S. Hrg. 113–96

JPMORGAN CHASE WHALE TRADES: A CASE HISTORY OF DERIVATIVES RISKS AND ABUSES

HEARING

BEFORE THE

PERMANENT SUBCOMMITTEE ON INVESTIGATIONS

OF THE

COMMITTEE ON
HOMELAND SECURITY AND
GOVERNMENTAL AFFAIRS
UNITED STATES SENATE

ONE HUNDRED THIRTEENTH CONGRESS

FIRST SESSION

VOLUME 2 OF 2

MARCH 15, 2013

Available via the World Wide Web: http://www.fdsys.gov/

Printed for the use of the
Committee on Homeland Security and Governmental Affairs

JPMORGAN CHASE WHALE TRADES: A CASE HISTORY OF DERIVATIVES RISKS AND ABUSES—VOLUME 2 OF 2

S. Hrg. 113–96

JPMORGAN CHASE WHALE TRADES: A CASE HISTORY OF DERIVATIVES RISKS AND ABUSES

HEARING

BEFORE THE

PERMANENT SUBCOMMITTEE ON INVESTIGATIONS

OF THE

COMMITTEE ON HOMELAND SECURITY AND GOVERNMENTAL AFFAIRS UNITED STATES SENATE

ONE HUNDRED THIRTEENTH CONGRESS

FIRST SESSION

VOLUME 2 OF 2

MARCH 15, 2013

Available via the World Wide Web: http://www.fdsys.gov/

Printed for the use of the Committee on Homeland Security and Governmental Affairs

U.S. GOVERNMENT PRINTING OFFICE

85–162 PDF WASHINGTON : 2013

For sale by the Superintendent of Documents, U.S. Government Printing Office
Internet: bookstore.gpo.gov Phone: toll free (866) 512–1800; DC area (202) 512–1800
Fax: (202) 512–2104 Mail: Stop IDCC, Washington, DC 20402–0001

COMMITTEE ON HOMELAND SECURITY AND GOVERNMENTAL AFFAIRS

THOMAS R. CARPER, Delaware *Chairman*

CARL LEVIN, Michigan
MARK L. PRYOR, Arkansas
MARY L. LANDRIEU, Louisiana
CLAIRE MCCASKILL, Missouri
JON TESTER, Montana
MARK BEGICH, Alaska
TAMMY BALDWIN, Wisconsin
HEIDI HEITKAMP, North Dakota

TOM COBURN, Oklahoma
JOHN MCCAIN, Arizona
RON JOHNSON, Wisconsin
ROB PORTMAN, Ohio
RAND PAUL, Kentucky
MICHAEL B. ENZI, Wyoming
KELLY AYOTTE, New Hampshire

RICARD J. KESSLER, *Staff Director*
KEITH B. ASHDOWN, *Minority Staff Director*
TRINA D. SHIFFMAN, *Chief Clerk*
LAURA W. KILBRIDE, *Hearing Clerk*

PERMANENT SUBCOMMITTEE ON INVESTIGATIONS

CARL LEVIN, Michigan *Chairman*

MARK L. PRYOR, Arkansas
MARY L. LANDRIEU, Louisiana
CLAIRE MCCASKILL, Missouri
JON TESTER, Montana
TAMMY BALDWIN, Wisconsin
HEIDI HEITKAMP, North Dakota

JOHN MCCAIN, Arizona
RON JOHNSON, Wisconsin
ROB PORTMAN, Ohio
RAND PAUL, Kentucky
KELLY AYOTTE, New Hampshire

ELISE J. BEAN, *Staff Director and Chief Counsel*
ZACHARY I. SCHRAM, *Senior Counsel*
ALLISON F. MURPHY, *Counsel*
HENRY J. KERNER, *Minority Staff Director and Chief Counsel*
STEPHANIE HALL, *Minority Counsel*
MARY D. ROBERTSON, *Chief Clerk*

CONTENTS

WITNESSES

FRIDAY, MARCH 15, 2013

ALPHABETICAL LIST OF WITNESSES

Page

APPENDIX

EXHIBIT LIST

Page

Page

Documents Related to Misinformation to Investors, Regulators, and the Public:

DOCUMENT LOCATOR LIST

The following *Document Locator List* references documents cited in footnotes to *JPMorgan Chase Whale Trades: A Case History of Derivatives Risks & Abuses*, the Report released in conjunction with the Subcommittee hearing on March 15, 2013, as well as documents released at the Subcommittee's hearing. Not included are documents related to Subcommittee interviews, which are not available to the public, and widely available public documents.

DOCUMENT LOCATOR LIST

Bates Number or Document Description	Page #
3/9/2012 OCC Supervisory Letter, "Examination of FSI Stress Testing Framework" [Sealed Exhibit]	*
FDICPROD-0001783-831	1314
FDICPROD-0024274-275, 286	1363
FDICPROD-0036009	1370
FDICPROD-0039217-219 (0039218* is unprintable excel file**)	**
JPM-CIO 0000546-547	1383
JPM-CIO 0000576	1385
JPM-CIO 0000987	1386
JPM-CIO 0003424-442	1387
JPM-CIO 0003443	1406
JPM-CIO 0003445-456	1407
JPM-CIO 0003457-459	1419
JPM-CIO 0003475 (Printed as Exhibit 29)	648
JPM-CIO 0003476-477	1422
JPM-CIO 0003481	1424
JPM-CIO 0003489-491	1425
JPM-CIO 0003492	1428
JPM-CIO 0003493-504	1429
JPM-CIO 0003507-508	1441
JPM-CIO 0003515-541	1443

Permanent Subcommittee on Investigations
EXHIBIT #102

DOCUMENT LOCATOR LIST

Bates Number or Document Description	Page #
JPM-CIO 0003543-554	1470
JPM-CIO 0003555-561	1482
JPM-CIO 0003562-563	1489
JPM-CIO 0003564-565	1491
JPM-CIO 0003567-569	1493
JPM-CIO 0003570-576 (Printed as Exhibit 33)	668
JPM-CIO 0003582-3587 (Printed as Exhibit 34b)	679
JPM-CIO 0003590-591	1496
JPM-CIO 0003590-596 [Sealed Exhibit]	*
JPM-CIO 0003597-598	1498
JPM-CIO 0003603-605	1500
JPM-CIO 0003631-636 (Printed as Exhibit 32d)	662
JPM-CIO 0003637-654	1503
JPM-CIO-E 00004695	1521
JPM-CIO-E 00013052	1522
JPM-CIO-E 00014689-691	1523
JPM-CIO-E 00033939-941	1526
JPM-CIO-PSI 0000032-034 (Printed as Exhibit 46)	778
JPM-CIO-PSI 0000039	1529
JPM-CIO-PSI 0000041-047	1530
JPM-CIO-PSI 0000073-074	1537
JPM-CIO-PSI 0000075-078 (Printed as Exhibit 7)	556
JPM-CIO-PSI 0000083-086	1539
JPM-CIO-PSI 0000093-097 (Printed as Exhibit 40)	758
JPM-CIO-PSI 0000098-101 (Printed as Exhibit 8)	560
JPM-CIO-PSI 0000105-106 (Printed as Exhibit 9)	564
JPM-CIO-PSI 0000141-145 (Printed as Exhibit 41)	763
JPM-CIO-PSI 0000146-149	1543
JPM-CIO-PSI 0000151 (Printed as Exhibit 42)	768
JPM-CIO-PSI 0000152-153	1547
JPM-CIO-PSI 0000157-158	1549
JPM-CIO-PSI 0000159-173 (Printed as Exhibit 10)	566
JPM-CIO-PSI 0000177-179 (Printed as Exhibit 43)	769
JPM-CIO-PSI 0000187-191 (Printed as Exhibit 44)	772
JPM-CIO-PSI 0000221-223 (Printed as Exhibit 14)	584
JPM-CIO-PSI 0000338-339 (Printed as Exhibit 47)	781
JPM-CIO-PSI 0000371-372 (Printed as Exhibit 49)	786
JPM-CIO-PSI 0000373-375	1551
JPM-CIO-PSI 0000378-380	1554

DOCUMENT LOCATOR LIST

Bates Number or Document Description	Page #
JPM-CIO-PSI 0000386	1557
JPM-CIO-PSI 0000387-388	1558
JPM-CIO-PSI 0000410-412 (Printed as Exhibit 19)	606
JPM-CIO-PSI 0000415	1560
JPM-CIO-PSI 0000416 (Printed as Exhibit 30)	649
JPM-CIO-PSI 0000449-451 (Printed as Exhibit 56)	802
JPM-CIO-PSI 0000497-498 (Printed as Exhibit 52)	794
JPM-CIO-PSI 0000539 (Printed as Exhibit 84a)	892
JPM-CIO-PSI 0000543-544 (Printed as Exhibit 83)	890
JPM-CIO-PSI 0000546	1561
JPM-CIO-PSI 0000571-573	1562
JPM-CIO-PSI 0000944	1565
JPM-CIO-PSI 0000960	1566
JPM-CIO-PSI 0001021-023	1567
JPM-CIO-PSI 0001024	1570
JPM-CIO-PSI 0001026-027 (Printed as Exhibit 26)	642
JPM-CIO-PSI 0001066	1571
JPM-CIO-PSI 0001077-078 (Printed as Exhibit 89)	903
JPM-CIO-PSI 0001086 (Printed as Exhibit 87)	900
JPM-CIO-PSI 0001093	1572
JPM-CIO-PSI 0001100-106 (Printed as Exhibit 91)	914
JPM-CIO-PSI 0001137-139	1573
JPM-CIO-PSI 0001151-160 (Printed as Exhibit 94)	927
JPM-CIO-PSI 0001200-204	1576
JPM-CIO-PSI 0001205 (Printed as Exhibit 45)	777
JPM-CIO-PSI 0001212-214 (Printed as Exhibit 84b)	893
JPM-CIO-PSI 0001219 (Printed as Exhibit 15)	587
JPM-CIO-PSI 0001220-222 (Printed as Exhibit 23)	633
JPM-CIO-PSI 0001223 (Printed as Exhibit 11)	581
JPM-CIO-PSI 0001225 (Printed as Exhibit 53)	796
JPM-CIO-PSI 0001226	1581
JPM-CIO-PSI 0001227-228	1582
JPM-CIO-PSI 0001229 (Printed as Exhibit 13)	583
JPM-CIO-PSI 0001234-235	1584
JPM-CIO-PSI 0001236	1586
JPM-CIO-PSI 0001240-246 (Printed as Exhibit 20)	609
JPM-CIO-PSI 0001247-258	1587
JPM-CIO-PSI 0001259-260	1599
JPM-CIO-PSI 0001267 (Printed as Exhibit 22)	632

DOCUMENT LOCATOR LIST

DOCUMENT LOCATOR LIST

DOCUMENT LOCATOR LIST

DOCUMENT LOCATOR LIST

DOCUMENT LOCATOR LIST

Bates Number or Document Description	Page #
OCC-SPI-00013737 (Printed as Exhibit 69)	839
OCC-SPI-00013762-763	2176
OCC-SPI-00021381-382, 386	2178
OCC-SPI-00021602-04 (Printed as Exhibit 27)	644
OCC-SPI-00021700	2181
OCC-SPI-00021723-725	2182
OCC-SPI-00021853 (Printed as Exhibit 68)	838
OCC-SPI-00021894-895	2185
OCC-SPI-00021932 (Printed as Exhibit 77)	852
OCC-SPI-00021996-002	2187
OCC-SPI-00022340-341 (Printed as Exhibit 65)	829
OCC-SPI-00022350-352	2194
OCC-SPI-00023057-060 (Printed as Exhibit 66)	831
OCC-SPI-00023753-755 (Printed as Exhibit 67)	835
OCC-SPI-00023815 (Printed as Exhibit 62)	824
OCC-SPI-00023929-932	2197
OCC-SPI-00025835-836	2201
OCC-SPI-00026410	2203
OCC-SPI-00032575-576, 580-582	2204
OCC-SPI-00033116-119, 123-125	2209
OCC-SPI-00033162, 165, 170	2216
OCC-SPI-00033688-693	2219
OCC-SPI-00035319-321	2225
OCC-SPI-00035322-324	2228
OCC-SPI-00036145-166 [Sealed Exhibit]	*
OCC-SPI-00038895 [Sealed Exhibit]	*
OCC-SPI-00052685	2231
OCC-SPI-00055687	2247
OCC-SPI-00056794	2248
OCC-SPI-00065656	2267
OCC-SPI-00065657 [Sealed Exhibit]	*
OCC-SPI-00070715	2268
OCC-SPI-00071386 (Printed as Exhibit 78)	853
OCC-SPI-00074914	2271
OCC-SPI-00081266	2284
OCC-SPI-00081611 (Printed as Exhibit 4)	531
OCC-SPI-00081631 (Excerpt) (Printed as Exhibit 4)	532
OCC-SPI-00085027	2285
OCC-SPI-00088644	2287

DOCUMENT LOCATOR LIST

Bates Number or Document Description	Page #
OCC-SPI-00089239	2314
OCC-SPI-00089295	2341
OCC-SPI-00089351	2368
OCC-SPI-00089407	2395
OCC-SPI-00114068	2421
OCC-SPI-00117682 (Printed as Exhibit 37)	705
OCC-SPI-00132363 (unprintable excel file**)	**
OCC-SPI-00134805 (unprintable excel file**)	**
OCC-SPI-00134832 (unprintable excel file**)	**
OCC-SPI-00134902 (unprintable excel file**)	**
OCC-SPI-00135422	2446
OCC-SPI-0033162, 165, 170	2451
PSI-DTCC-01-000001-003	2454
PSI-JPM-30-000001-026	2457
PSI-JPMC-24-000001-002	2483
PSI-JPMC-33-000001	2485
PSI-JPMC-35-000001 (Printed as Exhibit 97)	962
PSI-JPMC-37-000001	2486
PSI-OCC-06-000001-018	2487
PSI-OCC-06-000019-033	2505
PSI-OCC-10-000001 (Printed as Exhibit 75)	847
PSI-OCC-13-000001-126 [Sealed Exhibit]	*
PSI-OCC-17-000001-002 [Sealed Exhibit]	*
PSI-OCC-17-000003-004 [Sealed Exhibit]	*
PSI-OCC-17-000005-007 [Sealed Exhibit]	*
PSI-OCC-17-000015-018 [Sealed Exhibit]	*
PSI-OCC-17-000019-024 [Sealed Exhibit]	*
PSI-OCC-17-000025-028 [Sealed Exhibit]	*
PSI-OCC-17-000029-032 [Sealed Exhibit]	*
PSI-OCC-18-000001-004 [Sealed Exhibit]	*
PSI-OCC-22-000001-018	2520
PSI-OCC-23-000001	2538
Report of JPMorgan Chase & Co. Management Task Force Regarding 2012 CIO Losses, January 16, 2013. (Printed as Exhibit 98)	963
Testimony of Jamie Dimon, Chairman & CEO of JPMorgan Chase & Co., before the Senate Committee on Banking, Housing and Urban Affairs, June 13, 2012 (Printed as Exhibit 3)	527

DOCUMENT LOCATOR LIST

Bates Number or Document Description	Page #
Transcript of Audio Recording of JPMorgan Chase Earnings Call with Media on April 13, 2012	2539
* SEALED EXHIBITS retained in the files of the Subcommittee. ** On CD retained in the files of the Subcommittee and available for public review.	

JPMC & COMPANY
CIO Synthetic Credit Portfolio

)

CIO Update Provided By the Firm

As far back as 2006, CIO's mandate was to act as a traditional ALM function with multiple priorities, including investing the firm's excess cash, managing the firm's pension fund and capital hedging (mitigating stress events).

• From inception through year-end 2011, the CIO activities indicated that the firm was acting under this mandate.

•Going into 2012 the firm had short high yield credit positions and as the market conditions were improving, CIO sought to lift these hedges.

• To achieve the goal of reducing the short high yield positions, the CIO desk entered into a significant long credit position via investment grade indices (IG-9). From a notional perspective, the firm was net long credit.

• The firm believed that due to the historical correlation (beta) of the tranches of the IG-9 index, they were getting into a neutral position by going long 4-5 times the high yield short positions.

•The firm concedes that at this point, the CIO desk was no longer hedging its book and had real exposure to high yield verses investment grade as the historic relationship between them changed. Essentially, the macro hedge no longer represented a hedge against their bank portfolio once the desk was net long credit. JP senior management has described the trade as mismanaged and poorly executed.

CIC Jpdate Cont'd

- In late March, the firm started to see days of significant losses in the hundreds of millions of dollars. Ina Drew (CEO of CIO) first explained to management that the dislocation of the markets was an anomaly and the historic relationship would eventually revert to the mean. She expected that the CIO desk would end the quarter between -150mm and up 250mm in p/l.
- On April 5, the "London whale" story ran and the position continued to experience significant losses. Losses totaled approximately $415 million on April 10, 2012.
- The feeling inside the firm was that the trade was too big, the market knew their holdings and that they were being attacked or targeted causing the positions to continue to deteriorate. At this point they still believed that the price levels would revert to the mean.

■ = Redacted by the Permanent Subcommittee on Investigations

Timeline

- April, 4-6: News reports that in recent weeks investors have been puzzled by unusual movements in credit markets citing a JPM-UK trader with "deep pockets" putting on large credit trades and dubbed "the London Whale". Bloomberg reports of the "London Whale", a JP Morgan trader amassing a large positions in the CDX IG Series 9 and the European ITRAXX Series 9 Indices.
- FDIC onsite staff contact the OCC and NY Fed to inquire about the news reports .
- April 9: OCC and NY Fed meet with Ina Drew to discuss the reported trades. [redacted]
- April 12: Pre-earnings release meeting with Regulators (including the FDIC) with CFO Doug Braunstein. Mr. Braunstein reports that there are no problems within the CIO book.
- April 13: Jamie Dimon told analysts that the media attention on the big bets taken by one of the bank's traders in London, dubbed the London Whale, was "a complete tempest in a teapot. " The Wall Street Journal reported that trader Bruno Michel Iksil, who is part of the bank's chief investment office, has a very large position in credit default swaps in corporate bonds and some hedge funds are betting against him. Asked about the trades by an analyst on a conference call, Dimon said: "Every bank has a major portfolio."

▬ = Redacted by the Permanent Subcommittee on Investigations

Timeline Cont'd

- April 13: Bloomberg runs story regarding the credit trades and states that CIO is being used as a proprietary book. [redacted]
- April 16: FDIC, OCC and NY Fed meet with Ina Drew who provides an overview of the synthetic credit book and its recent rebalancing. P&L scenarios were presented and discussed at this time. Analysis indicates high stress loss of hundreds of millions of dollars.
- April 19: FDIC onsite team attends regularly scheduled monthly meeting with the NY Fed. Team raises topic of CIO and synthetic credit book and told that there were no issues with which they should be concerned.
- May 4: Firm discusses the $2 billion loss with the OCC and the NY Fed.
- May 10: JPMC announces unrealized losses of $2 billion in their synthetic credit position in the CIO portfolio in the past six weeks. The firm continues to announce changes in strategy and management for the CIO portfolio. FDIC learns of loss with the public announcement.
- May 21: SEC begins investigations into the appropriateness and completeness of JPMC's financial reporting, specifically addressing the value-at-risk (VaR) model for CIO and whether it was applied in a way that allowed the portfolio to appear safer.
- May 21: JPMC suspends repurchases of its stock, but intends to continue dividends payments.
- May 24: The chairman of the Senate Banking Committee request s that Jamie Dimon testify before the panel .

Obse ations Prior to Loss Announcement

- In 2010, the OCC issued an MRA addressing issues in CIO investment policies and portfolio decisions. In particular, the OCC noted a need to clearly define the processes used to manage investments and to identify objectives and investment parameters.

- JP Internal Audit reviewed EMEA CIO Credit-Market Risk and Valuation Practices and noted "needs improvement" on March 30, 2012. Deficiencies noted include:
  - Use of unapproved models
  - Insufficient consideration of potentially applicable fair value adjustments
  - Lack of formally documented/consistently applied price testing thresholds
  - Exclusion of strategic asset allocation book from the firm wide market risk limits framework

CIO L_ck of Transparency

- Minimal reporting to the regulators. FDIC only received quarterly Executive Management Report for CIO which contained mostly balance sheet information.
- No reporting of VaR, limit utilization or CIO P&L to the regulators.
- FDIC did not attend regular meetings to discuss CIO. It is our understanding that only quarterly meetings were held between the OCC and the firm.
- Other areas of the firm, such as the investment bank, provide much greater transparency. Evidenced by weekly, monthly and quarterly meetings with the firm to discuss credit and market risk issues, as well as Treasury issues. P&L reported to the regulators on a daily basis together with periodic reporting regarding limits and exposures.

Firm ɔlf Assessment

- Special team led by Mike Cavanagh to evaluate transaction timeline and the risk management controls in place, including reporting and limits.
- Outside counsel engaged to review all supporting documentation including emails and other correspondence.
- Firm focused on what issues were escalated, to whom and when.
- Review of the two VaR models used from January 2012 to date, including governance around the models.
- Evaluate the history and role of compensation in CIO's trading strategy.
- JPMC Board of Directors has established an independent committee to assess the situation.
- Firm would like to complete its work so that it can disclose results to the public at its July 19 analyst meeting.

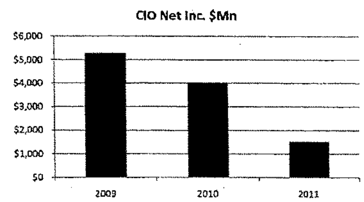
Regul. .or Work Plan Focus

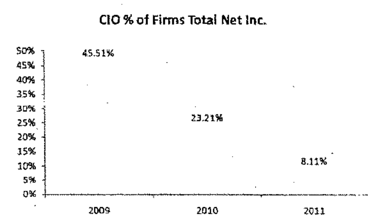
- Firm's current financial and funding profile.
- CIO mandate and operations of individual business lines.
- Potential risk of synthetic credit trading portfolio to the firm.
- CIO models and valuation methods.
- Potential range of losses in portfolio and impact on lead bank's ability to continue dividends to the holding company.
- Strength of risk management, governance and control framework.
- Volcker Rule implications.

CIO Overview

Firm Summary of CIO

- CIO is responsible for managing the firm's structural risks (e.g., interest rate risk, macro credit risk, FX capital risk, MSR hedging).
- Traditional asset / liability management (e.g., invest excess liabilities).
- Focus on long-term risk management and value, not short-term profits.
- Reported mark-to-market gains for the CIO AFS investment portfolio are ~$8B (reflects ~$1B of securities gains realized in 2Q12).
- Since 1Q07, CIO has generated ~$21B in cumulative revenue – associated with ~$11.5B cumulative net income.





* Information provided by JP Morgan 10Q Q1-2012

Por ›lio Mix (as of 1Q12)

1 *Investment Portfolio:* *primary tool for traditional asset / liability management (e.g., investing firm's excess liquidity)*

Redacted by the
Permanent Subcommittee on Investigations

2. *Synthetic Credit Book:* *tool for managing the firm's credit risks, primarily those arising from the CIO Investment Portfolio*

•Revenue recognized as mark to market

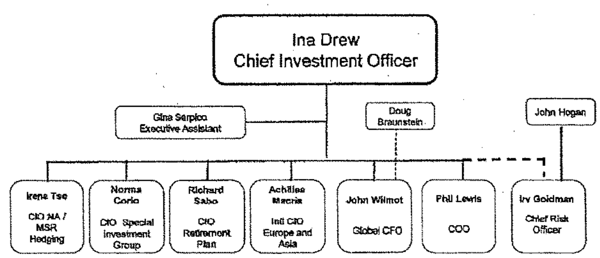
•$157B of notional net exposure ($78B BIII RWA)

3. *Other Portfolios:* *additional portfolios used to manage the firm's aggregate franchise balance sheet and structural risks (e.g., FX capital hedging, MSR hedging, other MTM position)*

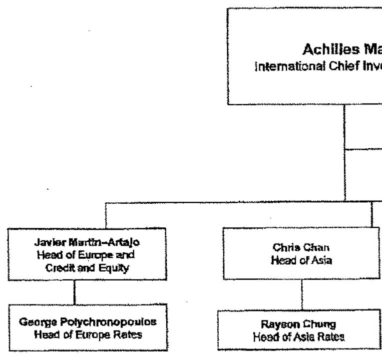
•Revenue primarily recognized as mark-to-market

* Information provided by JP Morgan CIO_Fed OCC_discussion

Chief Investment Office – Direct Reports



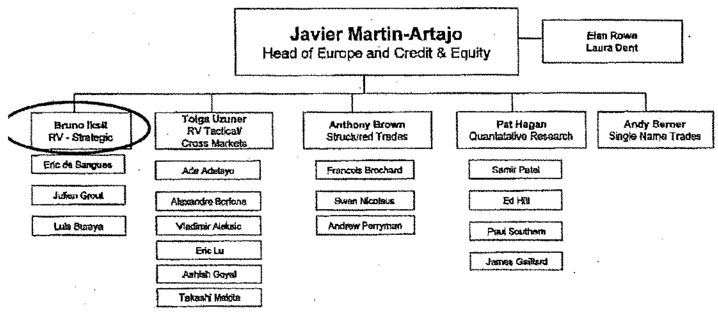
International CIO



*Reports to Phil Lewis – CIO Global COO
**Reports to John Wilmot – CIO Global CFO

International Chief Investment Office

Equity and Credit



CIO ¯epresents the Majority of the Firm's AF Portfolio

Redacted by the
Permanent Subcommittee on Investigations

▬ = Redacted by the Permanent Subcommittee on Investigations

CIO Balance Sheet

•Current Amortized Cost Totals $344Bn
•Portfolio provides:
- 30 day stress buffer of $[redacted]
- 360 day stress buffer of $[redacted]

CIO AFS Positions as of 3/31/2012				Internal Liquidity Stress - Available Collateral	
	Amortized Cost	Market Value	AOCI	30-d	Total 360-d
Agency MBS	[redacted]				
CMBS					
Corporate Bonds					
Marketable CDs					
Munis					
Non-US Governments					
RMBS, ABS & CLO					
US Agency Debentures					
US Treasuries					
Total	343.9	352.3	8.4	[redacted]	

▬▬ = Redacted by the Permanent Subcommittee on Investigations

The firm sold $24.5Bn in securities that realized approximately $1 Bn in gains.

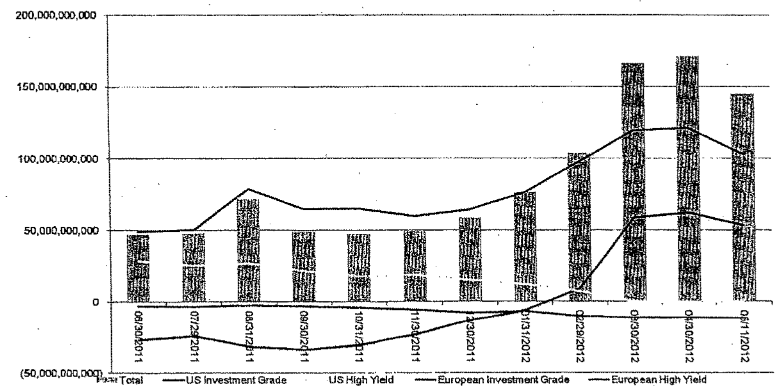
CIO AFS Assets Update-2Q12 Sales		
	Amortized Cost	Market Value
Agency MBS CMBS Corporate Bonds Marketable CDs Munis Non-US Governments RMBS, ABS & CLO US Agency Debentures US Treasuries	[redacted]	[redacted]
Total	-23	-24.5
Profit		-1.5

Amortized Cost: price as adjusted over time for accounting changes in any discount or premium.

Summary of the Synthetic Credit Position in the CIO Portfolio

Synthe..c Credit Book Issue Overview

JPMC buys and sells various synthetic credit indexes as a tool for managing the firm's credit risks arising from CIO securities investments and the firm actively invests in various index relationships.



Ove. .iew of Synthetic Credit Book Repositic..ıng

- Late in 2011, the synthetic credit position was long credit protection in high yield (HY)
- Early in 2012, CIO sought to be short credit protection in investment grade (IG)

	12/30/11	5/4/12
Net notional (factored*)	**$51B**	**$155B**
High Yield indices – Net short	$329mm	$631mm
Investment Grade indices – Net long	($177)mm	($904)mm
Total book	**$153mm**	**($273mm)**

Late 2011, Synthetic Credit Spread Book provided net protection from credit spread widening

Early 2012, the CIO sought to implement a strategy to reduce protection and to short HY

Negative = Buying Credit Protection
Positive= Selling Credit Protection

Position Overview Balance provided by the firm (May 13, 2012)

Notional ($mm)

US Investment Grade vs. High Yield

Other IG vs High Yield	Notional
Investment Grade Series 9	82,460
Other Investment Grade	(23,962)
High Yield	(20,189)
Other High Yield	2,387

Commentary

- Risks: Directional, curve, off-the run, forward default exposure when Investment Grade S 09 5 yrs matures in December 2012,
- Contributes to Investment Grade vs. High Yield position as well

Europe Investment Grade vs. High Yield

	Notional
iTraxx Main	43,785
iTraxx CrossOver	(6,754)
Other High Yield	(1,988)

- Long Investment Grade risk and short high yield risk

Tranche positions

	Total	Equity	Mezz	Senior
Investment Grade Series 9	(5,940)	(1,355)	(33,020)	28,435
Investment Grade	(360)	(195)	(265)	100
High Yield	17,769	4,291	4,183	9,295
iTraxx Main	36,395	(3,230)	440	39,185

- Long Investment Grade and short lower quality names in Europe

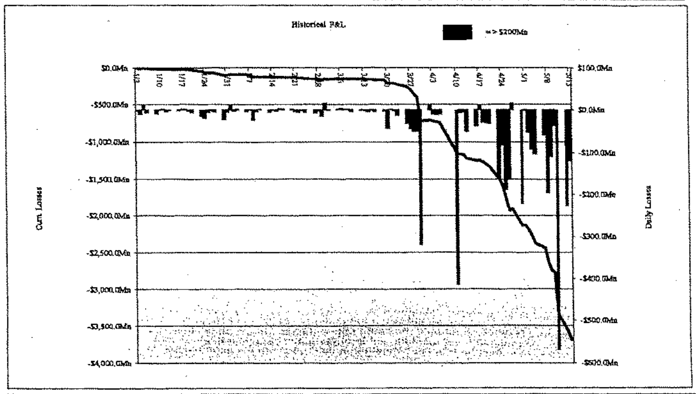
Memo: Investment Grade Series 9 (by maturity)

Investment Grade Series 9	Notional
5 year Maturity	(32,723)
7 year Maturity	34,193
10 year Maturity	80,989
Subtotal	82,460

CIO Historical Profit and Loss

- P&L for Synthetic Credit Book began to show significant losses at the end of March 2012
- Total Year to Date Loss is $3.7Bn as of May 15th
  - Q1 $700Mn
  - Q2 $3.0Bn

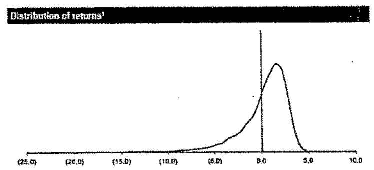
Dates [illegible]	> $200Mn P&L Loss [illegible]
30-Mar	$ (319,192,503)
10-Apr	$ (415,342,049)
30-Apr	$ (222,070,242)
11-May	$ (570,159,849)
14-May	$ (227,592,775)



Firm Stress Losses for Synthetic Credit Portfolio

Fi. 's extreme tail loss estimate for 1 Yea .s over $12Bn

Portfolio tail risk based on economic capital model



- Assumes no management actions to reduce risk over time
- Primary risk is driven by the HY / IG spread ratio
- As this ratio declines, losses increase
- Currently the ratio is roughly 5.5/1 while at the 99.9% loss the ratio is roughly estimated to be 3/1.

Loss distribution

All Synthetic Credit Book (1Y Liquidity Horizon)	
Percentile	$mm
80.0%	$1,389
90.0%	2,832
95.0%	4,906
97.5%	6,889
99.0%	8,042
99.5%	9,434
99.9%	12,819

Commentary

- We will aim to reduce losses at the 95[th] percentile
- We will seek to implement trades that reduce this curve risk

Conditional Average Spreads & Defaults

	Spreads (bps)		Defaults	
Percentile	IG	HY	IG	HY
80.0%	226	803	0.81	3.09
90.0%	276	946	1.30	4.11
95.0%	321	1,059	1.78	5.07
97.5%	375	1,217	2.64	6.60
99.0%	443	1,417	4.21	8.69
99.5%	515	1,543	4.45	9.30
99.9%	610	1,846	7.28	13.92
Fwd/Exp.	162	606	0.47	2.14

[1] As of 4/24/12

Su..mary of Synthetic Credit Book Risk Fa..ors (May 30, 2012)

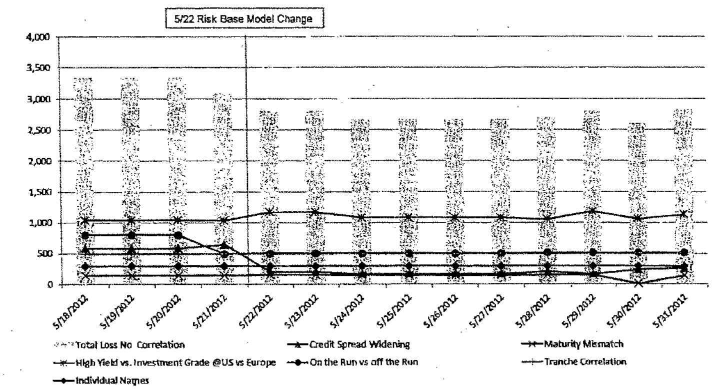
- The firm leveraged its strategy by investing in combinations of credit indexes.
- Primary strategies include the six listed below.

