UNITED STATES OF AMERICA
BEFORE THE
BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM
WASHINGTON, D.C.

In the Matter of TIMOTHY FLETCHER A former institution-affiliated party of J.P. Morgan Securities (Asia Pacific) Limited, Central, Hong Kong, China A Non-Bank Subsidiary of a Registered Bank Holding Company	Docket Nos. 17-007-E-I 17-007-CMP-I Notice of Intent to Prohibit and Notice of Assessment of a Civil Money Penalty Pursuant to Section 8 of the Federal Deposit Insurance Act, as Amended

The Board of Governors of the Federal Reserve System (the "Board of Governors") is of the opinion or has reasonable cause to believe that:

(A) Timothy Fletcher ("Fletcher"), a former employee of J.P. Morgan Securities (Asia Pacific) Limited ("JPMSAP"), a non-bank subsidiary of J.P. Morgan Chase & Co. ("JPMC"), a bank holding company, New York, New York (collectively, the "Firm"), engaged in unsafe or unsound practices, violations of law, and breaches of fiduciary duty. The practices, violations, and breaches of fiduciary duty relate to a referral hiring program administered by Fletcher at J.P. Morgan's Asia-Pacific region investment bank. Through this referral hiring program, individuals referred by foreign officials, clients and prospective clients were offered internships and other employment opportunities in order to obtain improper business advantages in violation of Firm policies and U.S. anti-bribery law. In connection with the misconduct described herein, Fletcher received a financial gain or other benefit and the Firm suffered financial loss or other damage; and

(B) The misconduct described herein involves personal dishonesty or a willful or continuing disregard for the safety and soundness of the Firm on the part of Fletcher.

Accordingly, the Board of Governors hereby institutes this combined Notice of Intent to Prohibit and Assessment of Civil Money Penalty (the "Notice") for the purpose of determining whether an appropriate order should be issued:

i. Permanently barring Fletcher from participating in any manner in the conduct of the affairs of any institution specified in 12 U.S.C. § 1818(e)(7)(a), pursuant to section 8(e) of the Federal Deposit Insurance Act, as amended (the "FDI Act"), 12 U.S.C. § 1818(e); and

ii. Assessing a civil money penalty against Fletcher pursuant to section 8(i) of the FDI Act, 12 U.S.C. § 1818(i), of $500,000.

In support of this Notice, the Board of Governors alleges as follows:

JURISDICTION

1. JPMSAP is, and was at all material times relevant to this Notice, a non-bank subsidiary of JPMC, a bank holding company subject to the supervision and regulation of the Board of Governors. In addition, JPMSAP is, and was at all material times relevant to this Notice, a subsidiary of an Edge Act corporation organized under section 25A of the Federal Reserve Act (12 U.S.C. § 611 *et seq*.) subject to the supervision and regulation of the Board of Governors. Accordingly, the Board of Governors is the appropriate Federal Banking Agency to bring charges against institution-affiliated parties of JPMSAP within the meaning of sections 3(q)(3) and 8(b)(3) of the FDI Act, 12 U.S.C. §§ 1813(q)(3), 1818(b)(3).

2. Fletcher was employed by JPMSAP as a Managing Director and head of the Junior Resources Management Group ("JRM") at all material times relevant to this Notice, and was an institution-affiliated party of the Firm, as defined in sections 3(u) and 8(b)(3) of the FDI

Act, 12 U.S.C. §§ 1813(u) and 1818(b)(3), and subject to the Board of Governors' enforcement jurisdiction under sections 8(e) and 8(b)(3) of the FDI Act, 12 U.S.C. §§ 1818(e)(3) and 1818(b)(3).

3. The material period for purposes of this notice, unless otherwise stated, is January 1, 2008 through at least April 12, 2013.

FACTUAL ALLEGATIONS

4. The Foreign Corrupt Practices Act ("FCPA"), 15 U.S.C. §§78dd-1 *et seq*., and JPMC's firm-wide policies prohibit the Firm's employees from offering, directly or indirectly, anything of value to foreign officials in order to obtain improper business advantages for the Firm.

5. Other applicable anti-bribery laws and JPMC's firm-wide policies prohibit the Firm's employees from offering, directly or indirectly, anything of value to existing or prospective commercial clients in order to obtain improper business advantages for the Firm.

