c) and (d).

ARTICLE II

ORDER FOR A CIVIL MONEY PENALTY

Pursuant to the authority vested in him by the Federal Deposit Insurance Act, 12 U.S.C. § 1818(i), the Comptroller orders, and the Bank consents to, the following:

(1) The Bank shall make payment of a civil money penalty in the total amount of three hundred and fifty million dollars (\$350,000,000), which shall be paid upon the execution of this Consent Order:

- (a) If a check is the selected method of payment, the check shall be made payable to the Treasurer of the United States and shall be delivered to:

Comptroller of the Currency, P.O. Box 979012, St. Louis, Missouri
63197-9000.

- (b) If a wire transfer is the selected method of payment, it shall be sent in accordance with instructions provided by the Comptroller.
- (c) The docket number of this case (AA-EC-13-109) shall be entered on the payment document or wire confirmation and a photocopy of the payment document or confirmation of the wire transfer shall be sent immediately, by overnight delivery, to the Director of Enforcement and Compliance, Office of the Comptroller of the Currency, 400 7th Street, S.W., Washington, D.C. 20219.

(2) This Consent Order shall be enforceable to the same extent and in the same manner as an effective and outstanding order that has been issued and has become final pursuant to 12 U.S.C. § 1818(h) and (i).

ARTICLE III

OTHER PROVISIONS

(1) This Consent Order is intended to be, and shall be construed to be, a final order issued pursuant to 12 U.S.C. § 1818(i)(2), and expressly does not form, and may not be construed to form, a contract binding on the Comptroller or the United States.

(2) This Consent Order constitutes a settlement of the civil money penalty proceeding against the Bank contemplated by the Comptroller, based on the violations of law and regulation described in the Comptroller's Findings set forth in Article I of this Consent Order. The OCC releases and discharges the Bank from all potential liability for a civil money penalty that has

been or might have been asserted by the Comptroller based solely on the violations of law and regulation as described in the referenced findings, to the extent known to the Comptroller as of the effective date of the Consent Order. Provided, however, that nothing in the Stipulation or this Consent Order shall prevent the Comptroller from instituting enforcement actions against the Bank or any of its institution-affiliated parties, including, without limitation, assessment of civil money penalties, based on any other findings, including, but not limited to, findings related to required look backs or reviews conducted by or on behalf of the Bank. The violations of law and regulation described in Article I of this Consent Order may be utilized by the Comptroller in other future enforcement actions against the Bank or its institution-affiliated parties, including, without limitation, to establish a pattern or practice of violations or unsafe and unsound practices, or the continuation of a pattern or practice of violations or unsafe or unsound practices. Nothing in this Consent Order shall preclude or affect any right of the Comptroller to determine and ensure compliance with the terms and provisions of the Stipulation or this Consent Order.

(3) The terms of this Consent Order, including this paragraph, are not subject to amendment or modification by any extraneous expression, prior agreements, or prior arrangements between the parties, whether oral or written.

IT IS SO ORDERED, this 7th day of January 2014.

/s/

Morris R. Morgan
Deputy Comptroller
Large Bank Supervision

**UNITED STATES OF AMERICA
DEPARTMENT OF THE TREASURY
COMPTROLLER OF THE CURRENCY**

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| Wilmington, DE |) | |
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| |) | |

**STIPULATION AND CONSENT TO THE ISSUANCE OF A CONSENT ORDER FOR
THE ASSESSMENT OF A CIVIL MONEY PENALTY**

The Comptroller of the Currency of the United States of America (“Comptroller”), based upon information derived from the exercise of his regulatory and supervisory responsibilities, intends to initiate a civil money penalty (“CMP”) proceeding against JPMorgan Chase Bank, N.A., Columbus, Ohio; JPMorgan Bank and Trust Company, N.A., San Francisco, California; and Chase Bank USA, N.A., Wilmington, Delaware (collectively referred to as “Bank”), pursuant to 12 U.S.C. § 1818(i), based on serious deficiencies in the Bank’s Bank Secrecy Act/anti-money laundering (“BSA/AML”) compliance program and violations of Suspicious Activity Reporting laws and regulations.