Est. Quarterly Loss Potential (Using 5yr Historic Data)

1. Directionality (exposure to spread widening)	$436Mn
2. Curve (long vs. short)	$10Mn
3. Decompression (IG vs. HY)	$2,037Mn
a. Crossover verses Itraxx	$143Mn
b. Europe verse US	$12Mn
4. Off- the-Run (older vs. newer issues)	$0.0Mn
5. Tranche (Senior vs. Equity)	$505Mn
6. Individual Names Default	$0.0Mn
Portfolio Worst 3 Months:	**$ 1.8Bn**
Sum of without diversification	**$ 3.1Bn**

Risk Profile and Attribution

Reductions in risk contribution were in "Credit Spread Widening" and "On the Run Vs. Off the Run" but at the expense of an increase in basis between "High Yield vs. investment Grade



- Market Risk Factors are stressed to the 95% confidence level independently with other factors held constant to calculate individual effect s on P&L (therefore it assumes there is no diversification/correlation benefit). "Total Loss including correlation" should result from a simultaneous move in all risk factors to the 95% confidence level. Bases on JPM view of risk on each Respective Day.

VaR

Changes in the VaR Model

In early January, CIO exceeded its Value at Risk (VaR) limits. These excesses were approved as CIO argued that the VaR model in use (Model A) was overestimating risk in the CIO portfolio.

•On January 20th 2012, the VaR limit was increased temporarily from $95 mm to $105 mm. Even after this increase, the VaR utilization continued to remain over its new temporary limit of $105 mm with a maximum utilization of $120 mm.

•On January 26th, a new VaR model (Model B) was implemented. The firm believed the new model captured the risk of the synthetic credit portfolio more effectively. After implementing the new model the VaR utilization went down significantly. The VaR limit was changed back to $95 mm.

•Over the course of the next few months , the maximum VaR utilization increased from $59MM in February to approximately $95mm in April.

•On May 10th, the firm realized that the Model B may be actually understating risk in the Synthetic Credit portfolio and decided to revert back to Model A. As a result of this change, the VaR for CIO shot up from $94 mm to $147 mm in one single day

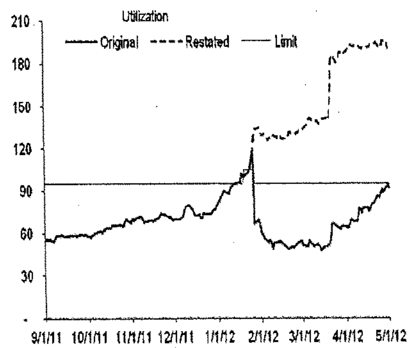
•This increase in VaR caused both CIO and firm-wide limit breaches. Both limits were increased temporarily – the CIO limit was increased from $95 mm to $160 mm and the firm wide VAR limit was increased from $180 mm to $200mm.

•The firm recalculated the VaR for the 10Q filing for the first quarter.

•The firm has acknowledged that the weakness in Model B was due to flawed implementation.

CIO Synthetic Credit VaR Model (New vs. Old)

1a CIO Total – 10Q VaR (95 limit)



Limit increased to $105 1/20-1/26

- The dotted blue line represents VaR estimates restated using the old methodology.
- The solid blue line after January 2012 represents VaR under the new methodology.
- The orange line represents the established VaR limits.

JPMC 10Q for First Quarter 2012

CIO VaR increases 238% (+ $131Mn)

The table below shows the results of the Firm's VaR measure using a 95% confidence level.

Total IB trading VaR by risk type, Credit portfolio VaR and other VaR

	Three months ended March 31,						At March 31,	
	2012			2011				
(in millions)	Avg.	Min	Max	Avg.	Min	Max	2012	2011
IB VaR by risk type								
Fixed income	$ 60	$ 47	$ 73	$ 49	$ 44	$ 56	$ 69	$ 55
Foreign exchange	11	8	22	11	9	17	14	11
Equities	17	12	25	29	19	42	17	22
Commodities and other	21	16	27	13	8	20	16	10
Diversification benefit to IB trading VaR	(46) (a)	NM (b)	NM (b)	(38) (a)	NM (b)	NM (b)	(62) (a)	(37) (a)
IB trading VaR	63	50	79	64	40	80	54	61
Credit portfolio VaR	32	26	42	26	22	33	30	28
Diversification benefit to IB trading and credit portfolio VaR	(14) (a)	NM (b)	NM (b)	(7) (a)	NM (b)	NM (b)	(13) (a)	(7) (a)
Total IB trading and credit portfolio VaR	81	70	99	83	53	102	71	82
Other VaR								
Mortgage Production and Servicing VaR	11	8	16	15	10	32	11	18
Chief Investment Office ("CIO") VaR[c]	129	85	187	60	55	64	186	55
Diversification benefit to total other VaR	(4) (a)	NM (b)	NM (b)	(14) (a)	NM (b)	NM (b)	(6) (a)	(13) (a)
Total other VaR[c]	136	89	197	62	55	69	191	60
Diversification benefit to total IB and other VaR	(47) (a)	NM (b)	NM (b)	(57) (a)	NM (b)	NM (b)	(61) (a)	(56) (a)
Total IB and other VaR[c]	$ 170	$ 111	$ 232	$ 88	$ 67	$ 104	$ 201	$ 86

(a) Average VaR and period-end VaR were less than the sum of the VaR of the components described above, which is due to portfolio diversification. The diversification effect reflects the fact that the risks were not perfectly correlated. The risk of a portfolio of positions is therefore usually less than the sum of the risks of the positions themselves.

(b) Designated as not meaningful ("NM"), because the minimum and maximum may occur on different days for different risk components, and hence it is not meaningful to compute a portfolio-diversification effect.

(c) CIO VaR presented above for the period ended March 31, 2012 supersedes the Firm's VaR disclosures included in its Form 8-K filed on April 13, 2012 and was calculated using a methodology consistent with the methodology used to calculate CIO's VaR in 2011, including the first quarter of 2011 reflected above.

CIO Reporting and Limits

Risk reporting was not comprehensive

Several of key risk matrices relevant to this portfolio were not reported.

- Maturity-mismatch risk
- High Yield vs. Investment Grade risk
- Illiquidity of older indices or tranches (i.e. on-the-run vs. off the run)
- Correlation risk between Super senior and Equity tranche positions and the default risk of individual names.

Limit Structure was weak

- Before the loss announcement, the limit structure applicable to the synthetic credit books consisted of a relatively simple set of limits consisting of VAR, Stop Loss, Credit Spread BP01 and 10% Credit Spread widening.
- VAR limit, one of the three element of the limit structure, was not effective in controlling risks, as VAR model in use understated risks of Synthetic credit book significantly.
- The limit structure in place was also deficient as it did not limit five key risks of the synthetic credit portfolio (listed above) were not included.

Weak Limit Governance

Trading positions exceeded existing limits

- According to firm's risk policy, limit excesses should result in notification to market risk and limit approvers and a decision should be made whether positions should be cut or a temporary or permanent change to limit needs to be approved.

- On March 30th 2012, three out of four of the existing limits were breached. One of these limits - Credit Spread BPV was exceeded 937% for 59 trading days.

- The Mark-to-Market Stop-Loss limit was exceeded by 158% for 5 business days. However, this excess was not escalated as this limit was only 'advisory' (e.g. not a hard limit which would require hedging or cutting of the positions).

- The limit on 10% Credit Spread Widening (CSW) was in excess for over a month from March 22 to April 30th 2012. with an average limit utilization.

- Escalation procedures for limit excesses remain unclear. Some of these limits were increased temporarily and traders were not asked to cut their positions.

New Limits were established on May 1st 2012

29 new limits specific to the Synthetic Credit Book have been implemented to create consistency with the JPMC's IB approach. Some of key limits implemented are:

•Maximum net notional exposure limits for 4 major indices

•95% VaR limit on Synthetic Credit Book – in addition to the existing 99% limits

•Limits on curve steepening by 10%.

•Limits on "higher-order" shocks - U.S. and EU compression (Extent to which Synthetic Credit Book is exposed to differential performance of IG and HY positions within a given geography) and 10% correlation shift (Sensitivity of the tranches to a 10% shift of the correlation curve).

Limit Utilization Under Old and New Limits

CIO Limits		Old Limit	Avg Utilization	New Temp Limit Increase
CIO Total -10q VAR	1-16 TO 1-19	95	98	105
	1-14 TO 1-26		113	
Int 10q- Credit VAR	1-13 to 1-23	95	99	110
	26-Jan		113	
CIO MTM Stress Losses	29-Mar	500	-859	1000
	4-5 to 4-19		-1536	
Global Credit 10% CSW	3-22 to	200	-278	200

- The firm stated that the protocols for limit excess approval were followed. Some of these limits were increased temporarily without asking traders to reduce their positions.
- However positions continued to exceed some of the new temporary limits.

Volcker Rule

Over..ew

Redacted by the
Permanent Subcommittee on Investigations

Redacted by the
Permanent Subcommittee on Investigations

Redacted by the
Permanent Subcommittee on Investigations

Firm Financial Profile

Firm L..quidity [redacted]

**Redacted by the
Permanent Subcommittee on Investigations**

Firm Liquidity Cont'd

Redacted by the
Permanent Subcommittee on Investigations

Capital Dashboard - JPM (5-11-2012)

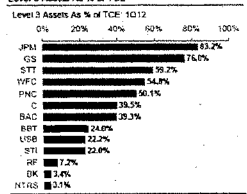
JPM- BANK HOLD
CO

Redacted by the
Permanent Subcommittee on Investigations

Exhibit 17

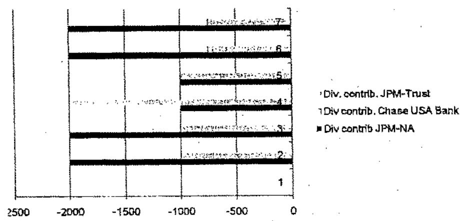
JPM's $109b of Level 3 Assets (Fair Value) Are Largest vs Peers on Absolute Basis and As % of TCE at 83%

Level 3 Assets As % of TCE



Source: Company Data, 10-Q filings, Morgan Stanley Research

JPM Dividend Contributions by Bank



Redacted by the
Permanent Subcommittee on Investigations

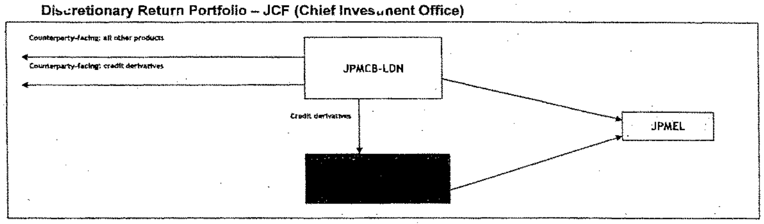
Appendix

- Legal Structure
- Index Descriptions

IO Synthetic Credit Trades are booked in White rs Inc. London

Redacted by the
Permanent Subcommittee on Investigations

Discretionary Return Portfolio – JCF (Chief Investment Office)



Credit Synthetics Trades

Customer Counterparty face JPMCB London

Trades are internally booked with Whitefriars Inc.

Redacted by the Permanent Subcommittee on Investigations

What a. ‌ the CDX and ITRAXX Indices

- **The CDX and ITRAXX are intended to represent returns on pools of Credit Default Swaps**
  - The pools are generally:
    - The more liquid names in the Credit Default Swap market
    - Should have the same reference maturity (5yr, 7yr, 10yr being the most common and liquid)
    - The credits should be of even weights at inception (if 100 credits each would be 1% of pool)
    - Segregated by credit quality of reference entity (separate High Grade and High Yield Indices)
    - Also, separated by region US, Europe, Asia, Emerging Markets etc
    - The pools are generally issued in "Series" twice a year with fairly consistent reference credits

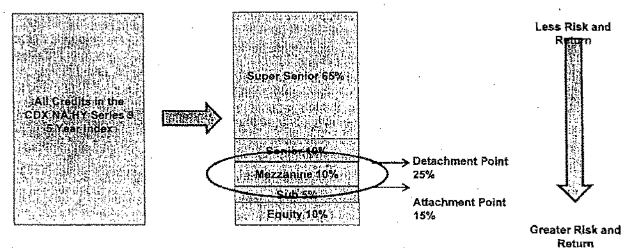
- **The CDX are generally North American and Emerging Market Indices and have the characteristics provided below**

	Index	# Entities (1)	Coupon (bps)	Recovery Rates (%)	Roll Dates	Maturity in years (2)	Underlying	Sub Indices
LCDX	LCDX	100	250	70	4/3 – 10/3	3, 5	North American First Lien Senior Secured Loans	
CDX	IG	125	100	40	3/20 – 9/20	1, 2, 3, 5, 7, 10	Investment Grade	HVol – 30 names in IG with High Volatility Sectors
	HY	100	500	30	3/27 – 9/27	5	High Yield	HY.B, HY.BB, HB
	XO	35	340	40	3/20 – 9/20	3, 5, 7, 10	Cross-Over (7B or 6B) (2)	
	EM	14 - can vary	500	25	3/20 – 9/20	5	Emerging Markets (Sovereign)	
	EM Div	40	100	25	3/20 – 9/20	5	Emerging Markets Diversified (Sovereign and Corporate)	

What are the CDX and ITRAXX Indices (Tranches)

- Tranches of the CDX and ITRAXX allow leveraged and de-levered risk exposures to the respective indices
  - These tranches are generally:
    - Based on the more liquid indices
    - Are quoted with the name of the index for which it is based and two numbers representing the attachment and detachment points (these points will vary from pool to pool)
  - Risk and return increase with lower tranches and less subordination
  - Losses are always absorbed by the most subordinate tranche outstanding (ei. The first 10% of losses ,assuming 0% recovery, are taken by the equity tranche below)

Sample Transaction below would be CDX.NA.HY Series 9 5Y 15-25



Microsoft Outlook

From:	Reitz, Karl R.
Sent:	Thursday, May 24, 2012 5:35 PM
To:	Haas, James S.
Subject:	Fw: Information previously provided to FSA
Attachments:	FSA Item 01 - Daily time series of position size and PnL from June 30, 2011 to May 11, 2012.xlsx; FSA Item 02 - Daily time series of VaR for the portfolio from June 30, 2011 to May 11, 2012.xlsx; FSA Item 03 - Periodic time series of Stress Loss size from June 30, 2011 to May 11, 2012.pdf; FSA Item 04 - Detail of the composition of the loss on Mar. 30, 2012.pdf; FSA Item 05 - Explanation and breakdown 10% CSW changes from Feb. 29, 2012 to Mar. 30, 2012.xlsx; FSA Item 06 - Detail of Risk Parameters applied until late April 2012 and Re-assessment Risk factors.pdf

From: Yao, James
Sent: Thursday, May 24, 2012 05:14 PM
To: Reitz, Karl R.
Subject: FW: Information previously provided to FSA

Karl,

Please find attached the FSA information, as discussed on the call. Welcome to the SWAT team..

James

From: Arya, Om P.
Sent: Thursday, May 24, 2012 3:13 PM
To: Yao, James; Charurat, Bob; Capsavage, Brian A.
Cc: Byars, Jessica P.
Subject: FW: Information previously provided to FSA

FYI.

From: Genova, Diane M. [mailto:genova_diane@jpmorgan.com]
Sent: Thursday, May 24, 2012 1:19 PM
To: Dianne.Dobbeck@ny.frb.org; Waterhouse (Regulator), Scott X; Needham, Catherine; Arya, Om P.
Subject: Information previously provided to FSA

Attached are the documents previously requested and provided to the FSA relating to the CIO Core Credit Book. The attached includes:

- Item 1: Daily time series of position size and P&L from June 30, 2011 to May 11, 2012
- Item 2: Daily time series of VaR for the portfolio from June 30, 2011 to May 11, 2012
- Item 3: Periodic time series of Stress Loss size from June 30, 2011 to May 11, 2012
- Item 4: Detail of the composition of the loss on March 30, 2012

- Item 5: Explanation and break down 10% CSW changes from February 29, 2012 to March 30, 2012
- Item 6: Detail of risk factors and stress parameters applied until late April 2012 and re-assessment of additional risk factors

Date	VaR 2011 Model	Var New Model
06/30/2011	31,338,508	-
07/01/2011	-	-
07/04/2011	30,589,886	-
07/05/2011	30,587,033	-
07/06/2011	30,683,067	-
07/07/2011	30,590,642	-
07/08/2011	31,474,673	-
07/11/2011	30,500,550	-
07/12/2011	30,389,702	-
07/13/2011	30,237,788	-
07/14/2011	30,244,166	-
07/15/2011	29,468,672	-
07/18/2011	29,456,958	-
07/19/2011	28,174,434	-
07/20/2011	28,174,085	-
07/21/2011	28,150,466	-
07/22/2011	27,877,989	-
07/25/2011	27,908,472	-
07/26/2011	27,936,898	-
07/27/2011	28,062,722	-
07/28/2011	27,398,853	-
07/29/2011	27,225,892	-
08/01/2011	26,514,898	-
08/02/2011	26,107,184	-
08/03/2011	26,058,601	-
08/04/2011	26,066,711	-
08/05/2011	26,105,509	-
08/08/2011	26,241,045	-
08/09/2011	26,348,602	-
08/10/2011	26,010,313	-
08/11/2011	25,800,342	-
08/12/2011	25,815,935	-
08/15/2011	52,912,468	-
08/16/2011	53,534,478	-
08/17/2011	53,500,336	-
08/18/2011	55,516,312	-
08/19/2011	53,914,576	-
08/22/2011	53,546,037	-
08/23/2011	51,325,303	-
08/24/2011	50,431,939	-
08/25/2011	50,717,034	-
08/26/2011	50,699,310	-
08/29/2011	51,468,566	-
08/30/2011	51,690,246	-
08/31/2011	52,404,742	-
09/01/2011	52,883,600	-
09/02/2011	-	-
09/05/2011	51,898,136	-
09/06/2011	51,942,463	-
09/07/2011	53,287,788	-
09/08/2011	54,321,543	-
09/09/2011	56,667,209	-

09/12/2011	56,602,695	-
09/13/2011	57,226,187	-
09/14/2011	57,583,227	-
09/15/2011	58,553,854	-
09/16/2011	59,122,446	-
09/19/2011	58,517,726	-
09/20/2011	58,626,919	-
09/21/2011	58,241,615	-
09/22/2011	58,262,644	-
09/23/2011	56,674,658	-
09/26/2011	57,879,882	-
09/27/2011	59,176,446	-
09/28/2011	57,918,884	-
09/29/2011	58,900,427	-
09/30/2011	57,219,556	-
10/03/2011	56,313,141	-
10/04/2011	55,912,197	-
10/05/2011	57,341,678	-
10/06/2011	58,435,360	-
10/07/2011	-	-
10/10/2011	60,687,443	-
10/11/2011	59,198,110	-
10/12/2011	62,577,472	-
10/13/2011	62,189,919	-
10/14/2011	63,692,856	-
10/17/2011	62,084,711	-
10/18/2011	64,540,672	-
10/19/2011	64,770,248	-
10/20/2011	64,225,622	-
10/21/2011	65,683,420	-
10/24/2011	65,850,811	-
10/25/2011	65,062,135	-
10/26/2011	64,575,559	-
10/27/2011	69,667,426	-
10/28/2011	73,944,380	-
10/31/2011	68,599,657	-
11/01/2011	66,858,203	-
11/02/2011	67,627,873	-
11/03/2011	69,636,645	-
11/04/2011	69,664,779	-
11/07/2011	69,401,729	-
11/08/2011	69,742,061	-
11/09/2011	66,851,976	-
11/10/2011	-	-
11/11/2011	69,070,795	-
11/14/2011	68,260,963	-
11/15/2011	67,654,883	-
11/16/2011	67,979,297	-
11/17/2011	66,973,561	-
11/18/2011	66,980,368	-
11/21/2011	67,345,302	-
11/22/2011	69,550,770	-
11/23/2011	-	-
11/24/2011	68,149,159	-
11/25/2011	68,103,767	-

11/28/2011	67,488,768	-
11/29/2011	67,787,755	-
11/30/2011	67,147,763	-
12/01/2011	67,086,213	-
12/02/2011	67,051,785	-
12/05/2011	67,031,741	-
12/06/2011	66,755,445	-
12/07/2011	70,791,029	-
12/08/2011	71,753,872	-
12/09/2011	72,585,365	-
12/12/2011	73,436,048	-
12/13/2011	72,731,525	-
12/14/2011	72,851,735	-
12/15/2011	71,206,169	-
12/16/2011	70,318,680	-
12/19/2011	70,322,118	-
12/20/2011	72,314,888	-
12/21/2011	71,825,878	-
12/22/2011	78,399,504	-
12/23/2011	78,401,167	-
12/27/2011	78,322,119	-
12/28/2011	81,157,926	-
12/29/2011	82,452,593	-
12/30/2011	82,270,219	-
01/02/2012	-	-
01/03/2012	94,561,512	-
01/04/2012	94,892,531	-
01/05/2012	96,096,744	-
01/06/2012	95,372,685	-
01/09/2012	92,641,094	-
01/10/2012	96,516,439	-
01/11/2012	98,154,081	-
01/12/2012	99,771,149	-
01/13/2012	-	-
01/16/2012	98,982,038	-
01/17/2012	94,427,628	-
01/18/2012	97,190,972	-
01/19/2012	100,838,403	-
01/20/2012	100,658,767	-
01/23/2012	101,631,432	-
01/24/2012	103,555,533	-
01/25/2012	106,417,378	-
01/26/2012	109,430,803	-
01/27/2012	125,711,990	62,560,584
01/30/2012	126,163,028	65,001,864
01/31/2012	126,039,349	61,839,252
02/01/2012	123,353,147	56,617,752
02/02/2012	124,186,108	56,193,368
02/03/2012	124,593,715	52,589,752
02/06/2012	122,544,351	51,046,872
02/07/2012	125,061,518	54,269,624
02/08/2012	125,181,484	53,449,820
02/09/2012	125,147,041	48,979,864
02/10/2012	125,524,820	48,807,880
02/13/2012	125,401,441	50,444,436

02/14/2012	127,337,622	51,717,968
02/15/2012	126,906,301	51,706,496
02/16/2012	126,232,307	52,131,796
02/17/2012	-	-
02/20/2012	125,496,566	48,707,460
02/21/2012	127,442,929	47,859,568
02/22/2012	127,943,468	47,803,892
02/23/2012	128,143,932	48,056,652
02/24/2012	128,197,993	48,501,808
02/27/2012	128,759,881	49,962,864
02/28/2012	129,003,016	50,142,140
02/29/2012	129,887,198	50,452,808
03/01/2012	129,771,936	51,055,536
03/02/2012	131,768,548	49,957,936
03/05/2012	134,611,026	48,875,644
03/06/2012	136,670,905	50,655,420
03/07/2012	137,399,706	49,544,876
03/08/2012	137,242,492	49,724,496
03/09/2012	135,867,233	49,248,324
03/12/2012	136,974,905	49,666,256
03/13/2012	134,927,272	49,146,444
03/14/2012	137,023,545	47,913,840
03/15/2012	137,926,901	48,085,788
03/16/2012	137,940,158	49,500,428
03/19/2012	138,833,530	48,946,504
03/20/2012	138,979,719	50,095,804
03/21/2012	154,304,951	52,542,460
03/22/2012	176,598,844	61,100,484
03/23/2012	178,937,377	60,525,240
03/26/2012	174,305,324	59,148,584
03/27/2012	175,372,249	58,114,248
03/28/2012	180,246,289	57,785,224
03/29/2012	180,617,205	58,992,360
03/30/2012	168,370,300	58,879,980
04/02/2012	181,518,641	57,819,958
04/03/2012	182,155,910	57,121,964
04/04/2012	184,322,182	60,482,140
04/05/2012	184,323,061	60,482,616
04/06/2012	184,006,468	60,216,896
04/09/2012	184,927,225	61,108,212
04/10/2012	184,530,965	71,853,320
04/11/2012	185,441,910	71,025,360
04/12/2012	185,398,279	68,785,480
04/13/2012	186,239,810	72,598,024
04/16/2012	187,034,251	73,376,576
04/17/2012	186,630,091	70,357,192
04/18/2012	187,663,989	72,906,072
04/19/2012	188,580,913	75,215,453
04/20/2012	188,408,744	75,276,095
04/23/2012	190,412,469	82,173,581
04/24/2012	188,644,884	81,456,263
04/25/2012	187,644,321	84,176,313
04/26/2012	188,059,782	87,996,439
04/27/2012	192,810,686	85,933,435
04/30/2012	191,311,240	91,051,626

05/01/2012	186,683,923	88,887,431
05/02/2012	185,489,619	88,814,768
05/03/2012	182,696,518	89,511,582
05/04/2012	182,691,110	89,506,005
05/07/2012	177,151,245	91,468,679
05/08/2012	155,343,373	81,895,979
05/09/2012	146,738,714	-
05/10/2012	-	-
05/11/2012	-	-

What Happened in JP Morgan's CIO?
A Primer

(July 16, 2012)

1370

- Background
- What happened to JP Morgan in the Markets?
- What happened to JP Morgan's CIO Trading Portfolio?
    - Directional Risk
    - Investment Grade vs. High Yield Risk
    - "On the Run" vs. "Off the Run" Risk
- What Happened to JP Morgan's CIO Controls?

1371

Background

- **January – April 6th 2012**
  - JP Morgan commences selling protection (going long) the CDX investment grade Indices going from Net protection buyers of $8 billion to Net protection sellers of $60 billion Net Notional by the end of March (The largest of these positions is the CDX IG Series 9, which had a Net protection sell of nearly $75Bln.
  - JP Morgan also increases its position in the European ITRAXX Investment Grade Indices from Net protection sellers of $76 billion to Net protection sellers of $115 billion by the end of March (The largest of these positions is in the ITRAXX Series 9, which had a Net Protection Sale of $90 Billion by the end of March)
  - Both Indices are considered "off-the-run" and liquidity in these markets can be limited
  - JP Morgan had sold enough protection in these indices to create a market dislocation
  - As hedge funds saw the dislocation they attempted to purchase protection in anticipation of a market correction, but the size of JPM's trades dislocated markets further, creating paper losses for the hedge funds
  - It is suspected that these Hedge Funds begin to circulate news of the large JPM positions 1372
- **April 6th 2012**
  - Bloomberg reports of the "London Whale", a JP Morgan trader amassing a large positions in the CDX IG Series 9 and the European ITRAXX Series 9 Indices
- **April 6th – May 10th 2012**
  - JP Morgan in separate statements indicates
    - "The CIO unit is focused on managing the long-term structural assets and liabilities of the firm and is not focused on short-term profits."
    - "Our CIO activities hedge structural risks and invest to bring the company's asset and liabilities into better alignment."
  - Markets reacts to reports and begins to trade against JP Morgan
- **May 10th 2012**
  - Jamie Dimon makes public announcement of potential losses and potential errors made by JPM and its CIO group

What Happened to JP Morgan in the Markets? (A Simple Example) CFI Monitoring Group

CDX IG Series 9, 5 Year

JP Morgan (CIO) Trade	JP Morgan (CIO) MTM Result	Theoretical Spread (Cost of Buying Protection on Underlying Credits)	Hedge Funds Trade	Hedge Funds MTM Result
Sell $1MM Prot CDX IG Series 9 @ 200	None, assuming initial trade at Market	200 Bps No Skew	Buy $1MM Prot CDX IG Series 9 @ 200	None, assuming initial trade at Market
Sell $1MM Prot CDX IG Series 9 @ 190	Made 10 Bps on Original $1MM Position	200 Bps (-10 Skew)	Buy $1MM Prot CDX IG Series 9 @ 190	Lost 10 Bps on Original $1MM Position
Sell $1MMProt CDX IG Series 9 @ 180	Made 20 Bps on 1st and 10 Bps on 2nd Position	200 Bps (-20 Skew)	Buy $1MMProt CDX IG Series 9 @ 180	Lost 20 Bps on 1st and 10 Bps on 2nd Position
Offer Sell $1MMProt CDX IG Series 9 @ 180	No MTM Change Since no transactions	200 Bps (-20 Skew)	NO INTEREST TO BUY	No MTM Change Since no transactions
Buy $1MM Prot CDX IG Series 9 @ 220	Lost 20bps on Original, 30bps on 2nd, 40bps on 3rd	200 Bps (20 Skew)	Sell Prot CDX IG Series 9 @ 220	Made 20bps on Original, 30bps on 2nd, 40bps on 3rd

April 6th Inflection Point

The Simple Example Synopsis

- JP Morgan begins selling protection on the CDX IG Series 9 at or near theoretical value of the underlying credits and continues to sell at lower spreads, which begins to drive the index below the theoretical value, creating a Negative Skew
- Hedge Funds see an arbitrage opportunity and begin buying protection, waiting for spreads to return to theoretical
- JP Morgan continues selling protection, driving the spread down further and creating MTM losses for hedge funds
- Hedge Funds circulate rumors of large positions held by JPM, and begin to realize that JPM needs to exit these positions
- Hedge Funds get the last laugh, as the spreads finally do converge to theoretical and JPM is finding it very expensive to Buy back their protection

What Happened to JP Morgan's CIO Trading Portfolio?

The CIO Trading Portfolio (Is an Index an Index?)

- The CIO had nearly 100 individual Index positions of varying exposures, vintages, and tenors
- They severely underestimated the ability for these indexes to diverge from historical or assumed relationships and move independently
- This problem was exacerbated by the fact that they became such a large participant in some specific indexes (CDX IG Series 9 and the ITRAXX Main Series 9) that it caused greater market dislocation

What were the Major Risks to JPM? (Recall our earlier "Basis Risk" discussion)

- **"Directional Risk"** is the Risk that the spreads move against you, uniformly across indices and in parallel

SPR01 of Portfolio → Unexpected Parallel Market Move → **Unexpected Loss/Gain** — **Directional Risk**

1374

- **"Investment Grade vs. High Yield"** Is the Risk that Investment Grade Indices (ie. CDX IG and the ITRAXX Main) dislocate from assumed relationships to the High Yield Indices (ie. CDX HY and the ITRAXX XO)

CDX IG Series 17 → Change in Relationship → **CDX HY Series 17** — **High Yield vs. Investment Grade Risk**

- **"On the Run" vs "Off the Run"** Is the Risk that "Off the Run" Indexes perform in an unexpected manor in relation to "On the Run" Indexes

CDX IG Series 9 → Change in Relationship → **CDX IG Series 18** — **"On the Run" vs "Off the Run Risk"**

How big are these Risks and how do they appear? (A Hypothetical Portfolio Loosely based on JPM positions as of May 5th)

	Net Notional	SPR01	Assumed Beta*	Beta Adjusted SPR01
US High Yield	(5,000,000,000)	8,000,000	5.0	40,000,000
US Investment Grade				
CDX IG Series 9 "Off the Run"	75,000,000,000	(40,000,000)		
CDX IG Series 14 "Off the Run"	(5,000,000,000)	2,000,000		
CDX IG Series 15 "Off the Run"	(20,000,000,000)	7,000,000		
CDX IG Series 16 "Off the Run"	(20,000,000,000)	7,000,000		
CDX IG Series 17 "On the Run"	10,000,000,000	(5,000,000)		
CDX IG Series 18 "On the Run"	20,000,000,000	(9,000,000)		
Total US Investment Grade	60,000,000,000	(38,000,000)	1.0	(38,000,000)
European High Yield	(10,000,000,000)	3,000,000	5.0	15,000,000
European Investment Grade	115,000,000,000	(25,000,000)	1.0	(25,000,000)
Total	160,000,000,000	(52,000,000)		(8,000,000)

Assumed to be the Beta1 Baseline

How big are these Risks and how do they appear? (Some Basic Definitions)

- **SPR01** Is the profit or loss from a 1 basis point widening of the underlying spread
- ***Beta** Is the assumed relationship between the performance of two different Indexes, Beta's are based on the "On the Run" CDX IG Series 18 and CDX IG Series 17
- **Beta Adjustment** Is simply the SPR01 for a given Index multiplied by it Beta

1375

Directional Risk – What is it? How Does it Work?

	Net Notional	SPR01	Assumed Beta*	Beta Adjusted SPR01	Basis Point Spread Move	Projected Profit & Loss
US High Yield	(5,000,000,000)	8,000,000	5.0	40,000,000	25.0	200,000,000
US Investment Grade						
CDX IG Series 9 "Off the Run"	75,000,000,000	(40,000,000)	1.0	(40,000,000)	5.0	(200,000,000)
CDX IG Series 14 "Off the Run"	(5,000,000,000)	2,000,000	1.0	2,000,000	5.0	10,000,000
CDX IG Series 15 "Off the Run"	(20,000,000,000)	7,000,000	1.0	7,000,000	5.0	35,000,000
CDX IG Series 16 "Off the Run"	(20,000,000,000)	7,000,000	1.0	7,000,000	5.0	35,000,000
CDX IG Series 17 "On the Run"	10,000,000,000	(5,000,000)	1.0	(5,000,000)	5.0	(25,000,000)
CDX IG Series 18 "On the Run"	20,000,000,000	(9,000,000)	1.0	(9,000,000)	5.0	(45,000,000)
Total US Investment Grade	60,000,000,000	(38,000,000)	1.0	(38,000,000)	5.0	(190,000,000)
European High Yield	(10,000,000,000)	3,000,000	5.0	15,000,000	25.0	75,000,000
European Investment Grade	115,000,000,000	(25,000,000)	1.0	(25,000,000)	5.0	(125,000,000)
Total	160,000,000,000	(52,000,000)		(8,000,000)		(40,000,000)

Assumed to be the Beta1 Baseline

1376

How can "Directional Risk" drive JP Morgan's Losses

- As indicated in the previous slide the "Directional" P&L results from a uniform widening of spreads, under predefined Beta assumptions.
- In the example above the Investment Grade Indexes widen by 5 basis points and the High Yield Indexes move by 25 basis points, maintaining the original 5:1 Beta assumption.
- We then multiply the SPR01 by the basis point move, arriving at the Profit or Loss in each position
- Summing those individual positions we come to a ($40,000,000) loss, purely from the 5 basis point "Directional" move

Investment Grade vs. High Yield Risk – What is it? How Does it Work?

