JPMorgan scandal: The tip of the iceberg

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JPMorgan Chase, the biggest US bank by assets, announced Friday that the trading loss from derivatives bets made by its Chief Investment Office (CIO) had reached $5.8 billion, nearly three times the amount the company had revealed in May. It added that the bad bets could result in an additional $1.7 billion in losses over the rest of the year.

In its second quarter filing with the Securities and Exchange Commission (SEC), the bank admitted that it had failed to report $459 million in losses from the trades in its first quarter report, released April 13. CEO Jamie Dimon and other top executives attempted to lay the blame on "certain individuals" who "may have been seeking to avoid showing the full amount of the losses being incurred in the portfolio during the first quarter"—an allusion to several traders in the London office of the bank's CIO who have since been forced out of the firm.

Bloomberg News reported that this explanation seemed implausible to former JPMorgan executives it interviewed, who said the company had mechanisms in place to make sure traders could not simply hide their losses. In fact, JPMorgan's report to the SEC on Friday indicates that the bank recorded a $718 million loss from the London trades on its internal accounts, but did not report the loss in its first quarter earnings statement.

In other words, JPMorgan deliberately falsified its first quarter report to the SEC in order to conceal its massive gambling losses. This is a crime—a violation of banking laws for which Dimon, as the CEO, is responsible. That Dimon was involved in a cover-up is underscored by the proof contained in Friday's report to the SEC that he was already aware his bank had lost hundreds of millions if not billions when he told a conference call in April that reports of major losses by the bank's CIO were "a tempest in a teapot."

The trading loss debacle is only one of many scandals engulfing JPMorgan Chase.

* The bank is currently under investigation for helping to manipulate the London interbank lending rate (Libor), together with other major banks, in order to conceal financial weaknesses and boost profits from speculative bets on derivatives linked to Libor, the most important global benchmark for trillions of dollars in mortgages, credit cards, student loans and other financial products.

* The SEC and other regulators are investigating allegations by current and former JPMorgan financial advisers that the company encouraged them to sell their clients JPMorgan mutual funds when it was against the clients' interests.

* The US Federal Energy Regulatory Commission has sued JPMorgan to force it to hand over emails related to alleged price-gouging in electrical power markets in California and the

Midwest by one of the bank's subsidiaries.

* JPMorgan, together other major banks and Visa and MasterCard, last week announced a proposal to settle allegations that they colluded to fix fees on credit card transactions, ripping off billions of dollars from retailers and customers and violating antitrust laws.

Dimon has been handsomely rewarded for his role in facilitating these various schemes. He received $23.1 million in compensation last year, up 11 percent from 2010. In this he joined the heads of other major banks, who received an average 12 percent pay increase in 2011.

Dimon has been referred to as "Obama's favorite banker," having visited the White House over a dozen times. Within hours of Dimon's surprise announcement of JPMorgan's multi-billion-dollar loss in May, Obama personally vouched for him, calling him "one of the smartest bankers we've got."

The criminality oozing out of every pore of JPMorgan is just the tip of the iceberg. Scandals are emerging almost daily in a global financial system that is corrupt to the bone. They are exposing as well the complicity of regulators and governments, which serve as the handmaidens of the financial mafia.

The unfolding Libor scandal reportedly involves more than 20 giant banks in the US, Europe and Asia. Last month's settlement with British-based Barclays Bank lifted the lid on the role of the Federal Reserve in the US and the Bank of England in covering up and condoning the underreporting of interbank interest rates in the run-up to the Wall Street meltdown of September 2008 and its aftermath.

Executives at London's HSBC, the world's second largest banking group, are scheduled to testify before the US Senate today in response to a report by the Senate Permanent Subcommittee on Investigations charging the bank with laundering billions of dollars in Mexican drug cartel money. In March of 2010, Wachovia, now owned by Wells Fargo, admitted to laundering $378.4 billion for the Sinaloa Cartel.

Not a single top executive of a major US bank has been criminally prosecuted, let alone convicted and jailed, for illegal activities before or since the bursting of the speculative housing bubble in 2007 and 2008 that plunged the world into the deepest economic crisis since the Great Depression. On the contrary, the financial oligarchy has been the recipient of trillions of dollars in public bailouts, which are being paid for through the destruction of jobs, wages, health care, education and pensions in the US and throughout Europe.

The crisis triggered by the banks has been used to consolidate the power of mega-banks such as JPMorgan and increase their control over the political system. What has been exposed with blinding clarity is the existence of an international financial aristocracy that remorselessly plunders society to increase its already obscene levels of wealth. It operates as a law unto itself.

All talk of reforming the financial system, reining in the banks, or "changing the culture" on Wall Street and in the City of London is the product of ignorance or deceit. Breaking the grip of the Wall Street criminals over society requires the mass mobilization of the working class, armed with a socialist program, to expropriate the wealth of the financial speculators and turn the banks, together with all major corporations, into democratically-run utilities under public ownership and democratic control.

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