6. Fletcher was hired by the Firm in 1992. By 2005, Fletcher was a Managing Director and co-head of the Telecommunications, Media and Technology Industry Group. In 2008, Fletcher was also named head of JRM, which was responsible for recruiting, hiring, staffing, and compensation and reviews for junior employees of the firm. As head of JRM, Fletcher was assigned dedicated staff, including a banker ("JRM staffer") to help with the group's responsibilities, including administering a referral hiring program for the Firm's Asia-Pacific region ("APAC") investment bank. That program provided internships and other employment opportunities within the Firm for candidates referred by foreign officials and existing or prospective business clients. Throughout the relevant period, Fletcher supervised JRM staff and helped establish and manage the Firm's referral hiring program. Fletcher was terminated from JPMSAP in April 2015.

7. From at least 2008 through 2013, as further set forth below, Fletcher, as head of JRM, administered a referral hiring program for the Firm's Asia-Pacific region ("APAC") investment bank whereby candidates who were referred, directly or indirectly, by foreign government officials and existing or prospective commercial clients were offered internships, training, and other employment opportunities in order to obtain improper business advantages for the Firm. The referral hiring program violated the FCPA, the Firm's internal policies and other applicable bribery laws.

Overview of the Referral Hiring Program

8. From approximately 2004 to 2013, the Firm's APAC investment banking group operated a referral hiring program to provide internships, training, and other employment opportunities to candidates referred, directly or indirectly, by foreign government officials and existing or prospective commercial clients who were not qualified for the Firm's traditional internship program ("Referral Hires"). Generally, the referral hire internships were hosted in the Firm's Beijing and Hong Kong offices.

9. Referral requests largely came in from foreign government officials and existing or prospective commercial clients. Fletcher and other bankers prioritized referred candidates based on the importance of the client and the likely benefit to the Firm of hiring a candidate. Although Referral Hires were generally not subject to the same qualifications, workload and expectations as non-referred candidates, they frequently received the same titles and comparable salaries.

10. By early 2008, APAC bankers began to use the program as a tool to generate revenue by extending offers to candidates referred by executives and government officials in exchange for improper business advantages. For example, in 2008, the Firm hired an intern referred by an executive of a state-owned entity. Although APAC bankers assessed that the

intern was "way under-qualified," they sought Fletcher's approval to hire the candidate. APAC bankers informed Fletcher that state-owned entity had a "pending placement subject to market condition and [the referring executive] made it clear that [the proposed intern] is our ticket to this mandate." Fletcher responded, "so it sounds like we've established that its important to him and I presume that this deal still has enough likelihood that you want to preserve the optionality of being part of it. Are you yourself going to also maintain the pressure on this sponsor so that he knows that we have delivered for him?" The Head of China Investment Banking indicated that he would pressure the state-owned entity "until we get some revenue from them to 'compensate' this."

Fletcher Helped Institutionalize a Referral Hiring Program for the Purpose of Winning Business

11. After becoming head of JRM in 2008, Fletcher began to revamp the referral hiring program. To ensure that bankers were disciplined in their referrals, Fletcher required bankers to present a business case for potential hires. Fletcher considered prospective business, the importance of the referring client, and the importance of the referring executive when making hiring decisions. Fletcher prioritized referrals from individuals who were in a better position to award the Firm business. Fletcher and the JRM staffer discussed these factors with bankers proposing candidates and other senior managers at the Firm.

12. Other senior bankers supported creating a formalized referral hiring program to compete with other banks and win business. The Head of China Investment Banking told Fletcher and other colleagues, "[y]ou all know I have always been a big believer of the sons and daughters program – it almost has a linear relationship with mandates, at least in China. We lost a deal to [a competitor] today because they got chairman's daughter work for them this summer. I am supportive to have our own program."

13. In 2009, Fletcher and other APAC bankers refined the referral hiring program with the goal of maximizing business benefits and deal conversion from full-time Referral Hires. Fletcher reviewed and approved a presentation to the head of APAC investment banking which indicated that there must be a "[d]irectly attributable linkage to [a] business opportunity" to extend an internship or other opportunity to a referred candidate, and there must be "[c]lear accountability for deal conversion," that is, the ability for a referral hire to convert actual transactions for the Firm. Accordingly, for a certain period of time, bankers tracked "deal conversion" for each referral hire in a spreadsheet. The purposes for such tracking included ensuring there was "absolutely no free lunch," given that the hires that they took up "company resources and management time."

