

**UNITED STATES OF AMERICA**  
**Before the**  
**SECURITIES AND EXCHANGE COMMISSION**

**SECURITIES EXCHANGE ACT OF 1934**  
**Release No. 79335 / November 17, 2016**

**ACCOUNTING AND AUDITING ENFORCEMENT**  
**Release No. 3824 / November 17, 2016**

**ADMINISTRATIVE PROCEEDING**  
**File No. 3-17684**

**In the Matter of**

**JP MORGAN CHASE &  
CO.,**

**Respondent.**

**ORDER INSTITUTING CEASE-AND-  
DESIST PROCEEDINGS PURSUANT  
TO SECTION 21C OF THE  
SECURITIES EXCHANGE ACT OF  
1934, MAKING FINDINGS, AND  
IMPOSING A CEASE-AND-DESIST  
ORDER**

**I.**

The Securities and Exchange Commission (“Commission”) deems it appropriate that cease-and-desist proceedings be, and hereby are, instituted pursuant to Section 21C of the Securities Exchange Act of 1934 (“Exchange Act”), against JPMorgan Chase & Co. (“JPMorgan” or “Respondent”).

**II.**

In anticipation of the institution of these proceedings, JPMorgan has submitted an Offer of Settlement (the “Offer”) which the Commission has determined to accept. Solely for the purpose of these proceedings and any other proceedings brought by or on behalf of the Commission, or to which the Commission is a party, Respondent admits the Commission’s jurisdiction over Respondent and the subject matter of these proceedings, and consents to the entry of this Order Instituting Cease-and-Desist Proceedings Pursuant to Section 21C of the Securities Exchange Act of 1934, Making Findings, and Imposing a Cease-and-Desist Order (“Order”), as set forth below.

**III.**

On the basis of this Order and JPMorgan’s Offer, the Commission finds<sup>1</sup> that:

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<sup>1</sup> The findings herein are made pursuant to Respondent’s Offer of Settlement and are not binding on any other person or entity in this or any other proceeding.

## Summary

1. This matter concerns violations of the anti-bribery, books and records, and internal controls provisions of the Foreign Corrupt Practices Act (“FCPA”) by JPMorgan. Between 2006 and 2013, the firm provided valuable jobs and internships to the relatives and friends of certain key executives of its clients, prospective clients, and foreign government officials in the Asia-Pacific region (“APAC”) as a personal benefit to the requesting officials in order to obtain or retain investment banking business or other benefits for the firm. Many of JPMorgan’s clients were state-owned entities (“SOEs”), and therefore the client executives requesting employment for their relatives and friends were foreign government officials under the FCPA. The firm provided these jobs and internships with the intent to corruptly influence the foreign government officials making the requests.

2. Investment bankers at JPMorgan’s subsidiary in Asia, JPMorgan Securities (Asia Pacific) Limited (“JPMorgan APAC”), created a client referral hiring program to leverage the promise of well-paying, career building JPMorgan employment for the relatives and friends of senior officials with its clients in order to assist JPMorgan APAC in obtaining or retaining business. A special hiring program (“Client Referral Program”) was created at JPMorgan APAC for referred candidates that bypassed the firm’s normal hiring process and was made available exclusively to candidates referred by clients, prospective clients, or foreign government officials (“Referral Hires”). Non-referral JPMorgan APAC hires were subjected to a rigorous screening process and competed against other candidates for a limited number of positions. Referral Hires did not compete against other candidates based on merit and, in most instances, were less qualified than those employees hired through the firm’s non-referral hiring programs. Instead, Referral Hires were hired based on direct or potential links to investment banking revenue that could be generated from the referring client in exchange for the hire. Referral Hires whose relationships generated sufficient revenue for JPMorgan APAC were offered longer-term jobs, while others were given shorter terms of employment unless the referring client offered additional business to the firm. In 2010 and 2011, JPMorgan APAC employees created spreadsheets to track the revenue to the firm from clients whose candidates were hired through the Client Referral Program.

3. Over this seven-year period, JPMorgan hired approximately 200 interns and full-time employees at the request of its APAC clients, prospective clients, and foreign government officials. This included nearly 100 candidates referred by foreign government officials at more than twenty different Chinese SOEs. A number of the referral hires resulted in business for JPMorgan APAC. The referring SOEs entered into transactions totaling more than \$100,000,000 in revenue for JPMorgan APAC or its affiliates during this period. JPMorgan also hired referrals from more than 10 different government agencies. JPMorgan APAC bankers leveraged connections with these government agencies to assist other JPMorgan APAC clients and the firm itself in navigating complicated regulatory landscapes.

4. JPMorgan APAC employees understood that hiring relatives and friends of foreign government officials for the purpose of obtaining or retaining business posed the risk of violating the FCPA. Nonetheless, JPMorgan APAC investment bankers and supporting personnel often provided inaccurate or incomplete information as part of the legal and

compliance review designed to prevent these violations or withheld key information so that the Referral Hires would pass compliance review. The legal and compliance review of Referral Hires became a formality in which JPMorgan APAC investment bankers and supporting personnel provided inaccurate or incomplete answers to secure approval for hires without revealing the links to business as a result of certain Referral Hires. Of all the candidates that passed through JPMorgan APAC's Client Referral Program, none were rejected by the legal and compliance review.

5. JPMorgan failed to devise and maintain a system of internal accounting controls around its hiring practices sufficient to provide reasonable assurances that its employees were not bribing foreign officials in contravention of company policy. Likewise, JPMorgan APAC employees failed to follow the firm's internal accounting controls, and JPMorgan failed to implement other appropriate accounting controls to detect or prevent the Client Referral Program from being used to improperly benefit government officials. JPMorgan APAC employees took steps to hide the magnitude and purpose of the Client Referral Program from others within the firm, and devised a way to avoid having certain Referral Hires in APAC counted within JPMorgan APAC's internal year-end headcount calculations. For Referral Hires that originated in APAC but were employed outside of APAC, JPMorgan APAC employees failed to undertake a compliance review or impose conflict of interest restrictions despite knowledge of the FCPA and other risks.

6. JPMorgan also violated the books and records provisions of the FCPA. JPMorgan APAC personnel created and implemented a system by which inaccurate or incomplete questionnaires were submitted, reviewed, and approved by compliance in contravention of the internal policy created to prevent improper hiring of Referral Hires. The records reflected that they were hired for legitimate business purposes rather than as hires made to improperly benefit JPMorgan APAC investment banking business. JPMorgan APAC's internal records also inaccurately reflected the true number of client Referral Hires in the APAC region by taking steps to disguise the headcount relating to Referral Hires from others within the firm.

### **Respondent**

7. **JPMorgan Chase & Co.** is a Delaware corporation with its headquarters in New York, New York. The company's common stock is registered under Section 12(b) of the Exchange Act and listed on the New York Stock Exchange (ticker: JPM). JPMorgan and its various subsidiaries provide banking and financial services in North America and worldwide, including in the APAC region. Services provided to APAC region clients by JPMorgan include investment banking, private banking, asset management, and commercial banking services.

### **Other Relevant Entities and Individuals**

8. **JPMorgan Securities (Asia Pacific) Ltd.** ("JPMorgan APAC") is a Hong Kong registered company and wholly owned and controlled subsidiary of JPMorgan. JPMorgan APAC operated as JPMorgan's investment banking office in Hong Kong and coordinated JPMorgan's investment banking operations in the Asia-Pacific region.

JPMorgan APAC is responsible for JPMorgan's investment banking and certain other business in The People's Republic of China, Hong Kong, and other countries in the Asia-Pacific region.

## FACTS

### **JPMorgan's Policies Prohibited the Hiring of Client Referrals in Exchange for Business**

9. As early as 2001, JPMorgan recognized the FCPA risks in hiring the relatives of foreign government officials. JPMorgan therefore took steps to educate its employees on the potential dangers in hiring Referral Hires and the potential FCPA violations that could occur if Referral Hires were tied to business for the firm. JPMorgan's 2001 FCPA Compliance Policy noted that the "[h]iring of family members of foreign officials as employees, agents or consultants" was a "red flag... that could result in [an] FCPA violation." JPMorgan's 2005 anti-bribery training included an example where "[a]s an understood part of the deal, the company will hire...the daughter of a government official from that country, for an unpaid summer internship." This training noted that the hiring of the daughter could be a bribe because the "internship has some value and is a requirement for the deal to happen."

