The Buck Stops With Jamie Dimon

by

Helen Davis Chaitman and Lance Gotthoffer[1]

We were amused to read on bloomberg.com that JPMorgan Chase has instituted a program to "identify rogue employees before they go astray."[2] Apparently, this is the Bank's response to its payment of more than $36 billion in fines, settlements and penalties for its violations of law in the last four years. The Bank is building a surveillance unit to monitor electronic and telephone communication in the investment bank. "E-mails, chats and telephone transcripts can be analyzed electronically to determine if employees are trying to collude or conceal intentions," said Tim Estes, chief executive officer of Digital Reasoning Systems Inc.

The problem with JPMorgan Chase is not a few rogue low level employees. Just as the fish rots from the head, the people with rotten morals at JPMorgan Chase are the people at the very top of the corporate hierarchy. The $36 billion in fines and settlements that JPMorgan Chase paid out in the last four years is not the work of low-level employees. Rather, it is the result of the illegal conduct of senior officers of JPMorgan Chase, including Jamie Dimon. Hence, there will be no substantive improvement in the ethics of JPMorgan Chase until the Bank gets rid of Jamie Dimon. He has surrounded himself with senior officers who, when the chips are down, are willing to protect the boss even at peril of being branded a liar by the United States Senate. Check out Chapter 6 of "JP Madoff: The Unholy

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[1] Ms. Chaitman and Mr. Gotthoffer are lawyers and authors of JPMadoff: The Unholy Alliance Between America's Biggest Bank and America's Biggest Crook, published on jpmadoff.com.
[2] bloomberg.com, April 8, 2015

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Alliance Between America's Biggest Bank and America's Biggest Crook" to see what we mean.

JPMorgan Chase cannot establish a code of morality for its employees when it is headed by someone who violates the law. As the Senate Subcommittee on Investigations found in its Report on the London Whale, Dimon and JPMorgan Chase's Chief Financial Officer, Douglas Braunstein, lied about the scope of the Bank's known losses in an April 13, 2012 earnings call with market analysts. Dimon and Braunstein gave out numerous pieces of false information including Dimon's dismissal of the media reports on the London Whale losses:

> It's a complete tempest in a teapot. Every bank has a major portfolio. In those portfolios you make investments that you think are wise, that offset your exposures. Obviously it's a big portfolio, we're a large company, and we try to run it – it's sophisticated, obviously complex things, but at the end of the day, that's our job is to invest that portfolio wisely and intelligently over a long period of time to earn income and to offset other exposures we have.[3]

According to the Senate Report, at the time Dimon made this statement, he was "already in possession of information about the [Bank's] complex and sizeable portfolio, its sustained losses for three straight months, the exponential increase in those losses during March, and the difficulty of exiting the . . . positions."[4] In other words, Dimon lied to the analysts. That constitutes securities fraud.

Of course, this is not the only example that Dimon is not fit to run a federally-insured financial institution. Senator Elizabeth Warren has given us

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[3] Polya Lesova, J.P. Morgan Dimon's 'tempest in a teapot' and other quotables, MarketWatch, (Apr. 13, 2012, 12:46PM), http://blogs.marketwatch.com/thetell/2012/04/13/j-p-morgan-dimons-tempest-in-a-teapot-and-other-quotables/

[4] Senate Report at 11.

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another example of Dimon's totally inappropriate conduct, in her book "A Fighting Chance." In early 2013, Dimon visited Senator Warren. The Senator described the visit as follows:

> When the conversation turned to financial regulation and Dimon began complaining about all the burdensome rules his bank had to follow, I finally interrupted. I was polite, but definite. No, I didn't think the biggest banks were overregulated. In fact, I couldn't believe he was complaining about regulatory constraints less than a year after his bank had lost billions in the infamous London Whale high-risk trading episode. . . .
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> Our exchange heated up quickly. By the time we got to the Consumer Financial Protection Bureau, we weren't quite shouting, but we were definitely raising our voices. At this point -- early in 2013 -- Rich Cordray was still serving as director of the consumer agency under a recess appointment; . . . . Dimon told me what he thought it would take to get Congress to confirm a director, terms that included gutting the agency's power to regulate banks like his. By this point I was furious. Dodd-Frank had created default provisions that would automatically go into effect if there was no confirmed director, and his bank was almost certainly not in compliance with the those rules. I told him that if that happened, "I think you guys are breaking the law."
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> **Suddenly Dimon got quiet. He leaned back and slowly smiled. "So hit me with a fine. We can afford it."**

This account demonstrates Dimon's utter disregard for the law. JPMorgan Chase has paid out $36 billion in the last four years because it has violated both civil and criminal laws. Poor people who violate laws go to prison. Unfortunately, the Obama administration does not believe the super-rich who violate criminal laws should be prosecuted. The result is that this nation's largest financial institution is headed by someone who invites being "hit" with fines and

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who believes he can buy get-out-of-jail-free cards in exchange for massive political contributions. In fact, he has done so several times.

Aside from Dimon's rudeness, it is sickening that Dimon can treat with utter disdain a United States Senator who cannot be bought and who wants to represent her constituents and assure that the law protects them. The fact that Dimon has no respect for Senator Warren demonstrates his utter contempt for the principles on which this country was founded -- that Congress is intended to represent the will of the people, not just the economic interests of the super-rich.

Until JPMorgan Chase brings in people of integrity at the top of the corporate ladder, any purported investigatory body at JPMorgan Chase is a sham. We have a suggestion: Ask Senator Elizabeth Warren how she would go about cleaning up the morals of the folks at JPMorgan Chase.

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