14. In approximately 2009, the Firm's APAC investment banking group also began hiring referral candidates on an ad hoc basis for 1-year fixed terms. The APAC investment bank "roll[ed] people off after one year in order to refresh the quota for new business leads (and the kids benefit[ed] from 'gold plating' with [JPMC's Investment Bank] on their CVs)." However, contracts were generally renewed (with Fletcher's approval) when bankers had a concern that off-boarding the referral would adversely affect the client relationship.

15. Starting in 2010, as a result of the refinements, many Referral Hires were accommodated through a four-week "Summer Training Program," which bankers often referred to informally as "summer camp." The purpose of converting it to a training program was so that the investment bank could "handle a larger volume of summer interns."

16. By 2010, JRM worked with the Head of China Investment Banking to run the referral hiring program. The Head of China Investment Banking and the JRM staffer discussed tying referred candidates to specific benchmarks for potential business. The JRM staffer reported to Fletcher:

> [The Head of China Investment Banking]'s view is this is a very competitive program, costs us lots of resources to run and sponsors need to make a strong case for their referrals – minimum $3m tangible fees sounds like a sensible benchmark. . . [He] is very happy that we are doing this program and said he can sleep better at night knowing that we now have a structured program to entertain the little darlings.

17. Fletcher also tied hiring referred candidates to potential business for the Firm. In 2009, Fletcher told other bankers that "we have to be incredibly stingy with any summer offerings, only made available to top tier deal situations, as numbers are tight as expected." Fletcher advocated passing on referred candidates who were not tied to business for the Firm. For example, Fletcher met with referring bankers in 2008 to discuss whether candidates could be cut from the program when their sponsor's deals were not "as imminent in today's market." In 2012, Fletcher told a referring banker, "[u]nless there's a fee tied to a summer offer, we'll pass on making an offer."

18. Fletcher was also aware that other APAC bankers used the referral hiring program to solicit business. For example, in 2010, the JRM staffer informed Fletcher that the Head of China Investment Banking did not want to extend an offer unless the Firm could leverage the offer in the investment bank. The staffer explained to Fletcher, "[the Head of China Investment Banking] needs a concrete mandate from either [the referring company] or a related company before we take this kid." In 2011, Fletcher was informed that bankers were pitching for a company's initial public offering ("IPO") and wanted to hire the Chairman's son-in-law. The bankers stated "Considering the size and the role (we are asking for sole book), after discussing with [senior banker] this morning, would like to offer him the position in return for securing our role."

19. In April 2013, JPMC ended the Firm's referral hiring and training program.

Fletcher Failed to Supervise JRM Staff to Ensure that Referred Candidates Were Hired in Compliance with Anti-Bribery Laws and Internal Policies

20. As the Head of JRM, Fletcher was responsible for overseeing the JRM staff who worked on referral hiring, including the JRM staffer and the dedicated administrative assistant to the JRM staffer ("JRM assistant") who processed referral requests. JRM staff had responsibility for clearing candidates with the appropriate legal and compliance personnel ("Legal & Compliance"). To assist Legal & Compliance with the evaluation of referral candidates, APAC bankers seeking to hire a referral candidate had to complete a questionnaire designed to identify potential anti-bribery and corruption-related issues. The task of completing the questionnaire was assigned to the JRM Assistant with little to no oversight from the JRM staffer or Fletcher.

21. The JRM assistant eventually filled out forms with answers that were designed to obtain Legal & Compliance approval. For example, the questionnaire asked "[w]hat is the expected benefit to JPMorgan in employing the candidate?," to which the questionnaires almost uniformly stated "no expected benefit." While most employees informed Legal & Compliance that there was no expected benefit of hiring a referral candidate, employees discussed and, in fact, tracked business generated or expected business from many referral candidates during the relevant period. Other forms excluded information that would have been necessary for Legal & Compliance to ensure that the referral candidate was qualified and not hired to gain an improper business advantage. Neither Fletcher nor the JRM staffer reviewed questionnaires to ensure they were completed correctly.

Anti-Bribery Laws and JPMC Policies Prohibited Offering Internships in Exchange for Improper Business Advantages

22. The anti-bribery provisions of the FCPA prohibit payments of anything of value to foreign officials for the purposes of influencing the foreign official in his or her official capacity in order to obtain improper business advantages for the Firm.