10. In or about September 2007, JPMorgan instituted a new Anti-Corruption Policy which provided that "the offer of internships or training for relatives of a public official" required legal and compliance pre-clearance. It also indicated that hiring individuals in order to win business was prohibited. Specifically, the Policy stated that "it is improper for a person to offer or give anything to a public official, either directly or through an intermediary, in an effort to secure an advantage that would not have been granted if the offer or gift had not been made," noting that "'value' can include such things as the offer of internships or training for relatives of a public official." This policy applied to JPMorgan APAC. In addition, in 2007 JPMorgan APAC instituted training for employees in the region specifying that pre-clearance from compliance was required before JPMorgan APAC could hire Referral Hires because "[a]n offer of internship to a relative of a non-U.S. public official suggests an advantage by causing the official to misuse his or her position."

11. In approximately June 2011, JPMorgan implemented an updated Anti-Corruption Policy which also applied to JPMorgan APAC. Training provided regarding this Policy noted that "almost anything can meet the definition of a 'bribe,' including... internships [and] employment." The Policy further stated that "[n]o employee may directly or indirectly offer, promise, grant or authorize the giving of money or anything else of value to a government official to influence official action or obtain an improper advantage."

12. During this period, JPMorgan APAC also had an established, highly-selective hiring program for undergraduates and graduates to enter JPMorgan APAC's summer internship and analyst/associate employment programs, primarily in Hong Kong. Hiring was done mainly through campus recruiting at prestigious, highly-selective schools in the United States and elsewhere, as well as through an on-line application process. Admission to the JPMorgan APAC hiring program was highly competitive, with candidates competing based on educational background, prior experience, language, and other skills. Successful applicants usually had a minimum grade point average, a demonstrated affinity for and

interest in financial services work, language skills, and advanced through multiple rounds of interviews. Throughout this period JPMorgan APAC had more applicants than it had available positions with the firm.

### **JPMorgan APAC Created a Client Referral Hiring Program in 2006**

13. In or around 2006, JPMorgan APAC's investment banking group created and implemented a referral hiring program (referred to colloquially during the relevant time period as the "Sons & Daughters Program") whereby certain internships and short-term, entry-level employment opportunities were made available only to Referral Hires in order to accommodate frequent requests to hire the relatives and friends of senior executives or officials with its clients, prospective clients, and contacts within foreign government ministries. JPMorgan APAC created the "Sons & Daughters" program based on these requests from senior executives or officials and a perception of similar actions being taken by its competitors. From the outset, the primary goal of client referral hiring was to generate revenue for JPMorgan APAC by extending personal favors to client executives and government officials through hiring their relatives and friends.

14. By contrast with the established JPMorgan APAC non-referral hiring program, most JPMorgan APAC Referral Hires would not have secured positions with the firm but for the client relationship and request. Referral Hires generally did not meet the minimum educational, grade-point average, or background qualifications that JPMorgan APAC looked for in its non-referral hiring programs. Referral Hires were not subjected to the rigorous, multi-round interviews that non-Referral Hires had to go through before hiring. Likewise, Referral Hires were not evaluated based on merit, but instead were evaluated based on JPMorgan APAC's relationship with and prospects for future revenue from the referring clients.

15. During this time it was widely recognized within JPMorgan APAC that Referral Hires generally were not subject to the same requirements, workload, and expectations as non-referral APAC employees. Nonetheless, these Referral Hires were given the same titles as non-referral employees as well as significant salaries and other benefits. JPMorgan APAC employees commented on the lack of capabilities of many Referral Hires, with some employees referring to them as "photocopiers." Referral Hires were sometimes given special consideration regarding work assignments and promotions and protected from rigorous work schedules. For example, in 2008, one senior JPMorgan APAC investment banker referred to a Referral Hire as a "protected species requiring [senior management] input. His reporting line to you is accountable but like national service."

16. JPMorgan APAC investment bankers were made aware of the risks inherent in referral hiring under the FCPA and other laws. In 2006, the head of Junior Resources Management ("JRM") for JPMorgan APAC, a business support team which oversaw the hiring and staffing of all interns and junior investment bankers on transactions in the region, sent an email to JPMorgan APAC investment bankers regarding "Sons & Daughters" which noted that:

"As you know, the firm does not condone the hiring of the children or other relatives of clients or potential clients of the

Firm or other people who might be helpful to the Firm for the purpose of securing or potentially securing business for the Firm. In fact, the firm's policies expressly forbid this. There are no exceptions."

This was further reinforced in 2007 when JPMorgan APAC legal and compliance staff noted in a message to employees that for Referral Hires "[t]he firm should not be currently actively pitching for any transaction of such client" and "[t]he firm should not be subject to any direct regulation of such government authority" making the referral. In analyzing Referral Hires, legal and compliance looked to see that "[t]he candidate should have been through usual interview process and feedback from interviewers should be positive." However, the Client Referral Program frequently did not follow these stated limitations.

17. Based on the recognition of potential FCPA issues in hiring Referral Hires, in or about 2006, JPMorgan APAC's legal and compliance personnel developed a process to screen prospective Referral Hires for potential FCPA and other risks including conflicts of interest. As part of this screening process, JPMorgan APAC legal and compliance created a "Sons & Daughters" questionnaire to elicit information regarding the potential Referral Hire. Under the process as it was intended to work, each requesting banker was required to fill out the questionnaire for each specific hire, and then submit that questionnaire to JPMorgan APAC legal and compliance staff for review and approval.

18. The "Sons & Daughters" questionnaire sought information in order to screen for potential FCPA and other risks from hiring a specific Referral Hire. The questionnaire sought confirmation that the Referral Hire: (1) went "through the usual application/interview process," (2) had the "necessary qualifications for the position," and (3) was rated "against other applicants for the position." The questionnaire also sought information regarding the referring client or entity, including whether JPMorgan was "currently working on, or pitching for any deal or transaction" with the referring client or potential client, and whether "JPMorgan [was] seeking future opportunity to work or develop a relationship with such client." Finally, the questionnaire sought information from the referring banker on the "expected benefit to JPMorgan in employing the candidate."

19. JPMorgan APAC legal and compliance also imposed restrictions on what confidential information Referral Hires were able to access. As part of the "Sons & Daughters" questionnaire review process, JPMorgan APAC legal and compliance made the hiring of most Referral Hires conditional on the bankers "walling off" the Referral Hire from business directly involving or related to the referring client or entity. This was designed to prevent conflicts of interest and the sharing of sensitive, confidential information regarding JPMorgan's clients, or the competitors of those clients, with the relatives and friends of senior officials with those same clients. In cases in which the referring person was employed by a government ministry, Referral Hires were supposed to be walled off from transactions involving that ministry.

20. Due to the misconduct of JPMorgan APAC investment bankers and the failures of APAC legal and compliance staff, the "Sons & Daughters" questionnaire process was an ineffective review that failed to operate as an effective check on potential violations. JPMorgan APAC legal and compliance staff did not understand the actual nature and

operation of the Client Referral Program, and did not take adequate steps to fully investigate the extent and purpose of the Program during the relevant time period. This was due in part to JPMorgan APAC investment bankers failing to share complete information on the Client Referral Program with legal and compliance personnel. It was also due to a fundamental misunderstanding of the Client Referral Program by JPMorgan APAC legal and compliance, and a failure to investigate potential issues when they arose. For example, in 2007 as part of the review of Referral Hires, an attorney with JPMorgan's global legal team conveyed to his colleague in JPMorgan APAC that "I thought the Sons & Daughters Program was ended...[JPMorgan Global Compliance officers] are telling ...[personnel] that this program doesn't work from an FCPA standpoint. What are your thoughts?" In response, a JPMorgan APAC compliance attorney noted that "'Sons & Daughters' is not an active programme to solicit connected persons to work for us in the hope of obtaining business." Rather, it was described as a "filter process" involving a questionnaire and review by the legal staff. The attorney went on to note: "If we take a Son or Daughter, it is because they have applied for an internship like thousands of others, meet objective academic requirements, there are no FCPA concerns. No favours are done. They get treated like everyone else." This JPMorgan APAC compliance professional's understanding was not an accurate description of the Client Referral Program at the time.

