



Yesterday, the U.S. [Department of Justice](#) ("DOJ") and [Securities and Exchange Commission](#) ("SEC") announced that JPMorgan Chase & Co. ("JPMorgan") and its Hong Kong-based subsidiary, JPMorgan Securities (Asia Pacific) Limited ("JPMorgan-APAC"), agreed to pay over \$264 million to settle charges that JPMorgan violated the Foreign Corrupt Practices Act ("FCPA") by providing jobs and internships to relatives and friends of clients, including government officials, in order to obtain business in the Asia-Pacific region.

The enforcement action resulted in a DOJ [Non-Prosecution Agreement](#) ("NPA") with JPMorgan-APAC (JPMorgan also agreed to certain terms and obligations under the NPA), which included a \$72 million criminal penalty, as well as a SEC [Cease-and-Desist Order](#) against JPMorgan, under which the company agreed to pay disgorgement and prejudgment interest of approximately \$130 million. Further, the [Federal Reserve Board](#),

which lacks FCPA enforcement authority, also announced that JPMorgan agreed to pay a nearly \$62 million civil penalty for "unsafe and unsound" hiring practices. According to the SEC order and the DOJ NPA, investment bankers at JPMorgan-APAC instituted a client referral hiring program that bypassed the company's regular hiring process and gave well-paying, career-building jobs to candidates referred by client executives and influential government officials. From 2006 to 2013, JPMorgan-APAC hired approximately 100 interns and full-time employees referred by clients, including executives at state-owned enterprises, owned or controlled by the Chinese government, which the enforcement agencies deem government "instrumentalities" covered by the FCPA. From the outset, the goal of the program was to boost JPMorgan-APAC's business. JPMorgan's global anti-corruption policies prohibited hiring referred candidates as part of quid pro quo arrangements. Moreover, JPMorgan had in place controls and procedures that were intended to ensure compliance with these policies. But JPMorgan-APAC bankers often provided false, incomplete and/or misleading information as part of the legal and compliance review in order to paper over and conceal key facts related to the arrangements. The bankers went as far as creating "Referral Hires vs Revenue" spreadsheets, tracking the revenue flows from clients whose referred relatives and friends received job offers. Notably, despite the absence of significant substantive factual findings or allegations against JPMorgan (as opposed to its subsidiary, JPMorgan-APAC), the SEC found that JPMorgan violated the FCPA's anti-bribery provisions, as well as the books and records and internal controls provisions. According to the NPA, although JPMorgan and JPMorgan-APAC did not receive voluntary disclosure credit, they received full credit for their cooperation with the government investigations, including providing regular factual presentations and voluntarily making foreign-based employees available for interviews in the United States. The DOJ and SEC also credited the companies' extensive remedial measures, including: 1) terminating and/or disciplining employees involved; 2) imposing over \$18 million in financial sanctions on other employees; 3) adopting heightened controls relating to the hiring programs, including requiring every application for a hire to be routed through a centralized human resources application process; 4) more than doubling the resources devoted to compliance, particularly in the Asia-Pacific region; and 5) requiring improved FCPA training. For these reasons, the DOJ and SEC determined that an independent compliance monitor was unnecessary. The crackdown on JPMorgan appears to be part of the government's broader investigation into U.S. companies' hiring practices in the Asia-Pacific region, where historically family ties and other allegiances have played a significant role in job searches among the political and social elites. Previously, in August 2015, Bank of New York Mellon Corp. agreed to pay nearly \$15 million to settle civil charges in an FCPA case relating to internships provided to relatives of officials from a Middle Eastern sovereign wealth fund. The Bank of New York case was one of the first enforcement actions by the SEC against a financial institution under the FCPA. According to statements by the SEC's Director of Enforcement, Andrew Ceresney, JPMorgan's case could be indicative of an industry-wide problem and is not expected to be the last case resulting from this sweep. For now, however, the over three years of DOJ and SEC scrutiny of JPMorgan-APAC's hiring practices highlights the importance of ensuring effective implementation of anti-corruption policies within overseas subsidiaries of U.S. companies.

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