23. From at least September 2007 to the present, JPMC incorporated the FCPA's anti-bribery provisions into a firm-wide Anti-Corruption Policy which prohibited offers of anything of value to public officials to secure improper business advantages. The Anti-Corruption Policy identified the offering of internships and training to the relatives of public officials as a potential bribery risk pursuant to federal law and other anti-corruption statutes.

24. From at least June 2011 to the present, JPMC's firm-wide Anti-Corruption Policy prohibited offers of anything of value to existing or prospective commercial clients to secure improper business advantages. JPMC identified the offering of internships and training to the relatives of existing or prospective commercial clients as a potential bribery risk pursuant to applicable anti-corruption statutes.

Fletcher knew that Offering Internships in Exchange for Business Violated Applicable Anti-Bribery Laws and JPMC Policies

25. In March 2006, Fletcher's predecessor, the Head of JRM, emailed all APAC bankers, including Fletcher, stating that "the firm does not condone the hiring of the children or other relatives of clients or potential clients of 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."

26. In October 2007, Fletcher participated in a training course on the Firm's Anti-Corruption Policy. The training stated that:

> It is improper and illegal to make an offer to secure an advantage by causing a non-U.S. public official to misuse his or her position as result of the offer. * * * The [prohibited] expenditure is not limited to gifts and entertainment. It also includes items of 'value' like an offer of an internship or training for relatives of a non-U.S. public official.

27. To ensure adherence to the Firm's policies regarding anti-bribery, bankers were required to complete a questionnaire for each referral hire that was designed to identify potential

anti-bribery and corruption-related issues. During this process, Fletcher was instructed that referred candidates could not be hired as part of an agreement to secure business for the Firm.

28. In October 2009, Fletcher participated in a training course on the Firm's Anti-Corruption Policy. The training explained that employees were prohibited from offering things of value to public officials to secure improper business advantages. The training stated, "[p]lease note that 'value' does not just include gifts and entertainment; it can also include such things as the offer of internships or training for relatives of a public official."

29. In November 2009, the Head of China Investment Banking distributed an article about a banker at a competitor who was prosecuted for violations of the FCPA. He noted, "China anti-bribery laws as well as FCPA may apply in the following situations . . . any proposed hiring of close relatives of Public Officials or candidates (including interns) recommended by any Public official." Subsequently, an APAC banker forwarded that article to Fletcher and the JRM staffer highlighting a section in the article "about the hiring of the daughter and how chinese and US investigators and seeking to find whether it was for a quid pro quo," and suggesting that the case "may have broader implications for our relationship hires." The JRM staffer re-forwarded the article to Fletcher in June 2010.

30. In June 2010, the head of the APAC investment banking group emailed APAC bankers advising them of the restrictions under the FCPA. The guidelines stated that expenses such as "internships and training for family members" would need to be pre-cleared by compliance.

31. In September 2011, Fletcher participated in a training course on the Firm's Anti-Corruption Policy. The training explained that JPMC employees must pre-clear "[a]ny offer of JPMorgan Chase employment or internship (whether paid or unpaid) to any person upon the recommendation of friends, relatives or associates of a non-U.S. government official."

32. In March 2012, the Firm distributed an Asia Compliance Reminder regarding anti-corruption policies. The reminder highlighted offers of employment for family or associates of the official as potential bribery risks.

For Years, Fletcher Facilitated or Approved Hiring Referred Candidates in Violation of Anti-Bribery Laws and Internal Policies

33. Fletcher engaged in a pattern of hiring referred candidates in violation of applicable anti-bribery laws and the Firm's internal policies. Below are some of the representative examples of these hires.

34. In July 2008, Fletcher was asked whether he approved an internship for Candidate 1 given that a company's IPO was delayed. Fletcher replied: "I am supportive of bringing her on board given what's at stake. . . . A couple of points for [the referring bankers] to discuss and agree prior to any offer being made to her: - how do you get the best quid pro quo from the relationship upon confirmation of the offer?" The banker responded: "The client has communicated clearly the quid pro quo on this hire and the team should start working on the [Company 1's] IPO asap." The Legal & Compliance questionnaire indicated that no benefit was expected from hiring Candidate 1. Company 1 hired the Firm as a joint bookrunner for its IPO.