### **JPMorgan APAC Control Failures**

21. Beginning no later than 2007, JPMorgan APAC investment bankers began using the hiring of Referral Hires to assist in obtaining banking business and other advantages from senior officials at SOEs, private sector clients, and government agencies. In order to achieve the business objectives of the Client Referral Program, JPMorgan APAC investment bankers provided incorrect, misleading, incomplete, or untruthful responses to the "Sons & Daughters" questionnaires. Certain JPMorgan APAC investment bankers used the questionnaire to hide the true purpose of the Referral Hire. Investment banking and legal and compliance support personnel frequently assisted the investment bankers with drafting and modifying questionnaires that failed to state the true purpose for some Referral Hires. Draft questionnaires that suggested a potential improper benefit from hiring a Referral Hire were sometimes edited by bankers and support staff to include responses that would pass scrutiny. In addition, JPMorgan APAC support personnel supplied questionnaires with pre-populated answers to questions, including for example a standard answer that there was "[N]o expected benefit" from hiring a Referral Hire. The questionnaires were also answered as a matter of practice to give the appearance that the Referral Hires went through the non-referral hiring process rather than the special Client Referral Program, which was inaccurate. For these reasons, the "Sons & Daughters" questionnaire that was designed to prevent FCPA violations was wholly ineffective. In fact, JPMorgan's APAC legal and compliance staff did not reject a single Referral Hire candidate from 2007 through 2012.

22. JPMorgan APAC legal and compliance personnel did not take adequate steps to identify or mitigate the risks of bribery and corruption in approving Referral Hires. For example, in 2006, a JPMorgan APAC paralegal tasked with organizing and submitting Referral Hire questionnaires for review informed a JPMorgan APAC attorney that she was told by an investment banker that JPMorgan APAC was "now pitching for a ... project" from a referring client, and that the project "may potentially result from the hiring of [candidate] as a summer analyst. I don't feel quite comfortable about this and would like to have your

views.” The paralegal drafted a memorandum to members of the APAC legal and compliance staff, noting that “[w]e will be exposed to a risk of being alleged of bribing [the client] for the ... project or any other...projects,” especially considering that the candidate would not otherwise be hired on her own merits. The hire was nonetheless approved after another JPMorgan APAC investment banker stated that the hire was not in exchange “for return of any business from [the client].”

23. JPMorgan APAC support personnel also assisted APAC investment bankers in drafting and modifying “Sons & Daughters” questionnaires in order to avoid scrutiny and receive compliance approval for specific Referral Hires. This led to multiple cases of “Sons & Daughters” questionnaires being revised to remove references to a specific or implied benefit from a client Referral Hire before submitting those questionnaires for final approval. For example, in 2010, a JPMorgan APAC investment banker noted in a questionnaire for a prospective Referral Hire that JPMorgan was pitching for a role in the client’s forthcoming IPO. Regarding the “expected benefit” from the Referral Hire, he wrote:

“It will strengthen our relationship with [client executive] and solidifying [sic] our position as an advisor to him and the IPOs of his companies (expected to be >\$500mm in offering size.”

In response, the JPMorgan APAC paralegal tasked with reviewing and commenting on Referral Hire questionnaires noted:

“The firm does not condone the hiring of client’s referred person who might be helpful to the firm for the purpose of securing or potentially securing business for the firm. The above comment is not acceptable from [legal and compliance’s] perspective.

Please clarify to what extent the proposed hire will affect our position in our participation of the IPO [sic]?

Is hiring of the intern part of any agreement to secure business of the firm?”

In response to these questions, the investment banker contradicted his prior responses, and now replied: (1) “Hiring of this candidate will not benefit the firm”, (2) “It will not affect our position”, and (3) “No.” The JPMorgan APAC attorney reviewing the proposed Referral Hire was then told by the paralegal that the investment banker “has confirmed that the proposed hire will not affect our position in our participation of the IPO and hiring of the candidate is not part of any agreement to secure business of the firm [sic].” The initial answers from the investment bankers were not shared with the JPMorgan APAC attorney, and the Referral Hire request was approved.

24. None of the hires made through the Client Referral Program were reviewed or assessed alongside normal JPMorgan APAC hires, yet the “Sons & Daughters” questionnaires reviewed by legal and compliance noted that the candidates had the “necessary

qualifications” and were rated well against “other applicants” for the position. These responses were inaccurate, as the Client Referral Program operated separate from JPMorgan APAC’s normal hiring program and candidates were hired based on the referring client relationship.

25. For Referral Hires that originated in APAC but were employed outside of the region, such as New York, JPMorgan APAC bankers typically would not submit questionnaires or seek compliance review of the potential hires despite knowledge that such questionnaires were part of the controls for hiring Referral Hires. In such cases, JPMorgan APAC’s human resources and legal departments were usually not made aware of the hire. Likewise, their counterparts in the jurisdiction in which the Referral Hire was going to work (such as New York) were usually unaware of any client referral aspect to the hire. Further, JPMorgan did not always restrict such Referral Hires from working on deals involving the referring client because no such instruction came from JPMorgan APAC’s compliance department.

26. Beginning in 2009, JPMorgan APAC personnel structured the contracts for full-time Referral Hires to withhold the total number of Referral Hires in APAC from other parts of the firm and give the appearance of conformity with JPMorgan’s internal, year-end global headcount restrictions. The revised Client Referral Program was designed to give offers to Referral Hires from “Jan 15 to Dec 15, thereby avoiding year end count.” Referral Hires were given contracts that would end in mid-December and then a new contract would re-start the following January, thus avoiding counting the Referral Hire on JPMorgan APAC’s internal, year-end headcount numbers which were reported as of December 31st. This allowed JPMorgan APAC to continue to make Referral Hires but not limit the number of non-referral junior investment bankers hired by JPMorgan APAC who were capable of functioning as junior investment bankers. In 2010, the JPMorgan APAC employee tasked with managing headcount noted he had reached “agreement with [coordinator for Client Referral Program] at start of year was [Referral Hires] would NOT cross year end. we should push [coordinator] on that because we specifically agreed to track them this way to create additional slots for full time staff [sic].” The same JPMorgan APAC employee noted that for Referral Hires, “[f]rom a budget perspective we keep these [Referral Hires] off balance sheet and are supposed to have a maximum of 10 [Client Referral Program] interns at one time on contracts that do not cross a year end.” Another JPMorgan APAC employee discussed structuring contracts for Referral Hires so that the contracts would end in December “[i]n order to have them NOT counted toward our year end headcount next year...”

27. JPMorgan APAC, including legal and compliance, investment banking, and human resources personnel, failed to properly review or stop the Client Referral Program until 2013. At that time, a JPMorgan APAC compliance officer in a newly-created position was tasked with reviewing and approving client Referral Hire questionnaires. In denying a request to hire a Referral Hire, he stated that hiring Referral Hires at the request of clients and outside of the normal hiring system was impermissible under JPMorgan’s compliance and anti-corruption policies. He further stated that “I’m afraid from an anti bribery [sic] and corruption standpoint, we cannot create positions to accommodate client requests.... Employment within JPMorgan is seen as a significant benefit (in terms of training, experience, and improving the resume).” This effectively ended the Client Referral Program, although new Referral Hires continued to work at JPMorgan APAC in the summer of 2013.

**JPMorgan APAC Investment Bankers Knew That Referral Hires Were Hired to Obtain or Retain Business**

28. JPMorgan APAC investment bankers sought to use the Client Referral Program to exchange valuable employment for assistance with obtaining or retaining banking business from senior executives with its clients, potential clients, and foreign government officials. This assistance included the awarding of deals to JPMorgan APAC based in part on hiring Referral Hires, non-public information on clients and future deals, influence with foreign government officials, introductions and meetings, and other benefits.

29. Over time, senior JPMorgan APAC investment bankers designed a system to provide employment to referrals from “decision-makers” or those with the ability to influence upcoming investment banking transactions at their clients. For example, a senior banker responsible for overseeing JPMorgan APAC junior banking hiring and staffing, including the Referral Hires (“APAC Banker A”), encouraged other bankers to prioritize referral requests received from “decision-makers” or those who had the ability to influence an upcoming banking deal over less influential individuals. APAC Banker A acknowledged in communications with his colleagues that they should consider whether the hire would bring near-term revenue to the firm. In a 2008 email regarding a Referral Hire request from a senior executive with a private sector JPMorgan APAC client in China, APAC Banker A told another investment banker seeking his approval for the hire, copying the head of JPMorgan APAC investment banking, that: “I am supportive of bringing [the referral candidate] on board given what’s at stake... A couple of points to discuss and agree prior to any offer being made to [referral candidate]: how do you get the best quid pro quo from the relationship upon confirmation of the offer.” The banker seeking to make the hire responded “[t]he client has communicated clearly the quid pro quo on this hire and the team should start working on the [upcoming] IPO asap.” Although the questionnaire reviewed by compliance relating to this hire disclosed that JPMorgan APAC was working on one deal for a company affiliated with the referring executive and pitching for another, the questionnaire did not disclose any discussion of the “quid pro quo” from this Referral Hire. Instead, the questionnaire reviewed by compliance indicated that there would be “no expected benefit” to the firm from the hire.