	Net Notional	SPR01	Assumed Beta*	Beta Adjusted SPR01	Basis Point Spread Move	Projected Profit & Loss
US High Yield	(5,000,000,000)	8,000,000	5.0	40,000,000	15.0	120,000,000
US Investment Grade						
CDX IG Series 9 "Off the Run"	75,000,000,000	(40,000,000)	1.0	(40,000,000)	5.0	(200,000,000)
CDX IG Series 14 "Off the Run"	(5,000,000,000)	2,000,000	1.0	2,000,000	5.0	10,000,000
CDX IG Series 15 "Off the Run"	(20,000,000,000)	7,000,000	1.0	7,000,000	5.0	35,000,000
CDX IG Series 16 "Off the Run"	(20,000,000,000)	7,000,000	1.0	7,000,000	5.0	35,000,000
CDX IG Series 17 "On the Run"	10,000,000,000	(5,000,000)	1.0	(5,000,000)	5.0	(25,000,000)
CDX IG Series 18 "On the Run"	20,000,000,000	(9,000,000)	1.0	(9,000,000)	5.0	(45,000,000)
Total US Investment Grade	60,000,000,000	(38,000,000)	1.0	(38,000,000)	5.0	(190,000,000)
European High Yield	(10,000,000,000)	3,000,000	5.0	15,000,000	15.0	45,000,000
European Investment Grade	115,000,000,000	(25,000,000)	1.0	(25,000,000)	5.0	(125,000,000)
Total	160,000,000,000	(52,000,000)		(8,000,000)		(150,000,000)

Assumed to be the Beta1 Baseline

How can "Investment Grade vs. High Yield Risk" drive JP Morgan's Losses

- As indicated in the previous slide the "Investment Grade vs. High Yield" P&L results from spread movements of Investment Grade positions that are not in line the original projected relationships to High Yield positions (Beta's).
- In the example above the Investment Grade Indexes widen by 5 basis points and the High Yield Indexes only move by 15 basis points (implying a Beta of 3:1 vs. the assumed Beta of 5:1).
- We then multiply the SPR01 by the basis point move, arriving at the Profit or Loss in each position
- Summing those individual positions we come to a total loss from the move in spreads of ($150,000,000).
- Recall from the previous slide you can categorize ($40,000,000) of the loss from "Directional" moves and the remaining ($110,000,000) as a "Investment Grade vs. High Yield" loss.

1377

What Happened to JP Morgan's CIO Trading Portfolio?

"On the Run" vs. "Off the Run" Risk – What is it? How Does it Work?

	Net Notional	SPR01	Assumed Beta*	Beta Adjusted SPR01	Basis Point Spread Move	Projected Profit & Loss
US High Yield	(5,000,000,000)	8,000,000	5.0	40,000,000	25.0	200,000,000
US Investment Grade						
CDX IG Series 9 "Off the Run"	75,000,000,000	(40,000,000)	1.0	(40,000,000)	10.0	(400,000,000)
CDX IG Series 14 "Off the Run"	(5,000,000,000)	2,000,000	1.0	2,000,000	5.0	10,000,000
CDX IG Series 15 "Off the Run"	(20,000,000,000)	7,000,000	1.0	7,000,000	5.0	35,000,000
CDX IG Series 16 "Off the Run"	(20,000,000,000)	7,000,000	1.0	7,000,000	5.0	35,000,000
CDX IG Series 17 "On the Run"	10,000,000,000	(5,000,000)	1.0	(5,000,000)	5.0	(25,000,000)
CDX IG Series 18 "On the Run"	20,000,000,000	(9,000,000)	1.0	(9,000,000)	5.0	(45,000,000)
Total US Investment Grade	60,000,000,000	(38,000,000)	1.0	(38,000,000)	5.0	(390,000,000)
European High Yield	(10,000,000,000)	3,000,000	5.0	15,000,000	25.0	75,000,000
European Investment Grade	115,000,000,000	(25,000,000)	1.0	(25,000,000)	5.0	(125,000,000)
Total	160,000,000,000	(52,000,000)		(8,000,000)		(240,000,000)

Assumed to be the Beta1 Baseline

1378

How can "On the Run" vs. "Off the Run" Risk drive JP Morgan's Losses

- As indicated on the initial slide the "On the Run" vs. "Off the Run" P&L results from spread movements of "On the Run" positions that are not in line with or the original projected relationships to "Off the Run" positions. (It would appear that JPM assumed that the relationship was 1:1 or movements would move in lockstep)
- In the example above most of the Investment Grade Indexes widen by 5 bps and the High Yield Indexes move 25 bps (the correct 5:1 Beta assumption) . However the CDX IG Series 9 "Off the Run" moves by 10 bps, which is not in line with the "On the Run" Series 18.
- We then multiply the SPR01 by the basis point move, arriving at the Profit or Loss in each position
- Summing those individual positions we come to a total loss from the move in spreads of ($240,000,000).
- Recall from the previous slide you can categorize ($40,000,000) of the loss from "Directional" moves and the remaining ($200,000,000) as a "On the Run" vs. "Off the Run" loss.

"Basis Risk" Is it that Easy?

- In the previous slides we have demonstrated a very simple example and isolated the Basis risks individually
- With nearly 100 positions, the relationships and potential for market deviation increases significantly
  - There are 6 primary Indexes traded
  - On average each Index has approximately 7-8 different Series
  - There are up to 4 different Tenors (maturities) traded
  - Some of the Index/Series/Tenors also have 4-5 tranche positions
- One can easily see how there can be a fairly complex matrix of Beta's, which would need to be dynamically hedged and adjusted

	CDX IG S9 5 Yr	CDX IG S9 7 Yr	CDX IG S9 10 Yr	CDX IG S10 5 Yr	CDX IG S10 7 Yr	CDX IG S10 10 Yr	CDX IG S11 5 Yr	CDX IG S11 7 Yr	....	....	CDX HY S17 7 Yr	....	....	ITRAXX S17 5 Yr
CDX IG S9 5 Yr	10	0.9	0.8	0.8	0.7	0.9	0.8	0.6			0.2			0.8
CDX IG S9 7 Yr	11	10	0.1	0.2	0.9	0.6	0.7	0.8	0.3	0.3	10	0.3	10	0.7
CDX IG S9 10 Yr	13	15.7	10	0.2	0.6	0.4	0.8	0.7	0.3	0.7	0.3	0.9	0.5	0.9
CDX IG S10 5 Yr	13	6.6	5.6	10	0.9	0.5	0.7	0.2	0.1	0.2	0.6	0.1	0.5	10
CDX IG S10 7 Yr	14	11	18	11	10	0.2	0.6	0.8	0.2	0.6	0.4	0.1	0.9	0.8
CDX IG S10 10 Yr	11	16	2.5	16	4.8	10	0.5	0.6	0.7	0.2	0.2	0.4	0.2	0.6
CDX IG S11 5 Yr	13	14	12	15	17	19	10	10	0.0	0.1	0.1	0.2	10	0.7
CDX IG S11 7 Yr	17	13	14	5.6	12	18	10	10	0.3	0.4	0.4	0.6	0.9	0.1
....								3.6	10	0.5	0.4	0.7	0.9	0.9
....									19	10	0.1	0.9	0.4	0.5
CDX HY S17 7 Yr	5.0	10	2.9	17	2.4	4.5	10.1	2.7	2.3	6.9	10	0.6	10	0.3
....											16	10	0.4	0.2
....												2.3	10	0.6
ITRAXX S17 5 Yr	13	14	11	10	13	18	15	6.4	8.4	19	3.3	0.2	17	10

- To mange the process Indexes, Series, Tenors, or Tranches are sometimes grouped and assumed to have similar performance, significantly simplifying the correlation matrix.
- However, this grouping can mask relationships as was the case in the CDX IG Series 9 "Off the Run" vs the CDX IG Series 18 "On the Run"

1379

What Happened to JP Morgan's CIO Controls?

1380

Letting Traders advise on closing prices without consistent Independent Price Verification

- The previous slides provided an indication of the potential P&L effects from spread changes in specific positions
- Depending on the liquidity of the specific indexes Bid/Offers can range from 5 or less bps under normal liquid market dynamics for "On the Run" Investment Grade Indices to easily 20-30+ bps on "Off the Run" High Yield or less liquid tranche positions
- It appears that, although arguably "GAAP" approved, traders were marking their positions on the favorable side, and not at Mid or on a consistent basis.
  - Marking spreads on the tight (low) side for Net protection sold positions and,
  - Marking spreads on the wide (high) side for Net protection bought positions

Poor Implementation and Governance of new trading models

- Poor and inconsistent new model testing and governance, as CIO itself had primary control of the process
- A new model was put in place at the beginning of the year and it was discovered to contain errors and inconsistencies that resulted in a period of poor risk controls, during this period traders continued increasing positions
- After discovery of the issues the old model was finally reinstated, but by then the positions were already on the books

Poor Risk Controls and Structure

- Failure to identify and set limits to increasing risks as market dynamics shifted
- An ability for CIO management to override existing Risk limit breaches
- CIO had an insular structure with limited visibility and control from other groups within the firm
- CIO's trading successes bred an environment where risk mangers were not motivated to bring issues to the attention of senior management
- Potential incentive alignment issues, as CIO Senior Management (including traders) had significant input in CIO Risk Manager bonus compensation. (Which can easily be multiples of an employees base salary)

Microsoft Outlook

From:	Charurat, Bob
Sent:	Tuesday, June 05, 2012 11:09 AM
To:	Reitz, Karl R.; Bennett, Rosalind
Subject:	FW: JPM Position Report, as provide to FSA
Attachments:	JPM provided positions to FSA June 30 2011 to May 11 2012.xlsx

Bob Charurat
Sr. Large Bank Specialist
RMS Mid-Tier Bank Branch
Blackberry: [redacted]

From: Yao, James
Sent: Wednesday, May 30, 2012 11:03 AM
To: Needham, Catherine; Arya, Om P.; Capsavage, Brian A.; Charurat, Bob
Cc: Ledbetter, Stephen L.
Subject: JPM Position Report, as provide to FSA

Catherine,

As requested, please find attached a summary position report I prepared from the JPM information provided to FSA. It shows the month end positions of the Indexes going back to June of 2011. It appears that JPM did not significantly increase their positions until the beginning of this year, specifically in the US and European High Grade Indexes. That being said they did have a Net Long of 50-75Bln throughout the end of last year.

Please keep in mind that these are net notionals alone and may not represent risk profiles directly. Again, this does not take into account things like maturity and leverage from tranches, that are represented in the CR01's or SPR01's. There is also a simple graph of the positions on the following tab for your reference.

Please let me know if you have any additional questions.

James

Microsoft Outlook

From:	Arya, Om P.
Sent:	Wednesday, June 06, 2012 8:36 AM
To:	Yao, James; Charurat, Bob; Bennett, Rosalind; Reitz, Karl R.; Burton, Steven
Cc:	Byars, Jessica P.
Subject:	FW: Synthetic Credit Report - June 6, 2012
Attachments:	Synthetic Credit Risk Pack 6-6-12.pdf

From: Gillis, David KF [mailto:david.kf.gillis@jpmchase.com]
Sent: Wednesday, June 06, 2012 7:48 AM
To: Dianne.Dobbeck@ny.frb.org; Needham, Catherine; Arya, Om P.; "Scott Waterhouse"; Waterhouse (Regulator), Scott X
Cc: Genova, Diane M.; Hill, Erin; Gunselman, Gregg B
Subject: Synthetic Credit Report - June 6, 2012

Confidential

As requested, attached please find a detailed daily P&L and Risk report related to the Synthetic Credit Book dated June 6, 2012 for COB June 5, 2012. These materials are in draft form and are subject to continuing internal review.

Please contact me at 212-648-0362 with any questions.

David Gillis

David K.F. Gillis
Managing Director & Associate General Counsel

J.P. Morgan
270 Park Avenue, 38th Fl., New York, New York 10017
david.kf.gillis@jpmorgan.com ☎ **Tel:** 212.648.0362 **Cell:** 917.359.8854 **Fax:** 917.463.0170

From: Drew, Ina <Ina.Drew@jpmorgan.com>
Sent: Thu, 05 Apr 2012 23:02:52 GMT
To: Braunstein, Douglas <Douglas.Braunstein@jpmorgan.com>
Subject: Re: Bloomberg and upcoming WSJ stories

I will be on cell. I called you around 5 30

----- Original Message -----
From: Braunstein, Douglas
Sent: Thursday, April 05, 2012 06:58 PM
To: Drew, Ina
Subject: Fw: Bloomberg and upcoming WSJ stories

If you are around tmrw would like to catch up around what we say next week on this topic

----- Original Message -----
From: Evangelisti, Joseph
Sent: Thursday, April 05, 2012 06:52 PM
To: Executive Committee
Cc: Press Team 2012
Subject: Bloomberg and upcoming WSJ stories

Below is the first version of a Bloomberg report related to hedging positions in our CIO group. The Wall Street Journal is expected to run a front-page story on this tomorrow as well. We've corrected some information about our CIO function and provided the following comments. Please refer any follow up calls to me. Thanks, Joe

• The Chief Investment Office is responsible for managing and hedging the firm's foreign exchange, interest rate and other structural risks.

• CIO is focused on managing the long-term structural assets and liabilities of the firm and is not focused on short-term profits.

• Our CIO activities hedge structural risks and invest to bring the company's asset and liabilities into better alignment.

• Our CIO results are disclosed in our quarterly earnings reports and are fully transparent to our regulators.

BLOOMBERG
JPMorgan Trader Iksil's Heft Is Said to Distort Credit Indexes
2012-04-05 22:45:58.172 GMT

By Stephanie Ruhle, Bradley Keoun and Mary Childs
April 6 (Bloomberg) -- A JPMorgan Chase & Co. trader of derivatives linked to the financial health of corporations has amassed positions so large that he's driving price moves in the multi-trillion-dollar market, according to traders outside the firm.
The trader is London-based Bruno Iksil, according to five counterparts at hedge funds and rival banks who requested anonymity because they're not authorized to discuss the transactions. He specializes in credit-derivative indexes, an off-exchange market that during the past decade has overtaken corporate bonds to become the biggest forum for investors betting on the likelihood of company defaults.

Investors complain that Iksil's trades may be distorting prices, affecting bondholders who use the instruments to hedge hundreds of billions of dollars of fixed-income holdings.
Analysts and economists also use the indexes to help gauge interest rates that companies must pay for new credit.
Though Iksil reveals little to other traders about his own positions, they say they've taken the opposite side of transactions and that his orders are the biggest they've encountered. Two hedge-fund traders said they have seen unusually large price swings when they were told by dealers that Iksil was in the market.
Joe Evangelisti, a spokesman for New York-based JPMorgan, declined to comment on Iksil's specific transactions. Iksil didn't respond to phone messages and e-mails seeking comment.

Speculation Intensifying

Speculation about his positions intensified yesterday after the newest and most-active index of investment-grade credit, the Markit CDX North America Investment Grade Index of credit- default swaps Series 18 climbed 4.4 basis points to a mid-price of 97 basis points at 5:13 p.m. in New York, the biggest increase in almost four months, according to Markit Group Ltd.
The credit indexes are linked to the default risk on a basket of 100 or more companies.
In some cases, Iksil is believed to have "broken" the index -- Wall Street lingo for the market dysfunction that occurs when a price gap opens up between the index and its underlying constituents, the people said. The persistence of price dislocations has frustrated some hedge funds that were betting on the gap to close over time, the people said.

For Related News and Information:
RBS earnings: RBS LN <Equity> EM <GO>
More European banking stories: TNI BNK EUROPE <GO> Top stories about finance: FTOP <GO> Top U.K. stories: TOP UK <GO>

--Editors: David Scheer, Peter Eichenbaum

To contact the reporter on this story:
Bradley Keoun in New York at +1-212-617-2310 or bkeoun@bloomberg.net; Stephanie Ruhle in New York at +1-212-617-0784 or sruhle2@bloomberg.net; Mary Childs in New York at +1-212-617-6772 or mchilds5@bloomberg.net.

To contact the editor responsible for this story:
David Scheer at +1-212-617-2358 or
dscheer@bloomberg.net;
Shannon D. Harrington in New York at +1-212-617-8558 or sharrington6@bloomberg.net.

From: Wilmot, John <JOHN.WILMOT@jpmorgan.com>
Sent: Fri, 06 Apr 2012 19:08:40 GMT
To: Dimon, Jamie <jamie.dimon@jpmchase.com>; Braunstein, Douglas <Douglas.Braunstein@jpmorgan.com>
CC: Drew, Ina <Ina.Drew@jpmorgan.com>
Subject: synthetic credit tranche reserve

Jamie and Doug,

The CIO credit book was fully marked at quarter end based on our established pricing and valuation approach (resulting in $(558)mm in synthetic book MTM offset by $183mm in positive credit securities revaluation). Given the recent deterioration in market liquidity in series 9 synthetic credit tranche positions, we are proposing a liquidity reserve of $155mm for 1Q12 for these positions. This reserve was estimated utilizing our established VCG liquidity reserve framework. Let me know if you have any questions.

John

John C. Wilmot | Chief Investment Office | john.wilmot@jpmorgan.com | Work: (212) 834-5452 | Cell: (917) 664-1690

From: Wilmot, John <JOHN.WILMOT@jpmorgan.com>
Sent: Mon, 09 Apr 2012 21:52:47 GMT
To: Braunstein, Douglas <Douglas.Braunstein@jpmorgan.com>; Dimon, Jamie <jamie.dimon@jpmchase.com>
Subject: FW: Series 9 tranche liquidity reserves

Below is detail relative to the liquidity reserve taken on the Series 9 credit tranche positions. I will forward the related notional exposures tomorrow morning as they are not included below and London is closed. John

John C. Wilmot | Chief Investment Office | john.wilmot@jpmorgan.com | Work: (212) 834-5452 | Cell: (917) 664-1690

6 CREDIT TRANCHE POSITIONS IMPACTED
3 Maturities of ITRAXX Series 9 (5yr, 7yr, 10yr Maturity)
3 Maturities of CDX Investment Grade (5yr, 7yr, 10yr Maturity)

CREDIT TRANCHES LIQUIDITY RESERVE DETAILS
Total Increase of approximately +$155Million

RATIONALE FOR ADDITIONAL TRANCHE LIQUIDITY RESERVES
As part of CIO's recurring liquidity review, Credit Index markets (post Series 8) are deemed liquid and are excluded from CIO's Liquidity Reserve computation. Liquidity reserves are taken for the Series 6, 7, and 8 Credit Index and Tranches.

Credit Tranche markets have always been considered less liquid (compared to Index markets) and Liquidity reserves are therefore computed and taken. However, in the past, the Liquidity Reserve associated with these 6 Series-9 Tranche positions was not taken because their markets were deemed sufficiently liquid. The additional +$155Million Liquidity Reserve was taken due to the inclusion of these 6 Series-9 tranche positions; this reflects the market's reduced liquidity.

CALCULATON METHODOLOGY (DEFINED BELOW)
Liquidity Reserve = [CS01] X Square Root [Holding Period] X [Spread Volatility]

[A] CS01 (Credit Spread sensitivity to a 1bps change in market spreads relative to Position Size)
[B] Holding Period (JPM IB suggested maximum 120days used by CIO)
[C] Spread Volatility (provided by JPM IB VCG; varies by position in capital structure; highest volatility for Equity tranches; lowest volatility for Super Senior tranches)

JPMorganChase

CONTROLLERS
CORPORATE ACCOUNTING POLICIES

CATEGORY:	1-0100 General Accounting Policies	POLICY NO:	1-0105
SUBJECT:	Fair Value Measurement	EFFECTIVE DATE:	January 1, 2012
		ISSUE DATE:	May 10, 2012

Accounting Policies Contacts: Alistair Webster (primary)
Matt Gordon (secondary)

TABLE OF CONTENTS

I. INTRODUCTION

Accounting Standards Codification Topic 820, *Fair Value Measurement* ("Topic 820"), provides a single definition and framework for fair value measurements. In May 2011, The FASB issued Accounting Standards Update No. 2011-4, Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in U.S. GAAP and IFRSs, to make amendments to clarify or change previous guidance and to converge US GAAP and IFRS. In summary, Topic 820:

- Defines fair value;
- Establishes a three-level hierarchy for fair value measurements based upon the transparency of inputs to the valuation of an asset or liability as of the measurement date;
- Provides an exception to allow for portfolio based measurements for items managed on a net basis and measured at fair value on the balance sheet.
- Prohibits valuation adjustments when fair value is measured using a quoted price of an identical asset or liability, and prohibits the application of position size-based premiums and discounts to level 2 and level 3 instruments except where the asset or liability being valued is considered single unit of account, and a sized-based adjustment would be applied by market participants.
- Requires consideration of the Firm's own creditworthiness when valuing liabilities; and
- Expands disclosures about instruments measured at fair value.

II. DEFINITION OF TERMS

Fair value
Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

- Represents an exit price. The transaction price, or entry price, may in certain cases represent the exit price but the entry price should not be presumed to represent the fair value of an asset or liability at initial recognition.

Highest and best use (non-financial assets)
The highest and best use of a non financial asset is determined from the perspective of market participants, even if the entity intends a different use. However, a reporting entity's current use of a nonfinancial asset is presumed to be its highest and best use unless market or other factors suggest a different use by market participants would maximize the value of the asset (e.g. where the maximum value of the instrument is derived principally through its use in combination with other instruments.)

Inputs
Observable—Observable inputs are inputs that reflect the assumptions that market participants use in pricing the asset or liability developed based on market data obtained from sources independent of the Firm. Characteristics of observable inputs include readily available, not proprietary, regularly distributed, and transparent.

Unobservable—Unobservable inputs are inputs that reflect the Firm's own assumptions about the assumptions that market participants would use in pricing the asset or liability developed based on the best information available in the circumstances.

Market participants
Buyers and sellers in the principal (or most advantageous) market. A market participant must be independent (not a related party to JPMC), knowledgeable, able to transact (have the legal and financial capacity to do so), and willing to transact (not forced or otherwise compelled to do so).

Nonperformance risk

Nonperformance risk refers to the risk that the obligation will not be fulfilled and affects the value at which a liability is transferred. Nonperformance risk includes the reporting entity's credit risk as well as settlement risk and may include, in the case of commodities, the risk related to physically extracting and transferring the asset to the delivery point.

Unit of account

The unit of account determines what is being measured by reference to the level at which the asset or liability is aggregated or disaggregated for purposes of applying existing accounting pronouncements.

III. SCOPE

Instruments/transactions for which a fair value or fair-value-based measurement may apply but are not subject to this policy include:

- Share based payments accounted for in accordance with Topic 718 and Subtopic 505-50. While certain measurements in that guidance are fair-value-based measurements, they may exclude the effects of certain inputs such as conditions, restrictions and other features that would be considered in a fair value measurement under Topic 820.
- Instruments, such as physical commodities, valued in accordance with Accounting Research Bulletin No. 43, *Inventory Pricing.*
- Accounting pronouncements that permit measurements that are based on, or use, vendor-specific objective evidence of fair value.
- Situations where U.S. GAAP provides a practicability exception to the application of fair value, for example:
    - Guarantees accounted for in accordance with Topic 460 which allows for the use of transaction price (an entry price) to measure fair value at initial recognition. See also Corporate Accounting Policy #1-0108, "Guarantees."
    - Certain disclosures provided in accordance with Subtopic 825-10 , *Disclosure about Fair Value of Financial Instruments,* where it is not practical to measure fair value. Corporate Accounting Policies must be consulted where this is determined to be the case.
    - Certain Asset Retirement Obligations accounted for in accordance with Subtopic 410-20 and Sections 440-10-50 and 440-10-55 , *Accounting for Asset Retirement Obligations,* where fair value is not readily determinable.
    - Certain Contributions accounted for in accordance with FASB Statement No.116, *Accounting for Contributions Received and Contributions Made,* where contributions cannot be measured with sufficient reliability.

Note: Topic 805, *Business Combinations,* requires the use of fair value as the measurement objective, at inception, for certain assets acquired and liabilities assumed in a business combination (for example, intangible assets) and these assets and liabilities are therefore subject to this policy. In certain circumstances, where the valuation techniques applied to the asset or liability may be similar to a fair value measurement but fair value is not explicitly the required measurement objective, this policy does not apply (for example, receivables, notes payable, plant and equipment to be used).

IV. ACCOUNTING POLICY

This policy describes JPMorgan Chase's (JPMC) policy in consideration of Topic 820. The focus of this policy is how to arrive at a fair value measurement. This policy does not incorporate guidance regarding which instruments are required to be measured at fair value or which instruments the Firm has made an optional election to measure at fair value.

Fair value measurements

Fair value is the price to sell an asset or transfer a liability in the principal (or most advantageous) market for the asset or liability. The sale or transfer assumes an orderly transaction[1] between market participants. The transaction to sell the asset or transfer the liability is a hypothetical transaction at the measurement date, considered from the perspective of a market participant that holds the asset or owes the liability. Therefore, the objective of a fair value measurement is to determine the price that would be received to sell the asset or paid to transfer the liability at the measurement date (an exit price). Because that exit price objective applies for all assets and liabilities measured at fair value, any fair value measurement requires identification of the following:

a. The particular asset or liability that is the subject of the measurement
b. The valuation premise appropriate for the measurement
c. The principal (or most advantageous) market for the asset or liability
d. The valuation technique(s) appropriate for the measurement, considering the availability of data with which to develop inputs that represent the assumptions that market participants would use in pricing the asset or liability.

A. Valuation Premise

The valuation premise considers that an asset would be used either (a) in combination with other assets or with other assets and liabilities (for example, a reporting unit or business) or (b) on a standalone basis (for example, a financial instrument). Whether the asset or liability is a standalone asset or liability or a group for recognition or disclosure purposes depends on its "unit of account". The unit of account is generally determined in accordance with the Topic that requires or permits the fair value measurement.

Financial instruments are generally valued using a standalone valuation premise. However, Topic 820 provides an exception to allow for portfolio based measurements for items managed on a net basis and measured at fair value on the balance sheet. A reporting entity that holds a group of financial assets and financial liabilities is exposed to market risks (that is, interest rate risk, currency risk or other price risk) and to the credit risk of each of the counterparties. If the reporting entity manages that group of financial assets and financial liabilities on the basis of its net exposure to either market risk or credit risk, the reporting entity is permitted to apply an exception to Topic 820 for measuring fair value. The exception permits a reporting entity to measure the fair value of a group of financial assets and financial liabilities on the basis of the price that would be received to sell a net long position (an asset) for a particular risk exposure or to transfer a net short position (a liability) for a particular risk exposure in an orderly transaction between market participants at the measurement date under current market conditions. Accordingly, the "portfolio" is valued consistently with how market participants would price the net risk exposure at the measurement date.

The exception may be applied under the following conditions:

- The group of assets and liabilities is managed based on the net exposure to a particular market risk (or risks) or to the credit risk of a particular counterparty in accordance with documented risk management or investment strategy
- Information is reported on that basis to management
- Assets or liabilities are required or have been elected to be carried at fair value on the balance sheet at the end of each reporting period.

JPMorgan Chase has elected to apply the portfolio exception to its market making derivative portfolios and related cash instruments within the Investment Bank.

B. Relevant Market

A fair value measurement should reflect an exit price in the *principal market* for the asset or liability. The principal market is the market (a) with the greatest volume and level of activity for the asset and liability and (b) to which the Firm has access .

- If there is no principal market, the exit price should reflect the amount that would be received or paid in the *most advantageous market* (the market in which the Firm would maximize the amount that would be received for an asset or minimize the amount that would be paid to transfer a liability).
- If there are multiple markets for the same asset or liability, the most likely exit market should be considered to determine the exit price and the other exit markets do not need to be considered.
- For assets and liabilities where there is little or no trading, or a one-way market, the Firm must make a determination of what a willing counterparty would offer to purchase an asset or assume a liability. The determination of what a willing counterparty would offer to purchase an asset or assume a liability should consider all available market information that the market participants would use to price the asset or liability.

A discussion of the application of principal market to certain instruments has been included in Appendix A

See also discussion of transaction costs below.

C. Valuation/Measurement

Valuation techniques[2] used to measure the fair value of an asset or liability should maximize the use of observable inputs, including inputs that reflect the assumptions market participants would use in pricing the asset or liability developed based on market data obtained from independent sources. Valuations must consider current market conditions and available market information and will therefore represent a market-based, not entity specific, measurement.

If an asset or a liability measured at fair value has a bid price and an ask price (for example, an input from a dealer market), the price within the bid-ask spread that is most representative of fair value in the circumstances shall be used to measure fair value regardless of where the input is categorized within the fair value hierarchy. The use of bid prices for asset positions and ask prices for liability positions is permitted but is not required. Topic 820 also permits the use of mid-market pricing or other pricing conventions that are used by market participants as a practical expedient for fair value measurements within a bid-ask spread.

Fair value should be based on quoted market prices, where available. If listed prices or quotes are not available, then fair value is based upon internally developed models that use primarily market-based or independently-sourced market parameters, including interest rate yield curves, option volatilities and currency rates. In certain circumstances valuation adjustments must be made to ensure that financial instruments are recorded at fair value. These adjustments should be applied consistently over time and may include:

- Credit valuation adjustments ("CVA") are necessary when the market prices (or parameters) are not indicative of the credit quality of the counterparty.

- Debit valuation adjustments ("DVA") are necessary to reflect the impact of the Firm's own creditworthiness in the valuation of liabilities that are carried at fair value. See further discussion of DVA in Appendix B of this policy. See also discussion of Liability considerations below.

- Liquidity valuation adjustments are necessary when the Firm may not be able to observe a recent market price for financial instruments that trade in inactive (or less active) markets or to reflect the cost of exiting larger-than-normal market-size risk positions. Liquidity adjustments are based upon the following factors:

  - The amount of time since the last relevant pricing point
  - Whether there was an actual trade or relevant external quote
  - The volatility of the principal component of the financial instrument

- Valuation adjustments are prohibited when fair value is measured using a quoted price of an identical asset or liability In addition, the application of position size-based premiums and discounts to level 2 and level 3 instruments is prohibited except where the asset or liability being valued is considered single unit of account, and a sized-based adjustment would be applied by market participants.

  - Costs to exit larger-than-normal market-size risk positions are determined based upon the size of the adverse market move that is likely to occur during the extended period required to bring a position down to a nonconcentrated level. Size of position adjustments may be considered when applying the portfolio exception (as described in Section IV.A), if such adjustments would be considered by a market participant.

- Unobservable parameter valuation adjustments are necessary when positions are valued using internally developed models that use unobservable parameters (parameters that must be estimated and are therefore subject to management judgment) as their basis. Risk-averse market participants generally seek compensation for the uncertainty associated with the cash flows of an asset or liability (risk premium).

- Uncertainties and customization related to loan securitization for loans that are expected to be securitized, fair value is estimated based on observable pricing of asset-backed securities with similar collateral and incorporates adjustments (i.e., reductions) to these prices to account for securitization uncertainties including portfolio composition, market conditions and liquidity to arrive at a whole loan value.

- Restrictions
  There are generally two types of restrictions:

  Restrictions on sale
  Examples of a restriction on sale include restrictions on private placements, underwriter lock-up, and volume restrictions. An adjustment must be made to the value of the instrument to reflect the price adjustment that a market participant would make due to the lack of marketability. An adjustment for a restriction should be re-evaluated and adjusted appropriately as the time to the expiration of the restriction decreases.

  Note: When a publicly traded security position incorporates both restricted and non-restricted securities, the adjustment for restrictions will be applied only to the restricted shares. For example, securities subject to SEC Rule 144 restrictions may have portions of the position that are unrestricted depending on trading volume. Additionally, SEC Rule 144 shares may be free to trade if a shelf registration has been filed.

  Restrictions on use
  An example of a restriction on use would include a restriction on the use of a physical asset such as land or a building. An adjustment cannot be taken as a result of the restriction if it is deemed to be a restriction on use.

  The determination of whether a restriction should be incorporated in the valuation of an asset or liability requires judgment and consultation with Corporate Accounting Policies.

- Liability considerations—a fair value measurement for a liability assumes (1) that the liability is transferred to a market participant and the liability to the counterparty continues (it is not settled), and (2) that the risk of nonperformance is the same before and after the transfer. Nonperformance risk or the risk that the obligation will not be fulfilled impacts the amount at which a liability would be transferred.

  The adjustment to a valuation for nonperformance risk (or the impact of the Firm's own creditworthiness) is called the Debit Valuation Adjustment or "DVA." See further discussion of DVA in Appendix B of this policy.

D. <u>Valuation Hierarchy</u>

All instruments measured at fair value are required to be classified within a three-level hierarchy that is primarily used for external disclosure purposes. The fair value hierarchy prioritizes inputs to the valuation of an instrument. When the inputs to the valuation fall within different levels of the hierarchy, the level in which the instrument is classified is based on the lowest level significant input to the valuation.

Detailed below is a description of the hierarchy levels, the Firm's policies associated with the determination of classification, and examples[3] of products included within each of the levels:

Note: Maintenance of documentation to support the level of classification for a product within the fair value hierarchy is the responsibility of the Line of Business Controllers and CFOs.

Level 1—inputs to the valuation methodology are quoted prices (unadjusted) for identical assets or liabilities in active markets.