In the interest of cooperation and to avoid additional costs associated with administrative and judicial proceedings with respect to the above matter, and without an adjudication on the merits, the Bank, through its duly elected and acting Boards of Directors (“Boards”), has agreed to execute this Stipulation and Consent to the Issuance of a Consent Order for the Assessment of

a Civil Money Penalty (“Stipulation”), that is accepted by the Comptroller, through his duly authorized representative.

In consideration of the above premises, it is stipulated by the Bank that:

ARTICLE I

JURISDICTION

(1) The Bank is a national banking association chartered and examined by the Comptroller pursuant to the National Bank Act of 1864, as amended, 12 U.S.C. § 1 *et seq.*

(2) The Comptroller is “the appropriate Federal banking agency” regarding the Bank pursuant to 12 U.S.C. §§ 1813(q) and 1818(i).

(3) The Bank is an “insured depository institution” within the meaning of 12 U.S.C. § 1818(i).

ARTICLE II

CONSENT

(1) The Bank consents and agrees to issuance of the accompanying Consent Order for the Assessment of a Civil Money Penalty (“Consent Order”) by the Comptroller.

(2) The terms and provisions of the Consent Order apply to JPMorgan Chase Bank, N.A., Columbus, Ohio; JPMorgan Bank and Trust Company, N.A., San Francisco, California; and Chase Bank USA, N.A., Wilmington, Delaware; and all their subsidiaries, even though those subsidiaries are not named as parties to the Consent Order.

(3) The Bank consents and agrees that the Consent Order shall be deemed an “order issued with the consent of the depository institution” pursuant to 12 U.S.C. § 1818(h)(2), and

consents and agrees that the Consent Order shall become effective upon its execution by the Comptroller through his authorized representative, and shall be fully enforceable by the Comptroller pursuant to 12 U.S.C. § 1818(i).

(4) Notwithstanding the absence of mutuality of obligation, or of consideration, or of a contract, the Comptroller may enforce any of the commitments or obligations herein undertaken by the Bank under his supervisory powers, including 12 U.S.C. § 1818(i), and not as a matter of contract law. The Bank expressly acknowledges that neither the Bank nor the Comptroller has any intention to enter into a contract.

(5) The Bank expressly acknowledges that no separate promise or inducement of any kind has been made by the Comptroller, or by his agents or employees, to cause or induce the Bank to consent to the issuance of the Consent Order and/or execute this Stipulation.

(6) The Bank expressly acknowledges that no officer or employee of the Comptroller has statutory or other authority to bind the United States, the United States Treasury Department, the Comptroller, or any other federal bank regulatory agency or entity, or any officer or employee of any of those entities to a contract affecting the Comptroller's exercise of his supervisory responsibilities.

(7) The Consent Order constitutes a settlement of the CMP proceeding against the Bank contemplated by the Comptroller, based on the violations of law and regulation described in the Comptroller's Findings set forth in Article I of the Consent Order. The OCC releases and discharges the Bank from all potential liability for a CMP that has been or might have been asserted by the Comptroller based solely on the violations of law and regulation as described in the referenced findings, to the extent known to the Comptroller as of the effective date of the Consent Order. Provided, however, that nothing in this Stipulation or the Consent Order shall

prevent the Comptroller from instituting enforcement actions against the Bank or any of its institution-affiliated parties, including, without limitation, assessment of CMPs, based on any other findings, including, but not limited to, findings related to required look backs or reviews conducted by or on behalf of the bank. The violations of law and regulation described in Article I of the Consent Order may be utilized by the Comptroller in other future enforcement actions against the Bank or its institution-affiliated parties, including, without limitation, to establish a pattern or practice of violations or unsafe and unsound practices, or the continuation of a pattern or practice of violations or unsafe or unsound practices. Nothing in the Consent Order shall preclude or affect any right of the Comptroller to determine and ensure compliance with the terms and provisions of this Stipulation, the Consent Order, or the prior OCC Consent Cease and Desist Order issued on January 14, 2013 (“January 2013 Order”).

