

## JPMorgan Chase to Pay \$264 Million to Settle Foreign Bribery Case

By Huan-Ting Wu, J.S.D. Candidate, 2017 | December 13, 2016

On November 17, 2016, the SEC [announced](#) that JPMorgan Chase agreed to pay \$130 million to the SEC, \$72 million to the Justice Department, and \$61.9 million to the Federal Reserve Board of Governors, in order to settle the charges that it “won business from clients and corruptly influenced government officials in the Asia-Pacific region by giving jobs and internships to their relatives and friends in violation of the Foreign Corrupt Practices Act (FCPA).”

To attract banking customers, JPMorgan Chase initiated the “Sons and Daughters program,” a client referral hiring program, in 2006. The program targeted those governmental officials and executives who were able to influence a deal, including officials at many Chinese state-owned banks and financial services firms. During a seven-year period, JPMorgan hired “approximately 100 interns and full-time employees at the request of foreign government officials.” The quid pro quo won or retained [more than \\$100 million](#) of business revenues for JPMorgan. In late 2010, JPMorgan Chase even [created a spreadsheet](#) to track hires of referred people to the revenues that someone connected to them brought to the company.

The practices did bring internal costs to JPMorgan, however. In fact, many of the job candidates hired through the program were unqualified. For instance, an intern whose father offered an \$800 million transaction was offered a full-time analyst job in 2010, despite the fact that the person had a poor GPA, “attitude issues,” trouble “following basic rules,” and was a prolific napper. These unqualified people, described as being at the “photocopier” level, often are only able to perform [ancillary work](#). According to the prosecutors and regulators, JPMorgan accounted for this internal cost as a “marketing expense.”

Federal authorities also announced that JPMorgan [violated the anti-bribery provisions](#) of the federal securities laws. Particularly, Section 30A of the Exchange Act prohibits the practices of “corruptly giving . . . anything of value to any foreign official for the purposes of influencing the official or inducing the official to . . . secure any improper advantage, or to induce a foreign official to . . . influence any act or decision of such government or instrumentality.” In this regard, the internships and employment are things of value to relatives and friends of government officials.

This case might be [just a start](#) for the authorities to pursue enforcement against other big

banks. In fact, HSBC, Goldman Sachs and Deutsche Bank have hinted that they also face investigations into their hiring practices in China as part of a larger sweep that authorities began in 2013.