- An active market is defined as one in which an accurate daily price can be obtained from multiple reliable sources and a fair value measurement (exit price) may be arrived at without adjustment or the use of a model.
- Where a quoted price in an active market is available for the identical asset but pricing of the individual instruments is not practical/efficient, the Firm may use an alternative pricing method (for example, matrix pricing). Where an alternative pricing method is utilized as a practical expedient the instruments must be classified in a lower level of the hierarchy.

Examples of Level 1 instruments:

Highly liquid government bonds, certain mortgage products (for example, residential agency pass-through securities), exchange-traded equities, and exchange-traded derivatives.

Level 2—inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets.
- Quoted prices for identical or similar assets or liabilities in markets that are not active, that is, markets in which there are few transactions for the asset or liability, the prices are not current, or price quotations vary substantially either over time or among market makers (for example, some brokered markets), or in which little information is released publicly (for example, a principal-to-principal market).
- Inputs other than quoted prices that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the financial instrument (for instance, interest rates and yield curves observable at commonly quoted intervals, volatilities, prepayments speeds, loss severities, credit risks, and default rates).
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means (market-corroborated inputs).

There is generally evidence of two-way flow (purchases and sales in the market) for instruments that are classified within Level 2.

Examples of Level 2 instruments:

Common stocks traded and quoted on an inactive market in an emerging country, privately placed bonds whose value is derived from a similar bond that is publicly traded, over-the-counter interest rate swaps valued based on a model whose inputs are observable LIBOR forward interest rate curves, resale and repurchase agreements, warehouse loans, and debt obligations, certain high-yield debt securities, as well as certain structured liabilities where the inputs to the valuation are primarily based upon readily observable pricing information.

Level 3—inputs to the valuation methodology are unobservable and significant to the fair value measurement. Fair value for Level 3 instruments is based on internally developed models in which there are few, if any, external observations. For transactions in this category, there is rarely a two-way market, and typically there is considerable structuring (making the product largely one-off and JPMC specific).

- Unobservable inputs should only be used when observable inputs are not available (inputs are unobservable when they reflect the Firm's own assumptions about the assumptions market participants would use to price the instrument).
- The exit price measurement objective remains the same in Level 3; therefore, the Firm's own data should be adjusted if there is contrary data indicating that market participants would use different assumptions to price the instrument.
- In certain circumstances, an instrument that is classified within Level 3 at inception may become more observable as it approaches maturity. In those cases, when the unobservable component is no longer significant, the instrument will be transferred to Level 2 at that time.

Instruments for which there is an unobservable input are generally classified within Level 3. If there is evidence present to demonstrate that the unobservable inputs are not significant to the valuation through evidence such as two-way market trades, extensive pricing agency data, broker data or other relevant trade information, the instrument may be classified within Level 2.

Examples of Level 3 instruments:

Long-dated commodity swaps where the relevant forward price curve is not directly observable or correlated with observable market data, shares of a privately held company, structured notes with significant unobservable inputs, mortgage servicing rights, retained interests in securitizations, and goodwill.

E. Transaction Costs

The price in the principal (or most advantageous) market used to measure the fair value of an instrument should not include transaction costs. Transaction costs represent incremental direct (i.e., invoiced) costs to transact in the principal or most advantageous market, are not an attribute of the asset or liability being measured, and are reported as direct expenses in the Consolidated Statement of Income with limited exception (see Corporate Accounting Policy #1-0107, "Netting of Assets and Liabilities and Related Income and Expense"). Transaction costs include, but are not limited to, invoiced brokerage and commissions and certain due diligence costs.

Transaction costs which are incorporated within the bid offer spread (i.e., in-the-price brokerage) are reported net within principal transactions and are not separately identified for reporting purposes.

Transaction costs do not include the costs that would be incurred to transport an asset or liability to (or from) the principal (or most advantageous) market. Where location is an attribute of the asset or liability as may be the case for a commodity, the price in the principal or most advantageous market used to measure fair value of the asset or liability should be adjusted for the costs that would be incurred to transport the asset or liability to (or from) its principal (or most advantageous) market.

F. Other Considerations

Cut-off time
For instruments for which quotes are available prices must be obtained at the same time each business day. This includes cases where products are valued using models even though market prices are available in other time zones (for example, when trading across different exchanges). In addition, prices for hedges and the items being hedged must be sourced at the same time of day.

For internal trades between portfolios based in different regions, each side may be priced using the closing price obtained at the appropriate cut-off point in the relevant region.

V. CROSS-REFERENCES

Corporate Accounting Policy #1-0106, "Fair Value Option"
Corporate Accounting Policy #1-0107, "Netting of Assets and Liabilities and Related Income and Expense"
Corporate Accounting Policy #1-0108, "Guarantees"
Corporate Accounting Policy #1-0112, "Consolidation of Variable Interest Entities"
Corporate Accounting Policy #2-0301, "Repurchase/Reverse Repurchase Agreements and Securities Lending and Borrowing"
Corporate Accounting Policy #2-0401, "Trading Securities"
Corporate Accounting Policy #2-0501, "Investment Securities"
Corporate Accounting Policy #2-0603, "Loan Securitizations"
Corporate Accounting Policy #2-0604, "Commercial Loans and Lending Facilities"
Corporate Accounting Policy #2-0605, "Consumer Loans"
Corporate Accounting Policy #2-0701, "Long-Lived Assets (Other than Internal Use Computer Software/Web Site Development)
Corporate Accounting Policy #2-1001, "Foreclosed Assets"
Corporate Accounting Policy #2-1005, "Investments in Nonmarketable Equity Securities"
Corporate Accounting Policy #3-0701, "Long-Term Debt"
Corporate Accounting Policy #5-0101, "Accounting for Derivatives and Hedging Activities"
Corporate Accounting Policy #6-0101, "Accounting for Lending-Related Fees"

Corporate Accounting Policy #6-0102, "Interest Income Recognition"

VI. REFERENCES TO AUTHORITATIVE LITERATURE

FASB Statement No. 107, *Disclosure about Fair Value of Financial Instruments*
FASB Statement No. 115, *Accounting for Certain Investments in Debt and Equity Securities*
FASB Statement No. 123R, *Share Based Payment*
FASB Statement No. 141 *Business Combinations*
FASB Statement No. 143, *Accounting for Asset Retirement Obligations*
FASB Statement No. 157, *Fair Value Measurements*
FASB Statement No. 159, *The Fair Value Option for Financial Assets and Liabilities*
ASR No. 118, *Accounting, Valuation and Disclosure of Investment Securities*

APPENDIX A

Fair Value Measurements for Certain Instruments Carried at Fair Value

This Appendix is intended to give further background regarding the fair value measurements for certain instruments carried at fair value. The list is not meant to be all inclusive.

I. Derivatives: IB Market-Making under portfolio exception

- Background
  The Firm makes markets in derivative contracts, transacting with retail and institutional clients as well as other dealers.

- Valuation Premise
  For the IB market making portfolio, JPM has elected to apply the portfolio exception provided in Topic 820. As a result, the unit of account is the net open position

- Relevant Market
  In general, the dealer market is the Firm's principal market for derivative transactions as the greatest volume of derivatives activities occur in the dealer market and the Firm's IB market making businesses have access to that market. In addition the dealer market is the most advantageous exit market for the Firm.

- Valuation/Measurement
  As a result of electing the portfolio exception, the unit of valuation for IB market-making derivatives is the portfolio. The starting point for the valuation of the IB market-making derivatives portfolio is mid market. As a dealer, the Firm can execute at or close to mid market thereby profiting from the difference between the retail and dealer markets. If the Firm cannot exit a position at mid market certain adjustments are taken to arrive at exit price. (See Section IV.C. of this policy for a discussion of valuation adjustments.)

II. Structured Notes/Repos/Resales

- Background
  The Firm issues structured notes[4] as a means to deliver derivative risk to retail and institutional clients that wish to invest in derivative risk in a funded format. Derivative risk, which may include credit risk, interest rate risk, foreign exchange risk, commodity risk and equity risk, is embedded in a debt host contract and issued in the Firm's name. The derivative risk is the primary driver of the profit and loss.

- Valuation Premise
  The valuation premise for structured notes is on a standalone basis. The unit of account is the transaction.

- Relevant Market
  There is no active secondary market for most structured note products and sales to third parties are rare. Dealers (issuers) will provide indicative quotes for their own paper and will repurchase or unwind with the original counterparty (investor). A dealer generally will not buy instruments issued by others. As such, not all market participants operate on both sides of the structured notes market.

  The principal market for the Firm is the primary (issuance) market for structured notes. Market participants include other dealers (issuers) to whom a liability could be transferred (who take positions on the liability side of their balance sheets).

- Valuation/Measurement
  To estimate the fair value of structured notes, cash flows are evaluated taking into consideration any derivative features and are then discounted using the appropriate market rates for the applicable maturities. As the primary risk in the "funded derivative" is derivative risk, market participants that issue structured notes use the same assumptions in valuation as those used in deriving an exit price in the derivatives market. In the absence of actual data for liability transfers for this product, the hypothetical transaction is based on assumptions in active markets for similar risks (derivative market).

III. Mortgage Loan Warehouses

- Background
  The Firm purchases and originates mortgage loans for securitization. Types of mortgages include: Agency mortgages (conforming mortgages sold to GNMA, FNMA and/or Freddie MAC) Alt-A, Alt-B, subprime and commercial mortgages.

- Valuation Premise
  The unit of account is the mortgage loan. Mortgage warehouse loans are valued on a standalone basis.

- Relevant Market
  The principal market for a product or instrument is the market in which the Firm transacts with the greatest volume or level of activity. The securitization market is the principal market for mortgage warehouse loans as securitization is the primary exit strategy for the Firm.

- Valuation/Measurement
  Fair value is based upon observable pricing of asset-backed securities with similar collateral and incorporates adjustments (i.e., reductions) to these prices to account for securitization uncertainties including portfolio composition, market conditions and liquidity to arrive at a whole loan value.

Valuation technique
All mortgage warehouse loans should be priced using a mock securitization (bond execution) basis, which is a market approach valuation technique. Under this approach, structuring models (combined with Rating Agency modeling approaches) are used to create representative deal structures, including bond levels by rating with loss coverage amounts and reflect the "offer" side of the market where the securitization take out occurs.

IV. Mortgage Servicing Rights

- Background
Mortgage servicing rights ("MSRs") represent rights to receive cash payments in connection with performing the tasks required to service pools of previously sold mortgage loans. These cash payments include, but are not limited to, negotiated servicing fees, interest earned on escrow balances, late fees, and float earnings on principal/interest payments.

- Valuation Premise
Pooling of MSRs maximizes value to the market participants by both creating less uncertainty in the cash inflows and permitting the market participant to benefit from cost synergies that occur in servicing more mortgage loans. As a result of these benefits, market participants see more value for MSRs that are pooled in a portfolio than they would for individual servicing contracts. Consequently, the highest and best use of MSRs from the perspective of marketplace participants is in-use.

- Relevant Market
MSRs are not traded actively with readily observable prices; sales are typically negotiated and brokered privately between entities. Trading volume is infrequent and unlike the brokering of a financial asset, the entities transacting must have a servicing platform and be able to perform the required servicing.[5] Sales of MSRs are also subject to approval by investors in the mortgage-backed securities issued when the underlying loans were securitized. Based on the above, the principal market for MSRs, for the Firm, is a hypothetical market where the market participants have extensive servicing capabilities and benefit from certain cost economies of scale.

- Valuation/Measurement
The valuation of MSRs is generally estimated by calculating the present value of the estimated net future servicing cash flows to be received over the life of the servicing contract. The net cash flows are comprised of servicing revenues less related costs of servicing. The maximization of MSR value must either increase the cash inflows or decrease the costs of servicing.

APPENDIX B

JPMC Implementation of DVA

(See also discussion of liability considerations in Section IV.C. of this policy.)

In order to incorporate the effect of changes in the Firm's creditworthiness in derivative valuations, and because there is no industry standard for such calculations, the Firm developed its DVA methodology utilizing assumptions that it believes other market participants would use to value liabilities due by the Firm.

Specifically, the Firm leverages its current Credit Valuation Adjustment (CVA) methodology used to calculate and record the effect of counterparty credit risk for derivative receivables. The CVA is derived by calculating an expected positive exposure (EPE) at time of counterparty default (including certain collateral assumptions) and applying to it the counterparty's credit spread or a proxy thereof and a standard default recovery rate to arrive at an adjustment for credit. Similarly, DVA is calculated as expected negative exposure (ENE) x JPMC's market credit spread and a standard recovery assumption. Details for each of these key inputs follow.

Expected Negative Exposure (ENE)
The basic building block for DVA is Expected Negative Exposure (ENE); that is, what the Firm would expect to owe derivative counterparties at the time of its default. This is computed by first generating possible scenarios[6] of underlying market factors and averaging over all portfolio market-to-market values, treating positive values as zero. These scenarios take into account the impact of legally enforceable netting agreements and existing collateral agreements with the counterparty as well as collateral agreements which are probable of being enacted in the event of a significant deterioration in the Firm's credit standing.

Legally enforceable netting agreements
The Firm has master netting agreements in place with virtually all derivative counterparties. Upon default or termination of any one contract, a master netting agreement provides for the net settlement of all contracts with the counterparty through a single payment in a single currency. The netting provisions in the agreement are legally enforceable and as such would serve as a mitigant (a reduction) to ENE to the extent that the Firm had positive exposure to the respective counterparty for other derivative contracts. An important assumption that the Firm makes for both CVA and DVA is that the Firm would net settle all deals where possible. The Firm believes that this assumption is well corroborated by its behavior and the behavior of other market participants. The Firm also believes that the incorporation of netting agreements into the DVA calculation is supported by paragraph 15 of Statement 157 which indicates that the terms of credit enhancements related to a liability should be incorporated in the value of that liability. Although it deals with presentation, Paragraph 21 of FIN 39 also acknowledges that credit risk is best reflected by net amounts under a master netting agreement.

Existing collateral arrangements with counterparties

Consistent with the Firm's approach regarding master netting agreements, the Firm incorporates the existence of collateral agreements in deriving the ENE. The Firm assumes that a counterparty to which an assignment was being made would demand credit protection comparable to that obtained by the transferor, thus requiring reflection in the exit price.

Probable collateral arrangements

In an idiosyncratic default scenario, the Firm also considers the probability of new credit enhancements being required at the time of the credit event.[7] This assumption impacts the exposure (ENE) to the Firm's counterparties as the Firm's credit deteriorates.

As the Firm heads to default idiosyncratically, in order to maintain its derivatives franchise the Firm would likely be required by its counterparties to either enter into unilateral collateral agreements where there are none, or to renegotiate existing collateral agreements to terms more favorable to the Firm's clients. For modeling purposes, the assumption is that a unilateral collateral agreement, in favor of the client, would be put into place. Consideration of the impact of probable credit enhancements within the valuation appropriately prevents the recognition of a gain that would not be realized due to the imposition of a new collateral agreement.

While it is clear that derivative counterparties impacted by the Firm's credit deterioration would request additional credit support, there is also evidence suggesting that market participants faced with a call for additional collateral would also respond by posting collateral in order to protect their derivative franchise. The Firm notes that several firms have established AAA-rated entities to house their derivatives activity for precisely this reason.

JPMC Credit Spread

The second major component of the DVA calculation is the Firm's credit spread. An observable market indicator of the Firm's creditworthiness, the credit spread is the sum of (a) the market risk premium (reflecting the market's perception of the Firm's credit risk or the systemic risk) and (2) the real probability of default (the idiosyncratic entity-specific risk factor).

The Firm currently uses counterparty credit spreads from the credit default swap market to calculate the CVA. Credit default swap spreads assume a recovery assumption. Many of the Firm's competitors also use credit spreads to assess the credit risk associated with counterparty receivables. It is therefore reasonable to assume that market participants would similarly include the Firm's observable credit spread as a key input in derivative valuations.

The Firm's CVA methodology is based on the best evidence of how sophisticated market participants value the credit risk inherent in derivative transactions. The DVA methodology applies the same logic where the Firm is in a payable (versus receivable) position. In order to validate the reasonableness of the methodology and how credit would be considered in the transfer of a liability, the Firm considered recent transactions where the impact of the counterparty's creditworthiness was clearly considered in the unwind price of a derivative receivable. The Firm believes that where an entity is required to assess its own creditworthiness for liabilities which it records at fair value, an adjustment similar to that applied for counterparty creditworthiness is appropriate and, although based on limited historical evidence, supportable. The Firm believes that this methodology will also be validated by the pricing of future unwinds/assignments and as such, the Firm believes that its calculation of DVA—the product of the ENE, the JPMC credit spread, and a standard recovery rate—produces an exit price consistent with that derived by a market participant.

Other considerations - DVA for structured notes

In order to assess nonperformance risk for structured notes, the Firm leveraged the current DVA methodology applied to derivatives with limited modification. Modifications were based on the following:

- Cash flows on derivatives may be either positive (inflows) or negative (outflows), whereas cash flows on a structured note are all outflows. As a result, for structured notes, the equivalent of the ENE (within the derivative calculation) is the libor flat discounted cash flows for the note.
- Due to operational constraints, the DVA methodology for structured notes assumes that there is only one cash outflow which happens at maturity, similar to a zero coupon note.

The DVA methodology for structured notes is based on readily available information (data) for the underlying structured notes. The data required is: 1. fair value of the structured note in its entirety (excluding the impact of the Firm's credit) and 2. the expected maturity of the instrument.[8] The methodology calculates an adjustment to the fair value based upon the Firm's survival probability at the expected maturity date of the instrument. The formula is as follows:

$$DVA = FV * (1-SP(EM,RR))*(1-RR)$$

- FV: the model-based fair value of the instrument as reported on the Firm's books and records (exclusive of the Firm's credit spread). The fair value represents the expected negative outflows as described below.
- SP(EM,RR) is the Firm's survival probability at the note's expected maturity EM, which is the equivalent of the JPMC credit spread X a recovery rate RR.

The Firm's use of CDS spreads to calculate the DVA for structured notes is principally based on the substance of the instruments being valued. Structured notes can be viewed as funded derivatives or hybrid instruments that are similar in many ways to derivatives. As market participants within the hypothetical wholesale market for structured notes would include other dealers; and as other dealers generally incorporate an adjustment for credit risk into the fair value (exit price) of derivatives using liquid/observable CDS spreads; the Firm has consistently used CDS spreads to value similar risks within the structured note population.

APPENDIX C

Nonrecurring Fair Value Measurements

Certain assets, liabilities and unfunded commitments are measured at fair value on a nonrecurring basis; that is, the instruments are not measured at fair value on an ongoing basis but are subject to fair value adjustments in certain circumstances (for example, when there is evidence of an impairment or there is a lower of cost or fair value adjustment.)

Examples of instruments that are subject to nonrecurring fair value adjustments include:

- Held-for-sale loans or commitments carried at lower of cost or fair value; see Corporate Accounting Policy #2-0604, "Commercial Lending Facilities."
- Held-for-investment (accrual) loans that are impaired and are written down to fair value based on the fair value of the underlying collateral, or based on an observable market price; see Corporate Accounting Policy #2-0611, "Allowance for Credit Losses."
- Equity investments accounted for either at cost or under the equity method; see Corporate Accounting Policy #2-1005, "Investments in Nonmarketable Equity Securities."
- Goodwill and other intangible assets; see Corporate Accounting Policy #2-1004, "Intangible Assets and Goodwill."
- Long-lived assets including real estate, fixed assets, assets under operating leases, and capitalized software; see Corporate Accounting Policies #s 2-0701 to 2-0705, "Premises and Equipment."

ENDNOTES

[1] An orderly transaction assumes exposure to the market for a period prior to the measurement date to allow for marketing activities that are usual and customary for transactions involving such instruments; it is not a forced transaction (for example, a forced liquidation or distress sale).

[2] Valuation techniques may include:

Market approach
The market approach uses prices and other relevant information generated by market transactions involving identical or comparable assets or liabilities and may include use of matrix pricing or market multiples derived from a set of comparables.

Income approach
The income approach uses valuation techniques to convert future amounts (for example, cash flows or earnings) to a single present amount (discounted). Valuation techniques include present value techniques; option pricing models, such as Black-Scholes-Merton formula (a closed-form model) and binomial model (a lattice model) which incorporate present value techniques, and the multi-period excess earnings method, which is used to measure fair value of certain intangible assets.

Cost approach
The cost approach is based on the amount that currently would be required to replace the service capacity of an asset (otherwise known as current replacement cost)

[3] The examples provided are generalized across asset classes. Classification within the valuation hierarchy is based on a review of the products and the related facts and circumstances including the significance of any unobservable inputs to the valuation methodology.

[4] Within this appendix, the term "structured note" is used to refer structured notes, structured repo and structured resales.

[5] Another consideration is that even for an entity with servicing capability, the size of the servicing operations may not provide adequate economies of scale in its own servicing cost structure.

[6] The final ENE is a weighted average of the results from the two default scenarios (a systemic default and an idiosyncratic default).

[7] In the systemic default scenario it is much less clear that the Firm's counterparties will be able to impose or change collateral agreements in their favor, thus incremental collateral has not been considered.

[8] Underlying data collected from the businesses include carrying value, expected maturity and Legal Entity (to determine the application of the bank versus holding company spread).

From: Iksil, Bruno M <bruno.m.iksil@jpmchase.com>
Sent: Thu, 01 Mar 2012 05:44:04 GMT
To: Stephan, Keith <keith.stephan@jpmorgan.com>
Subject: Fw: Core credit book update

----- Original Message -----
From: Iksil, Bruno M
Sent: Wednesday, February 29, 2012 10:27 PM
To: Martin-Artajo, Javier X
Subject: Core credit book update

I have sold important amounts of protection in ig9 10yr (close to 7bln all day or 3.5m cs01) and this will push the cs01 beyond the 25m limit. This is related to month end price moves that were all adverse although we could limit the damage.

I reckon the cs01 will jump to 28m (I bough protection for approx 500k in hy and xover) from 25m this morning. I went back inside the 25m limit this morning initially but there was an insistent bid on ig9 10yr later in the day. Among the other weird moves we observed today, I picked this one because this is the most obvious one when we analyze the lags we have in the core book.

I will correct the breach tomorrow buying back some protection on main s16 mostly and us hy. Initially, I sold risk in hy in front of the risk I added in ig9 10yr but the hy market could not provide enough risk versus the size I was trading in ig9.

The reason why ig9 10yr was well bid was that MBIA was reporting its earnings at the close. Hence, into the us close, I could see good bids for risk in hy17 (that has mbia in it) but the protection became bid in ig9 10yr (while the ig9 5yr was tightening!). So I engaged in selling protection in ig9 10yr. It was modest at first and became agressive as we drew towards ny close. Then the bids for risk in hy vanished and I could not offset all the risks properly. I did not want to run after the market prices after the close in equities.

I bought a little ig17 5yr but in a very small amount. I apologize for the trouble it may cause. This would not create a material long risk exposure in term of say 50pct credit spread widening (50m or so). It is unfortunate that it happens at month end the day when mbia reports its earnings at the close. The exposure to mbia default is not materially altered because the 5yr cds trades at 27-28 pts upfront plus 500running. So, a lot is priced in. More I sold risk in hy17 that contains mbia.

This trade will also increase the rwa snapshot at month end I am afraid.

Best regards

TRANSCRIPTION OF TELEPHONE TAPES

HIGHLY CONFIDENTIAL

JPMorgan Chase
277 Park Avenue
New York, New York

March 9, 2012

Transcript of Call 56015307083504393343.txt

Call #56015307083504393343

Custodian: Julian Grout
Participants: Bruno Iksil, Julian Grout

MR. IKSIL: Hello.
MR. GROUT: Hello, Bruno.
MR. IKSIL: Yes.
MR. GROUT: Are you doing well?
MR. IKSIL: Yes.
MR. GROUT: Very well. Are you well rested this week?
MR. IKSIL: Yes.
MR. GROUT: Are you relaxed?
MR. IKSIL: Yes, yes, I don't want to go back home, so I'm relaxed.
MR. GROUT: I know. This is a radical change.
MR. IKSIL: Yes, this is very good for me. You will see, it's a party over here. Just one thing to clarify. In fact, Eric updated the flight curve to around 12 noon.
MR. GROUT: Yes.
MR. IKSIL: And we didn't change it since then because I must say that I am not very

3

much aware --
MR. GROUT: Yes, yes, it seems

March 9, 2012

Transcript of Call 5601530708350439343.txt

correct to me.

MR. IKSIL: The year-to-date overall when I see Atlas -- it is closer to the one I see in the Atlas.

MR. GROUT: Yes, okay, very well.

MR. IKSIL: You see, by strategy this is not it. I have negative 0.4 with regard to Core and negative 0.5 on tactical, but I have 2.2 million in reserve.

MR. GROUT: So you should release the 2.2 million.

MR. IKSIL: I release 2.2 million? This leads to 700 versus negative 1.4.

MR. GROUT: Yes, that's good.

(Inaudible).

MR. GROUT: Is it Cooti (phonetic) or Cooti and credit? It's all included.

MR. IKSIL: That's all.

MR. GROUT: Okay. Very well, very well, very well. I see very well what they're doing. And that's it, it's JP, so one shouldn't try to understand. As you can see, I had this meeting with (inaudible). Of course the guy is

4

super bulletproof.

Risk LIB. The guys take a model from CRM LIB that is blowing a fuse. The guys at flow LIB defend him systematically so everything is going well, it's normal.

Transcript of Call 5601530708350439343.txt

MR. IKSIL: (Inaudible).

MR. GROUT: And fortunately thanks to our friends in New York, we are sure that it's going to continue.

Well, you know, you shouldn't .... one must not be a philosopher.

MR. IKSIL: Yes, yes.

MR. GROUT: We don't really have a choice. There's life after that. That's true, there is life after that and that's the way it is.

The result is not so bad after all. In fact, when you see how we messed up, it's not so bad.

MR. IKSIL: Yeah, here it's pushing it a little bit.

MR. GROUT: Yes, yes, of course, yes.

MR. IKSIL: So you will see --

MR. GROUT: Yes, yes, I imagine. I

see that very well.

Is Ravi -- does Ravi know about the magnitude?

MR. IKSIL: I told him, yes, I told him.

I hold him that they had to push back two or three BIS today. There's nothing they could do it. Everything is calm. It was yesterday, in fact, that worrisome --

MR. GROUT: Yes.

MR. IKSIL: It was with (inaudible). The guys did not want to give me any colors. It was something that did not make any sense anyway.

MR. GROUT: That's okay. Report that thing that was accumulated day after day and that's it. You see?

Here we're lagging -- we're lagging -- well, you'll tell me this on Monday and anyway, I see the impact very well. I have a vague idea you know how this is going to end up.

You know that (inaudible) Trevor is going to try to get some capital, Ina will say no, so it will be a big fiasco and it will be a dig drama when, in fact, everybody should have

-- should have seen it coming a long time ago and everybody's -- and everybody's working in a way that would lead for that to happen.

So you see all that we're going to do is that when we get to the end of the month, we will -- we will lose another 200 pars, and at the end of the month we will defend ourselves and we will say in the end, this is your fault, and that's it.

Anyway, you see we cannot win here. I don't focus on Core right now. It's not worth it. It's not worth it. We're fighting against our own firm. So you see we have to think.

MR. IKSIL: Um-hum.

MR. GROUT: What is important is what you mentioned and that is Radiant (inaudible). That all rallies except the ones that are holding Radiant. I am sure that the five years rallied.

MR. IKSIL: The five years plunged.

MR. GROUT: But the five years did not last five years, so you see -- wouldn't you know that it's your own firm that is doing this? What do you want to do? What do you want to do?

It's not worth it, you see. This

is a (inaudible). It's not worth the fight.

MR. IKSIL: Um-hum.

MR. GROUT: One must be philosopher. Just keep it like this. We keep the flotation line and we drown nicely and quietly and if we have to accelerate, we never know, we may get a loan.

(Inaudible).

MR. IKSIL: I spoke to our analyst once again about Radiant today. This is an interesting situation, in fact, because I think that Dire (phonetic), Radiant, you have two companies, you have Goldman Sachs. This is really on a single name --

MR. GROUT: Yes.

MR. IKSIL: Okay -- and JP on the index, in fact.

MR. GROUT: Yes.

MR. IKSIL: So you see on JP we lose the index. On (inaudible).

MR. GROUT: Yes.

MR. IKSIL: And you see, in fact, that when of the guys talked to you -- when the guys speaks to you -- I asked the guy did everything go well this year? He said no, not

at all. I don't know anything about this. We must stop this nonsense.

The market is creating a false focus on the maturity that they have in January 2013 -- February 2013.

MR. GROUT: Yes.

MR. IKSIL: They say yes, yes, they're going to be able to pay it back no problem, but that's not the problem. They could always pay it back. They have enough cash to pay it back today if they needed. You see?

MR. GROUT: Um-hum, um-hum, um-hum.

MR. IKSIL: The problem is what's going to happen if they have to admit their loss or not.

MR. GROUT: Yes.

MR. IKSIL: And here, you see, here

is where it gets interesting. This is where the guys are -- this is where the lady from Goldman told me anyway, the regulator, which is the Insurance Department of Pennsylvania, which is the one regulating Radiant --

MR. GROUT: Yes.

MR. IKSIL: -- they are the less strict in the country, ironically, you see.

MR. GROUT: Yes.

MR. IKSIL: And they have no interest in -- to put Radiant (inaudible).

You see, the other analyst said, you know, it is in their best interest to protect the policyholders.

MR. GROUT: Yes, yes.

MR. IKSIL: So I found it interesting to see that -- I felt that there was somebody who was pushing really.

MR. GROUT: Yes, there's a lot of money involved.

MR. IKSIL: Yes. Yes, and it was (inaudible) of course.

MR. GROUT: Um-hum, um-hum.

MR. IKSIL: (Inaudible), but here I must finish --

MR. GROUT: Go ahead. We see this way if it's benign --

MR. IKSIL: I forgot to update the

G-9 curve. I stayed at 14.5 versus 34. I need to (inaudible) or I can do that on Monday.

MR. GROUT: Yes, go ahead and do that on Monday. Forget about it. It's against us and it's going to complicate things for you

regarding P&L, so forget about it.

MR. IKSIL: Yes.

MR. GROUT: Do it Monday.

MR. IKSIL: Yes. Okay, so have a good last two days. Do you know what time you get in on Monday?

MR. GROUT: I get in early. Normally I should get there around 8:30 in the morning. I have a meeting with (inaudible) --

MR. IKSIL: At 9 a.m.?

MR. GROUT: At 9 a.m., yes.

MR. IKSIL: (Inaudible).

MR. GROUT: Okay.

MR. IKSIL: Okay.

MR. GROUT: And anyway, it's our future, you see. You see, when you're on vacation, you see that this thing is dead at its birth. It's going to die so what's going to -- it's a firm, it's a special firm, JP. Everything is going well, it's dynamic, everything is questioned very frequently, so we will see what's going to happen.

We're going to try to do our job.

I believe that it is better to say that it's dead, that we are going to crash. The firm will

service the debt. The CIO is perfectly prepared for (inaudible). You see what I mean?

So we're going to be in the center of this thing. It's going to be very uncomfortable but we must not screw up. That's all. It's going to be very political in the end.

That's it.

MR. IKSIL: Yes.

MR. GROUT: We'll see. We'll see, but if they -- but if they continue to push the G-9 complex like this, we may recharge (inaudible) because it's almost for free now if they continue.

I'm still waiting a little bit, you see. We must have some rally that (inaudible) are compressed and at that point it's going to become interesting.

MR. IKSIL: Yes.

MR. GROUT: It will become -- well -- where is the five years at this time?

MR. IKSIL: Eighty-one thousand.

MR. GROUT: Oh, yes, it grew very well.

MR. IKSIL: Yes, but at the same

time, you see, what do we call it, Radiant, that 12 lost 1.5 points, so -- so it's not the end of the world.

MR. GROUT: Yes. Yes, if Radiant (inaudible) the entire curve must converge.

MR. IKSIL: That's it. In fact, their marketing point on the CNM is to say that there's no problem in any way. They're going to present a tender for January 2013, February 2013. So there's no interest in having CDLs from December 2012 when we know for sure that after that they're going to die.

MR. GROUT: Yes.

MR. IKSIL: You see, this is a good marketing argument.

MR. GROUT: Yes. And while why would they make a tender if they're certain they're going to die? I don't understand the objective very well. You see?

MR. IKSIL: Exactly. I think this is something where they can, in fact, make (inaudible) --

MR. GROUT: Yes.

MR. IKSIL: They can say (inaudible) February 2013 what's this mess.

MR. GROUT: Yes. So what you are

March 9, 2012

Transcript of Call 56015307083504393 43.txt

going to do? Anyway, we'll see about that Monday.

We're going to (inaudible) with our equities. We are protected with (inaudible). We don't have anything to worry about, in any case. However, we must be careful.

MR. IKSIL: Yes. We must.

MR. GROUT: Okay. We have until December to cover this thing. We have sometime.

MR. IKSIL: Yes. In the meantime, enjoy your last days.

MR. GROUT: Um-hum.

MR. IKSIL: Okay.

MR. GROUT: Okay.

MR. IKSIL: Okay.

MR. GROUT: Ciao.

(End of call.)

