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UNITED STATES OF AMERICA
Before the
COMMODITY FUTURES TRADING COMMISSION

In the Matter of:	)	
JPMorgan Chase Bank, N.A.,	)	CFTC Docket No. 18-15
Respondent.	)	

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

I.

The Commodity Futures Trading Commission ("Commission") has reason to believe that JPMorgan Chase Bank, N.A. ("Respondent," "JPMC" or the "Bank") has violated the Commodity Exchange Act (the "Act" or "CEA") and Commission Regulations ("Regulations"). Therefore, the Commission deems it appropriate and in the public interest that public administrative proceedings be, and hereby are, instituted to determine whether Respondent engaged in the violations set forth herein, and to determine whether any order shall be issued imposing remedial sanctions.

II.

In anticipation of the institution of an administrative proceeding, Respondent has submitted an Offer of Settlement ("Offer"), which the Commission has determined to accept. Without admitting or denying the findings or conclusions herein, Respondent consents to the entry and acknowledges service of this Order Instituting Proceedings Pursuant to Sections 6(c) and 6(d) of the Act, Making Findings, and Imposing Remedial Sanctions ("Order").[1]

[1] Respondent consents to the entry of this Order and to the use of these findings in this proceeding and in any other proceeding brought by the Commission or to which the Commission is a party; provided, however, that Respondent does not consent to the use of the Offer, or the findings or conclusions in this Order, as the sole basis for any other proceeding brought by the Commission, other than in a proceeding in bankruptcy or to enforce the terms of this Order. Nor does Respondent consent to the use of the Offer or this Order, or the findings or conclusions in this Order consented to in the Offer, by any other party in any other proceeding.

III.

The Commission finds the following:

A. Summary

Beginning in January 2007, and continuing through January 2012 (the "Relevant Period"), JPMC, by and through certain of its traders in New York, N.Y., on multiple occasions attempted to manipulate the U.S. Dollar International Swaps and Derivatives Association Fix ("USD ISDAFIX" or the "benchmark"), a leading global benchmark referenced in a range of interest rate products, that benefited certain derivatives positions, including positions involving cash-settled options on interest rate swaps held by the Bank.

ISDAFIX rates and spreads are published daily and are meant to indicate the prevailing mid-market rate, at a specific time of day, for the fixed leg of a standard fixed-for-floating interest rate swap.[2] They were issued in several currencies. USD ISDAFIX rates and spreads are published for various maturities of U.S. Dollar-denominated swaps, including 1-year to 10-years, 15-years, 20-years, and 30-years. The most widely used USD ISDAFIX rates and spreads, and the ones at issue in this Order, were those that are intended to indicate the prevailing market rate as of 11:00 a.m. Eastern Time ("11:00 a.m."). The 11:00 a.m. USD ISDAFIX rate is used for the cash settlement of options on interest rate swaps, or swaptions, and as a valuation tool for certain other interest rate products. For example, USD ISDAFIX was used during the Relevant Period in settlement of interest rate swap futures contracts traded on the Chicago Mercantile Exchange ("CME") and as a component in the calculation of various proprietary interest rate indices and structured products.

During the Relevant Period, USD ISDAFIX was set each day in a process that began at 11:00 a.m. with the capture and recording of swap rates and spreads from a U.S. based unit of a leading interest rate swaps broking firm (the "Swaps Broker"). The Swaps Broker disseminated the rates and spreads captured in this snapshot to a panel of banks as a reference point in making their submissions. These reference point rates and spreads taken at 11:00 a.m. were sometimes referred to as the "fix" or "print" by traders and brokers. These reference point rates and spreads (which were calculated using swap spread trade data from the Swaps Broker, U.S. Treasuries electronic trade data from Swaps Broker, and Eurodollar futures at or around 11:00 a.m.) were disseminated by Swaps Broker to the panel banks. The panel banks then made submissions to the Swaps Broker. Each bank's submission was supposed to reflect the midpoint of where that dealer would itself offer and bid a swap to a dealer of good credit as of 11:00 a.m. Most banks on the panel, including JPMC, usually submitted the Swaps Broker's reference point rates and spreads as captured in the snapshot without change. As a result, after an averaging of the submissions, the reference point rates and spreads became the published USD ISDAFIX almost every day.

However, on certain days in which JPMC had a trading position settling or resetting against the USD ISDAFIX, JPMC attempted to manipulate USD ISDAFIX by making false

[2] In 2014, the administration of ISDAFIX changed, and a new version of the benchmark is published under a different name by a new administrator using a different methodology.

submissions for JPMC as a panel bank to Swaps Broker, skewing the rates and spreads submitted in the direction that could have moved the USD ISDAFIX setting to benefit certain of the Bank's trading positions. A bank's derivatives trading positions or profitability are not legitimate or permissible factors on which to base submissions in connection with a benchmark. Yet on multiple occasions during the Relevant Period, certain JPMC traders caused JPMC to make USD ISDAFIX submissions higher or lower for the purpose of benefitting positions priced or valued against the benchmark, including swaption and other option positions. On these occasions, JPMC's USD ISDAFIX submissions constituted false, misleading, or knowingly inaccurate reports because they purported to reflect JPMC's honest view of the true costs of entering into a standard fixed-for-floating interest rate swap in particular tenors, but in fact reflected traders' desire to move USD ISDAFIX higher or lower in order to benefit certain of JPMC's positions. These submissions were false, misleading, or knowingly inaccurate because they did not report where JPMC would itself bid or offer interest rate swaps to a dealer of good credit absent a desire to manipulate USD ISDAFIX, but rather reflected prices that were more favorable to the Bank on specific positions. As evidenced in one electronic communication, a JPMC trader requested that the JPMC submitter "give the lowest 3[year] possible (and the highest 2 [year] and 5 [year]" because his desk had "an exercise with the options desk on the 2s/3s/5s." The request to raise and lower the particular tenors in question was made the day before the reference point snapshot was even taken, indicative of the manipulative intent of the author.

In addition, JPMC attempted to manipulate USD ISDAFIX by bidding, offering, and executing transactions in swap spreads at or near the critical 11:00 a.m. fixing time, with the intent to affect the reference rates and spreads captured by Swaps Broker that Swaps Broker disseminated to submitting banks, and thereby to affect the published USD ISDAFIX. On multiple occasions, JPMC attempted to manipulate USD ISDAFIX by bidding, offering, and executing transactions in targeted interest rate products. As one member of the JPMC Swaps Desk ("JPMC Swaps Trading Assistant") succinctly explained:

> [Y]ou know how there is an 11am screen print for ISDA of where rates are . . . well—sometimes clients put orders in to do trades at the 11 o'clock screen shot—so they get positioned for that and then there's often a big push to move the screen a ¼ [basis point] in their favor but sometimes there are other dealers trying to go the opposite way so it ends up being a screaming match to try and figure out which way it's going to go so today, [a JPMC swaps trader ("JPMC Swaps Trader")] didn't win the battle and he was pissed.

These statements illustrate the two methods used by JPMC to attempt to manipulate the ISDAFIX rate during the Relevant Period. Furthermore, misconduct of this type spanned three JPMC trading desks, over multiple years and was recognized by certain members of the JPMC Swaps Desk as occurring during the Relevant Period.