30. These senior JPMorgan APAC personnel also understood that client Referral Hires were for the most part not qualified on their own merit for the positions they were given when compared with non-referral employees, yet special considerations were taken to benefit the business relationship. For example, in 2010, APAC Banker A wrote to the banker who assisted him with hiring and staffing of junior JPMorgan APAC bankers that “we picked up a new mandate in Taiwan today – all we have to do is get [referral candidate] a full time analyst job at JPM in NY. Mission impossible?” In response, the other banker wrote “Can try... his napping habit will be an eye-opening experience for our NY colleagues if he gets a job.” APAC Banker A later sent an email titled “client referral” to other investment bankers in the United States in September 2010 in which he wrote: “[w]e have a very good [private sector] client in Taiwan who has asked that we find an IB analyst role for his son in NY.... We are being offered now a [mandate] and the quid pro quo, is an analyst IB job for his son... Can we in [an investment banking group in New York] adopt him, or can you recommend a safe place for him where he won’t get too scarred.” After the candidate was hired by JPMorgan in New York in October 2010, a JPMorgan APAC banker wrote to his colleagues that the Referral Hire was a “happy young man! And his dad will also be very

pleased.” In response, another JPMorgan APAC banker noted: “I am sure this will go a long way for us in terms of [referring client entity] and [the candidate’s father, a senior executive of the entity].”

31. Other JPMorgan APAC investment bankers understood the true purpose of the program and the potential benefits to JPMorgan APAC’s business from hiring Referral Hires. The purpose and benefit of Referral Hires was discussed amongst JPMorgan APAC investment bankers. For example:

- In 2008, one junior banker wrote to a JPMorgan APAC investment banker that she had “reconfirmed that [the requested Referral Hire] is very important to our relationship with [SOE]. [SOE] has a pending placement subject to market condition, and [referring client] made it clear that [referral candidate] is our ticket to this mandate.”
- In discussing a potential Referral Hire in 2010 from a private sector client, a senior JPMorgan APAC investment banker wrote to another asking him to interview a referral candidate, writing: “The last thing I want is we go slow and they ask another bank and I am sure someone will give him a full time offer given the mandate up for grabs here. We can give him an offer under the new ‘sons and daughters’ one year program...They are interested.” The second banker noted “Happy to speak with son asap. Seen this movie a lot before, we should consider it part of the pursuit immediately.” He went on to note “We do way, way, way too little of this type of hiring and I have been pounding on it with China team for a year. Let me know if you need me to weigh in at all asap. Confidential, just added son of #2 at [Chinese SOE] to my team. I got room for a lot more hires like this ([competitor investment bank] has 25).”
- In 2010, a senior JPMorgan APAC investment banker wrote to a colleague regarding a Referral Hire from a private sector client: “They are close to mandating banks for their IPO. We are a strong contender. Blink blink nod nod, can we find a place for his son (they have only approached us in this regard)?”

32. The expected financial benefit to JPMorgan APAC from hiring certain Referral Hires was also communicated by JPMorgan APAC investment bankers in certain cases to the referring clients and the Referral Hires themselves. For example, in 2011, a Referral Hire wrote to a senior JPMorgan APAC banker regarding his decision to leave JPMorgan before the expiration of his employment term because despite his hard work “all of my efforts seemed meaningless to you and you tend to judge me solely on the relation part of me... I remember when i [sic] first started working here you told me that [other relationship hires] all paid the price for their seats on the floor. Now I had a better understanding of your words after getting to know some of the relationship hires on the floor. I do not think my family is in a position to help you to the extent as others did: bring their family business to the firm. Therefore i [sic] decided to leave my head count to those who are more valuable to the company.” This Referral Hire went on to write “regarding [two Chinese SOEs], my father would try his best to coordinate the meeting.”

**JPMorgan APAC Revamped the Client Referral Program in 2009 to Directly Link Referral Hires to New Investment Banking Deal Business**

33. Beginning in or about 2009, JPMorgan APAC investment bankers began a review of all previously hired Referral Hires to determine the success of the program in terms of the “business rationale” for hiring and retaining Referral Hires. Referring bankers were asked to list each client referred hire and to provide the “client affiliation” and “the importance of retaining them from a client/revenue standpoint.”

34. In September 2009, a senior JPMorgan APAC investment banker wrote to the chief executive officer of JPMorgan APAC that:

“One specific item that we may need your help is how to run a better sons and daughters program, which has *an almost linear relationship* with mandates in China. People believe [other investment banks] are doing a much better job. On the other hand, we J.P. Morgan have had a few disas[t]rous cases which I can share with you later. We have more [lines of business] in China therefore in theory we can accomodate [sic] more ‘powerful’ sons and daughters that could benefit the entire platform.” (emphasis added).

35. Following this email, senior JPMorgan APAC investment bankers on multiple occasions discussed reforming the Client Referral Program to improve the ability to obtain specific client business using Referral Hires. Among other things, it was agreed that the Client Referral Program would prioritize referral requests from “decision-makers” or those with the ability to influence upcoming investment banking transactions. It was also agreed to focus on Referral Hires in situations involving near-term transactions.

36. To that end, in or about September 2009, APAC Banker A wrote to the APAC banker assigned to assist him in running the JRM functions (“APAC Banker B”) that he “spoke to [a senior JPMorgan APAC investment banker] about referrals. [W]e want to revisit the programme at two levels.” He wrote that for the one-year Referral Hires, they wanted to “plan better” in the areas of “accountability” and “deal conversion or revenue attribution and relationship.” JPMorgan Banker A also noted that for one-year Referral Hires, the hire should be made “Jan 15 to Dec 15, thereby avoiding year end count.” APAC Banker A noted that doing this “[w]ould be a clever way to manage all 1 yr [sic] program hires if we could align the hiring cycle. Maybe able to even get more people.”

37. Per these instructions, APAC Banker B created a presentation titled “Emerging Asia Client Referral Program (CRP)” in November 2009. The presentation reviewed the “Current state of play” regarding the “full-time referrals program,” and noted: “The firm benefits from a CRP to facilitate its business development in China.” It further noted that the current program was “designed to hire employees referred by our key clients who may not meet our regular hiring standard... The current program is functional but could be further improved to optimize control/management and enhance contribution to business generation.” The presentation noted that “[a]reas for [i]mprovement” for the current program included “[m]onitoring referral deal conversion.” The revised program also sought to

prioritize requests from “decision-makers” or those with the ability to influence future, near-term deals to benefit JPMorgan APAC.

38. This presentation first sought to summarize the success of the then-current Client Referral Program. The presentation tracked certain then-current Referral Hires made through the Client Referral Program, and the “Historical deal conversion track record” relating to those hires. The presentation noted deal “[c]onversion” with respect to multiple Referral Hires including (1) conversion of a deal with an SOE after referral of a candidate from a senior member of a foreign political party; and (2) conversion of a deal with an SOE after hiring the daughter of a “Deputy Minister.” The presentation also noted “Work in progress” on potential deals involving the “family friend” of the chairman of a Hong Kong company and the daughter of a senior foreign government minister.

39. A new aspect to JPMorgan APAC’s Client Referral Program was also proposed in this presentation. Under the heading “Full-time referrals: Proposed new program,” the presentation listed new “Selection [C]riteria” for full-time Referral Hires that would include:

- “Directly attributable linkage to business opportunity,” and
- “Clear accountability for deal conversion and accountability for abuse of program.”

40. In 2009, after approval by the head of investment banking for APAC, JPMorgan APAC implemented the revised Client Referral Program. The revised program was managed by the JRM business support team with input from senior JPMorgan APAC investment bankers. Certain senior bankers were given a “quota” of Referral Hires that could be made each year. Subsequent JRM reports from 2009 through 2012 contained the same language regarding the “revised” referral hiring program with the selection criteria of a “[d]irectly attributable linkage to business opportunity.” These presentations were discussed with the head of investment banking for JPMorgan APAC and other JPMorgan APAC senior executives.