From: Grout, Julien G <julien.g.grout@jpmchase.com>
Sent: Thu, 15 Mar 2012 18:45:37 GMT
To: Martin-Artajo, Javier X <javier.x.martin-artajo@jpmorgan.com>; Iksil, Bruno M <bruno.m.iksil@jpmchase.com>
Subject: Book ex-xls.zip

Date	Distance	iTraxx	CDX.IG	CDX.HY	iTraxx.Main
12-Mar-12	(203)	(59)	(90)	(53)	3.0
13-Mar-12	(207)	(61)	(90)	(55)	3.5
14-Mar-12	(269)	(82)	(136)	(58)	4.0
15-Mar-12	(292)	(83)	(181)	(38)	4.0

CDX.IG9 10y	CDX.HY
2.0	0.17
2.0	0.18
3.0	0.18
4.0	0.12

Distance YTD	iTraxx.Main S9	CDX.IG9 10y
(426)	8.6	5.7
(431)	10.0	5.7
(493)	9.0	6.8
(516)	7.8	7.8

From: Iksil, Bruno M <bruno.m.iksil@jpmchase.com>
Sent: Mon, 19 Mar 2012 11:44:53 GMT
To: Martin-Artajo, Javier X <javier.x.martin-artajo@jpmorgan.com>
CC: Grout, Julien G <julien.g.grout@jpmchase.com>
Subject: Core Book analysis and proposed strategy

Book position

- The book has positive carry, P&L upside on defaults and positive convexity if spreads gap wider. It is relatively neutral directionally overall at current market spread levels>
- To obtain this profile, the book receives the forward credit spreads. When markets are caught in squeeze like this one, the P&L volatility can become very large : this is what is happening since the beginning of this year in CDX IG9 and Main ITRAXX S9 series. The hit amounts to 5-10 Bps lag in those forwards versus the 50-60Bps rally.
- The book incurred a loss of 100m usd IN us hy from KODAK default and RESCAP almost certain default : this weakness have been corrected now and offers decent upside in any new default in HY indices

Market behaviour

- The CDX IG9 and ITRAXX Main S9 are the series where index tranches still trade. This is where the street owns some protection especially in the longer tenors for capital relief reason and uncertainty about the timing of defaults.
- some large Hedge funds have some "skew trades" where they buy protection on the series 9 10yr indices versus the single names
- in the rally, those series (where the book is long risk and the street is short risk) have lagged consistently : by trading and trying to correct the lag, we could retrieve 1-2bps but then we met strong resistance either with size or bid-ask widening.
- this year the tranche market depth has vanished : we can trade but small size each time with an appetite from dealers to load protection on the longest tenors.
- in US HY, in addition to the 2 defaults, we face a flattening trend advertized by dealers saying that either we have defaults or we rally : either ways, the curve flattens and we have a steepener on.
- as a summary, the book is a very visible player and holds a trade that the street wants to have now : ie a protection against unpredictable defaults. At the same time, they still own their "no default" trades from last year. So the street systematically steepens the series 9 curves and maintain the longest tenors wider than anything else.

Proposed strategy : **let the P&L fluctuate while not defending, just maintaining the upside on defaults over time**

- CDX IG and ITRAXX MAIN : over the next 18 months
  - buy back the protection in 0-3 10yr to reverse the profile (3Bln in main, 6bln in IG)
  - buy some 0-3 in 7yr tenors (1bln main-2 bln in IG)
  - sell protection over time on widenings to maintain the carry (5-10 Bln Main and IG)
- CDX US HY : over the next 18 months
  - put flatteners on in HY14-hy15-hy16-hy17 series while we own the protection on the 5yr now
  - let the longs in HY10-hy11 series live as they have lost already 18 names out of 100 and look safer than hy 14 to hy17 series

P&L possible range : the loss is likely to range between 100m to 300m

- main reason is the CDX IG9 lag (2-3bps or 100-150m)
- second next is CDX HY : the hit is another 100m spread within the tranche and index bid-ask. Typical here, you cannot really trade but the mid does not change.

- third is Main itraxx : the curve in S9 steepened by 5bps pushing the forward back up while the other curves steepened 1 bp in the rally. The hit here is 80-100m.
- the estimated bid-ask on the book grossly amounts to 500m all-in (200m for IG, 100m for Itraxx main, 200m for CDX HY).

Conclusion.

- the book has very useful features and should be maintained with its upside on defaults as much as possible.
- the market is very small now and we are too visible with likely some of our trades creating a concern among dealers : this affects us both in the bid-ask cost and the Mark_To_market because the street owns the long term protection to cover their legacy, ie "no default" trades mostly held in form of steepeners and long risk in short term equity tranches.
- there is a trap that is building : if we limit the Mark-To_Market we risk increasing the notionals further and weaken our position versus the rest of the market. One solution would be to let the book be really long risk, yet this would not be in a liquid market and may increase the P&L noise especially in corrections.
- the solution proposed amounts to be longer risk and let the book expire carrying the upside on default : I think we own here a very good position for a size that is also significant. This would involve some mechanical trading, ie buy protection on 10yr equity tranches, put flatteners in HY 14-17 and SELL protection on spread wdidening.

The PNL breakdwon and bid-ask analysis will come soon after. Julien is on it.

Bruno

March 20, 2012

Transcript of Call # 5601530708350332357

Participants: Bruno Iksil

Iksil — Hello Javier. It's Bruno. Again, you know we can't try to be close to the market prices and we would show a loss of 40 million core and 3 million in tactical and I wanted to know if that was okay with you. I'm going to send you an SMS to get your, your approval. We're still in the range but its three(?) everywhere so, as I try to get closer to the target and I don't want to make it last you know. I think we should, we should start, start showing it. Please call me back if you can or just reply to my SMS please.

From: Martin-Artajo, Javier X <javier.x.martin-artajo@jpmorgan.com>
Sent: Wed, 21 Mar 2012 14:55:33 GMT
To: Drew, Ina <Ina.Drew@jpmorgan.com>
CC: Macris, Achilles O <achilles.o.macris@jpmorgan.com>; Goldman, Irvin J <irvin.j.goldman@jpmchase.com>
Subject: Synthetic Book

Ina ,

the purpose of the meeting is to highlight an important issue that are appearing in the book from the market in terms of P/L but is related to the findings that we have made so far regarding the RWA's of the book .

Our recent changes in the book and capital have highlighted that we have reduced **our RWA by 10 Bln** from the beginning of the year and also increased the IB's RWA too for a similar ammount . This result is a larger reduction in RWA than what we thought in January .

cid:image003.png@01CD0697.67FA07C0

We have increased our CS01 from being net short in JAN to net long in MAR and reduced our total book Notionals by 14 Bln . This has resulted in an increase in the books RWA due to capital charge called IRC of **18** Bln in RWA . This should be seen as the extra long that the book currently has as compared with what the model would consider neutral . The fact that the increase that we have seen in the book has not materialized in our performance has raised the following issues :

1. Our current underperformance in the Synthetic Book is large compared to our estimates given the changes in the profile of the book .
2. The increase in transparency with QR and now with Risk Management regarding the optimatization is highligting the positions that we have and also revealed that our optimatization benefit is increasing the RWA cost to the IB and increased their speed to reduce the CRM by externalizing it with a counterparty or to reduce the books offsetting trades .

...e dilemma that we face at the moment is that we are improving our RWA position vs the IB but the trades that we made from the beginning of the year are upsetting this balance with our IB (and others) because as they have been eager to take the opposite side of our trades this was due to a more bearish view and also the benefit that that opposite position would have for their capital . The IB now is becoming aware of this as the numbers where released on Monday and therefore their reaction in the market .

My conclusion here is that we need to **keep our current positioning that is slighly increasing the long in IG** and then **correct the RWA next quarter** either by reducing the IRC by selling our extra long IG or get the CRM charge reduced by joining the IB and reduce the exposure with a third party .

ards

			pre-split	post-split
RWA	4Q 2011	Jan 2012	22 Feb 2012	7 Mar 2012
VaR	4,774	4,435	2,372	2,372
Stress VaR	13,168	11,898	8,812	8,812
CRM	*Actual*	*Actual*	*Estimate*	*Estimate*
CRM standalone	26,395	31,100	78,763	15,600
CRM div. factor	31%	29%	29%	5%
CRM diversification	-8,122	-9,093	-22,841	-780
Net CRM	18,274	22,007	55,921	14,820
IRC			0	18,750
TOTAL Tranche RWA	36,215	38,340	67,105	44,754

From: Drew, Ina <Ina.Drew@jpmorgan.com>
Sent: Thu, 22 Mar 2012 17:48:11 GMT
To: Macris, Achilles O <achilles.o.macris@jpmorgan.com>; Martin-Artajo, Javier X <javier.x.martin-artajo@jpmorgan.com>
Subject: I was confused by the incerased position noted today after

---

Yesterday's exhaustive meeting.

March 23, 2012

Call #5722876946602392261 (2).txt

1

HIGHLY CONFIDENTIAL

-----------------------------------x

Transcription of Recorded Telephone Conversations

-----------------------------------x

CALL NUMBER: PARTICIPANTS

5722876946602392261 ARTAJO-STEPHAN

2

HIGHLY CONFIDENTIAL

18:13:56 MR. ARTAJO: JPMorgan.

18:13:57 KEITH: Hello, Javier, it's Keith, how are you.

18:14:00 MR. ARTAJO: Hey, Keith, man. Having a lot of headaches here.

18:14:04 KEITH: I cannot wait to come back to London. I can't tell you how much fun it is, like, in the amount of time I have spent discussing with Pete and Irv, and I sometimes just feel like a broken record, like, you know, especially -- and I'm trying to, to be, you know, as thorough and as patient as I can be. But, you know, I'm just getting strange requests, like, can you walk me through this, can you walk me through that? I mean I've been through the book before with Pete as you're aware. I talk to him every day about it. So I have some patience to take Irv through it. But it seems like there's a breakdown in the link of

3

HIGHLY CONFIDENTIAL

18:14:41 communication here because I was under the impression that everybody was very clear that what that what

18:14:45 we were doing was adding another 20
18:14:47 to 25 million of risk in one sense
18:14:49 --
18:14:50 MR. ARTAJO: No, no.
18:14:51 KEITH: Now it seems like
18:14:52 everybody says, no, we didn't know
18:14:53 what we were doing.
18:14:54 MR. ARTAJO: I spoke with Ina.
18:14:56 The reason I told her, the reason
18:14:57 I'm doing that is to defend the
18:14:59 position, okay. We cannot do that.
18:15:01 I just with didn't want the
18:15:03 investment bank to rollover us.
18:15:04 This is increase the book by 25 or
18:15:08 26 billion of IWA which is freaking
18:15:10 them out. I said, look, you know,
18:15:12 relax. I just don't want -- I
18:15:14 needed to do this in order to
18:15:15 settle with them, okay. Okay. So
18:15:17 when this is going all the way up,
18:15:19 man, just for you to know. And I

18:15:22 we have raised this issue and he's
18:15:24 going to talk to Hogan and he's
18:15:26 going to talk to Danielle Pinto and
18:15:28 he's going to talk to the America,
18:15:30 okay. So we escalating the problem
18:15:32 here all the way up. The issue

18:15:34 here is that the investment bank is
18:15:35 manipulating the prices. They want
18:15:37 us out of -- you know how valuable
18:15:40 the IG9 position is, right.
18:15:42 KEITH: I don't.
18:15:43 MR. ARTAJO: And we have a lot
18:15:44 of it. It is almost they trying to
18:15:46 squeeze us out. I have evidence
18:15:48 they trying to squeeze us from a
18:15:49 loft different point of views
18:15:51 because we get the marks, we get
18:15:53 the shit, Bruno saying he's getting
18:15:55 very rattled. We have a good
18:15:57 position. It's not performing and
18:15:58 we are getting paranoid here. At
18:16:00 the same time, I didn't want them
18:16:02 to squeeze us out of the trade. I
18:16:04 said, okay, man, I don't mind if we

18:16:06 get a little high on our IWA. I
18:16:09 get long on IG. This defense, the
18:16:11 decompression trade. It puts a
18:16:13 little bit of pressure on them
18:16:14 because we are going to have to
18:16:16 settle this now, okay. We going to
18:16:17 have to settle these differences
18:16:18 here. You know, whether or not we
18:16:20 do a trade or not. This is out of
18:16:22 my control or out of control now.

18:16:24 This is Ina. Ina has to decide
18:16:27 this with, with Jess.
18:16:30 KEITH: Jess.
18:16:31 MR. ARTAJO: With Jess Staley
18:16:32 basically. Otherwise it going to
18:16:34 be a shit show. These guys are
18:16:35 putting things on the street. It
18:16:36 is a fight between JPMorgan and
18:16:38 JPMorgan and the street. This is a
18:16:39 stupid thing, okay. So, you know,
18:16:41 the problem that we have is that
18:16:43 we've been trying to optimize our
18:16:44 book. We didn't know how it works.
18:16:46 So obviously we made mistakes.

18:16:48 We've made mistakes because we, we
18:16:50 think there is reward. We think
18:16:52 like okay this is good for me, this
18:16:54 is a good trade, so we put a book
18:16:56 that has long carry and has got
18:16:58 good defaults. It is a very good
18:17:00 book. You ask Bruno what he really
18:17:02 thinks. He thinks he hasn't made a
18:17:05 mistake. Maybe a little slow in
18:17:06 covering the short we have in
18:17:08 investment grade, okay. So we
18:17:09 haven't really stepped on shit
18:17:10 really other than having a little

March 23, 2012

Call #5722876946602392261 (2).txt

18:17:12 bit of unfortunate defaults on
18:17:14 Kodak. But, you know, it's fine
18:19:32 that the book is down for some
18:19:33 reason. But, you know, it is good
18:19:35 for our file and we like the book.
18:19:37 So this is what I told Ina. The
18:19:39 investment bank for some reason
18:19:40 they are incredibly sensitive to
18:19:41 the position that we have, okay.
18:19:48 The investment grade. I don't know
18:19:49 why that is. Bruno thinks that

7

HIGHLY CONFIDENTIAL

18:19:54 because of the size of the book
18:19:55 they have; it's a very flat book
18:19:57 but it has huge notionals, okay.
18:19:59 And apparently what I'm hearing is
18:20:01 that the book is very sensitive to
18:20:03 this thing in their own, in their
18:20:04 own behavior, okay.
18:20:06 KEITH: I think it's -- I
18:20:08 think, and you and I discussed this
18:20:09 briefly before I left on Tuesday, I
18:20:11 think that's a function of the fact
18:20:11 that if you look at what that thing
18:20:14 does as sort of the on the run
18:20:16 correlation series, it remains the
18:20:17 thing that looks like the cheapest
18:20:19 instrumentation to hedge your sort
18:20:21 of single name exposure in the

Call #5722876946602392261 (2).txt

18:20:24 ratings and all the rest. So
18:20:25 there's a perpetual bid to kind of
18:20:27 continue to just, you know, lift
18:20:29 protection on IG9 ten year and at
18:20:32 the same time they end up the other
18:20:33 way around I think. Because what
18:20:35 you do is sell protection on the

HIGHLY CONFIDENTIAL

18:20:36 other.
18:20:37 MR. ARTAJO: That's right. So
18:20:38 they end up with having a mirror
18:20:40 position with ours, right.
18:20:42 KEITH: Compression trade
18:20:43 basically.
18:20:43 MR. ARTAJO: So basically we
18:20:44 are fighting the idea. They are
18:20:46 doing that. Now they are fighting
18:20:48 with two things. One is actually
18:20:49 by trying to source the risk. But
18:20:51 we are not trading a lot of volume,
18:20:52 okay. The whole problem that I
18:20:55 have with this, and the whole
18:20:56 problem I have with Bruno is if
18:20:58 they were trading size on the other
18:20:59 side I feel, shit, we've got a bad
18:21:01 position, okay. So, fuck, you
18:21:04 know, they really want it. But
18:21:05 they are not trading volume. They

March 23, 2012

Call #5722876946602392261 (2).txt

18:21:07 had just volume us. They are just
18:21:09 giving us bad marks. So they are
18:21:11 not getting -- it's not that they
18:21:13 are giving us headache and the

9

HIGHLY CONFIDENTIAL

18:21:15 market is moving and you trade and
18:21:16 the opposition increases and gets
18:21:18 worse. Opposition increases
18:21:20 because we trade with them but we
18:21:21 don't trade size. There is no
18:21:23 volume, okay. So this this is
18:21:24 purely their trading, this month
18:21:26 end. They are worried about this.
18:21:28 They must have something in the
18:21:29 book that is obviously not working
18:21:31 because otherwise I don't see the
18:21:32 investment bank reacting this way.
18:21:34 I haven't seen them react this way,
18:21:36 okay? But it is very obvious they
18:21:39 are targeting us. They have a lot
18:21:40 of information about what we do.
18:21:41 They have our positions. They
18:21:43 really are targeting us. We had
18:21:46 too many dialogues here. I've had
18:21:47 too many dialogues with
18:21:50 (INAUDIBLE), too many dialogues
18:21:51 with the America (INAUDIBLE) has
18:21:55 too many dialogues there too. Ina
18:21:56 has mentioned this. To be honest

HIGHLY CONFIDENTIAL

18:21:58 with you, this, they know that we
18:22:00 are sensitive to this. They know,
18:22:01 they know, they know very well now.
18:22:03 So they are manipulating the market
18:22:06 and we have to stop it. Because
18:22:08 now it is coming to me from the
18:22:09 market. The market is asking us
18:22:10 what the fuck are we doing. We
18:22:12 have a large position. And that's
18:22:14 last thing you want. Then you need
18:22:16 to stop that. I told Peter, this
18:22:18 is all the way up. It might go to
18:22:19 Jamie Dimon then.
18:22:21 KEITH: Just to, just to add
18:22:23 like a little bit more color and
18:22:24 this is like a random anecdotal
18:22:26 thing. But some like junior
18:22:28 fucking kid called Ari Wechsman who
18:22:31 works in credit.
18:22:33 MR. ARTAJO: What?
18:22:33 KEITH: There's a junior kid
18:22:35 who works in market risk for
18:22:37 credit, credit markets who
18:22:38 apparently was calling the market

HIGHLY CONFIDENTIAL

risk guys in CIO in New York saying, hey, we've had like two standard deviation distortion in this main verse cross over decompression and apparently it's all because of a big prop trader called Bruno in CIO. That's just for you to know, right. So --

MR. ARTAJO: That is nasty, man, that is nasty.

KEITH: What that means is that the traders in credit flow are telling that to their risk guys and just spreading sheet.

MR. ARTAJO: That's right. But we need to stop that.

KEITH: I don't know how to get in front of it. I don't know. I mean the only thing we can do is what you're suggesting now, which is Ina has to have that conversation with Jess and someone has to say knock it the fuck off because we look like idiots in the

HIGHLY CONFIDENTIAL

street.

MR. ARTAJO: That's right. We need to stop this exactly.

March 23, 2012

Call #5722876946602392261 (2).txt

18:23:21 KEITH: I'm telling you, this
18:23:22 is like associate level market risk
18:23:24 kid who doesn't even know what the
18:23:26 word decompression means. Can you
18:23:28 tell it's not his words.
18:23:30 MR. ARTAJO: We need to stop
18:23:31 this. We need to stop this shit
18:23:32 internally. We need to stop that.
18:23:34 I mean listen we have issues here
18:23:36 too. I'm not saying, I'm not
18:23:38 telling you honestly that we are
18:23:40 the pretty boys and everybody else
18:23:42 is, is ugly. We have an issue here
18:23:46 that, you know, I'm using too big
18:23:49 IWA. But this is known by, by the,
18:23:55 it's a known weakness. They are
18:23:56 using that, they are exploiting us.
18:23:58 They think they can take us out.
18:24:00 That's what they really think with
18:24:02 no capital. And this is what we
18:24:05 what needs to stop.

13

HIGHLY CONFIDENTIAL
18:24:07 KEITH: All right.
18:24:08 MR. ARTAJO: Irv is calling my.
18:24:10 I'll call you back.
18:24:11 KEITH: All I did is a graph
18:24:13 with the notionals and I sent it to
18:24:14 you and I sent it to Irv. I'll

March 23, 2012

Call #5722876946602392261 (2).txt

18:24:16 talk to you later. Bye.

▬ = Redacted by the Permanent Subcommittee on Investigations

From: BRUNO IKSIL <BIKSIL2@[redacted]
Sent: Fri, 23 Mar 2012 14:56:42 GMT
o: BRUNO IKSIL <BIKSIL2@[redacted]; BRUNO IKSIL <bruno.m.iksil@jpmorgan.com>; JAVIER MARTIN-ARTAJO <JMARTAJO@[redacted]
Subject:

03/23/2012 05:37:08 BRUNO IKSIL, JPMORGAN CHASE BANK, has joined the room
03/23/2012 05:37:08 BRUNO IKSIL, JPMORGAN CHASE BANK, says:
*** JPMORGAN CHASE BANK, (748320) Disclaimer: THIS IS FOR INFORMATION ONLY, NOT AN OFFER OR SOLICITATION FOR THE PURCHASE OR SALE OF ANY FINANCIAL INSTRUMENT, NOR AN OFFICIAL CONFIRMATION OF TERMS. THE INFORMATION IS BELIEVED TO BE RELIABLE, BUT WE DO NOT WARRANT ITS COMPLETENESS OR ACCURACY. PRICES AND AVAILABILITY ARE INDICATIVE ONLY AND ARE SUBJECT TO CHANGE WITHOUT NOTICE. WE MAY HOLD A POSITION OR ACT AS A MARKET MAKER IN ANY FINANCIAL INSTRUMENT DISCUSSED HEREIN. CLIENTS SHOULD CONSULT THEIR OWN ADVISORS REGARDING ANY TAX, ACCOUNTING OR LEGAL ASPECTS OF THIS INFORMATION AND EXECUTE TRANSACTIONS THROUGH A J.P. MORGAN ENTITY IN THEIR HOME JURISDICTION UNLESS GOVERNING LAW PERMITS OTHERWISE.

03/23/2012 05:37:11 BRUNO IKSIL, JPMORGAN CHASE BANK, says:
hello

03/23/2012 05:37:11 JAVIER MARTIN-ARTAJO, MORGAN (J.P.) has joined the room
03/23/2012 05:37:12 JAVIER MARTIN-ARTAJO, MORGAN (J.P.) says:
*** MORGAN (J.P.) (20833) Disclaimer: THIS IS FOR INFORMATION ONLY AND NOT THE PRODUCT OF JPMORGAN `S RESEARCH DEPT.IT IS INTENDED FOR THE RECIPIENT ONLY.IT IS NOT AN OFFER OR OLICITATION FOR PURCHASE OR SALE OF ANY FINANCIAL PRODUCT AND NOT SUITABLE FOR PRIVATE JSTOMERS.PRICES ARE INDICATIVE ONLY.WE MAY HOLD A Ã¨POSITION OR ACT AS MARKET MAKER IN ANY FINANCIAL PRODUCT DISCUSSED ABOVE. CLIENTS SHOULD CONSULT THEIR ADVISORS ON TAX,ACCOUNTING,LEGAL OR OTHER ISSUES ARISING AND EXECUTE TRADES THROUGH A JPM ENTITY IN THEIR HOME JURISDICTION UNLESS GOVERNING LAW PERMITS OTHERWISE. FOR Ã¨INFORMATION ABOUT JPM UK ENTITIES REFER TO Ã¨www.jpmorgan.com/pages/disclosures 2009 JPMORGAN CHASE & CO. JPMSL IS AUTHORISED AND REGULATED BY THE FSA.

03/23/2012 05:38:17 BRUNO IKSIL, JPMORGAN CHASE BANK, says:
the main is pushed back up xover does not move

03/23/2012 05:38:28 BRUNO IKSIL, JPMORGAN CHASE BANK, says:
eurostoxx was at the same level yesterday

03/23/2012 05:38:40 BRUNO IKSIL, JPMORGAN CHASE BANK, says:
Ade tries to contact you for some colour on IB

03/23/2012 05:39:06 BRUNO IKSIL, JPMORGAN CHASE BANK, says:
the var increase went a lot from tactical because they picked the wrong equity delta

03/23/2012 05:39:20 BRUNO IKSIL, JPMORGAN CHASE BANK, says:
i sold a little more protection in main for tactical

03/23/2012 05:39:28 BRUNO IKSIL, JPMORGAN CHASE BANK, says:
i am done for the whole book now

./23/2012 05:39:39 BRUNO IKSIL, JPMORGAN CHASE BANK, says:
i sent u a couple of emails

/23/2012 05:39:59 BRUNO IKSIL, JPMORGAN CHASE BANK, says:
they push also the series 9 main wider than market

03/23/2012 05:40:11 BRUNO IKSIL, JPMORGAN CHASE BANK, says:
so we will lose more today

03/23/2012 05:40:12 BRUNO IKSIL, JPMORGAN CHASE BANK, says:
for sure

03/23/2012 05:40:21 BRUNO IKSIL, JPMORGAN CHASE BANK, says:
andf this is going to happen across the book

03/23/2012 05:40:31 BRUNO IKSIL, JPMORGAN CHASE BANK, says:
they will also fram the hy indices and tranches against us

03/23/2012 05:40:35 BRUNO IKSIL, JPMORGAN CHASE BANK, says:
this will be aggressive

03/23/2012 05:41:41 BRUNO IKSIL, JPMORGAN CHASE BANK, says:
main ahs widened 2.5 bps

03/23/2012 05:41:47 BRUNO IKSIL, JPMORGAN CHASE BANK, says:
nothing else moved

03/23/2012 05:41:54 BRUNO IKSIL, JPMORGAN CHASE BANK, says:
m yesterday

03/23/2012 05:53:24 BRUNO IKSIL, JPMORGAN CHASE BANK, says:
I reckon we have today a loss of 300M USING THE BEST BID ASKS

03/23/2012 05:53:40 BRUNO IKSIL, JPMORGAN CHASE BANK, says:
and approx 600m from mids

03/23/2012 05:53:46 BRUNO IKSIL, JPMORGAN CHASE BANK, says:
i see it coming

03/23/2012 06:07:34 BRUNO IKSIL, JPMORGAN CHASE BANK, says:
I will stop trading at all now

03/23/2012 06:07:53 BRUNO IKSIL, JPMORGAN CHASE BANK, says:
I do not need to unless removing the long risk in 0-3 10yr S9 and IG9

03/23/2012 07:54:01 BRUNO IKSIL, JPMORGAN CHASE BANK, says:
do you need any material to be prepared for today's meeting?

03/23/2012 10:56:23 BRUNO IKSIL, JPMORGAN CHASE BANK, says:
I was on the call

03/23/2012 10:56:42 BRUNO IKSIL, JPMORGAN CHASE BANK, says:
I asked Pat and Samir to provide marginals to see what I can do to reduce the var and rwa

▬ = Redacted by the Permanent Subcommittee on Investigations

From: JULIEN GROUT <JGROUT3@[redacted]
Sent: Fri, 23 Mar 2012 18:37:47 GMT
To: JULIEN GROUT <JGROUT3@[redacted]; JULIEN GROUT <julien.g.grout@jpmchase.com>; BRUNO IKSIL <BIKSIL2@[redacted] BRUNO IKSIL <bruno.m.iksil@jpmorgan.com>
Subject:

03/23/2012 05:45:49 JULIEN GROUT, JPMORGAN CHASE BANK, has joined the room
03/23/2012 05:45:50 JULIEN GROUT, JPMORGAN CHASE BANK, says:
*** JPMORGAN CHASE BANK, (741671) Disclaimer: THIS IS FOR INFORMATION ONLY, NOT AN OFFER OR SOLICITATION FOR THE PURCHASE OR SALE OF ANY FINANCIAL INSTRUMENT, NOR AN OFFICIAL CONFIRMATION OF TERMS. THE INFORMATION IS BELIEVED TO BE RELIABLE, BUT WE DO NOT WARRANT ITS COMPLETENESS OR ACCURACY. PRICES AND AVAILABILITY ARE INDICATIVE ONLY AND ARE SUBJECT TO CHANGE WITHOUT NOTICE. WE MAY HOLD A POSITION OR ACT AS A MARKET MAKER IN ANY FINANCIAL INSTRUMENT DISCUSSED HEREIN. CLIENTS SHOULD CONSULT THEIR OWN ADVISORS REGARDING ANY TAX, ACCOUNTING OR LEGAL ASPECTS OF THIS INFORMATION AND EXECUTE TRANSACTIONS THROUGH A J.P. MORGAN ENTITY IN THEIR HOME JURISDICTION UNLESS GOVERNING LAW PERMITS OTHERWISE.

03/23/2012 05:45:54 JULIEN GROUT, JPMORGAN CHASE BANK, says:
bruno

03/23/2012 05:45:54 BRUNO IKSIL, JPMORGAN CHASE BANK, has joined the room
03/23/2012 05:45:54 BRUNO IKSIL, JPMORGAN CHASE BANK, says:
*** JPMORGAN CHASE BANK, (748320) Disclaimer: THIS IS FOR INFORMATION ONLY, NOT AN OFFER OR SOLICITATION FOR THE PURCHASE OR SALE OF ANY FINANCIAL INSTRUMENT, NOR AN OFFICIAL ONFIRMATION OF TERMS. THE INFORMATION IS BELIEVED TO BE RELIABLE, BUT WE DO NOT WARRANT ITS COMPLETENESS OR ACCURACY. PRICES AND AVAILABILITY ARE INDICATIVE ONLY AND ARE SUBJECT TO CHANGE WITHOUT NOTICE. WE MAY HOLD A POSITION OR ACT AS A MARKET MAKER IN ANY FINANCIAL INSTRUMENT DISCUSSED HEREIN. CLIENTS SHOULD CONSULT THEIR OWN ADVISORS REGARDING ANY TAX, ACCOUNTING OR LEGAL ASPECTS OF THIS INFORMATION AND EXECUTE TRANSACTIONS THROUGH A J.P. MORGAN ENTITY IN THEIR HOME JURISDICTION UNLESS GOVERNING LAW PERMITS OTHERWISE.

03/23/2012 05:45:59 BRUNO IKSIL, JPMORGAN CHASE BANK, says:
salut

03/23/2012 05:46:01 JULIEN GROUT, JPMORGAN CHASE BANK, says:
salut

03/23/2012 05:46:03 BRUNO IKSIL, JPMORGAN CHASE BANK, says:
c mort la

03/23/2012 05:46:28 JULIEN GROUT, JPMORGAN CHASE BANK, says:
david de CS appoelle au sujet des skew trades. je lui demande un prix ferme sur indice vs single names?

03/23/2012 05:46:32 JULIEN GROUT, JPMORGAN CHASE BANK, says:
coupons matched etc

03/23/2012 05:46:33 JULIEN GROUT, JPMORGAN CHASE BANK, says:
?

3/23/2012 05:46:42 BRUNO IKSIL, JPMORGAN CHASE BANK, says:
oui

03/23/2012 05:46:46 BRUNO IKSIL, JPMORGAN CHASE BANK, says:
c un full upfront

03/23/2012 05:46:54 JULIEN GROUT, JPMORGAN CHASE BANK, says:
ok understood

03/23/2012 05:48:11 JULIEN GROUT, JPMORGAN CHASE BANK, says:
pour revenir a ton premier point

03/23/2012 05:48:14 BRUNO IKSIL, JPMORGAN CHASE BANK, says:
continue a vendre la ss

03/23/2012 05:48:25 BRUNO IKSIL, JPMORGAN CHASE BANK, says:
leve la 0-3 10yr

03/23/2012 05:48:28 JULIEN GROUT, JPMORGAN CHASE BANK, says:
on en discutera lundi si tu veux bien,

03/23/2012 05:48:32 JULIEN GROUT, JPMORGAN CHASE BANK, says:
ok ok je continue ca

03/23/2012 05:48:38 BRUNO IKSIL, JPMORGAN CHASE BANK, says:
oui

03/23/2012 05:48:48 BRUNO IKSIL, JPMORGAN CHASE BANK, says:
je te dis

03/23/2012 05:48:52 BRUNO IKSIL, JPMORGAN CHASE BANK, says:
; vont nous defoncer

03/23/2012 05:48:56 JULIEN GROUT, JPMORGAN CHASE BANK, says:
y a bcp a dire, mais je ne veux pas charger ta charette qui est deja bien remplie

03/23/2012 05:52:28 BRUNO IKSIL, JPMORGAN CHASE BANK, says:
c soir tu as au moins 600m

03/23/2012 05:52:36 BRUNO IKSIL, JPMORGAN CHASE BANK, says:
BID ASK

03/23/2012 05:52:40 BRUNO IKSIL, JPMORGAN CHASE BANK, says:
MID

03/23/2012 05:52:51 BRUNO IKSIL, JPMORGAN CHASE BANK, says:
BID ASK TU AS 300M AU MOINS

03/23/2012 05:54:46 JULIEN GROUT, JPMORGAN CHASE BANK, says:
tu as vu le run de jospehine.. attack full force.

03/23/2012 05:57:56 BRUNO IKSIL, JPMORGAN CHASE BANK, says:
oui

03/23/2012 05:57:59 BRUNO IKSIL, JPMORGAN CHASE BANK, says:
c partout

3/23/2012 05:58:04 BRUNO IKSIL, JPMORGAN CHASE BANK, says:
on est mort je te dis

03/23/2012 05:58:19 BRUNO IKSIL, JPMORGAN CHASE BANK, says:
mais bon c hors de mon controel maintenant

03/23/2012 05:58:27 BRUNO IKSIL, JPMORGAN CHASE BANK, says:
j'ai fait ce qu'il fallait

03/23/2012 06:04:04 JULIEN GROUT, JPMORGAN CHASE BANK, says:
ok

03/23/2012 06:18:11 JULIEN GROUT, JPMORGAN CHASE BANK, says:
oula bnp...

03/23/2012 07:27:02 JULIEN GROUT, JPMORGAN CHASE BANK, says:
bruno/

03/23/2012 07:30:46 BRUNO IKSIL, JPMORGAN CHASE BANK, says:
oui

03/23/2012 07:31:38 JULIEN GROUT, JPMORGAN CHASE BANK, says:
l'arret du trading c nous 3 ou juste moi?