* * * * *

In accepting Respondent's Offer, the Commission recognizes JPMC's significant cooperation during the investigation of this matter by the CFTC's Division of Enforcement ("Division"), which included promptly providing and identifying compelling evidence to the Division and including such evidence in its agreement with the Commission to toll the statutory

period. JPMC's cooperation helped the Division undertake its investigation efficiently and effectively. The Commission further recognizes that JPMC commenced significant remedial action to strengthen the internal controls and policies relating to all benchmarks, including ISDAFIX.

The civil monetary penalty imposed on JPMC has been substantially reduced to reflect JPMC's cooperation in this matter.

B. Respondent

JPMorgan Chase Bank, N.A. is a national banking association with its main office in New York, New York. JPMC is provisionally registered with the Commission as a swap dealer and provides consumer finance, investment banking, commercial banking and other services.

C. Facts

1. USD ISDAFIX Setting

ISDAFIX rates and spreads are benchmarks that indicate prevailing market rates for "interest rate swaps.[3] The 11:00 a.m. USD ISDAFIX was set during the Relevant Period using a combination of swap spread trade data from Swaps Broker,[4] U.S. Treasuries electronic trade data from Swaps Broker, Eurodollar futures, and submissions from a panel of swap dealer banks, including JPMC.

The Swaps Broker's medium-term USD swaps desk ("MTS Desk") functioned much like a traditional futures trading pit. Brokers on the desk sat (or stood) together and each serviced a number of major swap dealer banks, to whom they were connected throughout the trading day by direct phone lines and speaker boxes. The brokers communicated their clients' bids and offers by open outcry to the entire MTS Desk and all of the brokers simultaneously. Any client could accept a bid or offer. Once a broker confirmed that a client was "hitting" a bid, "lifting" an offer, or was otherwise "done" in a designated notional amount (either a minimum default amount or a greater amount), the trade between the counterparties was executed and the counterparties received a confirmation of the trade.

[3] The term "swap" is defined in Section 1a(47) of the Act, 7 U.S.C. § 1a(47) (2012). An interest rate swap is generally an exchange of fixed payments for floating payments, wherein one party to a swap pays a fixed rate on a set notional amount (the party who "pays fixed" is said to have "bought" the swap, or is "long" the swap) and the other party pays a floating rate generally tied to three-month LIBOR (the party who "receives fixed" is said to have "sold" the swap, or is "short" the swap). The "maturity" or "tenor" of a swap refers to the number of years over which counterparties exchange payments.

[4] An interest rate swap spread trade consists of a fixed-for-floating interest rate swap and an offsetting trade in U.S. Treasuries of the same tenor, which allows a party to hedge part of the interest rate risk associated with the fixed-for-floating swap. The difference in basis points between the U.S. Treasury yield and the swap rate constitutes the "spread" quoted in a spread trade. The party who "receives fixed" in a swap and sells U.S. Treasuries to hedge is "short" spreads or has "sold" spreads, while a party who "pays fixed" in a swap and buys Treasuries to hedge is "long" spreads or has "bought" spreads.

The Swaps Broker published a live feed of transaction data for USD interest rate swap spreads, swap rates, and U.S. Treasury yields and prices to an electronic screen, known as the "19901 screen," accessible through a subscription-based market news service. The 19901 screen reflected the levels at which those products were trading through the MTS Desk (for swap spreads and swap rates) and the Swaps Broker's proprietary electronic bond trading platform (for U.S. Treasuries). The levels displayed on the 19901 screen for swap spreads were manually controlled by an employee of the Swaps Broker, known colloquially as the "screen guy" or "screen operator," who would toggle the levels up or down based on the swap spread trading activity that occurred before him on the MTS Desk. The 19901 screen is a reference used widely throughout the financial industry by swap dealer banks, hedge funds, asset managers, businesses, and other participants in interest rate markets. During the Relevant Period, levels displayed on the 19901 screen at precisely 11:00 a.m. were critical because they were used to set USD ISDAFIX.

To set USD ISDAFIX rates for the 2-year through 30-year maturities, the Swaps Broker first generated reference point rates and spreads from the snapshot of 11:00 a.m. screen prices, reflecting either the last traded spread or the mid-point between the most recent executable bid and offer. The Swaps Broker's reference point rates, for all maturities except the 1-year, were the sum of the reference point spread rate and the 19901 screen's U.S. Treasury yield in the corresponding maturity. To generate the 1-year reference point rate (for which there was no associated swap spread), the Swaps Broker utilized a combination of Eurodollar futures yields (based on trading on CME's Globex platform) and broker "sentiment," which was intended to reflect prevailing rates for 1-year swaps based on trading though the Swaps Broker's short-term swaps desk.

Minutes after the 11:00 a.m. snapshot of the 19901 was taken, the Swaps Broker distributed its reference point rates and spreads to a panel of fourteen or more contributing banks, which either accepted and submitted the reference rates and spreads as their own or submitted adjusted levels. Each bank, including JPMC, was expected to submit "the mean of where that dealer would itself offer and bid a swap in the relevant maturity for a notional equivalent amount of US $50 million or whatever amount is deemed market size in that currency for that tenor to an acknowledged dealer of good credit in the swap market."[5] Banks could change the prices for all rates and spreads across all maturities in their submissions, or change any subset, including any single rate or spread. Alternatively, a panel bank could make no submission at all. After a quorum of contributing banks made their submissions, a calculation agent eliminated the highest and lowest submissions (known as "topping and tailing") and averaged the remaining submissions. The submission and calculation process was generally completed in the half hour following 11:00 a.m., after which the results were accessible to the public through a subscription-based news service.

In practice, most panel banks, often including JPMC, accepted the Swaps Broker's reference point rates and spreads as their default submissions. Thus, after "topping and tailing,"

[5] *See ISDAFIX*, ISDA, https://web.archive.org/web/20140209180148/http:/www2.isda.org/asset-classes/interest-rates-derivatives/isdafix (last accessed Nov. 22, 2017).

the Swaps Broker's reference rates and spreads usually became the final published USD ISDAFIX benchmarks. However, as noted below, on multiple occasions during the Relevant Period, JPMC submitted a rate or spread higher or lower than Swaps Broker's reference point rates or spreads on certain days that JPMC had a derivatives position settling or resetting against USD ISDAFIX in an attempt to benefit that derivatives position.

2. JPMC's Role in USD ISDAFIX Setting

Throughout the Relevant Period, JPMC was one of the panel banks that submitted rates and spreads for the determination of USD ISDAFIX. Employees on the JPMC NA Linear Rates Desk, also referred to as the Interest Rates Swaps Desk ("Swaps Desk"), made JPMC's USD ISDAFIX submissions. The Swaps Desk was a market-making desk that traded, among other products, fixed-for-floating interest rate swaps. The Swaps Desk acted as counterparty to external clients as well as internal JPMC desks in a variety of interest rate swap transactions. Other JPMC desks (such as the Americas Options Desk, EMEA Exotics Desk, and Americas Exotics Desk, collectively "Options Desks") also transacted and held, among other products, swaption positions. The Swaps Desk was located in close proximity to the Americas Options Desk and Americas Exotics Desk.

3. JPMC's Positions with Exposure to USD ISDAFIX

On multiple occasions throughout the Relevant Period, JPMC's Swaps Desk, at times in consultation with the Options Desks, engaged in attempts to manipulate USD ISDAFIX. The intention of the JPMC traders was to maximize profits (or minimize losses) for the Swaps Desk by increasing its payments from counterparties, or decreasing payments to counterparties, in swaption cash settlements. A small movement of the benchmark higher or lower (*e.g.*, one basis point or less) could result in a gain for JPMC on its cash settlements. JPMC's traders' attempts to move USD ISDAFIX rates in a direction favorable to JPMC's position, if successful, hurt the Bank's counterparties to the cash settlements, as well as any other market participants who had positions referencing USD ISDAFIX on a given day that were directionally equivalent to JPMC's counterparties' in the same maturity.