41. The JPMorgan APAC investment bankers who created and ran the revised Client Referral Program did not seek a review of the program by the legal and compliance staff, or otherwise inform the legal and compliance staff of the nature and purpose of the revised Client Referral Program. JPMorgan APAC personnel continued to provide inaccurate or incomplete information to JPMorgan APAC legal and compliance staff in order to secure approval for hiring Referral Hires.

42. Under the revised referral hiring program, Referral Hires were given the same titles as non-Referral Hires, although they typically were paid less than employees hired through JPMorgan APAC’s non-referral hiring programs. Referral Hires were generally hired for a one-year term with limited ability to continue with JPMorgan APAC after the conclusion of their contracts. However, exceptions were made based on business needs. In 2011, APAC Banker B wrote to several APAC investment bankers that “[t]he client referral program is strictly one year for everyone else unless [the Referral Hires] bring in a new profitable deal to justify an extension, otherwise they must move on.”

43. Beginning by at least 2009, JPMorgan APAC employees tracked investment banking deals attributable to entities whose officials had requested Referral Hires. In or about December 2010, JPMorgan APAC investment bankers created “Referral Hires vs Revenue” spreadsheets to track revenue from clients whose referrals had been hired by the firm. The spreadsheet included columns listing: (1) type of hire (fixed term versus intern); (2) date of hire; (3) a description of the relationship between the Referral Hire and the referring client or government official (“daughter of Chairman,” “family friend of... Chairman,” “Son of Executive Vice President ... of [SOE].”); and (4) “[r]evenue” to the firm from those clients.

44. In March 2011, as part of this review process, JPMorgan APAC personnel estimated that clients who had referred individuals into the Client Referral Program had generated more than \$14 million in revenue in 2009 and \$19 million in 2010, with \$21 million anticipated in the “pipeline” for 2011.

### **JPMorgan APAC’s Client Referral Summer Internship Programs**

45. In addition to providing analyst and associate employment opportunities, in 2009 and 2010 JPMorgan APAC also created summer internship programs to accommodate Referral Hires. Referral Hires were generally not qualified for the regular JPMorgan APAC summer internship program; nonetheless, summer internships in the regular program were sometimes provided by JPMorgan APAC to Referral Hires. In order to accommodate more client referrals, in 2010 JPMorgan APAC also created an unpaid training program in Hong Kong (colloquially referred to as “summer camp”) for Referral Hires seeking summer employment or internships with JPMorgan APAC. The “summer camp” consisted mainly of social events, lectures, and classroom speakers. Although the participants were not employed by JPMorgan APAC and were not paid, participants could list the program on their resumes. APAC Banker B noted that one senior APAC investment banker said that he could “sleep better at night knowing that we now have a structured program to entertain the little darlings.”

46. JPMorgan APAC undertook no compliance review of participants in the “summer camp.” However, candidates for the “summer camp” were selected based on investment bank client relationships rather than merit. Further, certain client referrals with links to potential revenue were given paid summer internships with JPMorgan APAC rather than the opportunity to participate in the “summer camp.”

47. JPMorgan APAC bankers, including APAC Banker B, managed summer training Referral Hires to generate potential near-term revenue for the firm. APAC Banker B noted in 2010 that sponsoring bankers “need to make a strong case for their referrals - minimum \$3m tangible fees sounds like a sensible benchmark.” A JPMorgan APAC senior investment banker also suggested making additional accommodations (such as paying for flights) for the children of “SOE clients who are not well paid even at senior levels.” This practice continued, and in 2011 APAC Banker B again noted that the summer training program “will most probably follow last year’s convention of only considering clients with >\$US3 million new revenue contribution for referring candidates into the training program.”

**JPMorgan APAC Hired SOE Referral Hires To Assist in Winning or Retaining Business**

48. Between 2006 and 2013, JPMorgan APAC hired numerous relatives and friends of officials with foreign government entities and senior officials at foreign SOEs to obtain or retain business for JPMorgan. These hires include:

- Beginning in 2005, JPMorgan APAC hired the son of a key executive with a Chinese manufacturing SOE. The son worked at JPMorgan APAC in various roles from 2005- 2008 and then again from 2010 until 2015. Another Referral Hire was given a training opportunity in 2009 based on a request from a senior executive of the same SOE. JPMorgan APAC was awarded an IPO from this SOE in 2006 and further advisory business in 2008. JPMorgan APAC received net profits for its work for this SOE of more than \$32 million.
- In 2007, JPMorgan APAC hired the relative of a senior official at a Chinese SOE and the relative of a senior official at the government agency which oversaw that SOE. JPMorgan APAC was working on the IPO for that SOE when it agreed to the hires. The firm hired one of the Referral Hires while negotiating for a better fee from the SOE for its role in that IPO. In part as a result of this Referral Hire, JPMorgan APAC received additional net profits of more than \$3.3 million.
- Between 2007 and 2010, JPMorgan APAC made multiple Referral Hires from officials with a Chinese financial SOE. Referral Hires were hired at the request of senior officials with this SOE, including the chairman and chief financial officer. JPMorgan APAC won multiple investment banking deals from this SOE from 2007-2010 resulting in net profits of more than \$6.5 million.
- JPMorgan APAC hired at least five Referral Hires from 2007 to 2011 from senior officials with another Chinese financial SOE. This included the hiring of the son of a Chinese government official from the province in which this institution was located at the request of the Chairman of the SOE. JPMorgan APAC was awarded investment banking business from this SOE in 2008 and 2009, with total net profits to the firm of more than \$5.8 million.
- Between 2010 and 2012, JPMorgan APAC hired two Referral Hires at the request of officials with a large Chinese energy-related SOE. In 2012 and 2013, the firm was awarded business from this SOE, including bond issuances, with total net profits of more than \$10 million.
- Between 2007 and 2010, JPMorgan APAC hired two employees and a trainee at the request of officials with a large Chinese transportation SOE. The referrals were made by the chief executive officer and other key employees with the SOE. JPMorgan APAC was awarded business from this SOE in 2010 totaling more than \$10 million in net profits.

- JPMorgan APAC hired two employees and a trainee referred by officials at a Chinese financial SOE between 2008 and 2012. The requests were made by the chairman of the SOE and another senior official. For one of the Referral Hires, his parents were both Chinese government officials at different ministries. JPMorgan APAC was awarded a role in this SOE's 2012 IPO and received net profits of more than \$2.6 million.

### **Referral Hire Employed in New York In Order to Obtain IPO Roles for JPMorgan APAC**

49. In 2007, JPMorgan APAC hired the son ("Referral Hire A") of an executive ("Official A") of an energy related Chinese SOE ("SOE A") for a summer internship position in China based on the request of Official A. Subsequently, in 2009, the firm hired Referral Hire A for a position in its Hong Kong internship program, again upon the request of Official A.

50. Before Referral Hire A started his Hong Kong internship, the referring JPMorgan APAC banker noted that Official A "was recently promoted to the current position and is said to be very close to the president [of SOE A]. Maybe we should use [Official A's] ask to take over the relationship" from a former APAC banker. The JPMorgan APAC banker ("APAC Banker C") who had taken over responsibility for JPMorgan's relationship with SOE A noted as part of discussions regarding what information to put in the "Sons & Daughters" questionnaire that "[w]e are pitching for a couple of M+A deals . . . and we have been in constant dialogue for a potential block trade. Also, we need to establish broad relationship with this client as we could provide a broad spectrum of products (corporate, commodities) to them." APAC Banker C then submitted the "Sons & Daughters" questionnaire for Referral Hire A, after being advised by the referring APAC banker that for the question regarding potential deals with SOE A, he should "limit[] this to real pitches only to avoid challenges by legal and compliance."

51. After the hire was approved, APAC Banker C then asked "shall we coordinate so I can hook up with his father? I will be in [Beijing] next week and we actually have some meetings with [SOE A] so would be good to do this in time." The meeting was arranged with Official A.

52. During Referral Hire A's summer internship in Hong Kong, APAC Banker C asked Referral Hire A to get non-public information about potential JPMorgan SOE clients from SOE A through his father in order to assist JPMorgan APAC in pitching for new business. Referral Hire A did not provide non-public information to APAC Banker C. Later that summer, Referral Hire A was told by APAC Banker C that in order to receive a full-time offer from JPMorgan APAC, he would need to "bring in a deal" for JPMorgan APAC.