03/23/2012 07:31:49 BRUNO IKSIL, JPMORGAN CHASE BANK, says:
toi

03/23/2012 07:31:52 BRUNO IKSIL, JPMORGAN CHASE BANK, says:
sur core

03/23/2012 07:31:52 JULIEN GROUT, JPMORGAN CHASE BANK, says:
k

03/23/2012 07:32:05 JULIEN GROUT, JPMORGAN CHASE BANK, says:
eric/luis ils peuvent continuer, sur leur tactical

03/23/2012 07:32:06 BRUNO IKSIL, JPMORGAN CHASE BANK, says:
continue sur la ss les 0-3 1Ã yr

03/23/2012 07:32:07 JULIEN GROUT, JPMORGAN CHASE BANK, says:
ok?

03/23/2012 07:32:11 BRUNO IKSIL, JPMORGAN CHASE BANK, says:
oui

03/23/2012 07:32:27 BRUNO IKSIL, JPMORGAN CHASE BANK, says:
continue sur les 25-35 HY

03/23/2012 07:32:32 BRUNO IKSIL, JPMORGAN CHASE BANK, says:
pas les 15-25

03/23/2012 07:32:53 JULIEN GROUT, JPMORGAN CHASE BANK, says:
ok

03/23/2012 07:33:02 JULIEN GROUT, JPMORGAN CHASE BANK, says:
tu pourras me donner la couleur stp? s'il y en a.

3/23/2012 07:33:17 BRUNO IKSIL, JPMORGAN CHASE BANK, says:
rien poour le moment

03/23/2012 07:33:20 JULIEN GROUT, JPMORGAN CHASE BANK, says:
ok

03/23/2012 07:33:28 BRUNO IKSIL, JPMORGAN CHASE BANK, says:
ca va se negocier avec l'IB

03/23/2012 07:33:34 BRUNO IKSIL, JPMORGAN CHASE BANK, says:
tout en haut

03/23/2012 07:33:41 BRUNO IKSIL, JPMORGAN CHASE BANK, says:
et je vais en prendre pour mon grade

03/23/2012 07:33:44 JULIEN GROUT, JPMORGAN CHASE BANK, says:
today?

03/23/2012 07:33:49 BRUNO IKSIL, JPMORGAN CHASE BANK, says:
mais bon on a du carry

03/23/2012 07:33:51 JULIEN GROUT, JPMORGAN CHASE BANK, says:
ah? cela t'a ete confirme/

03/23/2012 07:34:03 BRUNO IKSIL, JPMORGAN CHASE BANK, says:
c pas necessaire

03/23/2012 07:34:20 BRUNO IKSIL, JPMORGAN CHASE BANK, says:
tu ne perds pas 500M sans conseuqences

03/23/2012 07:34:30 BRUNO IKSIL, JPMORGAN CHASE BANK, says:
arde le pour toi

03/23/2012 07:34:39 JULIEN GROUT, JPMORGAN CHASE BANK, says:
oh oui

03/23/2012 07:34:52 BRUNO IKSIL, JPMORGAN CHASE BANK, says:
c le bon sens qui me dit ca

03/23/2012 07:46:55 JULIEN GROUT, JPMORGAN CHASE BANK, says:
tua as parle a august? sinon, je lui dis de nous montrer le skew trade (sous le bon format)?

03/23/2012 07:47:29 BRUNO IKSIL, JPMORGAN CHASE BANK, says:
oui

03/23/2012 07:47:35 JULIEN GROUT, JPMORGAN CHASE BANK, says:
ok

03/23/2012 07:47:38 BRUNO IKSIL, JPMORGAN CHASE BANK, says:
essaie de collecter des prix fermes

03/23/2012 07:47:45 BRUNO IKSIL, JPMORGAN CHASE BANK, says:
je n'ai rien vu de ferme pour le moment

03/23/2012 07:48:15 JULIEN GROUT, JPMORGAN CHASE BANK, says:
ok

3/23/2012 07:56:47 JULIEN GROUT, JPMORGAN CHASE BANK, says:
Bruno? tu as besoin de qqcho/

03/23/2012 08:13:16 JULIEN GROUT, JPMORGAN CHASE BANK, says:
bon bruno

03/23/2012 08:13:26 JULIEN GROUT, JPMORGAN CHASE BANK, says:
javier est reparti dans un conf call avec A

03/23/2012 08:13:32 JULIEN GROUT, JPMORGAN CHASE BANK, says:
je n'ai pas pu lui parler

03/23/2012 08:14:05 BRUNO IKSIL, JPMORGAN CHASE BANK, says:
ok

03/23/2012 08:14:24 JULIEN GROUT, JPMORGAN CHASE BANK, says:
mais bon il n'avait pas l'ai concerne par des slidse.. plutot autre chose

03/23/2012 08:14:35 JULIEN GROUT, JPMORGAN CHASE BANK, says:
je vais chercher le dej et je reviens

03/23/2012 08:26:17 BRUNO IKSIL, JPMORGAN CHASE BANK, says:
tu es la?

03/23/2012 08:31:42 BRUNO IKSIL, JPMORGAN CHASE BANK, says:
urgent

03/23/2012 08:33:49 JULIEN GROUT, JPMORGAN CHASE BANK, says:
oui

03/23/2012 08:59:30 BRUNO IKSIL, JPMORGAN CHASE BANK, says:
regarde ton email

03/23/2012 09:00:02 BRUNO IKSIL, JPMORGAN CHASE BANK, says:
essaye de retrouver les run de roman shukhman sur ig9 pour montrer qu'ils sont plus steep et mettent le ig9 10yr plus que le marche

03/23/2012 09:01:36 JULIEN GROUT, JPMORGAN CHASE BANK, says:
bruno

03/23/2012 09:02:07 BRUNO IKSIL, JPMORGAN CHASE BANK, says:
essaie de retrouver les chat sur les chat de jp ou ils nou sniffent

03/23/2012 09:02:13 JULIEN GROUT, JPMORGAN CHASE BANK, says:
tu te rappelles l;'histoire de debut d'annee avec Sylvain sur le roll s9 5y?

03/23/2012 09:02:20 BRUNO IKSIL, JPMORGAN CHASE BANK, says:
non

03/23/2012 09:02:26 BRUNO IKSIL, JPMORGAN CHASE BANK, says:
c'etait koi deja?

03/23/2012 09:02:41 JULIEN GROUT, JPMORGAN CHASE BANK, says:
j'avais checke sylvain, et fait une gross taille de roll s9 5y

03/23/2012 09:02:51 JULIEN GROUT, JPMORGAN CHASE BANK, says:
peux de temps apres il me dit que jpm le lift dessus

03/23/2012 09:02:56 BRUNO IKSIL, JPMORGAN CHASE BANK, says:
ah oui

03/23/2012 09:03:04 BRUNO IKSIL, JPMORGAN CHASE BANK, says:
faut le retrouver celui la

03/23/2012 09:03:13 JULIEN GROUT, JPMORGAN CHASE BANK, says:
je 'ai, en francais malheureusement

03/23/2012 09:03:21 BRUNO IKSIL, JPMORGAN CHASE BANK, says:
c pas grave envoie

03/23/2012 09:03:31 JULIEN GROUT, JPMORGAN CHASE BANK, says:
en rrecanche peux tu me rappeler ce que tu avais trade/booke?

03/23/2012 09:03:33 BRUNO IKSIL, JPMORGAN CHASE BANK, says:
achilles comprend tres bien le francais

03/23/2012 09:03:42 BRUNO IKSIL, JPMORGAN CHASE BANK, says:
cad?

03/23/2012 09:03:48 JULIEN GROUT, JPMORGAN CHASE BANK, says:
je veux le timing exact

03/23/2012 09:03:56 BRUNO IKSIL, JPMORGAN CHASE BANK, says:
de quoi?

03/23/2012 09:04:03 JULIEN GROUT, JPMORGAN CHASE BANK, says:
ben des evenements

3/23/2012 09:04:16 JULIEN GROUT, JPMORGAN CHASE BANK, says:
parce que si tu as deja traite du roll avant moi la dessus

03/23/2012 09:04:20 JULIEN GROUT, JPMORGAN CHASE BANK, says:
ca sera encore plus limpide

03/23/2012 09:04:23 JULIEN GROUT, JPMORGAN CHASE BANK, says:
tu vois?

03/23/2012 09:04:32 BRUNO IKSIL, JPMORGAN CHASE BANK, says:
je ne me souviens plus

03/23/2012 09:04:39 JULIEN GROUT, JPMORGAN CHASE BANK, says:
ok je regarde le blotter

03/23/2012 09:04:41 BRUNO IKSIL, JPMORGAN CHASE BANK, says:
c quel jour?

03/23/2012 09:05:27 JULIEN GROUT, JPMORGAN CHASE BANK, says:
ah ui! tu as traite 250m de roll s9 avec db a 7h55!!

03/23/2012 09:05:29 JULIEN GROUT, JPMORGAN CHASE BANK, says:
le 4-jan

03/23/2012 09:06:11 BRUNO IKSIL, JPMORGAN CHASE BANK, says:
k

03/23/2012 09:06:18 BRUNO IKSIL, JPMORGAN CHASE BANK, says:
tu as le chat?

03/23/2012 09:06:22 BRUNO IKSIL, JPMORGAN CHASE BANK, says:
ajoute le

03/23/2012 09:06:29 JULIEN GROUT, JPMORGAN CHASE BANK, says:
avec sylvain? oui

03/23/2012 09:06:31 BRUNO IKSIL, JPMORGAN CHASE BANK, says:
je ne vois rien chez moi

03/23/2012 09:06:37 BRUNO IKSIL, JPMORGAN CHASE BANK, says:
mais je me rappelle

03/23/2012 09:14:32 JULIEN GROUT, JPMORGAN CHASE BANK, says:
ok apparemment tu as booke le trade vers 8h20 ce jour la, moi j'ai trade a 9h.

03/23/2012 09:14:52 BRUNO IKSIL, JPMORGAN CHASE BANK, says:
cool

03/23/2012 09:50:07 JULIEN GROUT, JPMORGAN CHASE BANK, says:
pour l'instant je n'ai que 5 'pieces' au dossier

03/23/2012 09:53:45 BRUNO IKSIL, JPMORGAN CHASE BANK, says:
regarde ton email

03/23/2012 09:53:49 JULIEN GROUT, JPMORGAN CHASE BANK, says:
vu

3/23/2012 09:53:50 JULIEN GROUT, JPMORGAN CHASE BANK, says:
un de plus

03/23/2012 09:54:03 BRUNO IKSIL, JPMORGAN CHASE BANK, says:
ben oui on ne va pas bosser comme si on etait parano tout le temps aussi

03/23/2012 09:54:25 JULIEN GROUT, JPMORGAN CHASE BANK, says:
6 pieces

03/23/2012 09:56:24 BRUNO IKSIL, JPMORGAN CHASE BANK, says:
regarde tes chats a toi avec JP guys

03/23/2012 10:05:37 BRUNO IKSIL, JPMORGAN CHASE BANK, says:
je fais Mark Shirfan

03/23/2012 10:22:50 JULIEN GROUT, JPMORGAN CHASE BANK, says:
vois tes emails stp

03/23/2012 10:23:14 BRUNO IKSIL, JPMORGAN CHASE BANK, says:
je vois

03/23/2012 10:23:21 BRUNO IKSIL, JPMORGAN CHASE BANK, says:
la var explose

03/23/2012 10:23:28 JULIEN GROUT, JPMORGAN CHASE BANK, says:
oui

03/23/2012 10:23:35 BRUNO IKSIL, JPMORGAN CHASE BANK, says:
c foutu

03/23/2012 10:23:37 JULIEN GROUT, JPMORGAN CHASE BANK, says:
: sule moyen c le book a zero

03/23/2012 10:25:04 JULIEN GROUT, JPMORGAN CHASE BANK, says:
tu peux me dire ce que t'a dit ade ce matin?

03/23/2012 10:25:50 BRUNO IKSIL, JPMORGAN CHASE BANK, says:
3 gars de l'ib sont venus lui demander ma taille sur ig9

03/23/2012 10:26:08 BRUNO IKSIL, JPMORGAN CHASE BANK, says:
je ne veux pas savoir qui c

03/23/2012 10:26:19 BRUNO IKSIL, JPMORGAN CHASE BANK, says:
je suis sur lecall

03/23/2012 10:28:01 BRUNO IKSIL, JPMORGAN CHASE BANK, says:
as tu eu des updates sur les marginal?

03/23/2012 10:28:06 JULIEN GROUT, JPMORGAN CHASE BANK, says:
no

03/23/2012 10:28:10 BRUNO IKSIL, JPMORGAN CHASE BANK, says:
rwa

03/23/2012 10:28:22 JULIEN GROUT, JPMORGAN CHASE BANK, says:
48.7

3/23/2012 10:28:48 BRUNO IKSIL, JPMORGAN CHASE BANK, says:
ıes marginals sur le rwa

03/23/2012 10:29:15 JULIEN GROUT, JPMORGAN CHASE BANK, says:
non rien.. en cours

03/23/2012 10:29:33 BRUNO IKSIL, JPMORGAN CHASE BANK, says:
j'en ai besoin

03/23/2012 10:29:39 JULIEN GROUT, JPMORGAN CHASE BANK, says:
je sais

03/23/2012 10:29:44 JULIEN GROUT, JPMORGAN CHASE BANK, says:
je viens de relancer pat

03/23/2012 10:29:59 BRUNO IKSIL, JPMORGAN CHASE BANK, says:
merci

03/23/2012 10:31:18 JULIEN GROUT, JPMORGAN CHASE BANK, says:
tu peux me faire les transcripts de david gldenberg a CS stp?

03/23/2012 10:31:38 BRUNO IKSIL, JPMORGAN CHASE BANK, says:
je suis sur le call

03/23/2012 10:31:45 JULIEN GROUT, JPMORGAN CHASE BANK, says:
ok

03/23/2012 10:31:48 BRUNO IKSIL, JPMORGAN CHASE BANK, says:
tout est sur le chat de cs

03/23/2012 10:31:58 BRUNO IKSIL, JPMORGAN CHASE BANK, says:
eux tu le faire

03/23/2012 10:32:03 JULIEN GROUT, JPMORGAN CHASE BANK, says:
ok

03/23/2012 10:57:13 BRUNO IKSIL, JPMORGAN CHASE BANK, says:
appelle moi qd tu peux

03/23/2012 11:36:16 JULIEN GROUT, JPMORGAN CHASE BANK, says:
tjs en ligne?

03/23/2012 11:38:42 JULIEN GROUT, JPMORGAN CHASE BANK, says:
dis moi quand tu as pu retrouver les chats de David Goldenberg

03/23/2012 11:38:43 JULIEN GROUT, JPMORGAN CHASE BANK, says:
stp

03/23/2012 12:00:09 BRUNO IKSIL, JPMORGAN CHASE BANK, says:
c sur le chat de cs sur la fin de mois

03/23/2012 12:00:16 BRUNO IKSIL, JPMORGAN CHASE BANK, says:
et il ya celui de citi

03/23/2012 12:00:28 BRUNO IKSIL, JPMORGAN CHASE BANK, says:
il faut montrer les deux en parallel

3/23/2012 12:00:34 JULIEN GROUT, JPMORGAN CHASE BANK, says:
peux tu me les envoyer stp?

03/23/2012 12:01:06 BRUNO IKSIL, JPMORGAN CHASE BANK, says:
ok je fqis citi

03/23/2012 12:01:12 BRUNO IKSIL, JPMORGAN CHASE BANK, says:
tu peux fqire cs?

03/23/2012 12:03:39 JULIEN GROUT, JPMORGAN CHASE BANK, says:
C'ETAIT SUR QUOI DEJA ? LES 6B?

03/23/2012 12:04:40 BRUNO IKSIL, JPMORGAN CHASE BANK, says:
ok laisse tomber

03/23/2012 12:04:41 BRUNO IKSIL, JPMORGAN CHASE BANK, says:
je e fais

03/23/2012 12:04:54 JULIEN GROUT, JPMORGAN CHASE BANK, says:
desole y avait javier j'ai perdu le fil

03/23/2012 12:04:59 BRUNO IKSIL, JPMORGAN CHASE BANK, says:
pas de pb

03/23/2012 12:05:06 BRUNO IKSIL, JPMORGAN CHASE BANK, says:
ꞏgarde tes email

03/23/2012 12:05:16 BRUNO IKSIL, JPMORGAN CHASE BANK, says:
je faire janvier et fevrier sur credit suisse

03/23/2012 12:05:44 JULIEN GROUT, JPMORGAN CHASE BANK, says:
›eux tu te rappeler des chats ou les traders te disaient que l'IB poussait sur ig9?

03/23/2012 12:07:45 BRUNO IKSIL, JPMORGAN CHASE BANK, says:
non

03/23/2012 12:07:47 BRUNO IKSIL, JPMORGAN CHASE BANK, says:
aucun

03/23/2012 12:19:23 JULIEN GROUT, JPMORGAN CHASE BANK, says:
bruno

03/23/2012 12:19:39 BRUNO IKSIL, JPMORGAN CHASE BANK, says:
oui

03/23/2012 12:19:46 BRUNO IKSIL, JPMORGAN CHASE BANK, says:
ignore le dernier email pour csfb*

03/23/2012 12:19:49 BRUNO IKSIL, JPMORGAN CHASE BANK, says:
c un dupe

03/23/2012 12:19:52 JULIEN GROUT, JPMORGAN CHASE BANK, says:
bon j'ai les marginals old fashion

03/23/2012 12:19:56 BRUNO IKSIL, JPMORGAN CHASE BANK, says:
ah demande a Javier

3/23/2012 12:20:01 BRUNO IKSIL, JPMORGAN CHASE BANK, says:
quel pnl on print today

03/23/2012 12:20:08 BRUNO IKSIL, JPMORGAN CHASE BANK, says:
je ne sais plus la

03/23/2012 12:20:22 JULIEN GROUT, JPMORGAN CHASE BANK, says:
j'ai aussi les marginals pour un split IRC/optimal tranches book, ca t'interesse?

03/23/2012 12:20:29 BRUNO IKSIL, JPMORGAN CHASE BANK, says:
oui

03/23/2012 12:20:33 BRUNO IKSIL, JPMORGAN CHASE BANK, says:
stp va voir javier

03/23/2012 12:20:40 BRUNO IKSIL, JPMORGAN CHASE BANK, says:
je ne sais pas quel pnl envoyer la

03/23/2012 12:20:42 JULIEN GROUT, JPMORGAN CHASE BANK, says:
ok je vais aller lui demander. il pense que les pieces que j'ai amassees ne sont pas assez

03/23/2012 12:20:44 JULIEN GROUT, JPMORGAN CHASE BANK, says:
ok

03/23/2012 12:20:49 JULIEN GROUT, JPMORGAN CHASE BANK, says:
'e vais aller lui envoyer

03/23/2012 12:22:32 BRUNO IKSIL, JPMORGAN CHASE BANK, says:
dis moi qd core delta est updated

03/23/2012 12:24:27 JULIEN GROUT, JPMORGAN CHASE BANK, says:
'one

03/23/2012 12:24:51 JULIEN GROUT, JPMORGAN CHASE BANK, says:
si on doit faire bcp plus de ig9 vs ig18 il faut faire une simulation sur le rwa via Pat

03/23/2012 12:27:17 JULIEN GROUT, JPMORGAN CHASE BANK, says:
bon je fais le pnl la

03/23/2012 12:27:18 JULIEN GROUT, JPMORGAN CHASE BANK, says:
ok?

03/23/2012 12:29:55 BRUNO IKSIL, JPMORGAN CHASE BANK, says:
ah non on ne fera jamais ca!

03/23/2012 12:29:59 BRUNO IKSIL, JPMORGAN CHASE BANK, says:
y en a mare a la fin

03/23/2012 12:30:13 BRUNO IKSIL, JPMORGAN CHASE BANK, says:
tu as parle a Javier?

03/23/2012 12:37:12 JULIEN GROUT, JPMORGAN CHASE BANK, says:
tu noteras qu'il veut faire les simuls de capital AVANT de traiter

03/23/2012 12:51:30 JULIEN GROUT, JPMORGAN CHASE BANK, says:
bon ca va douiller sur la compression la

3/23/2012 12:52:46 BRUNO IKSIL, JPMORGAN CHASE BANK, says:
oui

03/23/2012 12:53:00 JULIEN GROUT, JPMORGAN CHASE BANK, says:
as tu parle a Javier?

03/23/2012 12:56:06 JULIEN GROUT, JPMORGAN CHASE BANK, says:
b?

03/23/2012 12:56:35 BRUNO IKSIL, JPMORGAN CHASE BANK, says:
oui

03/23/2012 12:56:39 JULIEN GROUT, JPMORGAN CHASE BANK, says:
ok

03/23/2012 12:57:19 BRUNO IKSIL, JPMORGAN CHASE BANK, says:
we show -3 until month end on this one

03/23/2012 12:57:21 BRUNO IKSIL, JPMORGAN CHASE BANK, says:
anyway

03/23/2012 13:03:35 JULIEN GROUT, JPMORGAN CHASE BANK, says:
je peux appeler?

03/23/2012 13:03:47 BRUNO IKSIL, JPMORGAN CHASE BANK, says:
'i tu veux

03/23/2012 13:07:52 JULIEN GROUT, JPMORGAN CHASE BANK, says:
le bo ne va rien faire, parce quele pb aujourd'hui c'est la compression

03/23/2012 13:08:07 BRUNO IKSIL, JPMORGAN CHASE BANK, says:
arrete

03/23/2012 13:08:19 BRUNO IKSIL, JPMORGAN CHASE BANK, says:
tu ne perds pas 200m en compression

03/23/2012 13:08:55 JULIEN GROUT, JPMORGAN CHASE BANK, says:
bon

03/23/2012 13:09:28 JULIEN GROUT, JPMORGAN CHASE BANK, says:
on a 34m de cs01 en ig. hy unc'd today (par rapport a nos marques) et ig+3.25. ca fait 110m

03/23/2012 13:09:35 JULIEN GROUT, JPMORGAN CHASE BANK, says:
ok?

03/23/2012 13:09:44 BRUNO IKSIL, JPMORGAN CHASE BANK, says:
ecoute je n'ai pas le temps

03/23/2012 13:09:49 JULIEN GROUT, JPMORGAN CHASE BANK, says:
ok

03/23/2012 13:09:51 JULIEN GROUT, JPMORGAN CHASE BANK, says:
ok

03/23/2012 13:09:53 BRUNO IKSIL, JPMORGAN CHASE BANK, says:
je suis avec pat pour voir les trades

03/23/2012 13:10:04 BRUNO IKSIL, JPMORGAN CHASE BANK, says:
tout ce que je te demande c de dire a Javier ce que tu vois

03/23/2012 13:10:14 BRUNO IKSIL, JPMORGAN CHASE BANK, says:
c tout et ils decide ce qu'on montre

03/23/2012 13:10:20 BRUNO IKSIL, JPMORGAN CHASE BANK, says:
parce que la moi je ne sais plus

03/23/2012 13:10:26 BRUNO IKSIL, JPMORGAN CHASE BANK, says:
je regarde la reduction du rwa

03/23/2012 14:37:47 JULIEN GROUT, JPMORGAN CHASE BANK, has left the room

E-MAIL TRANSLATION

— = Redacted by the Permanent Subcommittee on Investigations

From: JULTEN GROUT <JGROUT3@[redacted]
Sent: Fri. 23 Mar 2012 18:37 :47 GMT
To: JULTEN GROUT <JGROUT3@[redacted] JULIEN GROUT
<j ulien .g.grout@jpmchase.com>; BRUNO IKSIL <BIKSIL2@[redacted]; BRUNO
IKSIL <bruno.m.iksil@jpmorgan.com>
Subject:

03/23 /20]205:45:49 JULIEN GROUT. JPMORGAN CHASE BANK. has joined the room
03 /23/201205:45:50 JULIEN GROUT, JPMORGAN CHASE BANK, says:
*** JPMORGAN CHASE BANK, (741671) Disclaimer: THIS IS FOR INFORMATION ONLY, NOT AN OFFER OR SOLICITATION FOR THE PURCHASE OR SALE OF ANY FINANCIAL INSTRUMENT. NOR AN OFFICIAL CONFIRMATION OF TERMS. THE INFORMATION IS BELIEVED TO BE RELIABLE, BUT WE DO NOT WARRANT ITS COMPLETENESS OR ACCURACY PRICES AND AVAILABILITY ARE INDICATIVE ONLY AND ARE SUBJECT TO CHANGE WITHOUT NOTICE. WE MA Y HOLD A POSITION OR ACT AS A MARKET MAKER IN ANY FINANCIAL INSTRUMENT DISCUSSED HEREIN. CLIENTS SHOULD CONSULT THEIR OWN ADVISORS REGARDING ANY TAX, ACCOUNTING OR LEGAL ASPECTS OF THIS INFORMATION AND EXECUTE TRANSACTIONS THROUGH A IP. MORGAN ENTITY IN THEIR HOME JURISDICTION UNLESS GOVERNING LAW PERMITS OTHERWISE.

03/23/20]205:45 :54 JULIEN GROUT, JPMORGAN CHASE BANK, says:
bruno

03/23/20 1205:4554 BRUNO IKSIL, JPMORGAN CHASE BANK, has joined the room
03/23120 12 05 :4554 BRUNO IKSIL. JPMORGAN CHASE BANK. says
*** JPMORGAN CHASE BANK, (748320) Disclaimer: THIS IS FOR INFORMATION ONLY. NOT AN OFFER OR SOLICITATION FOR THE PURCHASE OR SALE OF ANY FINANCIAL INSTRUMENT, NOR AN OFFICIAL CONFIRMATION OF TERMS. THE INFORMATION IS BELIEVED TO BE RELIABLE, BUT WE DO NOT WARRANT ITS COMPLETENESS OR ACCURACY. PRICES AND AVAILABILITY ARE INDICATIVE ONLY AND ARE SUBJECT TO CHANGE WITHOUT NOTICE. WE MAY HOLD A POSITION OR ACT AS A MARKET MAKER IN ANY FINANCIAL INSTRUMENT DISCUSSED HEREIN. CLIENTS SHOULD CONSULT THEIR OWN ADVISORS REGARDING ANY TAX. ACCOUNTING OR LEGAL ASPECTS OF THIS INFORMATION AND EXECUTE TRANSACTIONS THROUGH A IP. MORGAN ENTITY IN THEIR HOME JURISDICTION UNLESS GOVERNING LAW PERMITS OTHERWISE.

03/23/201205:45:59 BRUNO IKSIL, JPMORGAN CHASE BANK, says:
salut
hi
031231201205:46:01 JULTEN GROUT, JPMORGAN CHASE BANK, says:
salut
hi
03/23/20 1205:4603 BRUNO IKSIL. JPMORGAN CHASE BANK, says:
c mort la
'it is over/it is hopeless now
03/23 /20 1205:46:28 JULIEN GROUT, JPMORGAN CHASE BANK. says:
david de CS appoelle au sujet des skew trades. je lui demande un prix ferme sur indice vs single names?
David from CS calls about skew trades. I ask him a firm price on index vs single names?
03/23/201205:46:32 JULIEN GROUT. JPMORGAN CHASE BANK. says:

coupons matched etc
coupons matched etc
03/23/2012054633 JULIEN GROUT, JPMORGAN CHASE BANK, says:
?
?
03 /23/201205:46:42 BRUNO IKSIL, JPMORGAN CHASE BANK, says:
oui
yes
03/23/20 1205:46:46 BRUNO IKSIL, JPMORGAN CHASE BANK, says:
c un full upfront
it is a full upfront
03/23/20 1205:46:54 JULIEN GROUT, JPMORGAN CHASE BANK, says:
ok understood
ok understood
03 /23/201205:48: 11 JULIEN GROUT, JPMORGAN CHASE BANK, says:
pour revenir a ton premier point
to get back to our first point
03 /23 /20 1205:48: 14 BRUNO IKSIL, JPMORGAN CHASE BANK, says:
continue a vendre la ss
keep on selling the ss
03/23/201205:48 :25 BRUNO IKSIL, JPMORGAN CHASE BANK, says:
leve la 0-3 10yr
levy/raise/exercise the 0-3 10yr
03/23/20 1205 :48 :28 JULIEN GROUT, JPMORGAN CHASE BANK, says
on en discutera lundi si tu veux bien,
we will talk about that on Monday if it is fine with you
03 /23 /20 1205:48 :32 JULIEN GROUT, JPMORGAN CHASE BANK, says:
ok ok je continue ca
ok ok I continue that
03123/20 1205:48 :38 BRUNO IKSIL, JPMORGAN CHASE BANK, says:
oui
yes
03 /23 /201205:48:48 BRUNO IKSIL, JPMORGAN CHASE BANK, says:
je te dis
I tell you
03/23/201 205:48:52 BRUNO TKSIL, JPMORGAN CHASE BANK, says
ils vont nous defoncer
they are going to trash/destroy us
03/23/20 12 05:48 :56 JULIEN GROUT, JPMORGAN CHASE BANK, says :
y a bcp a dire, mais je ne veux pas charger ta charette qui est deja bien remplie
there is a lot to say, but I don't want to burden you more than you already are
03/23 /20 12 055228 BRUNO IKSIL, JPMORGAN CHASE BANK, says
c soir tu as au moins 600m
tonight you'll have at least 600m
03123/201 2055236 BRUNO IKSIL, JPMORGAN CHASE BANK, says
BID ASK
BID ASK
03/23 /20 120552:40 BRUNO IKSIL, JPMORGAN CHASE BANK, says:
MID
MID

03123120 1205 :52 :51 BRUNO TKSIL. JPMORGAN CHASE BANK, says:
BID ASK TU AS 300M AU MOINS
BID ASK YOU HAVE 300M AT LEAST
03/23/2012 05:54:46 JULIEN GROUT, JPMORGAN CHASE BANK, says:
tu as vu le run de jospehine.. attack full force.
You have seen Josephine's run.. attack full force.
03/23/2012 05:57 :56 BRUNO IKSTL, JPMORGAN CHASE BANK. says:
oui
yes
03 /23 /20120557:59 BRUNO IKSIL, JPMORGAN CHASE BANK. says:
c partout
it is everywhere/all over the place
03/23/20 12 0558:04 BRUNO IKSTL, JPMORGAN CHASE BANK, says:
on est mort je te dis
we are dead I tell you
03/23 /2012 05:58 :19 BRUNO IKSIL, JPMORGAN CHASE BANK, says:
mais bon c hors de mon controel maintenant
but then it is out of my hands now
03/23/2012 05:58:27 BRUNO TKSIL, JPMORGAN CHASE BANK, says:
j'ai fait ce qu'il fallait
I did what I had to do
03 /23 /2012 06:04:04 JULIEN GROUT, JPMORGAN CHASE BANK, says:
ok
ok
*03/23/2012 06:*18:11 JULIEN GROUT, JPMORGAN CHASE BANK, says
oula bnp ...
wow bnp...
03/23/2012 07:2702 JULIEN GROUT. JPMORGAN CHASE BANK, says:
bruno/
bruno/
03/23/2012 07:30:46 BRUNO IKSTL, JPMORGAN CHASE BANK, says:
oui
yes
*03/23/2012 07:31:*38 JULIEN GROUT. JPMORGAN CHASE BANK, says:
l'arret du trading c nous 3 ou juste moi?
The stop of the trading, is it the 3 of us or only me ?
03123/2012 07:31:49 BRUNO IKSIL, JPMORGAN CHASE BANK, says:
toi
you
03123/2012 07:31 :52 BRUNO IKSTL, JPMORGAN CHASE BANK, says:
sur core
on core
03/23/2012 07:31 :52 JULIE GROUT, JPMORGAN CHASE BANK, says:
ok
ok
03 /23/2012 07:32:05 JULIEN GROUT, JPMORGAN CHASE BANK, says
eric/luis ils peuvent continuer, sur leur tactical
eric/luis can go on, on their tactical
03/23/2012 07:32:06 BRUNO IKSIL, JPMORGAN CHASE BANK, says:

continue sur la ss les 0-3 1 A yr
go on with the ss the 0-3 1 A yr
03/23/2012 07:32:07 JULIEN GROUT, JPMORGAN CHASE BANK, says:
ok?
Ok?
03/23/2012 07:32:11 BRUNO IKSIL, JPMORGAN CHASE BANK, says:
oui
yes
03 /23 /20 1207:32:27 BRUNO IKSIL, JPMORGAN CHASE BANK, says:
continue sur les 25-35 HY
go on with the 25-35 HY
03123 /20 120732:32 BRUNO IKSIL, JPMORGAN CHASE BANK, says:
pas les 15-25
not the 15-25
03/23/201207:32:53 JULIEN GROUT, JPMORGAN CHASE BANK, says:
ok
ok
03/23/201207:33 :02 JULIEN GROUT, JPMORGAN CHASE BANK, says:
tu pourras me donner la couleur stp? s'il y en a.
will you give me the color please ? if there is some.
03/23120 1207:33: 17 BRUNO IKSIL, JPMORGAN CHASE BANK, says:
rien poour le moment
nothing for now
03 /23/201207:33 :20 JULIEN GROUT, JPMORGAN CHASE BANK, says:
ok
ok
03/23 /20 120733 :28 BRUNO IKSIL, JPMORGAN CHASE BANK, says:
ca va se negocier avec l'IB
it will be negotiated with the IB
03/23/20 1207:33:34 BRUNO IKSIL, JPMORGAN CHASE BANK, says:
tout en haut
at the top
031231201207:33:41 BRUNO IKSIL, JPMORGAN CHASE BANK, says:
et je vais en prendre pour mon grade
and I am going to be hauled over the coals
03 /23 /20 1207:33:44 JULIEN GROUT, JPMORGAN CHASE BANK, says
today?
today?
03/23/20 120733:49 BRUNO IKSIL, JPMORGAN CHASE BANK, says:
mais bon on a du carry
but we have some carry
03123/20 1207:33 :51 JULIEN GROUT, JPMORGAN CHASE BANK, says:
ah? cela t'a ete confirme/
ah ? it was confirmed to you ?
03 /23 /20 1207:34:03 BRUNO IKSIL, JPMORGAN CHASE BANK, says:
c pas necessaire
it is not necessary
03/231201207:34:20 BRUNO IKSIL, JPMORGAN CHASE BANK, says
tu ne perds pas 500M sans conseuqences
you don't lose 500M without consequences

03/23/20 12 07:34:30 BRUNO TKSIL. JPMORGAN CHASE BANK. says
garde le pour toi
keep it for you
03123/201207:34:39 JULIEN GROUT. JPMORGAN CHASE BANK, says:
oh oui
oh yes
03/23 /20 120734:52 BRUNO IKSIL, JPMORGAN CHASE BANK, says:
c le bon sens qui me dit ca
good sense tells me so
03/23120 120746:55 JULIEN GROUT. JPMORGAN CHASE BANK, says:
tua as parle a august? sinon. je lui dis de nous montrer le skew trade (sous le bon format)?
Did you talk to august ? otherwise. I tell him to show us the skew trade (under the good format)?
03 /2312012074729 BRUNO IKSIL, JPMORGAN CHASE BANK, says:
oui
yes
03/23 /20 12074735 JULIEN GROUT, JPMORGAN CHASE BANK, says:
ok
ok
03/23/20 120747:38 BRUNO IKSIL, JPMORGAN CHASE BANK, says:
essaie de collecter des prix fermes
try to collect firm prices
03/23 /20 1207 4 745 BRUNO IKSIL, JPMORGAN CHASE BANK, says:
je n'ai rien vu de ferme pour le moment
I haven't seen anything finn for now
03/23 /20 1207481 5 JULIEN GROUT, JPMORGAN CHASE BANK. says:
ok
ok
03123/2012 07:56:47 JULIEN GROUT, JPMORGAN CHASE BANK. says
Bruno? tu as besoin de qqcho/
Bruno ? do you need anything ?
03/23/20 12 08:13:16 JULIEN GROUT, JPMORGAN CHASE BANK, says
bon bruno
well bruno
03/23 /20 1208:13 :26 JULIEN GROUT, JPMORGAN CHASE BANK, says:
javier est reparti dans un conf call avec A
javier is back again in a phone call with A
03 /23/2012081332 JULIEN GROUT. JPMORGAN CHASE BANK, says:
je n'ai pas pu lui parler
I couldn't talk to him
03/23 /201208 14 :05 BRUNO IKSIL, JPMORGAN CHASE BANK, says:
ok
ok
03 /23/201208:14:24 JULIEN GROUT, JPMORGAN CHASE BANK, says:
mais bon il n'avait pas l'ai conceme par des slidse .. plutot autre chose
but anyway he did not seem concemed by the slides.. rather something else
03/23 /2012 08:14:35 JULIEN GROUT, JPMORGAN CHASE BANK, says
je vais chercher le dej et je reviens
I am going to get lunch and I come back
03 /23/2012 08:26: 17 BRUNO IKSIL, JPMORGAN CHASE BANK, says
tu es la?
Are you here?