A swaption is an option to enter into a plain-vanilla fixed-for-floating interest rate swap, which must be exercised at 11:00 a.m. on a specified "expiry" date in the future at a pre-agreed fixed "strike" rate. A swaption can be exercised by "physical" delivery of the underlying swap or by cash settlement in reference to a benchmark rate. A swaption that expired "in-the-money" would usually physically settle. Swaption cash settlements denominated in U.S. Dollars are typically calculated based on USD ISDAFIX rates according to a formula that measures the difference between the relevant USD ISDAFIX rate on the expiry date and the strike rate of the swaption. Attempts to move USD ISDAFIX rates in JPMC's favor, if successful, would hurt the Bank's counterparties in cash settlement, as well as any other market participants who had positions referencing USD ISDAFIX on a given day that were directionally equivalent to JPMC's counterparty in the same maturity. A small movement of the benchmark higher or lower (*e.g.*, one basis point or less) could result in meaningful gain for the Bank on its swaption cash settlements.

Traders on the Swaps Desk had their own reasons to attempt to manipulate USD ISDAFIX rates. From time to time, when the JPMC Options Desks had a cash-settling swaption with an external counterparty, rather than carry the USD ISDAFIX risk associated with that position, the Options Desks coordinated with the Swaps Desk prior to 11:00 a.m. to "swap settle" the position (referred to herein as an "ISDAFIX Swap"), thereby eliminating the Options Desks' exposure to the USD ISDAFIX and transferring that exposure from the Options Desks to the Swaps Desk. By transferring its USD ISDAFIX risk to the Swaps Desk, the Options Desks also provided the Swaps Desk an opportunity to benefit by influencing the USD ISDAFIX benchmark when trading out of the ISDAFIX Swap. For example, if the Swaps Desk knew that it would be receiving the fixed rate on the ISDAFIX Swap at 11:00 a.m., the Swaps Desk could benefit by pushing the rate higher while trading out of the ISDAFIX Swap. Conversely, if the Swaps Desk knew that it would be paying the fixed rate on the ISDAFIX Swap at 11:00 a.m., the Swaps Desk could benefit by pushing the rate lower while trading out of the ISDAFIX Swap.

4. Means Employed in Attempts to Manipulate USD ISDAFIX

Certain JPMC traders understood and employed two primary means in their attempts to manipulate USD ISDAFIX rates:

- First, by directing the relevant JPMC Swaps Desk's employees responsible for making USD ISDAFIX submissions (the "Submitter" or "Submitters") to submit rates and spreads higher or lower than the Submitters otherwise would, certain JPMC traders attempted to affect the final published USD ISDAFIX rates and spreads to benefit certain positions held by the Bank.

- Second, at least one JPMC trader bid, offered, and/or executed swap spreads at or around 11:00 a.m. to attempt to affect rates on the 19901 screen and thereby increase or decrease Swaps Broker's reference rates and spreads and influence the final published USD ISDAFIX.

Whichever the means employed, the goal was the same—to move USD ISDAFIX in the direction that favored JPMC on specific trading positions at the expense of its counterparties.

a. JPMC's False, Misleading, or Knowingly Inaccurate Submissions

JPMC attempted to manipulate USD ISDAFIX by making false, misleading, or knowingly inaccurate submissions to Swaps Broker concerning swap rates and spreads.

On multiple occasions during the Relevant Period, JPMC submitted a rate or spread higher or lower than Swaps Broker's reference rates or spreads. On some of these occasions, certain traders requested that the relevant Submitters to submit a rate or spread higher or lower than the reference point rate or spread disseminated by Swaps Broker to panel banks. Certain traders made requests to change particular submissions by two means, including electronic communications requesting the Submitters change a particular tenor(s) or orally requesting the Submitters change a particular tenor(s). The Submitters typically did not deviate from the reference point rates and spreads provided by Swaps Broker unless they were specifically directed to do so for a particular tenor by a more senior trader. As seen in this electronic

communication, JPMC would change its submissions from the reference point rates and spreads when it had a motive to do so:

- JPMC Swaps Desk Submitter: anything unusual for isda today?
- JPMC Swaps Desk Associate: nope
- JPMC Swaps Desk Submitter: ok so if were [sic] not doing anythign[sic] special, do i still submit every day?
- JPMC Swaps Desk Associate: yes, we should, if you're tied up and can't do it it's okay [the Swaps Broker] will do it [for you]

JPMC's changes in its USD ISDAFIX submissions were not always made to reflect the mean of where JPMC would itself bid or offer the swap in the relevant maturity but rather, on multiple occasions during the Relevant Period the changes were made to benefit certain derivatives positions held by JPMC. Indeed, JPMC traders requested submissions that deviated from Swaps Broker's reference rates and spreads on certain days when they had an interest (*i.e.*, if JPMC had a cash-settling swaption, or other derivatives position tied to USD ISDAFIX).

Although traders typically verbally requested the Submitter change a particular tenor or tenors, multiple requests of this nature were also made or reiterated via electronic communications. Electronic communications captured examples of discussions between the JPMC submitters and other JPMC trading desk employees. On July 23, 2008, a JPMC employee told the JPMC submitter he would like "2s higher (by 0.25 bp [basis points]) 3s lower higher (by 0.25 bp [basis points]) and 5s higher (by 0.25 bp [basis points])." The JPMC employee, in a previous communication with the JPMC submitter had explained that he was requesting these changes to the JPMC submissions because of an "exercise" with the options desk in these maturities on that day. Several days later on July 28, 2008, the same JPMC employee made a similar request to the same JPMC submitter and, following the publication of the final ISDAFIX rates, noted that that the rates "came out almost exact [sic] as i asked u to enter them."

b. JPMC's Improper Trading Conduct

In addition to making false submissions in an effort to influence the final setting of USD ISDAFIX benchmarks, JPMC on multiple occasions attempted to manipulate USD ISDAFIX by bidding, offering, or trading swap spreads at and around Swaps Broker's 11:00 a.m. snapshot, in a manner designed to move USD ISDAFIX rates in a direction that would benefit certain positions at the Bank.[6] As one JPMC employee acknowledged in an electronic communication with one of the Swaps Broker employees, it was possible to "muscle the fix at 11" through trading at 11:00 a.m.

[6] Members of the JPMC Swaps Desk referred to trades that the desk made around 11:00 a.m. for risk management purposes as hedging. When JPMC's derivative products cash-settled, reset, or otherwise fixed to a benchmark, changes in the desk's risk positions could potentially cause traders to seek hedging trades, depending on a variety of factors, including the risk profile of other positions and whether the desk wanted to keep any resulting risk. Likewise, with internal ISDAFIX trades between desks, the desk taking on new risk, depending on a variety of factors, might have a reason or desire to hedge. Irrespective of whether the JPMC traders had an interest in hedging, the traders engaged in attempted manipulation when they placed bids and offers or executed trades around 11:00 a.m. with the improper intent to move the USD ISDAFIX rate in JPMC's favor.