53. Referral Hire A specifically wanted an analyst position with JPMorgan in New York. Therefore, in the fall of 2009, Official A sought assistance from his friend, another senior executive at a Chinese SOE ("Official B"), to help get Referral Hire A a job with the firm in New York. Official B was a senior executive with a large Chinese state-owned financial institution ("SOE B"). In 2009, SOE B was in the process of preparing for an initial public offering ("IPO") in Hong Kong that was expected to be lucrative for

investment banks working on the transaction. Official B had significant influence over the decision-making as to which firms would be designated to participate in the forthcoming IPO of SOE B (“IPO Mandate”).

54. In fall 2009, Officials A and B each sent multiple messages and made multiple calls to JPMorgan APAC investment bankers seeking a job with JPMorgan in New York for Referral Hire A. In late 2009 and early 2010, JPMorgan APAC bankers noted that Official B kept “pushing” for the hire. Official B requested that the Referral Hire request be kept from JPMorgan APAC bankers involved in the deal. One senior APAC banker wrote in January 2010 that “to avoid any ‘complication,’ [Official B] has asked to keep this confidential and particularly away from the ‘[SOE B] pitch team.’ But I have kept [a senior banker on the pitch team] in the loop... Would be great if you could give this a push in NY .... Many thanks.”

55. Based upon the requests from Officials A and B and the forthcoming IPO Mandate, senior JPMorgan APAC investment bankers undertook steps to secure a position for Referral Hire A with the firm in New York. These bankers believed that JPMorgan APAC could receive a more significant and lucrative role in the IPO Mandate if the firm hired Referral Hire A, and would risk JPMorgan APAC’s position or its entire role in the IPO Mandate if they did not.

56. In December 2009, JPMorgan APAC investment bankers sought the assistance of a JPMorgan banker in New York who reported to the then-head of JPMorgan APAC (“JPMorgan Banker D”) with finding a job for Referral Hire A. JPMorgan Banker D reported back that Referral Hire A was not qualified for a position with the firm in New York, causing one of the JPMorgan APAC bankers seeking the hire to note that “Jpm in NY won’t give [Referral Hire A] a preference. Spoke with a few people who know [him]. Unlikely to pass through [sic] regular process.” A JPMorgan recruiter in New York noted that “[r]elative to other candidates, his technological and quantitative skills were light (this is an extremely quantitative position). We plan on notifying him this week that he will not be moving forward in the process.” Referral Hire A interviewed with multiple groups at JPMorgan in New York, and each rejected hiring him despite the client relationship. JPMorgan Banker D noted that, according to two JPMorgan groups in New York, “while [Referral Hire A] has solid technical skills, his communication and marketing skills as well as his overall credentials on other metrics fell short of JPM standards. Both groups cite these deficiencies as reason not to pursue his case further, making the point that is hard to argue, that lowering the highly competitive recruitment bar at JPM is not a desirable option.”

57. Despite this negative feedback, in February 2010 the JPMorgan APAC investment bankers emailed the then-chief executive officer of JPMorgan APAC and the head of human resources for JPMorgan Hong Kong to state they had “reached consensus among us to offer [Referral Hire A] a one year fixed term position at [JPMorgan Banker D’s] team in our New York office. We understand that you have been always supportive of this hire. [I]t is time to ask your approval to proceed on that basis. [Official B] called and sent sms to [two JPMorgan APAC bankers] several times to ask the status. If we can get this hire done soon, that will be very helpful.” The next day, the head of the JPMorgan APAC group handling the IPO Mandate noted that he had a meeting with the chairman of another Chinese entity at which he learned “[v]ery interesting info re [SOE B]: will launch [IPO Mandate]

process just before or just after chinese new year. Very definitive. So we should act reg [sic] this young guy and place him in [JPMorgan Banker D]'s group. One year analyst." The hire was thereafter approved by the chief executive officer of JPMorgan APAC, and Referral Hire A began working in New York in 2010 as part of JPMorgan Banker D's group.

58. In April 2010, JPMorgan APAC was selected for a significant role in the IPO Mandate. In June 2010, a JPMorgan APAC banker sent an email to JPMorgan Banker D stating that "I understand from his father, [Official A], that [Referral Hire A] will start today in office. His uncle [Official B] did deliver [SOE B] IPO and his father is helping us on [an energy-related] ipo." Later in July 2010, an APAC banker noted that "we are on track to make [SOE B] the largest IPO ever."

59. In 2010, JPMorgan APAC investment bankers learned that Referral Hire A's father, Official A, had assisted JPMorgan APAC in securing a mandate from a Chinese energy company that was preparing for its own IPO. In August 2010, Referral Hire A was added to JPMorgan APAC's team working on that IPO. In November 2010, JPMorgan APAC bankers consulted with Official A regarding this IPO pitch. Later discussions regarding the "game plan" included that "[Official A] will help us from the side." In December 2010, an APAC banker told other senior APAC bankers that Referral Hire A, described as the referral from Official B and "the analyst we placed under [JPMorgan Banker D]'s team in NY, has played a critical role in helping secure this mandate. [Referral Hire A]'s father is a senior executive at [SOE A]. FYI." JPMorgan Banker D responded "He is a quietly efficient worker..."

60. In January 2011, a JPMorgan APAC banker emailed the then-CEO of JPMorgan APAC regarding Referral Hire A's application to be transferred to a different department at JPMorgan in New York, noting that "[Referral Hire A] (and his family) has been instrumental in helping us on both the [SOE B] IPO and [another] IPO." He further noted that Referral Hire A's "father is helping us on [other companies] at the moment as well." The then-CEO of JPMorgan APAC then wrote to another senior banker at the firm to ask him to help Referral Hire A find another job within JPMorgan, stating "[h]is Dad is pretty important in China and I am happy to keep him on my headcount if you can use him." In March 2011, the firm then hired Referral Hire A into another position when his initial fixed-term Referral Hire contract expired.

61. JPMorgan APAC did not inform JPMorgan APAC legal and compliance about the 2010 hire of Referral Hire A in New York. Therefore, a "Sons & Daughters" questionnaire was not completed or reviewed. In July 2010, JPMorgan's compliance group became aware that Referral Hire A had been hired without compliance review or a "Sons & Daughters" questionnaire for his 2010 hire. A JPMorgan compliance officer noted "[c]learly, in a perfect world, it would be best if this had gone through another formal review prior to the position being offered. However, since [Referral Hire A] had already been reviewed in the past for at least his 2009 internship, I am not sure what value there would be in reviewing again at this point in time." No additional inquiry was undertaken, and instead JPMorgan APAC reviewed the questionnaire that was submitted in 2009 prior to Referral Hire A's Hong Kong internship. That questionnaire had no reference to SOE B, the IPO Mandate, or the other IPO which Official A helped JPMorgan APAC secure. Although JPMorgan APAC legal and compliance had required Referral Hire A to be walled off from pitches involving

SOE A (where his father worked) at the time of his summer internship, this was not communicated to JPMorgan legal and compliance in New York and nothing was done to enforce this restriction even after JPMorgan APAC legal and compliance learned of Referral Hire A's position in New York. At no point after he was hired in 2010 was Referral Hire A walled off from transactions involving either his father, Official A, entities related to SOE A, or his father's friend, Official B, and entities relating to him.

62. JPMorgan APAC participated in the IPO for SOE B in 2010. For its efforts, the firm received net profits of more than \$23 million. In 2010, JPMorgan APAC also worked on the IPO for another Chinese SOE which was connected to SOE A, where Referral Hire A's father was an official. For its efforts on the latter IPO, JPMorgan APAC received more than \$3.7 million in net profits.

### **Referral Hire from Government Ministry In Order to Obtain Favorable Treatment for JPMorgan**

63. In 2006, a JPMorgan APAC investment banker sought to find a job with the firm in New York for the son ("Referral Hire X") of a deputy minister ("Official X") at a Chinese government agency. In seeking the hire, a JPMorgan APAC investment banker wrote of Official X that "[a]lthough he is now promoted to be a government official, his influence remains strong both personally as well as in an official capacity [at the Ministry]... [and] a good indepth [sic] relationship with the Ministry will pave the ground for us in many large and important industries in China as well as large cap companies, despite the fact some of them are 'independent' commercial entities, a unique feature of the Chinese/government business alliance."