03/23 /2012 08:31:42 BRUNO IKSIL, JPMORGAN CHASE BANK, says:
urgent
urgent
03 /23/20 12 08:33:49 JULIEN GROUT, JPMORGAN CHASE BANK, say s:
oui
yes
03/23/2012 085930 BRUNO IKSIL, JPMORGAN CHASE BANK, says:
regarde ton email
look at your email
03 /23/20 1209:0002 BRUNO IKSIL, JPMORGAN CHASE BANK, says:
essaye de retrouver les run de roman shukhman sur ig9 pour montrer qu'i1s sont plus steep et mettent le ig9 10yr plus que le marche
try to find roman shukhman's runs on ig9 in order to show that they are "more steep"/steeper and that they put the ig9 10 yr more than the market
03123/20 1209:01 :36 JULIEN GROUT, JPMORGAN CHASE BANK, says:
bruno
bruno
03 /23/20 120902:07 BRUNO IKSIL, JPMORGAN CHASE BANK, says
essaie de retrouver les chat sur les chat de jp ou ils nou sniffent
try to find the chats about the jp's chat where they sniff us
03123 /2012090213 JULIEN GROUT, JPMORGAN CHASE BANK, says:
tu te rappelles l'histoire de debut d'annee avec Sylvain sur le roll s9 5y?
do you remember the story from the beginning of the year with Sylvain on the s9 5y roll ?
03/23 /20120902:20 BRUNO IKSIL, JPMORGAN CHASE BANK, says:
non
no
03 /23/20 1209:02:26 BRUNO IKSIL, JPMORGAN CHASE BANK, says
c'etait koi deja?
What was it again?
03123 /20120902:41 JULIEN GROUT, JPMORGAN CHASE BANK, says
j'avais checke sylvain, et fait une gross taille de roll s9 5y
I had checked with Sylvain and done a big size of roll s9 5y
03 /231201209:0251 JULIEN GROUT, JPMORGAN CHASE BANK, says:
peux de temps apres il me dit que jpm le lift dessus
shortly after he tells me that jpm lifts him from it
03/231201209:0256 BRUNO IKSIL, JPMORGAN CHASE BANK, says:
ah oui
oh yes
03 /23 /20 1209:03:04 BRUNO TKSIL, JPMORGAN CHASE BANK, says:
il faut le retrouver celui la
we need to find this one
03 /23 /20 1209:03 :13 JULIEN GROUT, JPMORGAN CHASE BANK, says
je 'ai, en francais malheureusement
I have it, in French unfortunately
03 /23/20120903 :21 BRUNO IKSIL, JPMORGAN CHASE BANK, says
c pas grave envoie
it does not matter, send it
03123 /20 120903:3 1 JULIEN GROUT, JPMORGAN CHASE BANK, says
en rrecanche peux tu me rappeler ce que tu avais trade/booke?
However could you remind me what you traded/booked ?
03123120 120903 :33 BRUNO IKSIL, JPMORGAN CHASE BANK, says:

achilles comprend tres bien le francais
achilles understands French very well
03 /23 /20 1209:03:42 BRUNO IKSIL, JPMORGAN CHASE BANK, says:
cad?
Which means?
03 /23 /201209:03:48 JULIEN GROUT, JPMORGAN CHASE BANK, says:
je veux le timing exact
I want the exact timing
03/23/20 1209:03:56 BRUNO IKSIL, JPMORGAN CHASE BANK, says
de quoi?
of what ?
03/23/20 1209:04:03 JULIEN GROUT, JPMORGAN CHASE BANK, says
ben des evenements
well, of the events
03/23/2012090416 JULIEN GROUT, JPMORGAN CHASE BANK, says
parce que si tu as deja traite du roll avant moi la dessus
because if you have already treated some roll before me on that
03123/2012090420 JULIEN GROUT, JPMORGAN CHASE BANK, says
ca sera encore plus limpide
it will be even clearer
03 /23 /20 120904:23 JULIEN GROUT, JPMORGAN CHASE BANK, says:
tu vois?
Do you see ?
03123 /20 1209:04:32 BRUNO IKSIL, JPMORGAN CHASE BANK, says:
je ne me souviens plus
I don't remember
03/23/201209:04:39 JULIEN GROUT, JPMORGAN CHASE BANK, says
ok je regarde le blotter
ok I look at the blotter
03/23/201209:04:41 BRUNO IKSIL, JPMORGAN CHASE BANK, says:
c quel jour?
What day is it ?
03/23 /20 1209:05:27 JULIEN GROUT, JPMORGAN CHASE BANK, says:
ah ui ! tu as traite 250m de roll s9 avec db a 7h55 !!
oh yes! You dealt with 250m of roll s9 with db at 7h55!!
03 /23 /20 12 0905 :29 JULIEN GROUT, JPMORGAN CHASE BANK, says
le 4-jan
on 4th Jan
03 /23/20 120906:11 BRUNO IKSIL, JPMORGAN CHASE BANK, says:
ok
ok
03 /23 /20 1209:0618 BRUNO IKSIL, JPMORGAN CHASE BANK, says
tu as le chat?
Do you have the chat?
03/23/20 120906:22 BRUNO IKSIL, JPMORGAN CHASE BANK, says:
ajoute le
add it
03/23 /20 1209:06 :29 JULIEN GROUT, JPMORGAN CHASE BANK, says:
avec sylvain? oui

with Sylvain ? yes
03/23/20120906:31 BRUNO IKSIL. JPMORGAN CHASE BANK. says:
je ne vois rien chez moi
I can't see anything on mine
03 /23 /20 1209:06:37 BRUNO IKSTL, JPMORGAN CHASE BANK, says:
mais je me rappelle
but I remember
03/23 /201209: 14:32 JULIEN GROUT, JPMORGAN CHASE BANK, says:
ok apparemment tu as booke le trade vers 8h20 ce jour la, moi j'ai trade a 9h.
ok apparently you booked the trade around 8h20 this day. and I traded at 9h.
03 /23/20 12 09: 14 :52 BRUNO IKSIL, JPMORGAN CHASE BANK, says
cool
cool
03 /23 /20 1209:5007 JULIEN GROUT, JPMORGAN CHASE BANK, says:
pour l'instant je n'ai que 5 'pieces' au dossier
for now I have only 5 documents in the file
03 /23/201209:53:45 BRUNO IKSIL, JPMORGAN CHASE BANK. says:
regarde ton email
look at your email
03 /23/20 1209:53:49 JULIEN GROUT, JPMORGAN CHASE BANK. says:
vu
seen
03/23120 1209:53:50 JULIEN GROUT, JPMORGAN CHASE BANK, says:
un de plus
one more
03/23/201209:54:03 BRUNO IKSIL, JPMORGAN CHASE BANK, says
ben oui on ne va pas bosser comme si on etait parano tout le temps aussi
well yes, we are not going to work as if we were paranoid all the time!
03/23120 1209:54:25 JULIEN GROUT, JPMORGAN CHASE BANK, says:
6 pieces
6 documents
03/23120120956:24 BRUNO IKSIL, JPMORGAN CHASE BANK, says:
regarde tes chats a toi avec JP guys
look at your own chats with the JP guys
03/23 /2012 10:05 :37 BRUNO IKSIL, JPMORGAN CHASE BANK, says:
je fais Mark Shirfan
I look at Mark Shirfan
03 /23/20 12 10:2250 JULIEN GROUT, JPMORGAN CHASE BANK. says:
vois les emails stp
look at the emails please
03/23 /20 12 1023 14 BRUNO IKSIL, JPMORGAN CHASE BANK, says
je vois
I see
03/23 /20 12 10:23:21 BRUNO IKSIL, JPMORGAN CHASE BANK. says:
la var explose
the var explodes
0312312012 10:2328 JULIEN GROUT, JPMORGAN CHASE BANK. says:
oui
yes

03/23/20 12 10:23 :35 BRUNO IKSIL, JPMORGAN CHASE BANK, says:
c foutu
it is over
03/23 /20 12 10:23 :37 JULIEN GROUT, JPMORGAN CHASE BANK, says:
le sule moyen c le book a zero
the only way is the book at zero
03123 /20 12 10:25 :04 JULIEN GROUT, JPMORGAN CHASE BANK, says:
tu peux me dire ce que t'a dit ade ce matin?
Can you tell me what ade told you this morning?
03/23/201210:2550 BRUNO TKSIL, JPMORGAN CHASE BANK, says
3 gars de l'ib sont venus lui demander ma taille sur ig9
3 IB guys came to ask him my size on ig9
03 /23 /2012 1026:08 BRUNO IKSIL, JPMORGAN CHASE BANK, says:
je ne veux pas savoir qui c
I don't want to know who it is
03/23/2012 1026: 19 BRUNO IKSIL, JPMORGAN CHASE BANK, says:
je suis sur le call
I am on the call
03/23/2012 10:28:01 BRUNO IKSIL, JPMORGAN CHASE BANK, says:
as tu eu des updates sur les marginal?
Did you get the updates about the marginal?
03/23/201210:28:06 JULIEN GROUT, JPMORGAN CHASE BANK, says:
no
no
03/23/201210:28:10 BRUNO IKSIL, JPMORGAN CHASE BANK, says:
rwa
rwa
03/23/2012 10:28:22 JULIEN GROUT, JPMORGAN CHASE BANK, says:
48.7
48.7
03 /23 /2012 10:2848 BRUNO IKSIL, JPMORGAN CHASE BANK, says:
les marginals sur le rwa
the marginals on the rwa
03 /23120 12 10:29: 15 JULIEN GROUT, JPMORGAN CHASE BANK, says:
non rien .. en cours
no, nothing.. in progress
03/23 /2012 10:29:33 BRUNO IKSIL, JPMORGAN CHASE BANK, says:
j'en ai besoin
I need them
03/23/2012 10:2939 JULIEN GROUT, JPMORGAN CHASE BANK, says
je sais
I know
03/23/20J 2 10:2944 JULIEN GROUT, JPMORGAN CHASE BANK, says:
je viens de relancer pat
I just asked Pat again
03 /23 /2012 10:29:59 BRUNO IKSIL, JPMORGAN CHASE BANK, says:
merci
thanks
03 /23 /2012 10:31: 18 JULIEN GROUT, JPMORGAN CHASE BANK, says
tu peux me faire les transcripts de david gldenberg a CS stp?

Can you please do/check david gldenberg's transcripts to CS ?
03 /2312012 10:31 :38 BRUNO IKSIL. JPMORGAN CHASE BANK. say s:
je suis sur le call
I am on the call
03/23/2012 10:3145 JULIEN GROUT. JPMORGAN CHASE BANK. says:
ok
ok
03/23/2012 10:3148 BRUNO IKSIL, JPMORGAN CHASE BANK, says:
tout est sur le chat de cs
everything in on cs's chat
03/23 /2012 10:31 58 BRUNO IKSIL, JPMORGAN CHASE BANK, says:
peux tu le faire
can you do it?
03/23/20 12 10:3203 JULIEN GROUT, JPMORGAN CHASE BANK, says:
ok
ok
03 /2312012 10 57: 13 BRUNO IKSIL, JPMORGAN CHASE BANK, says:
appelle moi qd tu peux
call me when you can
03 /23/20 12 11 :36: 16 JULIEN GROUT. JPMORGAN CHASE BANK, says:
tjs en ligne?
Still online ?
03123/20 12 11 :3842 JULIEN GROUT, JPMORGAN CHASE BANK. says:
dis moi quand tu as pu retrouver les chats de David Goldenberg
tell me when you can find David Goldenberg's chats
03 /23 /20 12 11 :3843 JULIEN GROUT, JPMORGAN CHASE BANK, says:
stp
please
03 /23 /20 12 1200:09 BRUNO IKSIL, JPMORGAN CHASE BANK, says:
c sur le chat de cs sur la fin de mois
It is on cs's chat at the end of the month
03/23/20 12 1200 16 BRUNO IKSIL. JPMORGAN CHASE BANK, says:
et il ya celui de citi
and there is the citi one
03/23/20 12 1200:28 BRUNO IKSIL, JPMORGAN CHASE BANK, says:
il faut montrer les deux en parallel
you need to show both in parallel
03/23/20 12 12 00 3 4 JULIEN GROUT, JPMORGAN CHASE BANK, says
peux tu me les envoyer stp?
Can you send them to me please?
03/23/20 12 12:0106 BRUNO IKSIL. JPMORGAN CHASE BANK. says
ok je fqis citi
ok I do citi
03/23/20 12 12:01 :12 BRUNO IKSIL, JPMORGAN CHASE BANK, says:
tu peux fqire cs?
Can you do cs please ?
03 /23/2012 12:0339 JULIEN GROUT. JPMORGAN CHASE BANK, says:
C'ETAIT SUR QUOI DEJA ? LES 6B?
About what was it again? The 6B?

03 /23/20 12 12:0440 BRUNO IKSIL. JPMORGAN CHASE BANK. says:
ok laisse tomber
ok give it up
03/23/20 12 12:0441 BRUNO IKSIL, JPMORGAN CHASE BANK, says
je e fais
I do it
03123/20 12 1204:54 JULIEN GROUT, JPMORGAN CHASE BANK, says:
desole y avait javier j 'ai perdu le fil
sorry javier was here and I lost track
03 /23/2012 12:04:59 BRUNO IKSIL, JPMORGAN CHASE BANK, says:
pas de pb
no pb
0312312012 12:05:06 BRUNO IKSIL, JPMORGAN CHASE BANK, says:
regarde tes email
look at your emails
03/23/2012 1205:16 BRUNO TKSn.., JPMORGAN CHASE BANK, says:
je faire janvier et fevrier sur credit suisse
I am going to do January and February on credit suisse
03/23 /2012 12:05:44 JULIEN GROUT, JPMORGAN CHASE BANK. says:
peux tu te rappeler des chats ou les traders te disaient que l'IB poussait sur ig9?
Can you remember chats where the traders told you that the IB insisted on ig9?
03 /2312012 12:07:45 BRUNO TKSIL. JPMORGAN CHASE BANK. says:
non
no
03/23 /201212:07:47 BRUNO IKSIL, JPMORGAN CHASE BANK, says:
aucun
none
03/23 /2012 12: 19:23 JULIEN GROUT, JPMORGAN CHASE BANK, says:
bruno
bruno
03 /23/20 12 12: 19:39 BRUNO IKSIL, JPMORGAN CHASE BANK, says:
oui
yes
03/23 /2012 12: 19:46 BRUNO IKSIL, JPMORGAN CHASE BANK, says:
ignore le dernier email pour csfb*
disregard the last email for csfb
03 /23 /2012 12 19:49 BRUNO TKSIL, JPMORGAN CHASE BANK, says:
c un dupe
it is a trick
03 /23 /2012 12: 1952 JULIEN GROUT. JPMORGAN CHASE BANK, says:
bon j'ai les marginals old fashion
well, I have the old fashion marginals
03/23 /2012 12 1956 BRUNO IKSIL, JPMORGAN CHASE BANK, says
ah demande a Javier
ah ask Javier
03 /23 /2012122001 BRUNO IKSIL, JPMORGAN CHASE BANK, says:
quel pnl on print today
what pnl we print today
03 /23 /2012 12:20:08 BRUNO IKSIL. JPMORGAN CHASE BANK. says:
je ne sais plus la

I don't know anymore
03 /23 /20121220:22 JULIEN GROUT, JPMORGAN CHASE BANK, says:
j'ai aussi les marginals pour un split IRC/optimal tranches book, ca t'interesse?
I also have the marginals for a split IRC/optimal tranches book, are you interested ?
03/23/20 12 12:20:29 BRUNO IKSIL, JPMORGAN CHASE BANK, says:
oui
yes
03 /23/2012 12:20:33 BRUNO IKSIL, JPMORGAN CHASE BANK, says:
stp va voir javier
please, go see javier
03/23/2012 12:20:40 BRUNO IKSIL, JPMORGAN CHASE BANK, says:
je ne sais pas quel pnl envoyer la
I don't know which pnl I should send
03 /2312012 12:20:42 JULIEN GROUT, JPMORGAN CHASE BANK, says
ok je vais aller lui demander. il pense que les pieces que j'ai amassees ne sont pas assez
ok I am going to ask him, he thinks that the documents that I collected are not enough
03/23/20 121 2:20:44 JULIEN GROUT, JPMORGAN CHASE BANK, says:
ok
ok
03 /23120 12 12:20:49 JULIEN GROUT, JPMORGAN CHASE BANK, says:
je vais aller lui envoyer
I am going to send them to him
03 /23/201212:22:32 BRUNO IKSIL, JPMORGAN CHASE BANK, says:
dis moi qd core delta est updated
tell me when core delta is updated
03/23/2012 12:24:27 JULIEN GROUT, JPMORGAN CHASE BANK, says
done
done
03 /2312012 12:24:51 JULIEN GROUT, JPMORGAN CHASE BANK, says:
si on doit faire bcp plus de ig9 vs ig18 il faut faire une simulation sur le rwa via Pat
if we must do much more ig9 vs ig18, we need to do a simulation on the rwa via Pat
03/23/2012 12:27: 17 JULIEN GROUT, JPMORGAN CHASE BANK, says:
bon je fais le pnl la
well, I do the pnl now
03/23/2012 1227: 18 JULIEN GROUT, JPMORGAN CHASE BANK, says:
ok?
ok?
0312312012 12:29:55 BRUNO IKSIL, JPMORGAN CHASE BANK, says
ah non on ne fera jamais ca !
oh no, we will never do that !
03/23/20 12 12:2959 BRUNO IKSIL, JPMORGAN CHASE BANK, says:
yen a mare a la fin
enough is enough
03/23/20 12 12:30 13 BRUNO IKSIL, JPMORGAN CHASE BANK, says:
tu as parle a Javier?
Did you talk to Javier?
03/23/20 12 12:37: 12 JULIEN GROUT, JPMORGAN CHASE BANK, says:
tu noteras qu'il veut faire les simuls de capital AVANT de traiter
you'll notice that he wants to do the capital simulations BEFORE dealing

03123/20 12 12:51 :30 JULIEN GROUT, JPMORGAN CHASE BANK, says:
bon ca va douiller sur la compression la
it is going to be spent/expensive on the compression now
03/23/20 12 12:52:46 BRUNO IKSIL. JPMORGAN CHASE BANK, says:
oui
yes
03/23120 12 12:53:00 JULIEN GROUT, JPMORGAN CHASE BANK, says
as tu parle a Javier?
Did you talk to javier ?
03/23/2012 125606 JULIEN GROUT. JPMORGAN CHASE BANK. says
b?
b?
03123 /20 12 12:56:35 BRUNO IKSIL. JPMORGAN CHASE BANK, says:
oui
yes
03 /23/201212:56:39 JULIEN GROUT, JPMORGAN CHASE BANK, says:
ok
ok
03/23 /2012 12:57: 19 BRUNO IKSIL, JPMORGAN CHASE BANK. says:
we show -3 until month end on this one
we show -3 until month end on this one
03/23 /20 12 12:57:21 BRUNO IKSIL. JPMORGAN CHASE BANK. says
anyway
anyway
03/23/20121303 :35 JULIEN GROUT, JPMORGAN CHASE BANK. says:
je peux appeler?
Can I call?
03/23/20 121303:47 BRUNO IKSIL, JPMORGAN CHASE BANK, says:
si tu veux
if you want
03 /23/20 1213:0752 JULIEN GROUT, JPMORGAN CHASE BANK. says:
le bo ne va rien faire, parce quele pb aujourd'hui c'est la compression
the bo is not going to do anything, because today's problem is compression
03123 /20 12 13 08:07 BRUNO IKSIL. JPMORGAN CHASE BANK, says
arrete
stop that
03123/201213 :08 :19 BRUNO IKSIL. JPMORGAN CHASE BANK. says:
tu ne perds pas 200m en compression
you do not loose 200m with compression
03/23/20 121308:55 JULIEN GROUT, JPMORGAN CHASE BANK. says:
bon
well
03123/20 12 13:09:28 JULIEN GROUT, JPMORGAN CHASE BANK, says:
on a 34m de cs0l en ig. hy unc'd today (par rapport a nos marques) et ig+3.25. ca fait 110m
we have 34m of cs01 in ig. Hy unc'd today (in comparison with our marks) and ig+3.25. it makes 110m
03/23/2012 1309:35 JULIEN GROUT. JPMORGAN CHASE BANK, says
ok?
Ok?

Draft Transcript - Subject to Review and Correction
Likely Contains Errors

03/23/2012 1309:44 BRUNO IKSIL, JPMORGAN CHASE BANK, says:
ecoute je n'ai pas le temps
listen, I don't have time
03123/20 1213:09:49 JULIEN GROUT, JPMORGAN CHASE BANK, says:
pok
why?
03/23/20 121309:51 JULIEN GROUT, JPMORGAN CHASE BANK, says
ok
ok
03/23/20 12130953 BRUNO IKSIL, JPMORGAN CHASE BANK, says:
je suis avec pat pour voir les trades
I am with pat to see for the trades
03/23/20 1213 :10:04 BRUNO IKSIL, JPMORGAN CHASE BANK, says:
tout ce que je te demande c de dire a Javier ce que tu vois
all that I am asking you is to tell Javier what you see
03123/20 12 13: 10: 14 BRUNO IKSTL, JPMORGAN CHASE BANK, says:
c tout et ils decide ce qu'on montre
that's it and he decides what we show
03/23/20 12 13: 1 0:20 BRUNO IKSIL, JPMORGAN CHASE BANK, says:
parce que la moi je ne sais plus
because me, I don't know anymore
03/23/20 12 13 1026 BRUNO IKSIL, JPMORGAN CHASE BANK, says
je regarde la reduction du rwa
I look at the reduction in the rwa

03/23/20 12 14 :37 :47 JULIEN GROUT, JPMORGAN CHASE BANK, has left the room

From: Iksil, Bruno M <bruno.m.iksil@jpmchase.com>
Sent: Thu, 29 Mar 2012 21:18:08 GMT
To: Martin-Artajo, Javier X <javier.x.martin-artajo@jpmorgan.com>
Subject: First draft of the presentation

CIO SYNTHETIC CREDIT UPDATE

March 2012

J.P.Morgan

Core Credit Book: summary

1- the beta adjusted moves

- case of a 1x1 hy vs IG position : illusions with spreads and bp measure sensitivities
- the book remains neutral x% CS01 : implications
    1- if IG9 lags, the book becomes long risk, because we are long risk in IG9
    2- if HY decompresses, the book becomes short risk, because we are short risk in HY

2- the Method

- Look at beta adjusted moves on history : the whole story is about compression and decompression
- breakdown the risk from beta factors
    1- the book has a directional bias, but next it is all about expected loss changes (mixing carry and MTM)
    2- the beta neutral book breaks into 3 parts:
        a- decompression trade ie HY vs IG on the run
        b- S9 vs IG on the run and hy off the run vs HY on the run
        c – equity tranche slope

3- the findings : target YTD at -750M

- the book is huge : 95Bln IG9 and 38Bln S9 fwds , decompression (8M bp in HY or 25Bln, 2.3M in Xover or 7Bln)
- Decompression worked very well and only starting : total gain ytd of 600M (60Bp Xover, 60bps in HY) we captured 12% decompression out of a move of 18%
- Series9 lag is overwhelming : total loss YTD is 1.5bln (22bps in IG9 fwds and main S9)
- directionality -60M and carry -40M (with no roll down) : total 100m
- -defaults (Kodak and Rescap) cost are estimated at 100M total
- 0-3 equity slopes cost a total 200M : 50M in itraxx (2pts) and 150M in CDX IG (5pts)
- -New trades : gain 200M

1472

Core Credit Book: Trading activity : positions and new trades

Rationale for the positions increase :

1- cover the HY downside on some defaults, prepare for IG tightening, stay market neutral to minimize RWA

2- started by selling IG9 5yr and S9 5yr : the curve steepened and the forwards moved up

3- sold S9 and IG9 5x10 to limit the P&L hit

4- defended the P&L at Month end while the decompression kept going and increased the underperformance of S9 series

Itraxx Block	All trades		Start Jan Book	Start Feb Book	Start March Book	Current Book
Main OTR Xover	3.700	-2,479,033,784	-3,756,756,757	-3,283,783,784	-4,884,371,622	-6,235,790,541
Main OTR IG	4.500	10,599,246,667	16,062,222,222	14,040,000,000	20,883,402,222	26,661,468,889
S9 Fwd	4.300	15,534,528,571	20,497,375,000	27,746,375,000	33,398,625,000	38,511,625,000
5yr IG OTR eq	4.500	14,844,105,079	19,586,380,556	26,513,202,778	31,914,241,667	36,799,997,222
Net 5yr OTR	4.500	22,472,525,079	-4,116,619,444	6,190,069,444	14,082,350,556	20,725,417,222
CDX block	**All trades**		**Start Jan Book**	**Start Feb Book**	**Start March Book**	**Current Book**
HY OTR	4.100	-12,027,013,171	-7,246,905,439	-7,695,056,537	-14,662,635,805	-19,273,918,610
IG OTR	5.000	52,269,399,240	31,495,051,038	33,442,715,708	63,723,815,208	83,764,450,278
Hyotr	4.100	-2,550,011,220	-8,555,429,927	-11,325,839,805	-11,224,162,976	-11,105,441,146
HY10-11	2.435	4,293,653,388	14,405,446,694	19,070,202,546	18,899,001,314	18,699,100,082
IG9 fwd	4.500	39,888,688,889	54,651,951,114	75,029,095,559	94,017,484,448	94,540,640,003
IG OTR	5.000	-35,899,820,000	-49,186,756,003	-67,526,186,003	-84,615,736,003	-85,086,576,003
Net IG OTR	5.000	12,061,510,760	-20,135,375,035	-5,227,009,705	-8,934,809,205	-8,073,864,275

1473

Core Credit Book: BP sensitivities and Directionality of the book

As spreads tightened the IG9 and S9 10yr saw their duration increase while all other legs had a shrinking duration

1- this created an increase on the expected loss of the long risk that was amplified with the forward exposure

2- the decompression created a long risk that was covered with a short risk in HY as the market rallied (Var minimization)

3- this long risk exposure should have been maintained : this would have triggered an increase in RWA and Var

4- the decompression trade in HY and Xover was never large enough due to the legacy because we had to increase the position to defend the P&L hit without being able to stay long risk (due to RWA & Var constraints)

5- the decompression in S9 (around 25%) have induced a natural increase of long risk circa 10Bln long risk in main and 25Bln long risk in IG

CS01		All trades	0 Start Jan Book	Start Feb Book	Start March Book	Current Book
Main OTR Xover		-917,243	-1,390,000	-1,215,000	-1,807,218	-2,307,243
Main OTR IG		4,769,661	7,228,000	6,318,000	9,397,531	11,997,661
	0					
S9 Fwd		6,679,847	8,813,871	11,930,941	14,361,409	16,559,999
5yr IG OTR eq		6,679,847	8,813,871	11,930,941	14,361,409	16,559,999
	0					
Net 5yr OTR		10,112,636	-1,852,479	2,785,531	6,337,058	9,326,438
	0					
CDX block		All trades	Start Jan Book	Start Feb Book	Start March Book	Current Book
HY OTR		-4,931,075	-2,971,231	-3,154,973	-6,011,681	-7,902,307
IG OTR		26,134,700	15,747,526	16,721,358	31,861,908	41,882,225
	0					
Hyotr		-1,045,505	-3,507,726	-4,643,594	-4,601,907	-4,553,231
HY10-11		1,045,505	3,507,726	4,643,594	4,601,907	4,553,231
	0					
	0					
IG9 fwd		17,949,910	24,593,378	33,763,093	42,307,868	42,543,288
IG OTR		-17,949,910	-24,593,378	-33,763,093	-42,307,868	-42,543,288
Net IG OTR		6,030,755	-10,067,688	-2,613,505	-4,467,405	-4,036,932

1474

J.P.Morgan

Core Credit Book: P&L explain

Positives	+1020M USD	Negatives	-1820M USD
Decompression	+560M USD	Steepening S9 and IG9	-1000M USD
HY off the run	+ 200M USD	Defaults	- 150M USD
Carry	+ 150M USD	Duration effect	- 450M USD
New trades	+ 110M USD	Equity tranche steepening -	-220M USD

		Feb	March	Current Book	TOTALS
Book	TOTALS	**88,516,208**	**-12,239,142**	**-180,141,486**	**-103,864,420**
Itraxx Block					0
Xover/main ratio		58,799,595	44,189,466	57,852,908	**160,841,968**
S9fwd ratio		-52,805,736	-122,108,870	-242,054,127	**-416,968,733**
Tranche P&L		20,000,000	-20,000,000	-50,000,000	**-50,000,000**
New trades P&L		50,000,000	20,000,000	0	**70,000,000**
directional		12,522,349	65,680,263	54,059,733	**132,262,345**
	TOTALS				TOTALS
IG block		**-118,638,384**	**-71,133,553**	**-524,044,348**	**-713,816,284**
HY/IG ratio		89,015,888	120,496,700	199,004,093	**408,516,681**
HY off ther un vs on the run		181,036,597	56,597,893	-34,187,796	**203,446,695**
IG9 Fwd		-340,643,952	-69,926,692	-544,970,101	**-955,540,745**
Tranche P&L		-35,000,000	-70,000,000	-65,000,000	**-170,000,000**
New Trade P&L		20,000,000	20,000,000	0	**40,000,000**
directional		-33,046,916	-28,301,454	-28,890,544	**-90,238,914**
Defaults			-100,000,000	-50,000,000	**-150,000,000**

1475

Core Credit Book: Series 9 steepening explanation : the forwards have lagged the 40bps market rally by 22 bps....

CDX IG9	Spread compressio	spread 03/01/2012	spread 27/03/2012	Duration chge	Spread chge	Duration adjusted	Beta adjust	Dur1	Dur2
5yr	48%	132	68	-23.00%	64	90.90	92.3	0.97	0.
7yr	37%	140	88	-14.00%	52	57.80	51.5	2.82	2.
10yr	26%	149	111	2.000%	38	37.51	29.3	5.26	5.
On the run 5yr	32%	121	82	-9.00%	39	40.98	41.0	4.65	4.
S9 forward	22%	152	118	26.00%	34	26.06	19.6	4.29	4.
IG15	35%	111	72	-12.00%	39	41.94	46.5	3.8	3.

Main S9	Spread compressio	spread 03/01/2012	spread 27/03/2012	Duration chge	Spread chge	Duration adjusted	Beta adjust	Dur1	Dur2
5yr	48%	170	89	-21.00%	81	101.37	79.5	1.44	1.
7yr	34%	189	124	-9.00%	65	69.42	45.0	3.23	3.
10yr	26%	195	145	20.000%	50	43.97	26.3	5.54	5.
On the run 5yr	34%	173	115	0.04	58	56.69	40.0	4.38	4.
S9 forward	22%	206	160	36.00%	46	30.54	16.9	4.08	4.