Written electronic communications show that the JPMC Swaps Desk traded with the purpose of influencing the prices reflected on the 11:00 a.m. screen snapshot used for the reference point. For instance, on a date where trading records show that JPMC Swaps Trader bought 100,000 of the 10-year tenor in the moments leading up to 11:00 a.m., raising the price from 4.75 to 5, and then selling out of that same position in 10s at a loss by 12:11 p.m. one member of the desk asked another, "did he get 10s to print at 5 for the screen shot?" Other electronic communications indicate that certain JPMC traders would be upset when they were unsuccessful in their attempts to get the "print" they wanted at 11:00 a.m. Failing to get the 11:00 a.m. print they wanted meant that the reference snapshot and, most likely, the ultimate ISDAFIX setting, would not be at the rate they were trying to achieve.

As evidenced in a series of recorded calls and electronic communications between JPMC Swaps Trader and one of the Swaps Broker employees ("Broker") covering JPMC, at least one JPMC trader traded at 11:00 a.m. with the intent of "muscling" the fix. The JPMC Swaps Trader gave the following instructions just before 11:00 a.m. regarding his intentions for trading the 10-year and 30-year tenors at 11:00 a.m.:

> At 11:00, I want to hit, lift 10s. Okay . . . I'll lift them up. I'll play the game for up to 400 . . . I'd like to keep it up at ¼ if I can. I don't want bonds to go over fifty so if they go up to fifty bid, I'm a ¼ offer. If they lift me, they go down immediately. I'll, I'll sell whatever he wants to sell, okay.

The JPMC Swaps Trader and Broker then proceeded to "sync" their watches to ensure they timed their trading to affect the 11:00 a.m. reference point snapshot. Not only do these directional instructions show that the desire to move price levels was driving JPMC's trading, they also indicate that the trader was attempting to manipulate USD ISDAFIX. The trader's stated goal to "keep" the price "up at ¼" and not have bonds "go over fifty" is a clear statement of an intent to create artificial prices in those tenors. Furthermore, the trader's instructions are intentionally vague about the quantity he wishes to buy and sell, as the actual quantity he is looking to trade is wholly dependent on the amount required to achieve the price movements he is seeking.

During the Relevant Period, members of the Swaps Desk also commented on the ability of the JPMC Swaps Trader and Broker to intentionally move the prices shown on the 19901 screen at 11:00 a.m.:

- JPMC Swaps Desk Associate: "[JPMC Swaps Trader] is the best at moving the screens like that."
- JPMC Swaps Desk Trading Assistant: "him and [Broker] together is just some kind of phenomenon . . . that doesn't exist in any other universe."

Moreover, additional statements by members of the Swaps Desk on additional dates indicate that the desk's attempts to move the prices on the 19901 were designed to manipulate the USD ISDAFIX.

- JPMC Swaps Desk Analyst: "why[']s he moving the screens?"
- JPMC Swaps Desk Associate: "isda settings, couldn't tell if you were joking or not"
- JPMC Swaps Desk Analyst: "isda settings?"
- JPMC Swaps Desk Associate: "11AM settings . . . needed to move the screen for that"

The JPMC Swaps Desk Associate went on to note in this exchange that the trader moved the screen for 11:00 a.m. ISDA setting "probably once every 2 weeks."

As noted above, a trading assistant on the JPMC Swaps Desk characterized the desk's trading through Swaps Broker at 11:00 a.m. as a "battle" between the dealers "to move the screen a ¼ [basis point] in their favor." Similarly, another member of the JPMC Swaps Desk crassly described the Swaps Desk's trading through Swaps Broker at 11:00 a.m. as "the 11 o'clock sh*t show."

The description of a "battle" at 11:00 a.m. to control the 11:00 a.m. reference point snapshot is consistent with both trading records during the Relevant Period, as well as recorded audio instructions JPMC Swaps Trader gave to Broker regarding executing his trades just prior to 11:00 a.m. on multiple occasions:

- "So whatever he hits down, I'll take . . .if he hits down up to 400, Ok?..If he hits me down and says yours at 400 at 7, I will do 400, and then 50 back up."
- "I'm going to lift you up, they are gonna go down . . . I'll lift up twice if I have to, okay."

JPMC's "battles" to set the screen snapshot reference point and manipulate the ISDAFIX setting were also observed by other players in the market as well, some of whom were active participants in these "battles." As one trader opposite JPMC in a cash settlement in the 10-year tenor noted in October 2008, JPMC was "pushing them up" at 11:00 a.m. while the other trader was "pushing down" the 10-year tenor at the same time. Similarly, on yet another date, one Swaps Broker employee described in an electronic communication to his client another battle for the screen at 11:00 a.m. where JPMC "wanted it down" but another dealer was able to move the screen up and the JPMC trader reprimanded his broker for losing the battle, stating, "that will cost you."

JPMC's attempts to manipulate the USD ISDAFIX and prices on the 19901 screen were common knowledge and openly joked about by certain JPMC traders. When transferring a position between desks, a JPMC trader jokingly commented, "ha, don't let the rates go up." In another electronic communication, a senior trader on the JPMC Swaps Desk openly mocked another senior trader on the desk for bragging about his ability to manipulate the 11:00 a.m. ISDAFIX setting in a group chat, writing "remember when i moved the screen in 2y[year] spreads at the 11am setting? [F]vcking [sic] awesome…noone [sic] was paying attention and i [sic] lifted it up and then it went down."

IV.

LEGAL DISCUSSION

A. Jurisdiction

As set forth below, Sections 6(c), 6(d), and 9(a)(2) of the Act, 7 U.S.C. §§ 9, 13b, 13(a)(2) (2012), have long prohibited attempted manipulation of the prices of, or false reporting in regard to, *any* commodity in interstate commerce or for future delivery on or subject to the rules of any registered entity. An interest rate benchmark, such as USD ISDAFIX, is a commodity, *see* CEA § 1a(9) and (19), 7 U.S.C. §1a(9), (19) (2012), and therefore may be subject to illegal attempted manipulation, whatever the manipulative means may be.

Here, JPMC's attempted manipulation is also proscribed by the Act for the separate reason that the conduct involved swaps executed or traded on a Swaps Broker desk that operated in practice as a "trading facility" under the Act. *See* CEA § 1a(51), 7 U.S.C. § 1a(51) (2012) (defining trading facility); *see also* former CEA § 2(d)(1)(B), 2(g)(3), 7 U.S.C. § 2(d)(1)(B), 2(g)(3) (2006; repealed 2011) (limiting jurisdictional exclusions to agreements, contracts, or transactions not executed or traded on a trading facility).

Lastly, as a result of the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 ("Dodd-Frank Act"), the Commission also has authority to initiate proceedings and impose sanctions for a broader range of manipulative conduct and false reporting, including in connection with any swap. *See* Sections 6(c)(1), 6(c)(1)(A), 6(c)(3), 6(d), 9(a)(2) of the Act, and Regulations 180.1 and 180.2, 17 C.F.R. §§ 180.1, 180.2 (2017). The Relevant Period encompasses conduct that occurred after the passage and effective date of the Dodd-Frank Act.

B. Respondent Attempted to Manipulate USD ISDAFIX

Section 9(a)(2) of the Act makes it unlawful for "[a]ny person to manipulate or attempt to manipulate the price of any commodity in interstate commerce, or for future delivery on or subject to the rules of any registered entity." With respect to conduct on or after July 16, 2011, amended Section 9(a)(2) of the Act also makes it unlawful to manipulate or attempt to manipulate the price of "any swap."