35. In 2009, Fletcher was forwarded negative interview feedback for Candidate 2, a daughter of two government officials. Candidate 2's mother was employed by a government entity with regulatory authority over a Firm client who was seeking to issue an IPO. The feedback stated that Candidate 2 was "very marginal; we have doubt about her education background. very messy and not consistent; Her accounting and financial knowledge is so so too; Her thinking is not clear." The Head of China Investment Banking asked to discuss the candidate with Fletcher. Candidate 2 was hired by the Firm.

36. In February 2009, an executive at two private entities (collectively Company 2) referred his son, Candidate 3, to JPMC for an internship. At that time, JPMC was in active

discussions with Company 2 regarding equity raising. Fletcher was told that Candidate 3 was not very impressive and had a poor GPA. Fletcher nevertheless approved the hire because of the importance of the relationship.

37. In August 2010, Fletcher emailed the JRM staffer to say "we picked up a new mandate in Taiwan today – all we have to do is get [Candidate 3] a full time analyst job at JPM in NY. Mission Impossible?" The JRM staffer replied "Can try . . . his napping habit will be an eye-opening experience for our NY colleagues if he gets a job." Fletcher emailed bankers in New York explaining that a client asked to find Candidate 3 an investment bank analyst role. He explained that Company 2 offered "a sellside on a 800mm home shopping channel and the quid pro quo, is an analyst IB job for his son." Fletcher asked for "a safe place for [Candidate 3] where he won't get too scarred."

38. In October 2010, Candidate 3 was hired by the Firm. In response an APAC banker responded, "I am sure this will go a long way for us in terms of [Company 2] and [Candidate 3's father]!" JPMC later obtained Company 2's mandate for an equity offering. A New York banker commented on the IPO stating "[Candidate 3's father] certainly followed through on his unspoken promises. We must make absolutely sure we keep a close eye on his son whom I continue to mentor of a regular basis."

39. In March 2010, the Head of China Investment Banking was approached by the Chairman a state-owned entity ("SOE"), SOE 1, regarding an internship for his son, Candidate 4. Fletcher was forwarded an email where the Head of China Investment Banking stated, "[g]iven the size of the group and the existing and potential business opportunities from this group to [the Firm], I responded to this request positively. Let's gather our thought on how we can leverage more on this account going forward." The Head of China Investment Banking asked other bankers to coach Candidate 4 prior to his interview. In April 2010, Candidate 4 received an

offer. In May 2010, the Head of China Investment Banking emailed other bankers that JPMC had "a mandate to be sole bookrunner for a USD300mm+ placement of a [SOE 1]'s listed subsidiary in HK. This will be our first transaction for this group."

40. In March 2011, the APAC investment bank extended Candidate 4's contract. The JRM staffer explained to Fletcher that the Head of China Investment Banking "said one contract will be necessary—we are [Joint Book Runner] without being [Joint Global Coordinator] at present and they are trying to squeeze into [Joint Global Coordinator] role." In May 2012, the Head of China Investment Banking emailed the JRM staffer regarding another contract extension for Candidate 4, "[g]iven where we are on [SOE 1], I think we may need another contract for [Candidate 4]." Fletcher approved the extension. In the fall of 2012, the Head of China Investment Banking successfully sought a promotion for Candidate 4 with the understanding that he would leave the company shortly thereafter. The Firm eventually withdrew from the IPO due to inquiries by regulators into the Firm's referral hiring practices.

41. In July 2010, Fletcher was asked to approve an internship for Candidate 5, a referral from private company (Company 3). Fletcher responded that he had pause because "this is the 4th referral that is associated with [Company 3], a deal which has been on the horizon for a couple of years. While this sounds like an important and senior request, how many more people will we need to hire? Apart from that, I am ok with this hire given who's asking. Do we have a lock on the IPO?" A banker replied that the "IPO is expected in 2011, that is why competitors are all over them…I will talk to the chairman and tell him how much we have gone to do his 3 favors. Am sure he will really appreciate. He said helping [Company 3's] 'second generation' gains the highest points." Fletcher approved the hire.

42. In March 2011, bankers sought to extend Candidate 5's contract. Copying Fletcher, the JRM staffer replied, "[t]he client referral program is strictly one year for everyone

else unless they bring in a new profitable deal to justify an extension, otherwise they must move on. In this case there is not even one deal let alone two; and this is one of many [Company 3] referrals that we have already accommodated." The banker discussed the extension with Fletcher, who approved the extension.