ARTICLE III

WAIVERS

- (1) The Bank, by executing this Stipulation and consenting to the Consent Order, waives:
 - (a) Any and all rights to the issuance of a Notice of Charges pursuant to 12 U.S.C. § 1818(i);
 - (b) Any and all procedural rights available in connection with the issuance of the Consent Order;
 - (c) Any and all rights to a hearing and a final agency decision pursuant to 12 U.S.C. § 1818(i) and 12 C.F.R. Part 19;

- (d) Any and all rights to seek any type of administrative or judicial review of the Consent Order;
- (e) Any and all claims for fees, costs or expenses against the Comptroller, or any of his agents or employees, related in any way to this enforcement matter or the Consent Order, whether arising under common law or under the terms of any statute, including, but not limited to, the Equal Access to Justice Act, 5 U.S.C. § 504 and 28 U.S.C. § 2412;
- (f) Any and all rights to assert this proceeding, this Stipulation, consent to the issuance of the Consent Order, and/or the issuance of the Consent Order, as the basis for a claim of double jeopardy in any pending or future proceeding brought by the United States Department of Justice or any other governmental entity; and
- (g) Any and all rights to challenge or contest the validity of the Consent Order.

ARTICLE IV

CLOSING

(1) The provisions of this Stipulation and the Consent Order shall not inhibit, estop, bar, or otherwise prevent the Comptroller from taking any other action affecting the Bank if, at any time, he deems it appropriate to do so to fulfill the responsibilities placed upon him by the several laws of the United States of America.

(2) Nothing in this Stipulation or the Consent Order shall preclude any proceedings brought by the Comptroller to enforce the terms of the Consent Order or the January 2013 Order,

and nothing in this Stipulation or the Consent Order constitutes, nor shall the Bank contend that it constitutes, a release, discharge, compromise, settlement, dismissal, or resolution of any actions, or in any way affects any actions that may be or have been brought by any other representative of the United States or an agency thereof, including, without limitation, the United States Department of Justice.

(3) The terms of this Stipulation and the Consent Order are not subject to amendment or modification by any extraneous expression, prior agreements or prior arrangements between the parties, whether oral or written.

IN TESTIMONY WHEREOF, the undersigned, as the duly elected and acting Board of Directors of JPMorgan Chase Bank, N.A., Columbus, OH, have hereunto set their hands on behalf of the Bank.

/s/
James S. Crown

January 7, 2014
Date

/s/
Laban P. Jackson, Jr.

January 7, 2014
Date

/s/
Marianne Lake

January 7, 2014
Date

/s/
William C. Weldon

January 7, 2014
Date

/s/
Matthew E. Zames

January 7, 2014
Date

IN TESTIMONY WHEREOF, the undersigned, as the duly elected and acting Board of Directors of JPMorgan Bank and Trust Company, N.A., San Francisco, CA, have hereunto set their hands on behalf of the Bank.

/s/
Brent L. Barton

January 7, 2014
Date

/s/
John J. Hyland

January 7, 2014
Date

/s/
Kelly A. Mathieson

January 7, 2014
Date

/s/
Jennifer A. Piepszak

January 7, 2014
Date

/s/
Daniel J. Riner

January 7, 2014
Date

IN TESTIMONY WHEREOF, the undersigned, as the duly elected and acting Board of Directors of Chase Bank USA, N.A., Wilmington, DE, have hereunto set their hands on behalf of the Bank.

/s/

Raymond Fischer

January 7, 2014

Date

/s/

Catherine M. Hogan

January 7, 2014

Date

/s/

Matthew Kane

January 7, 2014

Date

/s/

James K. Paterson

January 7, 2014

Date

/s/

Samuel Todd Maclin

January 7, 2014

Date

/s/

Eileen M. Serra

January 7, 2014

Date

/s/

John C. Marion

January 7, 2014

Date

