

After Pleading Guilty for Felony, JPMorgan Chase Tells Its Customers It Will Continue to Rip them Off

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Troy Rohrbaugh, Head of Foreign Exchange Trading at JPMorgan Chase, Chairs the New York Fed's Best Practices Group for Foreign Exchange Trading. JPMorgan Chase Just Pleaded Guilty to a Felony for Conspiring to Rig Foreign Exchange Trading.

As the U.S. Department of Labor deliberates giving JPMorgan Chase a waiver to continue business as usual after it pleaded guilty to a felony charge for engaging in a multi-bank conspiracy to rig foreign currency trading, [a letter the bank sent](#) to its foreign currency customers should become Exhibit A in the deliberations. The letter effectively tells JPMorgan's customers, here's how we're going to continue to rip your face off.

Two sections of the letter stand out in particular. One section reads:

"As a market maker that manages a portfolio of positions for multiple counterparties' competing interests, as well as JPMorgan's own interests, JPMorgan acts as principal and may trade prior to or alongside a counterparty's transaction to execute transactions for JPMorgan..." (Italic emphasis added.)

Most of the general public believes that proprietary trading (trading for the house) was outlawed by the Volcker Rule under the Dodd-Frank financial reform legislation. Most of the public believes that trading ahead of your client's order is called front-running and is illegal. On both points, the public is dead wrong. First, the Volcker Rule has yet to be implemented. Its effective date continues to be pushed forward. Secondly, foreign exchange spot trading between big banks and institutions (like the folks who manage your pension money) is an unregulated market left to the non-legally-binding "best practice" agreements by the biggest banks. As we [reported on May 14](#), the Chair of the group drawing up these best practices is Troy Rohrbaugh, the head of Foreign Exchange trading at JPMorgan Chase since 2005 - including the periods for which the bank has been charged with felony conduct.

Making this best practice committee even more specious is that it is sponsored by the Federal Reserve Bank of New York, part of the Federal Reserve which just fined JPMorgan Chase \$342 million for lacking "adequate Firm-wide governance, risk management, compliance and audit policies and procedures to ensure that the Firm's Covered FX [foreign exchange trading] Activities conducted at the FX Subsidiaries complied with safe and sound banking practices, applicable U.S. laws and regulations, including policies and procedures to prevent potential violations of the U.S. commodities, antitrust and criminal fraud laws, and applicable internal policies..."

Another section of the JPMorgan letter states:

“JPMorgan is not required to disclose to a counterparty when the counterparty attempts to leave an order that JPMorgan is handling other counterparties’ orders or JPMorgan orders ahead of, or at the same time as, or on an aggregated basis with, the counterparty’s order. JPMorgan is under no obligation to disclose to a counterparty why JPMorgan is unable to execute the counterparty’s order in whole or in part, provided that JPMorgan will be truthful if we agree to disclose such information.” (Italic emphasis added.)

In other words, despite five of the largest banks in the world pleading guilty to felonies, JPMorgan Chase still is not required to disclose a flaming conflict of interest to a customer unless it chooses “to disclose such information.”

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