64. Referral Hire X interviewed for the position in New York but was not selected for hire. He nonetheless received an offer for an analyst position in November 2006 based on the referral request. Referral Hire X then sought to start his employment one month earlier than planned. To do so, Referral Hire X contacted an executive at a Chinese company who then contacted a different JPMorgan APAC investment banker about the request. In December 2006, an employee with the firm in New York emailed the JPMorgan APAC banker seeking the early start for Referral Hire X that Referral Hire X "did very very poorly in interviews – some [managing directors] said he was the worst [business analyst] candidate they had ever see [sic] – and we obviously had to extend him an offer... [o]bviously, we will need to accommodate due to client pressure, but we're going to have to handle this very carefully." In or about mid-2007, Referral Hire X began working as an analyst in Corporate Finance in New York on a one-year contract.

65. In May 2008, during Referral Hire X's first year of work with the firm in New York, Official X requested that a JPMorgan APAC investment banker provide his son with another job after the expiration of his one-year term. In June 2008, a JPMorgan APAC senior banker sent his supervisor an email in which he stated: "The father indicated to me repeatedly that he is willing to go extra mile to help JPM in whatever way we think he can. And I do have a few cases where I think we can leverage the father's connection...[G]iven the above, I'd like to discuss with you and seek your advice/support on how to handle the son in NY and leverage the father in China."

66. In July 2008, JPMorgan Banker D offered a position in his group to Referral Hire X. After he was hired, JPMorgan Banker D wrote to the JPMorgan APAC banker in Hong Kong that “I don’t have the details of the incident but apparently last Friday when I was out of the office, [Referral Hire X] sent out an email (which he inadvertently copied to an HR Person), where he made inappropriate ... remarks.” In August 2008, JPMorgan Banker D wrote that there was a “general consensus among seniors in our group” that Referral Hire X was “immature, irresponsible, and unreliable” and that one banker was “no longer will to have [Referral Hire X] as part of the pool [of junior analysts on his deals]...there is also concern about his reliability on confidentiality of client records/documents which means that we may not be able to let him have access to sensitive transactional records/documents.” Referral Hire X remained in his position until it was eliminated 10 months later.

### **Hiring of Referral Hire to Initiate Client Relationship with SOE**

67. In 2010, JPMorgan APAC began taking steps to hire the son (“Referral Hire Z”) of the chairman (“Official Z”) of another large Chinese financial SOE, at his father’s request. Official Z had asked a senior JPMorgan APAC banker to hire his son at the firm during an in-person meeting. In an email to other senior bankers, this APAC banker noted “[g]iven the size of the group and the existing and potential business opportunities from this group to both FIG [Financial Institutions Group] and GI [group within investment banking], I responded to this request positively. Let’s gather our thought on how we can leverage more on this account going forward.”

68. JPMorgan APAC bankers discussed that hiring Referral Hire Z could help the firm win future business from Official Z’s SOE entity. A senior banker wrote in 2010 in response to the request to hire the son “[a]gree with [other banker]. [Official Z’s entity] is an important client. We need to help his son that definately [sic] will give us leverage of business opportunities for both fig and non fig for jpm.” The head of FIG within JPMorgan APAC’s investment bank, later checked to make sure that JPMorgan had in fact followed through and “onboarded” Official Z’s son.

69. Steps were taken to hire Referral Hire Z for a fixed-term position with JPMorgan APAC. The compliance questionnaire for Referral Hire Z noted that his father was the CEO of a Chinese SOE and that JPMorgan APAC was in discussions with a subsidiary of the SOE for a “potential financing transaction at the moment.” It also noted that JPMorgan APAC intended “to maintain a close relationship with the client.” The questionnaire falsely stated that there was “No expected benefit” from hiring Referral Hire Z.

70. A few weeks after JPMorgan APAC offered Referral Hire Z a one-year position, the same banker who proposed the hire noted to a senior JPMorgan APAC banker that the firm had won “a mandate to be sole bookrunner for a USD300mm+ placement of [Official Z’s SOE]’s listed subsidiary in HK. This will be our first transaction for this group.” One year later, JPMorgan APAC was mandated for the IPO for Official Z’s SOE, but the firm withdrew from that deal in 2013. In 2010, JPMorgan APAC also worked on a private placement for Official Z’s SOE for which the firm received net profits of more than \$1.4 million.

## **Legal Standards and Violations**

71. Under Section 21C(a) of the Exchange Act, the Commission may impose a cease-and-desist order upon any person who is violating, has violated, or is about to violate any provision of the Exchange Act or any regulation thereunder, and upon any other person that is, was, or would be a cause of the violation, due to an act or omission the person knew or should have known would contribute to such violation.

### **FCPA Violations**

#### **Anti-Bribery Violations**

72. JPMorgan violated the anti-bribery provisions of the federal securities laws by corruptly providing valuable internships and employment to relatives and friends of foreign government officials in order to assist JPMorgan in retaining and obtaining business.

73. As a result of the conduct described above, JPMorgan violated Section 30A of the Exchange Act which prohibits any issuer with a class of securities registered pursuant to Section 12 of the Exchange Act, or any officer, director, employee, or agent acting on behalf of such issuer, in order to obtain or retain business, from corruptly giving or authorizing the giving of, anything of value to any foreign official for the purposes of influencing the official or inducing the official to act in violation of his or her lawful duties, or to secure any improper advantage, or to induce a foreign official to use his influence with a foreign governmental instrumentality to influence any act or decision of such government or instrumentality. [15 U.S.C. § 78dd-1].

#### **Books and Records Violations**

74. JPMorgan violated the books and records provisions of the FCPA in conjunction with certain Referral Hires. Under Section 13(b)(2)(A) of the Exchange Act, JPMorgan was required to make and keep books, records, and accounts, which, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the issuer. JPMorgan APAC's controls required that investment bankers submit accurate questionnaires to compliance for review before client referrals from SOEs and foreign government officials could be hired. Contrary to that requirement, JPMorgan APAC personnel submitted, reviewed, and approved inaccurate compliance questionnaires containing false and incomplete information which failed to disclose the intended, improper purpose of making certain client Referral Hires. JPMorgan's internal records also inaccurately reflected the true number of client Referral Hires in the APAC region by taking steps to withhold certain headcount information relating to Referral Hires. [15 U.S.C § 78m(b)(2)(A)].

#### **Internal Controls Violations**

75. JPMorgan violated the internal accounting controls provisions of the FCPA in conjunction with certain Referral Hires. JPMorgan failed to devise and maintain an effective system of internal accounting controls. JPMorgan's internal accounting controls

were insufficiently designed to prevent the corruption risks inherent in the hiring of Referral Hires, and therefore inadequate to enforce or effectuate JPMorgan's referral hiring policy. JPMorgan recognized the inherent risks in hiring Referral Hires, yet proceeded with a system that failed adequately to address those risks. The safeguards put in place by JPMorgan APAC to minimize compliance and FCPA risks were not effective to curb the true purpose of the Client Referral Program. JPMorgan APAC's referral hiring questionnaire was designed to ensure that Referral Hires were hired based on merit and not for improper purposes. However, in practice the Client Referral Program operated as a separate tier of employment within JPMorgan APAC where hiring and retention decisions were based on client relationships and potential revenue and not employee merit.

76. Referral Hires were subject to a completely separate hiring process, and once hired their jobs and terms of employment were likewise different than non-Referral Hires. The interview and screening process for Referral Hires was perfunctory, with candidates receiving an offer based on the perceived strength of the client relationship and prospect for future business. Referral Hires were also generally less qualified than employees hired through the non-referral, entry-level hiring program, and once hired the Referral Hires were generally not expected to do the same work as non-referral employees in similar positions.

77. JPMorgan APAC attempted to put in place protections to mitigate the inherent conflicts and FCPA risks in hiring Referral Hires. However, these protections were insufficient to prevent the violations. While legal and compliance staff were required to approve Referral Candidates before they could be hired, in practice they never failed to approve a Referral Candidate. In certain cases, the protections were ignored. JPMorgan APAC bankers sought to have certain Referral Hires work outside of APAC at the request of the APAC-based client or prospective client seeking the employment. These Referral Hires did not go through the normal hiring process for that region, and instead were hired based on the perceived benefit to JPMorgan APAC from the hire. In such cases, a compliance questionnaire was not completed and therefore no review was made to analyze the potential conflicts of interest and FCPA violations inherent in referral hiring. In cases in which the Referral Hire was hired outside of APAC, the conflict of interest prohibitions were not imposed or enforced. This led to Referral Hires being staffed on the deal teams for the referring person's entity, often at the request of the referring person, in direct contravention of the conflict of interest rules imposed on the referral hiring program.

