Press Release

J.P. Morgan Securities Admits to Manipulative Trading in U.S. Treasuries

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Washington D.C., Sept. 29, 2020 —The Securities and Exchange Commission today announced charges against J.P. Morgan Securities LLC, a broker-dealer subsidiary of JPMorgan Chase & Co., for fraudulently engaging in manipulative trading of U.S. Treasury securities. J.P. Morgan Securities admitted the findings in the SEC's order, and agreed to pay disgorgement of $10 million and a civil penalty of $25 million to settle the action.

The U.S. Department of Justice and the U.S. Commodity Futures Trading Commission today announced parallel actions against JPMorgan Chase & Co. and certain of its affiliates for engaging in manipulative trading in the precious metals and U.S. Treasuries futures and cash markets. A total of more than $920 million, including amounts for criminal restitution, forfeiture, disgorgement, penalties, and fines, is to be paid across the three actions. The DOJ entered into a three-year deferred prosecution agreement with JPMorgan Chase & Co., whereas the CFTC announced settlements with J.P. Morgan Chase & Co., JPMorgan Chase Bank, N.A., and JPMorgan Securities.

According to the SEC's order, between April 2015 and January 2016, certain traders on J.P. Morgan Securities' Treasuries trading desk employed manipulative trading strategies involving Treasury cash securities. The order finds that the traders placed bona fide orders to buy or sell a particular Treasury security, while nearly simultaneously placing non-bona fide orders, which the traders did not intend to execute, for the same series of Treasury security on the opposite side of the market. The order finds that the non-bona fide orders were intended to create a false appearance of buy or sell interest, which would induce other market participants to trade against the bona fide orders at prices that were more favorable to J.P. Morgan Securities than J.P. Morgan Securities otherwise would have been able to obtain. According to the order, after the traders secured beneficially priced executions for the bona fide orders, they promptly cancelled the non-bona fide orders.

"J.P. Morgan Securities undermined the integrity of our markets with this scheme," said Stephanie Avakian, Director of the SEC's Division of Enforcement. "Their manipulative trading of Treasury cash securities created a false appearance of activity in the market and induced other market participants to trade at more favorable prices than J.P. Morgan Securities would have otherwise been able to obtain."

J.P. Morgan Securities agreed to the entry of an order in which it admitted to the SEC's factual findings and that its conduct violated Section 17(a)(3) of the Securities Act of 1933. J.P. Morgan Securities was further ordered to cease and desist from future violations of Section 17(a), was censured, and was ordered to pay disgorgement of $10 million and a civil penalty of $25 million. The civil penalty ordered will be offset by amounts paid by JPMorgan Chase & Co. and its affiliates in the parallel proceedings announced by the DOJ and the CFTC.

The SEC's investigation was conducted by Jessica T. Quinn and Thomas P. Smith, Jr., and supervised by Sanjay Wadhwa, all of the New York Regional Office. The SEC appreciates the assistance of the DOJ and the CFTC.

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