For conduct prior to August 15, 2011, former Section 6(c) and 6(d) of the Act, 7 U.S.C. §§ 9, 13b (2006; amended 2011), authorized the Commission to serve a complaint and impose, among other things, civil monetary penalties and cease and desist orders if the Commission "has reason to believe that any person . . . has manipulated or attempted to manipulate the market price of any commodity, in interstate commerce, or for future delivery on or subject to the rules of any registered entity, . . . or otherwise is violating or has violated any of the provisions of [the] Act."

For conduct occurring on or after August 15, 2011, the Commission is authorized to serve a complaint and impose penalties and orders with regard to attempted manipulation in violation of the broader amended provisions of Section 6(c)(1) and 6(c)(3) of the Act and the Regulations implementing those provisions. *See* CEA §§6(c)(4)(A) and 6(d).

Section 6(c)(1) and 6(c)(1)(A) of the Act prohibit the use or attempted use of any manipulative device, including false reporting, in connection with any swap or contract of sale of any commodity in interstate commerce, or for future delivery, and Regulation 180.1(a), makes it "unlawful . . . , directly or indirectly, in connection with any swap, or contract of sale of any commodity in interstate commerce, or contract for future delivery on or subject to the rules of any registered entity, to . . . (1) [u]se . . . or attempt to use . . . any manipulative device; (2) [m]ake, or attempt to make, any untrue or misleading statement of a material fact or to omit to state a material fact necessary in order to make the statements made not untrue or misleading; (3) [e]ngage, or attempt to engage, in any act, practice, or course of business, which operates or would operate as a fraud or deceit upon any person; or, (4) [d]eliver or cause to be delivered, or attempt to deliver or cause to be delivered, for transmission through the mails or interstate commerce, . . . a false or misleading or inaccurate report concerning . . . market information or conditions that affect or tend to affect the price of any commodity in interstate commerce."

Section 6(c)(3) of the Act prohibits the attempted manipulation of the price of any commodity in interstate commerce and Regulation 180.2 makes it "unlawful . . . directly or indirectly, to . . . attempt to manipulate the price of any swap, or of any commodity in interstate commerce, or for future delivery on or subject to the rules of any registered entity."

To prove attempted manipulation under Sections 9(a)(2) and 6(c)(3) of the Act and Commission Regulation 180.2, the following two elements are required: (1) an intent to affect market price, and (2) an overt act in furtherance of that intent. *See In re Hohenberg Bros. Co.*, CFTC No. 75-4, 1977 WL 13562, at *7 (Feb. 18, 1977). To prove the intent element of attempted manipulation, the respondent must have "acted (or failed to act) with the purpose or conscious object of causing or effecting a price or price trend in the market that did not reflect the legitimate forces of supply and demand." *In re Ind. Farm Bureau Coop. Ass'n*, CFTC No. 75-14, 1982 WL 30249, at *7 (Dec. 17, 1982). "[W]hile knowledge of relevant market conditions is probative of intent, it is not necessary to prove that the accused knew to any particular degree of certainty that his actions would create an artificial price. *It is enough to present evidence from which it may reasonably be inferred that the accused 'consciously desire[d] that result, whatever the likelihood of that result happening from his conduct.'" Id.* (emphasis added) (quoting *United States v. U.S. Gypsum Co.*, 438 U.S. 442, 445 (1978)). A profit motive may also be evidence of intent, although profit motive is not a necessary element of an attempted manipulation. *See In re DiPlacido*, CFTC No. 01-23, 2008 WL 4831204, at *29 (Nov. 5, 2008) *(citing In re Hohenberg Bros. Co.*, 1977 WL 13562, at *8, aff'd sub. nom. *DiPlacido v. CFTC*, 364 F. App'x 657 (2d Cir. 2009). It is also not necessary that there be an actual effect on price. *See CFTC v. Amaranth Advisors, L.L.C.*, 554 F. Supp. 2d 523, 533 (S.D.N.Y. 2008).

1. Respondent Attempted to Manipulate USD ISDAFIX Through False, Misleading, or Knowingly Inaccurate Submissions

As evidenced by the testimony of certain current and former JPMC employees, electronic communications and audio recordings, and an analysis of the patterns of the JPMC changed submissions, certain JPMC traders acted with the intent to affect the rate at which USD ISDAFIX was set by making false, misleading, or knowingly inaccurate submissions to Swaps Broker for inclusion in the calculation of the daily rates. During the Relevant Period, JPMC submitted market information, specifically rates that were supposed to reflect the mean of where JPMC would itself offer and bid a USD denominated swap in the relevant maturity to an acknowledged dealer of good credit, to Swaps Broker that were used as part of the process for determining the daily USD ISDAFIX rate for the various maturities. However, rather than submitting rates and spreads that reflected JPMC's honest view of the true costs of entering into a standard USD interest-rate swap in particular maturities, JPMC knowingly made submissions with the intent to move USD ISDAFIX rates higher or lower in order to benefit certain of JPMC's trading positions. Through its false, misleading, or knowingly inaccurate submissions, JPMC attempted to manipulate USD ISDAFIX for numerous tenors.

The JPMC traders' oral and written requests for certain rates to be submitted which would benefit their trading positions, and the submissions resulting from those requests, constituted overt acts in furtherance of the traders' intent to affect USD ISDAFIX. By doing so, the JPMC traders engaged in acts of attempted manipulation in violation of Section 9(a)(2) of the Act, 7 U.S.C. §13(a)(2) (2012); Sections 6(c) and 6(d) of the Act, 7 U.S.C. §§ 9, 13b (2006), for conduct occurring prior to August 15, 2011; and Sections 6(c)(1), 6(c)(1)(A), 6(c)(3) and 6(d) of the Act, 7 U.S.C. §§ 9(1), 9(3), 13b (2012), and Regulations 180.1(a) and 180.2, 17 C.F.R. §§ 180.1(a), 180.2 (2017), for conduct occurring on or after August 15, 2011.

2. Respondent Attempted to Manipulate USD ISDAFIX Through Improper Trading Conduct

At least one JPMC trader traded with the intent to manipulate USD ISDAFIX by placing bids or offers or executing trades in the moments leading into 11:00 a.m. These trades were designed in a manner, including timing and pricing, to increase or decrease swap spreads at 11:00 a.m., with the intent to affect levels reported on the 19901 screen and USD ISDAFIX fixings. The intent of the traders to manipulate the USD ISDAFIX is evidenced through the audio recordings and electronic communications involving certain JPMC Swaps Desk traders, other JPMC employees assigned to the Swaps Desk and the brokers covering JPMC for the Swaps Broker. Moreover, the evidence reflects that certain traders intended such trading conduct to affect the fixings in order to benefit certain of JPMC's trading positions against the Bank's counterparties.

The JPMC traders' bids, offers, and executed trades in the moments leading into 11:00 a.m., which were intended to affect USD ISDAFIX, as well as the traders' communications with each other and with their Swaps Broker brokers to plan and execute this trading conduct, constituted overt acts in furtherance of their intent to affect USD ISDAFIX. With respect to conduct occurring before August 15, 2011, the JPMC traders thereby engaged in acts of

attempted manipulation in violation of Section 9(a)(2) of the Act, 7 U.S.C. § 13(a)(2) (2012); Sections 6(c) and 6(d) of the Act, 7 U.S.C. §§ 9, 13b (2006), for conduct occurring prior to August 15, 2011; and Sections 6(c)(1), 6(c)(1)(A), 6(c)(3) and 6(d) of the Act, 7 U.S.C. §§ 9(1), 9(3), 13b (2012), and Regulations 180.1(a) and 180.2, 17 C.F.R. §§180.1(a), 180.2 (2017), for conduct occurring on or after August 15, 2011.