78. Under Section 13(b)(2)(B) of the Exchange Act issuers are required to devise and maintain a system of internal accounting controls sufficient to provide reasonable assurances that (i) transactions are executed in accordance with management's general or specific authorization; (ii) transactions are recorded as necessary (I) to permit preparation of financial statements in conformity with generally accepted accounting principles or any other criteria applicable to such statements, and (II) to maintain accountability for assets; (iii) access to assets is permitted only in accordance with management's general or specific authorization; and (iv) the recorded accountability for assets is compared with the existing assets at reasonable intervals and appropriate action is taken with respect to any differences. [15 U.S.C § 78m(b)(2)(B)].

## **Commission Consideration of JPMorgan's Cooperation and Remedial Efforts**

79. In determining to accept the Offer, the Commission considered cooperation JPMorgan afforded to the Commission staff. Through its counsel, JPMorgan provided thorough, complete, and timely cooperation throughout the investigation. JPMorgan responded promptly to Commission requests for information, retained outside counsel to investigate the conduct, and self-reported much of the conduct described herein. JPMorgan made timely and thorough document productions and provided frequent updates on the status of the company's internal investigation and the evidence. JPMorgan also made its employees available for interviews upon request, and facilitated the interviews of former employees, including facilitating certain interviewees traveling to the United States from overseas for interviews with the Commission. JPMorgan provided key document binders and factual chronologies to the Commission staff. JPMorgan responded to all requests for information and documents in a timely and efficient manner.

80. The Commission has also considered the significant remediation efforts undertaken by JPMorgan to address the risks inherent in client referral hiring. Prior to the start of this investigation, JPMorgan had taken steps to cease the Client Referral Program in APAC. Since the outset of the investigation, JPMorgan has enhanced its anti-corruption compliance program and hiring practices on a global basis, including: making changes to its Anti-Corruption Policy to further address the hiring of government officials' relatives; requiring that every hire with JPMorgan, including Referral Hires, be routed through a centralized human resources application process; establishing a control function role for human resources with respect to hiring; requiring that JPMorgan's anti-corruption office reviews and approves each hire of a candidate referred by a client, potential client, or government official; and instituting procedures and practices for the monitoring and auditing of referral hiring. In addition, JPMorgan enhanced its overall compliance function in the APAC region. JPMorgan also undertook employment actions based upon its findings regarding the underlying conduct, and separated from certain employees and made personnel changes to remediate in the APAC region.

### **Non-Prosecution Agreement**

81. JPMorgan APAC has entered into a non-prosecution agreement with the Department of Justice that acknowledges responsibility for criminal conduct relating to certain findings in the Order.

### **Non-Imposition of a Civil Penalty**

82. Respondent acknowledges that the Commission is not imposing a civil penalty based upon the imposition of a \$72,000,000 criminal fine as part of JPMorgan APAC's settlement with the United States Department of Justice.

#### IV.

##### Undertakings

Respondent has undertaken to:

1. Report to the Commission staff periodically, at no less than nine-month intervals during a three-year term, the status of Respondent's remediation and implementation of compliance measures. During this three-year period, should Respondent's Board of Directors, senior management, or legal and compliance personnel discover credible evidence, not already reported to the Commission staff, that corrupt payments or corrupt transfers of value may have been offered, promised, paid, or authorized by Respondent, or any entity or person working on behalf of Respondent, or that related false books and records have been maintained, Respondent shall promptly report such conduct to the Commission staff. During this three-year period, Respondent shall: (i) conduct an initial review and submit an initial report, and (ii) conduct and prepare at least three follow-up reviews and reports, as described below:

- a. Respondent shall submit to the Commission staff a written report within 180 calendar days of the entry of this Order setting forth a complete description of its Foreign Corrupt Practices Act ("FCPA") and anti-corruption related remediation efforts to date, its proposals or actions already implemented reasonably designed to improve the policies and procedures of Respondent for ensuring compliance with the FCPA and other applicable anti-corruption laws, and the parameters of the subsequent reviews ("Initial Report"). The Initial Report shall be transmitted to Paul G. Block, Assistant Regional Director, FCPA Unit, Enforcement Division, Boston Regional Office, U.S. Securities and Exchange Commission, 33 Arch Street, Suite 2300, Boston, Massachusetts 02110. Respondent may extend the time period for issuance of the Initial Report with prior written approval of the Commission staff.
- b. Respondent shall undertake at least three follow-up reviews, incorporating any comments provided by the Commission staff on the previous report, to further monitor and assess whether the policies and procedures of Respondent are reasonably designed to detect and prevent violations of the FCPA and other applicable anti-corruption laws (the Follow-up Reports").
- c. The first Follow-up Report shall be completed by no later than 270 days after the Initial Report. The second Follow-up Report shall be completed by no later than 540 days after the completion of the preceding follow-up review. The third Follow-up Report shall be completed by no later than 810 days after the completion of the preceding follow-up review. Respondent may extend the time period for issuance of the Follow-up Reports with prior written approval of the Commission staff.
- d. The periodic reviews and reports submitted by Respondent will likely include proprietary, financial, confidential, and competitive business

information. Public disclosure of the reports could discourage cooperation, impede pending or potential government investigations or undermine the objectives of the reporting requirement. For these reasons, among others, the reports and contents thereof are intended to remain and shall remain non-public, except (1) pursuant to court order, (2) as agreed by the parties in writing, (3) to the extent that the Commission staff determines in its sole discretion that disclosure would be in furtherance of the Commission's discharge of its duties and responsibilities, or (4) is otherwise required by law.

2. Certify, in writing, that Respondent has made good faith efforts to comply with the undertaking(s) set forth above. The certification shall identify the undertaking(s), provide written evidence of compliance in the form of a narrative, and be supported by exhibits sufficient to demonstrate compliance. The Commission staff may make reasonable requests for further evidence of compliance, and Respondent agrees to provide such evidence. The certification and supporting materials shall be submitted to Paul G. Block, Assistant Regional Director, FCPA Unit, with a copy to the Office of the Chief Counsel of the Enforcement Division, no later than sixty (60) days from the date of the completion of the undertakings.

## V.

In view of the foregoing, the Commission deems it appropriate to impose the sanctions agreed to in Respondent's Offer.

Accordingly, it is hereby ORDERED that:

A. Pursuant to Section 21C of the Exchange Act, Respondent cease and desist from committing or causing any violations and any future violations of Sections 13(b)(2)(A), 13(b)(2)(B) and 30A of the Exchange Act [15 U.S.C. §§ 78m(b)(2)(A), 78m(b)(2)(B), and 78dd-1].

B. Respondent shall, within 10 days of the entry of this Order, pay disgorgement of \$105,507,668 and prejudgment interest of \$25,083,737, for a total payment of \$130,591,405 to the Securities and Exchange Commission for transfer to the general fund of the United States Treasury, subject to Exchange Act Section 21F(g)(3). If timely payment is not made, additional interest shall accrue pursuant to SEC Rule of Practice 600. Payment must be made in one of the following ways:

- (1) Respondent may transmit payment electronically to the Commission, which will provide detailed ACH transfer/Fedwire instructions upon request;
- (2) Respondent may make direct payment from a bank account via Pay.gov through the SEC Web site at <http://www.sec.gov/about/offices/ofm.htm>; or

- (3) Respondent may pay by certified check, bank cashier's check, or United States postal money order, made payable to the Securities and Exchange Commission and hand-delivered or mailed to:

Enterprise Services Center  
Accounts Receivable Branch  
HQ Bldg., Room 181, AMZ-341  
6500 South MacArthur Boulevard  
Oklahoma City, OK 73169

Payments by check or money order must be accompanied by a cover letter identifying JPMorgan as the Respondent in these proceedings, and the file number of these proceedings; a copy of the cover letter and check or money order must be sent to Paul G. Block, Assistant Regional Director, FCPA Unit, Enforcement Division, Boston Regional Office, U.S. Securities and Exchange Commission, 33 Arch Street, Suite 2300, Boston, Massachusetts 02110.

- C. Respondent shall comply with the undertakings enumerated in Section IV above.

By the Commission.

Brent J. Fields  
Secretary