

JPMadoff: The Unholy Alliance between American's Biggest Bank and America's Biggest Crook

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Foreword

This is a book about JPMorgan Chase. It is, therefore, a book about greed, corruption, arrogance and power. And it is also a book about Bernie Madoff. Few people realize the link between America's biggest bank and America's biggest crook. Our government, which knows about it and should be the most outraged, doesn't care. Although it announced criminal charges against the bank for two felony violations of the Bank Secrecy Act, it simultaneously entered into a deferred prosecution agreement with the bank, suspending an indictment for two years provided that the bank complies with the law in the future.¹ As if JPMorgan Chase, with its armies of high-priced lawyers, didn't know how to comply with the 1970 Bank Secrecy Act in 44 years. It needs another two years to figure out how to comply with the law!

Our government did not require that a single JPMorgan Chase employee face criminal charges . . . or even lose his job. In deferring the indictment against the bank, the United States government may have feared that JPMorgan Chase is too big to fail. But surely JPMorgan Chase, with 240,000 employees, can survive without the handful of officers who sheltered Madoff from the law for 20 years and, as the bank has acknowledged, violated the law.² Are these officers too rich to jail? How did we become a country where powerful employers can purchase immunity from criminal prosecution for their employees?

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Since the government won't protect you, the purpose of this book is to give you the information you need to protect yourselves: when bankers act like gangsters, you should treat them like gangsters, even if the government won't. And the last thing you should do is trust them with your money.

Madoff could not have stolen \$64.8 billion of other people's money without the complicity of a major financial institution. Madoff was able to get by with a three-person accounting firm working out of a store front in a shopping center in Rockland County, New York. But make no mistake about it. Madoff needed the imprimatur and facilities of a major bank. And JPMorgan Chase stepped up to the plate. Why would the bank do this? Shall we follow the money? Do you have any idea how much money JPMorgan Chase was able to make off the Madoff account? Did you know that Madoff maintained huge balances in his JPMorgan Chase account, reaching \$4 billion or more from 2006 on. And do you think the folks at JPMorgan Chase know how to make money off other people's money? You bet they do.³

The facts — which we lay out in this book — compel the conclusion that senior officers of JPMorgan Chase knew that Madoff was misappropriating customer funds and knew who all the victims were. There were 12 people who worked for Madoff who knew about Madoff's embezzlement of money belonging to innocent investors. Outside of Madoff's offices, nobody knew — for 20 years. Nobody, that is, except the people at JPMorgan Chase who were responsible to monitor the activities in Madoff's account. They saw that, from 1986 to December 2008, Madoff deposited into his JPMorgan Chase account approximately \$150 billion of funds⁴ — from upstate New York union pension funds, from charities, from corporate pension plans, from individual I.R.A. accounts. Bank officers knew that Madoff was an SEC-regulated broker who was

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retained by his customers to purchase securities for them. Yet, they saw no transactions in Madoff's account indicating that he was purchasing securities for his customers. Instead, billions of dollars went to Madoff's co-conspirators, or were wired overseas.

For a 20-year period, people at JPMorgan Chase saw that Madoff was acting illegally. At times, they called him in and questioned him. According to allegations in a recent civil suit, they never got a satisfactory explanation for the questionable transactions in Madoff's account.⁵ According to Madoff, on one occasion a senior officer of JPMorgan Chase actually advised him how to structure the illegal transactions.⁶ And, when Madoff was arrested, the head of due diligence at the bank e-mailed a colleague, "Can't say I'm surprised, are you?"⁷

But JPMorgan Chase never shut Madoff down. In fact, it held onto the account to the bitter end. In October 2008, after the bank's London branch reported to the British government that Madoff's returns "appear[ed] too good to be true," JPMorgan Chase still kept his account open for business in New York and never filed a similar report with United States authorities.⁸ It was only after Madoff confessed that his account was closed.

The government recently settled its criminal claims against JPMorgan Chase. That settlement is an insult to the American people. If an 18-year-old kid holds up a 7/11 store and walks out with \$3000, he goes to jail. But if JPMorgan Chase allows Madoff to steal \$64.8 billion of innocent people's money, nobody goes to jail. Instead, the bank simply coughs up a small portion of its ill-gotten profits and all the officers at JPMorgan Chase who helped Madoff are allowed to keep their jobs and to keep the obscene bonuses they earned for 20 years.⁹

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Since the government has abdicated its obligation to protect citizens against financial criminals, it is up to every American to let JPMorgan Chase (and other financial institutions) know that financial crimes will not be tolerated. No financial institution should be permitted to purchase immunity from prosecution for its officers. And yet, that's what JPMorgan Chase did.

Clearly, JPMorgan Chase is not the only financial institution that has abused the public trust and shattered public confidence in the entire banking system. But it is the biggest bank in the United States and probably the biggest offender, having paid approximately \$29 billion in fines, penalties and settlements over the last four years alone to resolve claims that it acted dishonestly or illegally.¹⁰ Thus, while JPMorgan Chase is only one chapter in a larger story of the lack of moral fiber in our financial institutions, it is the most glaring example and the story of its unholy alliance with Madoff is a shocking example of the extent to which some people who work for financial institutions will allow their banks to be used for criminal purposes so long as the bank can profit from the activities.

This book will be published in chapters on our website; we do not know how many chapters it will take because the story keeps unfolding. It is almost six years since Madoff confessed and yet, Madoff has never testified under oath; no one from JPMorgan Chase has testified under oath. With each chapter, we will publish on our website all of the supporting authorities so that you don't have to take our word for anything. The big question is not whether the facts we write are true. The big question is whether Americans are going to continue to tolerate criminal conduct in its financial institutions. We know the government will; the question is whether the American people will.