C. Respondent Made False, Misleading, or Knowingly Inaccurate Reports Concerning USD ISDAFIX in Violation of Section 9(a)(2) of the Act

In addition to the prohibition on attempted manipulation contained in Section 9(a)(2) of the Act, that provision also makes it unlawful for any person "knowingly to deliver or cause to be delivered for transmission through the mails or interstate commerce by telegraph, telephone, wireless, or other means of communication false or misleading or knowingly inaccurate reports concerning crop or market information or conditions that affect or tend to affect the price of any commodity in interstate commerce." *See also United States v. Brooks*, 681 F.3d 678, 703-05 (5th Cir. 2012) (affirming the district court's conviction of defendants for false reporting of natural gas trades in violation of the Act and finding that "it is 'clear beyond a reasonable doubt that a rational jury' would have found that the Defendants-Appellants had knowledge that their reports affected or tended to affect the price of natural gas"); *United States v. Valencia*, 394 F.3d 352, 354-57 (5th Cir. 2004) (reversing and remanding to the district court and holding that the knowledge requirement of the reporting prong of § 9(a)(2) applies to the false or misleading character of the reports, as well as to delivery and inaccuracy); *CFTC v. Johnson*, 408 F. Supp. 2d 259, 267 (S.D. Tex. 2005) (finding that the facts alleged in the CFTC's complaint adequately stated a claim against the defendants for the delivery of knowingly inaccurate information).

During the Relevant Period, through electronic and telephonic transmission of information to Swaps Broker, JPMC, on multiple occasions, knowingly delivered or caused to be delivered the Bank's USD ISDAFIX submissions through the mails or interstate commerce. JPMC's submissions were also delivered through the mails or interstate commerce through daily dissemination and publication globally, including throughout the United States, of the official published rates for USD ISDAFIX, as determined by averaging the submissions of JPMC and other panel banks after "topping and tailing." Data on submissions themselves were also disseminated. JPMC's daily USD ISDAFIX submissions contained market information concerning the mean of where JPMC would itself offer and bid a swap in the relevant maturity to an acknowledged dealer of good credit in the swap market absent intent to manipulate USD ISDAFIX. Such market information affected or tended to affect the prices of commodities in interstate commerce, including the daily fixing rates for USD ISDAFIX, as well as the on-exchange interest rate swap futures and other financial instruments which relied upon those rates.

During the Relevant Period, JPMC's USD ISDAFIX submissions, on multiple occasions, constituted false, misleading, or knowingly inaccurate reports because they purported to reflect JPMC's honest view of the true costs of entering into a standard fixed-for-floating interest rate swap in particular tenors, but in fact reflected traders' desire to move USD ISDAFIX higher or lower in order to benefit their positions.

By using these impermissible factors in making its USD ISDAFIX submissions and without disclosing that it based its submissions on these impermissible factors, JPMC conveyed false, misleading, or knowingly inaccurate information that the rates it submitted were based on the prices at which JPMC would offer and bid swaps to an acknowledged dealer of good credit in the swaps market absent intent to manipulate USD ISDAFIX. Moreover, certain JPMC employees knew that JPMC's USD ISDAFIX submissions contained false, misleading, or knowingly inaccurate information. By such conduct, Respondent violated Section 9(a)(2) of the Act.

D. Respondent Is Liable for the Acts of Its Agents

Section 2(a)(1)(B) of the Act, 7 U.S.C. § 2(a)(1)(B) (2012), and Regulation 1.2, 17 C.F.R. § 1.2 (2017), provide that "[t]he act, omission, or failure of any official, agent, or other person acting for any individual, association, partnership, corporation, or trust within the scope of his employment or office shall be deemed the act, omission, or failure of such individual, association, partnership, corporation, or trust." Pursuant to Section 2(a)(1)(B) of the Act and Regulation 1.2, strict liability is imposed on principals for the actions of their agents. *See, e.g.*, *Rosenthal & Co. v. CFTC*, 802 F.2d 963, 966 (7th Cir. 1986); *Dohmen-Ramirez & Wellington Advisory, Inc. v. CFTC*, 837 F.2d 847, 857-58 (9th Cir. 1988); *CFTC v. Byrnes*, 58 F. Supp. 3d 319, 324 (S.D.N.Y. 2014).

JPMC is liable for the acts, omissions, and failures of any traders, managers, and Submitters who acted as its employees and/or agents in the conduct described above. Accordingly, as set forth above, JPMC violated Section 9(a)(2) of the Act, 7 U.S.C. § 13(a)(2) (2012); Sections 6(c) and 6(d) of the Act, 7 U.S.C. §§ 9, 13b (2006), for conduct occurring prior to August 15, 2011; and Sections 6(c)(1), 6(c)(1)(A), 6(c)(3) and 6(d) of the Act, 7 U.S.C. §§ 9(1), 9(3), 13b (2012), and Regulations 180.1(a) and 180.2, 17 C.F.R. §§ 180.1(a), 180.2 (2017), for conduct occurring on or after August 15, 2011.

V.

FINDINGS OF VIOLATIONS

Based on the foregoing, the Commission finds that Respondent violated Section 9(a)(2) of the Act, 7 U.S.C. § 13(a)(2) (2012); Sections 6(c) and 6(d) of the Act, 7 U.S.C. §§ 9, 13b (2006), for conduct occurring prior to August 15, 2011; and Sections 6(c)(1), 6(c)(1)(A), 6(c)(3) and 6(d) of the Act, 7 U.S.C. §§ 9(1), 9(3), 13b (2012), and Regulations 180.1(a) and 180.2, 17 C.F.R. §§ 180.1(a), 180.2 (2017), for conduct occurring on or after August 15, 2011.

VI.

OFFER OF SETTLEMENT

Respondent, without admitting or denying the findings or conclusions herein, has submitted the Offer in which it:

A. Acknowledges receipt of service of this Order;

B. Admits the jurisdiction of the Commission with respect to this Order only and for any action or proceeding brought or authorized by the Commission based on violation of or enforcement of this Order;

C. Waives:

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 it may possess under the Equal Access to Justice Act, 5 U.S.C. § 504 (2012) and 28 U.S.C. § 2412 (2012), and/or the rules promulgated by the Commission in conformity therewith, Part 148 of the Regulations, 17 C.F.R. pt. 148 (2017), relating to, or arising from, this proceeding;

7. any and all claims that it may possess under the Small Business Regulatory Enforcement Fairness Act of 1996, Pub. L. No. 104-121, §§ 201-53, 110 Stat. 847, 857-74 (codified 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 on the institution of this proceeding or the entry in this proceeding of any order imposing a civil monetary penalty or any other relief;

D. Stipulates that the record basis on which this Order is entered shall consist solely of the findings contained in this Order to which Respondent has consented in the Offer;

E. Requests, for the reasons set forth in Respondent's letter dated April 23, 2018 ("Request Letter"), that the Commission advise that, under the circumstances, disqualification under Rule 262(a) of Regulation A and Rule 506(d)(1) of Regulation D of the Securities & Exchange Commission ("SEC"), 17 C.F.R. §§ 230.262(a), 230.506(d)(1) (2017), should not arise as a consequence of this Order;