43. In July 2011, Fletcher was approached about extending a fixed term contract for Candidate 6, a referral from the same private company as Candidate 5 (Company 3). Fletcher was informed that Candidate 6 was not a good worker but more akin to a photocopier. Fletcher inquired about "the status of a mandate, and the prospects of a deal" if Candidate 6 was hired. A banker responded, "[a]ctually [Candidate 6] is referred from [Company 3's] chairman directly. And she is important to us for this pitch. [Company 3] is our target for 2012 and that is reason why we need to retain her with us." Candidate 6 was offered another contract.

44. In November 2010, the Head of China Investment Banking referred Candidate 7 as a fixed-term hire. Candidate 7 was the daughter of the Chairman of a private company (Company 4). At the time, the Firm was pitching for an IPO of Company 4. The JRM staffer responded that "HR will only give out [an] offer to her when you are comfortable that we have secured the deal." After the hire was approved by the Head of China Investment Banking, JRM staff asked the sponsoring banker for answers to the Legal & Compliance questionnaire. The sponsoring banker stated that Company 4's IPO was imminent and Candidate 7's father was "effectively" the sole decision maker on which bank to hire. The banker also stated that the offer to Candidate 7 was "effectively" part of an agreement to secure business for the Firm. After discussing with Legal & Compliance, a different banker submitted a revised questionnaire

stating that Candidate 7's father was not the sole decision maker and the offer was not part of an agreement to secure business for the Firm.

45. In April 2011, APAC bankers sought a permanent contract for Candidate 7 after she discovered her contract was different from peers and threatened to resign. The JRM staffer looped in Fletcher and suggested moving Candidate 7's reporting line as she was "very far off global program IB associate standard." Fletcher replied, "It sounds to me like the deal is large enough, we are pregnant enough with this person, that we'd be crazy not to accommodate her father's wants. Although I also think we should triple confirm our own economics and role or will we see the threat of [a competing bank] again if the summer becomes too hot in Hong Kong for her. The real question is how we manage her and in that regard, its not fair to ask [the JRM staffer] to staff her into deal situations but have to make apologies to those deal lenders about this person's lack of training and undeniable performance. . . . If we are all agreed, lets bed her down, and then am open to suggestions on how this is going to work."

46. An APAC banker replied that losing Candidate 7 "will have material impact to our role and economics. We will lose our lead-left role and economics, if [Candidate 7] leaves and goes to [the competing bank]. . . . The company will finalize its bank selection today or tomorrow and [other banks] will do everything they can to bring [Candidate 7] on-board, given the size of the IPO, profile and fees." Candidate 7 was retained by the Firm. The Firm was awarded a role in the IPO with three other banks, but pulled out due to inquiries by regulators into the Firm's referral hiring practices.

47. In March 2012, a senior banker forwarded the resume of Candidate 8 to the Head of China Investment Banking and the JRM staffer. Candidate 8 was referred by the daughter of a Chairman of a private company (Company 5) that previously did a placement with the Firm. Company 5 informed the senior banker "they are very likely to do CB or another placement,

after [Company 5's] latest annual result announcement in late March." The Head of China Investment Banking responded that he supported the internship. Fletcher asked, "[i]s there any linkage between this candidate and winning a deal?" Fletcher agreed to approve hiring the referred candidate once he was satisfied that there was "strong linkage" between hiring the candidate and winning a deal.

The Firm's Referral Hiring Practices Have Resulted in Fines and Reputational Losses

48. On November 17, 2016, JPMSAP entered into a non-prosecution agreement with the DOJ relating to the Firm's Referral Hiring Practices, including those mentioned above, by agreeing to pay a $72 million penalty.

49. On November 17, 2016, JPMC settled allegations relating to the Firm's Referral Hiring Practices, including those mentioned above, with SEC by agreeing to pay $105 million in disgorgement and $25 million in prepayment interest.

50. JPMC has also suffered reputational losses in the form of negative news stories regarding the APAC Investment Bank's Referral Hiring Program.

VIOLATIONS OF LAW AND REGULATION, UNSAFE OR UNSOUND PRACTICES, AND BREACHES OF FIDUCIARY DUTY BY FLETCHER

COUNT I: Unsafe or Unsound Banking Practices

51. As set forth in paragraphs 1 through 50, Fletcher engaged in unsafe or unsound practices by failing to follow policies and procedures aimed at preventing violations of applicable anti-bribery laws. These unsafe or unsound practices caused the Firm to suffer financial loss and posed legal and reputational risks to the Firm.

52. In addition, Fletcher engaged in unsafe or unsound practices by failing to supervise his subordinates during the course of their employment and to prevent or report his subordinates' failure to follow policies and procedures aimed at preventing violations of

applicable anti-bribery laws. These unsafe or unsound practices caused the Firm to suffer financial loss and posed legal and reputational risks to the Firm.

COUNT II: Violations of the Foreign Corrupt Practices Act

53. As set forth in Paragraphs 1 through 50 above, Fletcher knowingly participated in the Firm's FCPA violations while employed at the Firm.

54. At all relevant times, the FCPA, 15 U.S.C. § 78dd-1(a), prohibited offers to pay money or anything of value to a foreign official in order to influence an official act or decision of the foreign official in order to obtain or retain business.

55. The internships, training, and other employment opportunities offered to candidates referred, directly or indirectly, by foreign government officials are a thing of value for purposes of federal anti-bribery law.

56. On November 17, 2016, JPMSAP entered a non-prosecution agreement with the Department of Justice for violations of the FCPA related to the APAC Investment Bank's referral hiring program from 2007-2012.

57. On November 17, 2016, JPMC entered into a civil settlement with the Securities Exchange Commission for civil violations of the FCPA related to the APAC Investment Bank's referral hiring program from 2006-2013.

COUNT III: Breaches of Fiduciary Duty

58. At all relevant times, the Firm had general policies and procedures prohibiting Fletcher's conduct, including the Anti-Corruption Policy and Code of Conduct. In addition, as a Managing Director at the Firm and head of JRM, Fletcher had a duty to supervise the personnel working under him, and to escalate any misconduct by his subordinates to appropriate senior management or compliance personnel. By overseeing a referral hiring program whereby the Firm offered candidates who were referred, directly or indirectly, by public officials and existing

or prospective clients internships, training, and other employment opportunities in order to obtain improper business advantages for the Firm without taking any corrective measures, Fletcher exposed the Firm to risk of harm.

59. As set forth in Paragraphs 1 through 50 above, Fletcher violated the aforementioned policies and the FCPA, and he failed to act as a prudent and diligent person would in operating a referral hiring program and failed to adequately supervise other employees or to escalate their conduct within the Firm. As such, Fletcher breached his fiduciary duties to his employer.

REQUESTED RELIEF

PROHIBITION ACTION

60. Notice is hereby given that a hearing will be held on a date determined by the presiding administrative law judge, at the United States Courthouse in the Southern District of New York or any place designated by the presiding administrative law judge, for the purpose of taking evidence on the charges specified herein, in order to determine whether an appropriate order should be issued under section 8(e) of the FDI Act to prohibit the future participation of Fletcher in the affairs of any insured depository institution, holding company thereof, foreign bank, or any institution specified in section 8(e)(7)(A) of the FDI Act, 18 U.S.C. § 1818(e)(7)(A). As set forth above, by reason of Fletcher's violations of law, unsafe or unsound practices, and breaches of fiduciary duty, Fletcher received a financial gain or other benefit and the Firm has suffered or will probably suffer financial loss or other damage, or the interests of its depositors have been or could be prejudiced; and, the violations of law, unsafe or unsound practices, and breaches of fiduciary duty involved personal dishonesty or continuing or willful disregard for the safety and soundness of the Firm on Fletcher's part.

61. The hearing shall be held before an administrative law judge to be appointed from OFIA, pursuant to section 263.54 of the Rules of Practice, 12 C.F.R. § 263.54. The hearing shall be public, unless the Board of Governors determines that a public hearing would be contrary to the public interest, and in all other aspects shall be conducted in compliance with the provisions of the FDI Act and the Rules of Practice.

62. **Fletcher is hereby directed to file an answer to this Notice within 20 days of the service of this Notice, as provided by section 19 of the Rules of Practice, 12 C.F.R. § 263.19, with the Office of Financial Institution Adjudication ("OFIA"). Fletcher is encouraged to file any answer to this Notice by electronic mail with OFIA at ofia@fdic.gov.** Pursuant to section 263.11(a) of the Rules of Practice, 12 C.F.R. § 263.11(a), any answer filed with OFIA shall also be served on the Secretary of the Board of Governors. As provided in section 263.19(c)(1) of the Rules of Practice, 12 C.F.R. § 263.19(c)(1), the failure of Fletcher to file an answer required by this Notice within the time provided herein shall constitute a waiver of his right to appear and contest the allegations of this Notice in which case the presiding officer is authorized, upon proper motion, to find the facts to be as alleged in the Notice and to file with the Secretary of the Board of Governors a recommended decision containing such findings and appropriate conclusions. Any final order issued by the Board based upon a failure to answer is deemed to be an order issued by consent.