F. Consents, solely on the basis of the Offer, to the Commission's entry of this Order that:

1. makes findings by the Commission that Respondent violated Section 9(a)(2) of the Act, 7 U.S.C. § 13(a)(2) (2012); Sections 6(c) and 6(d) of the Act, 7 U.S.C. §§ 9, 13b (2006), for conduct occurring prior to August 15, 2011; and Sections 6(c)(1), 6(c)(1)(A), 6(c)(3) and 6(d) of the Act, 7 U.S.C. §§ 9(1), 9(3), 13b (2012), and Regulations 180.1 (a) and 180.2, 17 C.F.R. §§ 180.1(a), 180.2 (2017), for conduct occurring on or after August 15, 2011;

2. orders Respondent to cease and desist from violating Sections 6(c)(1), 6(c)(1)(A), 6(c)(3), 6(d), and 9(a)(2) of the Act and Regulations 180.1(a) and 180.2;

3. orders Respondent to pay a civil monetary penalty in the amount of sixty-five million U.S. dollars ($65,000,000) plus post-judgment interest;

4. orders Respondent and its successors and assigns to comply with the conditions and undertakings consented to in the Offer and as set forth in Part VII of this Order; and

5. advises that, under the circumstances, disqualification under Rule 262(a) of Regulation A and Rule 506(d)(1) of Regulation D of the SEC should not arise as a consequence of this Order.

G. Respondent represents that it has already undertaken certain steps intended to make reasonable efforts to ensure the integrity of benchmarks, including, but not limited to, the following:

1. Respondent conducted a global review of risks relating to benchmark rates, including USD ISDAFIX, and has reaffirmed its prohibition on manipulation and attempted manipulation of benchmark rates specifically (in addition to existing broad prohibitions on market manipulation);

2. In September 2013, Respondent changed its USD ISDAFIX submissions process to use an automated program to submit "snapshots" of JPMC's internal screens from the Swaps Desk at the appropriate time;

3. In April 2015, USD ISDAFIX was eliminated and its successor benchmark (*see supra* footnote 2) is based on tradeable quotes sourced from regulated electronic trading venues; and

4. Further, Respondent has enhanced policies, procedures and controls relating to participation in benchmarks, including ISDAFIX, as follows:

    a. Enhanced supervision and surveillance of benchmark rate submissions;

b. Implementation of recordkeeping of benchmark inventories and related records relevant to benchmark participation;

c. Annual review of benchmark inventory, which is updated on an ongoing basis for changes to administrator and contributor benchmark activity;

d. Enhanced policies and procedures on prohibited communications and trading activity relating to benchmarks, and escalation requirements for inappropriate or suspicious behavior; and

e. Training, as appropriate, of employees engaged in benchmark related activity, and those who cover employees engaged in such activities.

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

VII.

ORDER

Accordingly, IT IS HEREBY ORDERED THAT:

A. Respondent shall cease and desist from violating Sections 6(c)(1), 6(c)(1)(A), 6(c)(3), 6(d), and 9(a)(2) of the Act, 7 U.S.C. §§ 9(1), 9(1)(A), 9(3), 13b, 13(a)(2) (2012), and Regulations 180.1(a) and 180.2, 17 C.F.R. §§ 180.1(a), 180.2 (2017).

B. Respondent shall pay a civil monetary penalty of sixty five million U.S. dollars ($65,000,000), within ten (10) days of the date of entry of this Order (the "CMP Obligation"). If the CMP Obligation is not paid in full within ten (10) days of the date of entry of this Order, then post-judgment interest shall accrue on the CMP Obligation beginning on the date of entry of this Order and shall be determined by using the Treasury Bill rate prevailing on the date of entry of this Order pursuant to 28 U.S.C. § 1961 (2012). Respondent shall pay the CMP Obligation 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, then the payment shall be made payable to the Commodity Futures Trading Commission and sent to the address below:

MMAC/ESC/AMK326
Commodity Futures Trading Commission
Division of Enforcement
6500 S. MacArthur Blvd.
Oklahoma City, OK 73169
(405) 954-6569 office
(405) 954-1620 fax
9-AMC-AR-CFTC@faa.gov

If payment is to be made by electronic funds transfer, Respondent shall contact Marie Thorn or her successor at the above address to receive payment instructions and shall fully comply with those instructions. Respondent shall accompany payment of the CMP Obligation with a cover letter that identifies the Respondent and the name and docket number of this proceeding. The Respondent 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. Respondent and its successors and assigns shall comply with the following undertakings set forth in the Offer:

1. REMEDIATION

As set forth above in Section VI, paragraph F, Respondent represents that it has already undertaken and continues to undertake remedial measures to implement and strengthen its internal controls and procedures relating to the fixing of interest-rate swaps benchmarks and related supervision of its swaps, options, and exotics desks. With respect to its remediation efforts to the extent not already undertaken, Respondent undertakes that:

a. Respondent will implement and improve its internal controls and procedures in a manner reasonably designed to ensure the integrity of the fixing of any interest-rate swap benchmark, including measures to identify and address internal or external conflicts of interest;

b. Respondent's remediation improvements will include internal controls and procedures relating to:

1. measures designed to enhance the detection and deterrence of improper communications concerning interest-rate swap benchmarks, including the form and manner in which communications may occur;

2. monitoring systems designed to enhance the detection and deterrence of trading or other conduct potentially intended to manipulate directly or indirectly interest-rate swap rates, including benchmarks based on interest-rate swaps;

3. periodic audits, at least annually, of Respondent's participation in the fixing of any benchmark based on interest-rate swaps;

4. supervision of trading desk that participates in the fixing of any benchmark based on interest-rate swaps;

5. supervision of trading desk conduct that relates to any interest-rate swap benchmark;

6. routine and on-going training of all traders, supervisors and others who are involved in the fixing of any benchmark based on interest-rate swaps;

7. routine and on-going training of all trading desk personnel relating to the trading of any product that references a benchmark based on interest-rate swaps;

8. processes for the periodic review of written and oral communications of any traders, supervisors and others who are involved in the fixing of any benchmark based on interest-rate swaps with the review being documented and documentation being maintained for a period of three years; and

9. continuing to implement a system for reporting, handling and investigating any suspected misconduct or questionable, unusual or unlawful activity relating to the fixing of any benchmark based on interest-rate swaps with escalation to compliance and legal, and with reporting of material matters to the executive management of JPMC and the Commission, as appropriate; the Respondent shall maintain the record basis of the handling of each such matter for a period of three years.

c. Within 120 days of the entry of this Order, the Respondent shall make a report to the Commission, through the Division, concerning its remediation efforts prior to and since the entry of this Order. Within 365 days of the entry of this Order, the Respondent shall submit a report to the Commission, through the Division, explaining how it has complied with the undertakings set forth herein. The report shall contain a certification from a representative of the Respondent's Executive Management, after consultation with the Respondent's chief compliance officer(s), that the Respondent has complied with the undertakings set forth above, and that it has established policies, procedures, and controls to satisfy the undertakings set forth in the Order.