63. Fletcher may submit to the Secretary of the Board of Governors, within 20 days of the service of this Notice, a written statement detailing the reasons why the hearing described herein should not be public. The failure to submit such a statement within the aforesaid period shall constitute a waiver of any objection to a public hearing.

64. Authority is hereby delegated to the Secretary of the Board of Governors to designate the time and place and presiding officer for any hearing that may be conducted on this

Notice and to take any and all actions that the presiding officer would be authorized to take under the Board's Rules of Practice for Hearings with respect to this Notice and any hearing to be conducted hereon, until such time as a presiding officer shall be designated.

CIVIL MONEY PENALTY ASSESMENT

65. At all material times relevant to the Notice of Charges, the violations and practices set forth in Counts I-III permit the assessment of civil money penalties under section 8(i)(2)(B) of the FDI Act, 12 U.S.C. § 1818(i)(2)(B), in a daily amount not to exceed $37,500, pursuant to 12 C.F.R. § 263.65(b)(2)(ii).

66. Fletcher engaged in violations of law and regulation, recklessly engaged in unsafe or unsound practices, and breached his fiduciary duties by overseeing the Firm's referral hiring programs. Fletcher's violations of law and regulation, unsafe or unsound practices, and breaches of fiduciary duties, as set forth in Counts I-III, constituted a pattern of misconduct and conferred upon him a financial gain or other benefit and caused the Firm more than minimal financial loss or other damage.

67. After taking into account the size of Fletcher's financial resources, his good faith, the gravity of the violations, the history of previous violations, and such other matters as justice may require, the Board of Governors hereby assesses a civil money penalty of $500,000 against Fletcher for his knowing and intentional violations of 12 C.F.R. § 261.22(e), and for Fletcher's willfully and recklessly engaging in unsafe and unsound practices, and breaching his fiduciary duties, as set forth in this Notice of Charges. Fletcher shall forfeit and pay the penalty as hereinafter provided.

68. The penalty set forth in this Notice is assessed by the Board of Governors pursuant to section 8(i) of the FDI Act, 12 U.S.C. § 1818(i) and subparts A and B of the Board of Governors' Rules of Practice for Hearings ("Rules of Practice"), 12 C.F.R. § 263.1 *et seq*.

69. Remittance of the penalty set forth herein shall be made within 60 days of the date of this Notice, in immediately available funds, payable to the order of the Secretary of the Board of Governors of the Federal Reserve System, Washington, D.C. 20551, who shall make remittance of the same to the Treasury of the United States.

70. Notice is hereby given, pursuant to section 8(i)(2) of the FDI Act, 12 U.S.C. § 1818(i)(2) and section 263.23 of the Rules of Practice, 12 C.F.R. § 263.23, that Fletcher is afforded an opportunity for a formal hearing before the Board of Governors concerning this assessment.

71. **Any request for such a hearing must be filed with the Office of Financial Institution Adjudication ("OFIA"), 3501 N. Fairfax Drive, Suite VS-D8113, Arlington, VA 22226-3500, and with the Secretary of the Board of Governors, Washington, D.C. 20551, within 20 days after the issuance and service of this Notice on Fletcher, with regard to the civil money penalty proceedings against Fletcher. Fletcher is encouraged to file any request for a hearing by electronic mail with OFIA at ofia@fdic.gov.** A hearing, if requested, will be public, unless the Board of Governors shall determine that a public hearing would be contrary to the public interest, and in all other aspects will be conducted in compliance within the provisions of the FDI Act and the Rules of Practice before an administrative law judge to be designated pursuant to applicable law as in effect at the time of such hearing. The hearing described above may, in the discretion of the Board of Governors, be combined with any other hearing to be held on the matters set forth in this Notice.

By order of the Board of Governors of the Federal Reserve System, effective this 9th day of March, 2017.

BOARD OF GOVERNORS OF THE
FEDERAL RESERVE SYSTEM

By: /s/
Robert deV. Frierson
Secretary of the Board