2. COOPERATION WITH THE COMMISSION

In this action, and in any investigation or other action instituted by the Commission related to the subject matter of this action, Respondent shall cooperate fully and expeditiously with the Commission, including the Division. As part of such cooperation, Respondent agrees to do the following for a period of three (3) years from the date of the entry of this

Order, or until all related investigations and litigations in which the Commission, including the Division, is a party, are concluded, including through the appellate review process, whichever period is longer:

a. Preserve all records relating to the subject matter of this proceeding, including, but not limited to, audio files, electronic mail, other documented communications, and trading records;

b. Comply fully, promptly, completely, and truthfully with all inquiries and requests for non-privileged information or documents;

c. Provide authentication of documents and other evidentiary material;

d. Provide copies of non-privileged documents within JPMC's possession, custody, or control;

e. Subject to applicable laws and regulations, make its best efforts to produce any current (as of the time of the request) officer, director, employee, or agent of JPMC, regardless of the individual's location, and at such location that minimizes Commission travel expenditures, to provide assistance at any trial, proceeding, or Commission investigation related to the subject matter of this proceeding, including, but not limited to, requests for testimony, depositions, and/or interviews, and to encourage them to testify completely and truthfully in any such proceeding, trial, or investigation; and

f. Subject to applicable laws and regulations, make its best efforts to assist in locating and contacting any prior (as of the time of the request) officer, director, employee, or agent of JPMC;

Respondent also agrees that it will not undertake any act that would limit its ability to cooperate fully with the Commission. JPMC will designate an agent located in the United States of America to receive all requests for information pursuant to these Undertakings, and shall provide notice regarding the identity of such Agent to the Division upon entry of this Order. Should the Respondent seek to change the designated agent to receive such requests, notice of such intention shall be given to the Division fourteen (14) days before it occurs. Any person designated to receive such request shall be located in the United States of America.

3. PROHIBITED OR CONFLICTING UNDERTAKINGS

Should the Undertakings herein be prohibited by, or be contrary to, the provisions of any obligations imposed on Respondent by any presently existing, or hereinafter enacted or promulgated laws, rules, regulations, or regulatory mandates, then Respondent shall promptly transmit notice to the Commission (through the Division) of such prohibition or conflict, and shall meet and confer in good faith with the Commission (through the Division) to reach an agreement regarding possible modifications to the Undertakings herein sufficient to resolve such inconsistent obligations. In the interim, Respondent will abide by the obligations imposed by the laws, rules, regulations, and regulatory mandates. Nothing in these Undertakings shall limit, restrict or narrow any obligations pursuant to the Act or the Commission's Regulations promulgated thereunder, including, but not limited to, Regulations 1.31 and 1.35, 17 C.F.R.§§ 1.31, 1.35 (2017), in effect now or in the future.

4. PUBLIC STATEMENTS

Respondent agrees that neither it nor any of its successors and 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 Respondent's" (i) testimonial obligations, or (ii) right to take positions in other proceedings to which the Commission is not a party. Respondent and its successors and assigns 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.

5. PARTIAL SATISFACTION

Respondent understands and agrees that any acceptance by the Commission of partial payment of Respondent's 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.

D. Based on the nature of the violations; the findings made, and the sanctions, conditions, and undertakings imposed in the Order; and the facts and representations in JPMC's Request Letter, the Commission advises[7] that, under

[7] Rule 506(d)(l)(iii)(B) disqualifies an issuer from relying on the private offering exemptions provided for in Rule 506 if they or certain related parties are "subject to a final order of . . . [*inter alia*] the U.S. Commodity Futures Trading Commission . . . that: . . . [c]onstitutes a final order based on a violation of any law or regulation that prohibits fraudulent, manipulative, or deceptive conduct." Rule 506(d)(2)(iii), however, provides that disqualification "shall not apply" if the CFTC "advises in writing" that disqualification under Rule 506(d)(1)

the circumstances, disqualification under Rule 262(a) of Regulation A and Rule 506(d)(l) of Regulation D of the SEC, 17 C.F.R. §§ 230.262(a), 230.506(d)(1) (2017), should not arise as a consequence of this Order.[8]
The Commission notes that if the facts are different from those represented, or JPMC fails to comply with the terms of the Order, the Commission may, in its discretion, revisit its advice that disqualification should not arise. The Commission reserves the right, in its sole discretion, to withdraw or otherwise revoke or further condition its advice under those circumstances.

"should not arise as a consequence of such order." *See also* 17 C.F.R. §§ 262(a)(3)(ii), (b)(3) (parallel provisions under Regulation A); SEC, Exemptions to Facilitate Intrastate and Regional Securities Offerings, 81 Fed. Reg. 83,494, 83,545 (Nov. 21, 2016) (stating that disqualification under Rule 504 arises "absent a waiver or other exception provided in Rule 506(d)").

[8] In providing this advice, the Commission considered factors similar to those considered by the SEC when it issues waivers of disqualification under Regulation A and Regulation D . The SEC grants waivers where an applicant has shown "good cause and . . . if the [SEC] determines that it is not necessary under the circumstances that the exemptions be denied," 17 C.F.R. §§ 230.262(b)(2), 230.506(d)(2)(ii), based on its analysis of how the identified misconduct bears on the applicant's fitness to participate in offerings exempted under Regulation A and Regulation D. *See* SEC, Div. of Corp. Fin., *Waivers of Disqualification Under Regulation A and Rules 505 and 506 of Regulation D*, https://www.sec.gov/divisions/corpfin/guidance/disqualification-waivers.shtml; SEC, Div. of Corp. Fin., *Rule 504 of Regulation D: A Small Entity Compliance Guide for Issuers*, https://www.sec.gov/divisions/corpfin/guidance/rule504-issuer-small-entity-compliance.html. The SEC considers the following primary factors in determining whether to grant a waiver request: (i) the nature of the violation and whether it involved the offer or sale of securities; (ii) whether the violation required scienter; (iii) who was responsible for the misconduct; (iv) what was the duration of the misconduct; (v) what remedial steps have been taken; and (vi) the impact on the party seeking a waiver and third parties if a waiver is denied. Respondent's Request Letter addressed these factors in the context of this Order.

The Commission considers these factors in the context of the markets it regulates, and also takes into account whether it determined that a statutory disqualification under the Act should arise solely based on the misconduct found herein and leading to disqualification under Regulation A and Regulation D. The Commission is guided by waivers granted by the SEC in prior cases involving similar facts and circumstances. *See, e.g.*, *In re JPMorgan Chase Bank, N.A.*, Securities Act Release No. 9993, 2015 WL 9256636 (Dec. 18, 2015) (SEC order determining that good cause had been shown that it was not necessary to deny reliance on the exemption under Rule 506 of Regulation D, where disqualification had been triggered by a CFTC order relating to JPMCB's failure to adequately disclose certain conflicts of interest to clients) ; *In re UBS AG*, Securities Act Release No. 9787, 2015 WL 2395516 (May 20, 2015) (SEC order determining that good cause had been shown that it was not necessary to deny reliance on the exemption under Rule 506, where disqualification had been triggered by a criminal guilty plea relating to FX benchmark manipulation and noting the entry of parallel CFTC orders); *In re Barclays PLC*, Securities Act Release No. 9786, 2015 WL 2395515 (May 20, 2015) (SEC order determining that good cause had been shown that it was not necessary to deny reliance on the exemption under Rule 506 where disqualification had been triggered by a CFTC order relating to FX benchmark and ISDAFIX manipulation); *see also, e.g., Piper Jaffray & Co.*, SEC No-Action Letter, 2015 WL 4451053 (July 20, 2015) (SEC no-action letter determining that good cause had been shown that it was not necessary to deny reliance on the exemptions under Regulation A and Rule 506 of Regulation D, where disqualification had been triggered by an SEC order, and applying the same factors to consideration of waiver for both exemptions).

discretion, revisit its advice that disqualification should not arise. The Commission reserves the right, in its sole discretion, to withdraw or otherwise revoke or further condition its advice under those circumstances.

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

By the Commission.

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

Dated: June 18, 2018