Component	Itraxx Main S9	CDX IG 9
10yr underperformance	8 Bp	1 Bp
Steepening	4 Bp	4 Bp
Duration effect	4Bp	10 Bp
Beta adjustment	8 Bp	7 Bp
Total	24 Bp	22 Bp

1476

Core Credit Book: Analysis of the IG9 performance

IG9 can be proxied as a normal IG index of 117 names and 5 HY Names (MBIA, RADIAN, ISTAR, SPRINT, RR Donnelley) :

-The 5 names behaved like the whole HY market : they underperform the IG market and steepened a lot

- Their move relative to the rest of IG indices allows to explain most of the lag in IG9 curve but not all

- Yet 5yr IG9 outperformed by 3Bps, 7yr outperformed by 4 bps while 10yr underperformed by 2 Bps : the net **P&L impact is -100M USD**

5yr	compression	spread 03/01/2012	spread 27/03/2012	Duration chge	Spread chge	Index eq bp		index based theo		
CDX IG9	**61%**	**132**	**68**	**-23.00%**	**64**		**64.00**	**64.0**	**0.97**	**0.74**
RDN	60%	31.00%	12.48%		18.5%		15.18	18.82%	- 0.24	
MBIA	28%	16.00%	11.49%		4.5%		3.70	9.71%	- 4.26	
SPRINT	63%	5.80%	2.17%	**IG tightening**	3.6%		2.98	3.52%	0.09	
RRD	59%	4.09%	1.68%	**55.00%**	2.4%		1.98	2.48%	- 0.06	
SFI	73%	12.62%	3.40%	**simul**	9.2%		7.56	7.66%	1.28	
% Index loss	**55%**	**44%**	**51%**	**55.04%**	**31.39**				**- 3.20**	

7yr	compression	spread 03/01/2012	spread 27/03/2012	Duration chge	Spread chge	Index eq bp		index based theo		
CDX IG9	**40%**	**140**	**88**	**-14.00%**	**52**		**52.00**	**52.0**	**2.82**	**2.68**
RDN	34%	52.00%	34.50%		17.5%		14.34	20.94%	- 2.82	
MBIA	14%	36.00%	31.00%		5.0%		4.10	14.49%	- 7.78	
SPRINT	14%	21.00%	18.00%	**IG tightening**	3.0%		2.46	8.46%	- 4.47	
RRD	20%	15.00%	12.00%	**45.00%**	3.0%		2.46	6.04%	- 2.49	
SFI	12%	26.00%	23.00%	**simul**	3.0%		2.46	10.47%	- 6.12	
% Index loss	**21%**	**31%**	**41%**	**35.12%**	**23.36**				**- 23.68**	

10yr	compression	spread 03/01/2012	spread 27/03/2012	Duration chge	Spread chge	Index eq bp		index based theo		
CDX IG9	**26%**	**149**	**111**	**2.000%**	**38**		**37.51**	**29.1**	**5.26**	**5.28**
RDN	26%	66.00%	49.00%		17.0%		13.93	16.65%	0.29	
MBIA	10%	51.00%	46.00%		5.0%		4.10	12.86%	- 6.44	
SPRINT	1%	36.50%	36.00%	**IG tightening**	0.5%		0.41	9.21%	- 7.14	
RRD	3%	30.00%	29.00%	**33.00%**	1.0%		0.82	7.57%	- 5.38	
SFI	19%	38.50%	31.00%	**simul**	7.5%		6.15	9.71%	- 1.81	
% Index loss	**14%**	**23%**	**27%**	**27.91%**	**19.26**				**- 20.48**	

1477

Core Credit Book: The devil in the details

1-The steepening of the IG9 HY names was more aggressive than the whole HY market : **this result in an underperformance of 80M USD**

OTR HY tightening	15.100%	IG9 10yr impact
IG9 HY block tight	14%	0.33
HY off the run tigh	29.733%	IG9 7yr impact
IG9 &yr Hy block	21%	3.17
1 Yr HY tightening	45%	ig9 5yr impact
IG9 5yr HY block	55%	- 3.46

1478

Core Credit Book: Summary

1- the Book has been missing an extra 35M CS01 : this is a cost opportunity of 1.2 Bln due to the 40 bps rally in IG

- this long risk shows naturally in the spread tightening and with the coming expiry of the short term S9 leg
- it triggers a an increase in Var- stress Var- CRM- IRC-RWA across the board it we maintain the book balanced

2- the need to reduce VAR - RWA and stay within the CS01 limit prevented the book from being long risk enough

- as we bought protection on HY in the rally, we kept the 10%CS01 neutral to slightly bull
- the slight bullish bias was dwarfed by the exposure in the forwards that kept increasing to protect the P&L

3- Thus a decompression trade was put on in order to remain market neutral, but it increased the CS01 very fast

- as a result a decompression trade built up both in Xover and Main : it is a good trade that performed well
- yet, selling more protection in IG to balance the protection we bought in HY put us close to the CS01 limit

4- The long risk exposure would likely have missed the first 15 bps and the realistic P&L miss is rather 800M USD

- despite the conviction on the rally in IG spreads, we needed to sell 10Bln in main and 30Bln in IG ideally which is a significant bullish bet
- in early February and early March, when spreads widened back, the book would likely have suffered a weekly loss of up to 200M each time : this was not an acceptable P&L noise ....So the long would have been implemented slowly anyway

5- carrying this long risk exposure would have triggered some brutal P&L swings of 100-200 in early February and March.

- the book was aiming at fine tuning the P&L noise while reducing the risks and the notionals on opportunities
- the losses coming from the IG forwards were already wild, so we waited before being outright long risk for fear the noise would just increase more

1479

Core Credit Book: Storyboard

1- Starting point initially the book kept deleveraging in January reducing the shorts in series 9 5yr, removing the short risk in IG, adding short risk in HY. The aim was to create some options on the book as in 2011 to reduce aggressively on opportunities.

2- Mission : balance the book. :

a-it was slightly long risk since the 15th of January

b-some protection on HY was bought to reduce the loss on some HY defaults like Kodak and rescap

c- put some decompression trade to go long IG and neutralize the cost of carrying the protection in HY

3- Execution : it went all bad....

- the forward spreads started underperforming and this created a residual long risk exposure that had to be covered to reduce the Var and RWA
- the notionals in series 9 were too large and the loss was way larger than the small directional gain (Jan and Feb)
- The decompression in HY and Xover sped up in March and this put the book short risk and worsened the loss in the forwards

4- What Happened?

- January : tried to reduce the short in the IG9 and S9 5yr but this pushed the forwards up and the potential was already 400M. We reported a loss of 130M USD YTD
- February : tried to cover the HY downside risk to default and added to IG9 and S9 forwards in order to contain the P&L loss as decompression kept going. We reported a loss of 220M USD YTD
- March : the notionals increased in forward position uselessly and loss accelerated to incredibly high levels. The move was too fast and painful.

5- Plan

- put the book to sleep : to stop flagging our moves to the market
- maintain a long risk bias with on the run IG indices to keep a good carry in front of the upside on defaults
- buy up to 5Bln protection in IG9 0-3 10yr and 2.5Bln Main s9 10yr 0-3 to flatten the future default profile

1480

Core Credit Book: Risk Management and execution mistakes

1- The reduction of the 5yr IG9 and S9 early in January turned out to be a bad move :

- initially, sell 5 yr on a roll basis vs on the run IG indices allowed to reduce the short, improve the carry, reduce the sensitivity of the book towards flattening and pre-empt a tightening in IG spreads without increasing CS01.

- the market players quickly steepened the S9 curves starting the underperformance of the forwards : because the slight long risk bias was insufficient to cover the loss, we added back some flatteners to correct the hit.

2- The Kodak default triggered a second wrong move :

- The loss was 50M and we started covering the risk in February by selling HY14-HY17 indices that contained MBIA, Radian, MGIC, ISTAR given that RESCAP risk to default was growing.

- However, by selling those series and targeting the "mortgage & insurance" related names, we aggravated the underperformance of the IG9 forwards because they contain MBIA, Radian and ISTAR

- As a result, those names underperformed the whole market. Thus the decompression trade worked but the IG9 forward especially underperformed in the rally and this is where the main long risk of the book is.

3- The Xover / Main decompression trade....

- Due to the need to contain the RWA-Var complex, we sold protection on main while buying protection in Xover

- This was a way to profit from either a recovery in Europe IG space without

- The decompression in HY and Xover sped up in March and this put the book short risk and worsened the loss in the forwards

4- **What would have happened if none of these bad moves were initiated?**

- The decompression would have happened anyway and the forward underperformance may have been twice smaller or down 750. All these mistakes induced an increase in the forward positions to contain the P&L hit.

- If the book had gone long risk fully, the Var would have increased and the RWA as well : likely 10-15 Bln RWA

-The carry would have improved and the book would have had twice a weekly drawdown of 200M

1481

March 30, 2012

Transcript of 5725474620132382965

Participants: **Javier Martin-Artajo**

Irv Goldman

Goldman	Hello
Martin-Artajo	Hi Irv
Goldman	How have you been?
Martin-Artajo	I'm good man. What's up?
Goldman	Ina just called me. She was curious at me....
Martin-Artajo	Sorry I can't hear you very well
Goldman	She was curious if you had any range of estimate about what the day is going to look like. I know you said 2.
Martin-Artajo	What do you mean 2. Do you mean 2 your time?
Goldman	Yeah
Martin-Artajo	What time is it now?
Goldman	It's 12. She just wanted to --
Martin-Artajo	I don't have that yet, unfortunately. I don't have it Irv. I don't have it. It is not looking good. I don't have it yet...um, it is just that it is illiquid, you see. The market is I don't know --
Goldman	I know, I think she is just concerned about --
Martin-Artajo	I just don't want to... I just don't want to... I would love to tell you that the number is, I don't know, 40 to 50 million. I don't know. I don't think it is going to be as small as that. Looking at the numbers that Venkat has and the spreads, the numbers look wide. If I have estimates to make, I don't want to do that yet. You see, it's very weird close, let me explain what is going on here. We are a bigger player in this market, we are a relatively big player, we are not trading here, so that is positive in the sense that we are not increasing our positions, but negative in the sense that we are not increasing our positions, it is negative in the sense that a bit of

the spreads are wide and they want to see what we are going to do on the books. Since we have two to three trades that we are here and are checking right, I don't want Bruno to trade, he needs to trade a very small amount just to get the mark, that's fine, but I don't want to really do much and I want to delay that as much as possible, right.

Most of what happens in our book has to do with the US market and less in the European market. Most of the P&L issues are on the investment grade in the US, and not as much on the high yield in the US, and not as much on the European ITrax positions. I need a little bit more time. Sorry about that. Sorry to not know what it is.

I have no new info, um I have been on the phone quite a lot to be honest with you. I do not know what Ina has been asking, but she has been asking quite a few things to Achilles and I think it is related to something we mentioned on our meeting this morning in terms of what I think the improvements are on capital and how much it is going to be reduced for the quarter end and how much does the reduction of the book look like. I was just speaking to Venkat about that. I only have rough numbers here of what that is going to be because ___ needs to run this process.

The reason I optimistic that the number is going to reduce. The delta has been reduced by about 12 and a half percent by looking at what we've done, so we should get an improvement on that, on the IRC. I think that is about right. That is what I am hoping. That is what I told you at lunchtime. I think that is going to be the same for the February number and for the March number. That will be an average. I am not sure exactly how we are going to calculate this. There will be an improvement from the number that you had. Now, that is.

Ina asked Achilles. Tell me if I am wrong, I am triangulating here as I just discussed this with Achilles and what I think Ina meant. That still puts in a position that we still have to do. No matter how much I can improve this on the second quarter on the model with Venkat. We can make some improvements because I think we are going to get some help to do that. Again, the numbers are not going to look somewhere in the region of what we need to reduce by quarter end if we don't do anything in the book.

What I am working on for Tuesday is actually two sort of plans. Plan A - the book stays the way it is with the best improvements that we can get and it has positives and negatives. Or we need to actually reduce the RWA by doing something here and has positives and negatives. So that's kind of what I am working on.

Goldman — Yeah I know

Martin-Artajo — The number for year end is going to be reduced, probably by 5 billion given the natural reduction of duration of the book, which is something I told Achilles how much do you think that would be. Well, if I give you a rough estimate that should be 20 percent of the book since we have lost a little bit of the first quarter so it probably going to be something around 15 percent. You will get another benefit of let's say 5 or 6 billion, just from that. If we can get 5 from that, another 5 from the model and 3 from what I have done. Reduces from 13 the number you mentioned yesterday. I know that this still not great, but it is a number that is a little bit more palatable so that whatever Plan B is and there are a number of different things that we can do in Plan B that gets us to where we want to be.

That is what I am working on now. And uh… I think I am getting good help from you guys, from Venkat. I like this guy, he is practical, think he understands the issues. Communicates well, said he is okay lending us help from that. Olivier is going to work exclusively for us for three months, right. He is going to sit on the desk and coordinate all of the things I am trying to do with me, you, Keith, and ____. I think he is going to do that, think that is great, have someone to look in depth in the book, that has enough experience to do that, he has done that himself. I think this is good news.

I think John Hogan spoke with Ina and maybe Achilles, I don't know who. And it is okay, Venkat is fine.

I think this is good news. Doing as well as we can. I am sorry I created this headache for all you guys. I did not expect it to be this way.

Goldman — We are a team. You know, we are a team.

Martin-Artajo — I know you are helping me. I cannot tell you how good everything else here is. The [___ bonds] in France, I am going to give you something that will shock you, are trading at 55 bps. Something that was trading just 120 when we marked the book yesterday, we were up like 700 million.

As I remark today, we are going to be up another 300 or 400. It is just incredible what is happening here in the last three days on secured credit. So, I have very bad news on the synthetic book and good news on the rest of the portfolio, which is incredible to see how much the view that we had, the very strong view that we had since the end of November in terms of the solution of the ITRO the loading up in the book. Obviously Ina helped us with this, obviously. She gave us the blessing to buy as much as we could. But, I think it is more than we thought this effect, the portfolio, I think we need to…

Goldman — So what are you doing? Are you marking at the other 300?

Martin-Artajo — No, I am not marking. I have not had the time to do that and it is not mark to market, which is not helping us with the problem that we have. That is why it doesn't matter if I mark it or not because it is like a first

Goldman — Right, I know.

Martin-Artajo — So, the gains that we have on mark to market are probably going to be somewhere in the 60 million, but Ina told me not to consider that. She wanted me to give you the number of what the book here does that Irene adjust that.

If we have a little bit more money in the book, so be it.

Goldman	You still don't know if it is minus 50 or minus 150?
Martin-Artajo	I don't know, man. I have a bad feeling about a bit or respect here, ok? I think we are going to show a hundred --
Goldman	You think the worst case?
Martin-Artajo	Don't say anything to Ina yet, please, because I am just telling you. We are not trading in the market, ok. There is one position here that matters. I mean 3 bps in that position will explain 100 million.
Goldman	I know
Martin-Artajo	The issue is that the market is very sensitive to --
Goldman	If we get what you are nervous about, where do you think it could be? If we get what you are nervous about, where do you think it could be?
Martin-Artajo	Could have a very bad number, could have 150. Because I am not going to defend it. I am not going to fight in the street and increase a position create a problem that we created last quarter. I'll explain that on Tuesday. We should have stopped doing this three months ago and just rebalanced the book.
Goldman	There are a lot of things that I wish I wouldn't have done in my life.
Martin-Artajo	Exactly
Goldman	We are all just trying to be supportive. Need to move forward. By the way, I sent that email about the vacation stuff because I think there's just... When you consider the strategy, we are going into the holidays. I don't know what people's vacation schedules are but if people are not around, I mean like, and something goes on, you know, I think it is going to be an issue.
Martin-Artajo	I don't understand what you are saying
Goldman	I don't know what people's vacation schedules are there because we are going into Easter. This is one of these all hands on deck sort of things. So I am sure it is going to come up as a question when you go into strategy, "everyone is going to be around, aren't they?" I just don't want you to be... It's you and Achilles. It is your business. I am just saying you should be sensitive to that because I think people...
Martin-Artajo	You mean that I should be in the office?

March 30, 2012

Goldman	Um, I think you guys should discuss how you are going to handle it, right?
Martin-Artajo	I don't understand what you are saying. Of course I am going to be in the office
Goldman	I am just saying I don't know if Bruno is planning on vacation. I don't know what it is. You guys just have to consider that. When you're like... I am sure it is going to be a question that comes up in the strategy session, "we are going into the holidays, people are going to be here, right?" You don't want to say, no, these people are on vacation
Martin-Artajo	No, there's no one going on vacation. I am here, Bruno is here. You know, Olivier is going to be here.
Goldman	I am just being a risk guy and I wanted to make sure you thought of everything
Martin-Artajo	I am staying here. I am not going skiing. I am not going anywhere. I am not going to let anything, you know, derail this. This is a big problem I have. I've had this problem before. Before you came, we had a problem similar to this in the beginning of '09. I don't know if you heard about this. It was almost as bad as this. No man. Ina wanted us to do a big deep dive. I am working on a deep dive. I am going to really be open and explain everything that's gone. There are positives and there are negatives. There are things we have done, there's a post mortem I'm doing. And then we are going to finalize with what the plan is. So we, that's what I am working on. Of course I am very sensitive to that. I am going to present it next week. It is going to be... Obviously Achilles will be here. I am going to be here. Don't worry, we are not going to be calling in from the Bahamas and seeing how it goes. Don't worry about that. I am too much of a professional not to...
Goldman	I am just double checking. Sometimes there is oversight. I sent it just because. I sent it just like, duh thing. You just never know. Duh, you know, of course.
Martin-Artajo	Of course. You are getting into something that I think is important that you know about this. There is no question that it doesn't matter that our books are up everything except this book. What matters is that I need to make sure that this book is in good shape because this is an incredibly important thing. So, I am not going to go on holiday from now until I sort this out, even if it is in the summer. I'm not, I'm not, this is my priority and... I am not going anywhere. I told this to my wife. I told this to everybody. The team here is not going anywhere.
Goldman	Right. Ok. That's good, I am just double checking. It is not like anyone here said anything.
Martin-Artajo	I am not taking this lightly just because the rest of the books are making a fortune here and are TRR here is huge. I mean...

Goldman The only thing anyone here is focused on right now is this.

Martin-Artajo This is the only thing I am focusing on. This is the only thing that matters. I am only looking at the bad. I am only looking at the bad. I am only looking at the problem that we are having with this book, which is a problem and it is a problem that I am aware of this problem. This has happened to me before and anyone who takes positions the size we have has gone through that. Because you know, it is funny that you say that because Chris was here and we had dinner with her and her husband and Achilles just a couple of days ago and she told us about when she has had two or three blowups in ___ and she was saying ok man, well this is what I did then, this is what happened, this is what we needed to do, and this is what you need to make sure that Ina helps you. And all of the things. She told us a lot of things that... she gave us good advice actually. She gave me good advice at least.

Goldman She's been through the war zone.

Martin-Artajo She's got three blowups. I am only on my second blowup. She is ahead of me. I am doing my best.

Goldman I know you are, I feel for you. It is horrible going through this.

Martin-Artajo It is horrible. I hate it, ok because I have a great track record here and I am relaxed. I know that you were asking me the other day if I was very emotional and I am not. It is just that I wanted her to know from me that the tension I had from trying to coordinate with QR, trying to coordinate with the IB, trying to coordinate and make sure that I communicate this to all of you guys, making sure my team doesn't melt down because they are used to winning so they are... It has been a very, very tough two weeks. It has made us stronger. As usual, these things make you stronger, makes you more of a team. We're asking for a lot of help from you guys, we thank everyone that is helping here. Trying to take securities gains.

I think we are a team. Maybe this helps improve our transoceanic relationship. I guess maybe this helps. To make sure that everyone helps where they can. I am getting a lot of help from you guys in New York. I am getting a lot of help from QR. I am getting a lot of help from John. We feel that you guys are helping us. We do.

I know that Ina is helping here. She has seen this many times. Ina really has seen blowups more than anybody I know. She knows how stressful it is, how bad you feel about it and how rational you need to be about this and not become an emotional...just saying things as they are. What is the rational thing to do. What is the next move, forget about what you've done, Forget about mistakes. I am working on that. I will have a presentation on that.

The minute I have an estimate, I will let you know. I will call you or send you an email.

Goldman	Thanks a lot, bud

March 30, 2012

CALL # 5601530708350439949

MR. GROUT: [*Background chatter*] Remi, I can't f*** it up, but the system's base is a real mess. You know? If I say today –

MR. IKSIL: Hello?

MR. GROUT: Yes, Bruno?

MR. IKSIL: Yes.

MR. GROUT: It's good. I found the e-mail of Javier. I found Javier's e-mail. So you can change that thing.

MR. IKSIL: Okay. (inaudible).

MR. GROUT: Go ahead tell me where should I put –

MR. IKSIL: Yes.

MR. GROUT: Tell me where I should take the reserve?

MR. IKSIL: If you can avoid doing that screwed-up thing ("*ce truc deconne*") you can really stay with (within?) bid-ask . It's better you see since you don't have a reserve, you see?

MR. GROUT: Uh, for the United States we're back to the bid-ask on the on-the-run …

MR. IKSIL: Very well.

MR. GROUT: … on both ICE and IG. *[I cannot make out these words exactly – phonetically, it sounds like he is saying "sur les etats-unis on est revolu sur le bid-ask sur on-the-run sur 'both I-SAY I-G' – I interpret this to mean, most likely, "we're at bid-ask on the on-the-run ICE and IG," but that's not 100% clear.]*

MR. IKSIL: Very well.

MR. GROUT: And for Europe if you want I can scratch out two BPs on the crossover.

MR. IKSIL: But you see what I mean? This is a little at the limit. We should probably do something cleaner with a … you see … a lesser result (*"un resultat moins …"*). You see what I mean?

MR. GROUT: Okay. But if I take off -- I can take off four BPs on the crossover.

MR. IKSIL: Yes.

MR. GROUT: Normally – normally it's a market where we are just about (*sounds like "dans les guis" – but I don't know what that would mean*) at the same time regarding main and crossover.

MR. IKSIL: Okay, then do that. Do that and we'll see. Okay?

MR. GROUT: Yes.

MR. IKSIL: Because this costs 10 "boules" (*apparently a unit of measurement of money – we've heard this from Bruno before, I'm not familiar with the term*), that's nothing you see.

MR. GROUT: Okay. Okay.

MR. IKSIL: I'm sorry to ask you to do this. But I prefer to do it this way. It's cleaner, you see. And weare "dans les clouds" (*another expression we've heard, perhaps to mean "blind in the market"?*)

MR. GROUT: I must look into this because...

MR. IKSIL: You see, now it's okay. I have the connection. I will validate it for you right away. Okay?

MR. GROUT: Okay, that's good.

MR. IKSIL: Okay.

MR. GROUT: Very well. We'll talk later. Ciao.

MR. IKSIL: Yes, thank you. Ciao.

From: Martin-Artajo, Javier X <javier.x.martin-artajo@jpmorgan.com>
Sent: Fri, 30 Mar 2012 19:09:19 GMT
To: Goldman, Irvin J <irvin.j.goldman@jpmchase.com>
Subject: Fw: Any better numbers so far ?

Redacted by the Permanent Subcommittee on Investigations

[redacted]

----- Original Message -----
From: Grout, Julien G
Sent: Friday, March 30, 2012 08:07 PM
To: Martin-Artajo, Javier X
Subject: RE: Any better numbers so far ?

no, the market has been very quiet, with very few updates in tranches. still watching.

-----Original Message-----
From: Martin-Artajo, Javier X
Sent: 30 March 2012 20:06
To: Grout, Julien G
Subject: Any better numbers so far ?

From: Martin-Artajo, Javier X <javier.x.martin-artajo@jpmorgan.com>
ˋent: Fri, 30 Mar 2012 20:15:33 GMT
.o: Goldman, Irvin J <irvin.j.goldman@jpmchase.com>
Subject: Update

Irv ,

We are going to close the books in one hour and still around -150 MM .

Rgds

From: Goldman, Irvin J
Sent: Friday, March 30, 2012 06:28 PM
To: Martin-Artajo, Javier X
Subject: Re: Best estimate for today - URGENT

As I mentioned to keith. Ina wants a summary of breakdown when u have
It bid offer attribution etc

From: Martin-Artajo, Javier X
Sent: Friday, March 30, 2012 01:21 PM
To: Goldman, Irvin J
Cc: Tse, Irene Y
ˋubject: Best estimate for today - URGENT

Irv/Irene ,

I am at the moment looking at 150 MM USD loss . Bid offers are bad and not a lot of trading . Could be **as bad as 175 down** if US equities sell off and **not better than 125 MM down** . So best estimate so far **-150 MM USD** . We are not trading here in the market at all .

Will send you an update at 3 pm NY time once London closes we probably will get more accurate numbers .

regards

Javier

From: Grout, Julien G <julien.g.grout@jpmchase.com>
Sent: Fri, 30 Mar 2012 20:47:51 GMT
To: CIO ESTIMATED P&L <CIO_CREDIT_P&L@jpmchase.com>
CC: CIO P&L Team <CIO_P&L_Team@jpmchase.com>
Subject: CIO Core Credit P&L Predict [30 Mar]: -$138,135k (dly) -$583,296k (ytd)

Daily P&L: -$138,135,170
YTD P&L: -$583,296,250

	Daily P&L($)	YTD P&L($)
Europe Financials	-1,177,420	-37,813,322

Redacted By
Permanent Subcommittee on Investigations

Europe High Grade	-7,897,632	302,489

Redacted By
Permanent Subcommittee on Investigations

US High Grade	-2,436,590	309,302,294

Redacted By
Permanent Subcommittee on Investigations

US HY & LCDX	-44,527,024	-343,842,081

Redacted By
Permanent Subcommittee on Investigations

Redacted By
Permanent Subcommittee on Investigations

ABX / TABX	-155	-23,397

Redacted By
Permanent Subcommittee on Investigations

New Investments	-79,843,446	-499,159,257

Redacted By
Permanent Subcommittee on Investigations

Dead Books (Core)	563	2,549

Redacted By
Permanent Subcommittee on Investigations

shbook/Costs	0	0
ICE Washbook	0	0

Redacted By
Permanent Subcommittee on Investigations

pical month end session in our space, with low volumes. Credit derivatives are better - after the bounce overnight (in stocks and CDX.HY) we opened only slightly tighter; European credit was initially wider - tensions around the Euro meeting in Copenhagen and the Spanish budget pushed spreads wider with FINS index substantially underperforming due to street liquidity and we were close to unch'd at that point. However some good eco numbers in the US, rumours of an OK Chinese PMI this week end and an apparently positive headline from Copenhagen (firewall size at EUR 900B - details to be checked) helped spreads recover.
Today the book is recording a loss as the month end price action is leading to further underperformance of the off the run forward spreads in series 9 (43M in CDX.IG and 30M in iTraxx). Furthermore the outperformance of CDX.HY last night after our close is translating into compression - this is hurting our decompression position in the US by about 40M. Last, adverse tranche price action across the board is costing us 25M.

Trading wise, in CDX.IG and iTraxx we bought more long dated equity protection (50M), we sold small pieces of super senior tranches (350M) and we sold 550M protection in CDX.IG; in CDX.HY we bought pieces of mezzanine tranches (80M) - again all this for RWA purposes.

	30-Mar-12	29-Mar-12	28-Mar-12	27-Mar-12	26-Mar-12	23-Mar-12	19-Mar-12
iTraxx.Main S16 Dec16							
iTraxx.Main S9 Jun18							
'10 S9							
S9							
iTraxx.Xover S16							
OTE 5y CDS							
PORTEL 5y CDS							
BESPL 5y CDS							
DXNS 5y CDS							
CDX.IG17 Dec16							
CDX.IG9 Dec17							
IG9 5/10							
5y IG9							
RDN 5y CDS							
MBI 5y CDS							
FON 5y CDS							
SFI 5y CDS							
HY10							
HY11							
HY14							
HY15							
HY16							
HY17							
RESCAP 5y CDS							

Redacted By

Permanent Subcommittee on Investigations

Again, a lot of prices are still being framed and we are providing our best estimate.

From: Demo, Mark <Mark.Demo@jpmorgan.com>
Sent: Fri, 20 Apr 2012 13:01:10 GMT
To: Wilmot, John <JOHN.WILMOT@jpmorgan.com>
CC: Morris, Andrew X <andrew.morris@jpmorgan.com>; Miller, Charles R <charles.r.miller@jpmorgan.com>; Bjarnason, David <david.bjarnason@chase.com>; Hughes, Jason LDN <Jason.LDN.Hughes@jpmorgan.com>
Subject: FW: Largest OTC Collateral Call Dispute Report plus Update on Collateral Disputes Reported to Supervisors

---

John – I wanted to bring something to your attention. This is a weekly report that we in IB Collateral produce that reflects the 10 largest collateral disputes for the week. You should know that in our top 10 this week we have quite a few disputes that are largely driven by mtm differences on CIO London trades. If I look at the total mtm differences across the CIO book facing the G-15 – the mtm difference totals over $500MM.

I have included a break out of yesterday's mtm differences by G-15 firm for only the CIO London credit book. The numbers in the own column show our trade count facing the counterparty. The numbers in the Diff MTM column show the total mtm difference across the CIO London trades facing the counterparty indicated.

We are in correspondence with your middle office (Rory O'Neil) who has taken our questions regarding these differences to your Front Office. We are awaiting a response. We are also doing mtm difference based on product type and underlier which we will have a little later today.

I am working from home today – I can be reached at 917-513-6157 if you want to talk.

Mark Demo | IB Collateral | **J.P. Morgan** | 383 Madison Avenue, 11th Floor, New York, NY 10179 | T: 212 622 5485 | mark.demo@jpmorgan.com

JPMC INTERNAL USE ONLY

From: Demo, Mark
Sent: Thursday, April 19, 2012 6:33 PM
To: Staley, Jes
Cc: Zinke, Steinar X; Sankey, Brian; Eichenberger, Stephen; Cox, Andrew UK; Christ, Michael; Eckstein, Peter C; Waller, Lawrence; Ambrecht, Mary R; Hanrahan, Kieran; Brough, Richard; Magnus, Arthur; Keating, Karen R.; Bessin, Jean-Francois X; King, Ian A; Bishop, Elizabeth W; Compton, Paul H; Zames, Matthew E; Masters, Blythe; Pinto, Daniel; Hernandez, Carlos M.; Ricci, Paul A.; IB

Credit Risk Reporting; Scott, Nicola R; Robbins, Nigel; O'Rourke, Erin; PS Europe Collateral; Sims, Mark; Bruce, James A; Moores, Christopher D; Morris, Andrew X; Magalhaes, Augusto P; Miller, Charles R; Moffitt, Albert J; Cisz, Mark M; Poz, Thomas I; Rallan, Luke X; Lee, Louis TH; Winkelman, Amanda D; McDonagh, Daniel; Diaks, Marc X; Morzaria, Tushar R; Beneski, Beverly J; Gaunekar, Siddhi P; Thomey, William D; Robinson, Scott A; Willcox, Christopher P; Jhamna, Sanjay X; Vigneron, Olivier X; Munro Directs; Munro, Graeme; Rubenstein, Stuart; Leach, Mark; Rokkos, Angela; Nuttall, Kenneth E; Nandanar, Preeti H; Bogle, Andre A; Warnier, Daniel P; Boi, Simona; Dewson, Thomas X; Kane, Karoline; Healey, Gareth; Hurley, Jonathan X; Eichenberger, Stephen; Miller, Charles R
Subject: Largest OTC Collateral Call Dispute Report plus Update on Collateral Disputes Reported to Supervisors

Attached is this week's report detailing the 10 largest collateral call disputes on the OTC derivatives book. In order to reflect ongoing issues with some of the larger broker dealers, this report lists counterparts with which we are seeing consistent differences regardless of whether it is JPMC or the counterpart that is showing exposure.

The report also reflects updates on collateral disputes previously reported to Supervisors as well as those disputes tracking to be reported to Supervisors for April month end.

The RAG ratings in col O are defined as follows:
Red = a dispute meets the age, size and risk rating criteria set out in the grid below.
Amber = the dispute does not meet all the criteria on the grid
Green = either the dispute has been resolved since the date of the data cut for this report, or resolution is imminent.

cid:image003.jpg@01C9C8D7.D841BB00

Mark Demo
212-622-5485

Mark Demo | IB Collateral | **J.P. Morgan** | 383 Madison Avenue, 11th Floor, New York, NY 10179 | T: 212 622 5485 |
mark.demo@jpmorgan.com

JPMC INTERNAL USE ONLY

From: Hogan, John J. <John.J.Hogan@jpmorgan.com>
Sent: Fri, 20 Apr 2012 15:34:20 GMT
To: Braunstein, Douglas <Douglas.Braunstein@jpmorgan.com>
Subject: Re: Collateral Disputes

Will find out.

From: Braunstein, Douglas
Sent: Friday, April 20, 2012 11:31 AM
To: Hogan, John J.
Subject: Re: Collateral Disputes

Is this the first time this has happened

From: Hogan, John J.
Sent: Friday, April 20, 2012 11:24 AM
To: Braunstein, Douglas
Subject: Fw: Collateral Disputes

This isn't a good sign on our valuation process on the Tranche book in CIO. I'm going to dig further.

From: Goldman, Irvin J
Sent: Friday, April 20, 2012 11:21 AM
To: Hogan, John J.
Subject: FW: Collateral Disputes

-----Original Message-----
From: Lewis, Phil
Sent: Friday, April 20, 2012 11:20 AM Eastern Standard Time
To: Goldman, Irvin J; Weiland, Peter
Cc: Kastl, Edward R; Bates, Paul T
Subject: RE: Collateral Disputes

Yes we are – we have collateral disputes from a number of counterparties (obviously on positions that aren't novated to ICE, so the tranches and ICE ineligible indices). Biggest are with MS and GS. First we heard of these was this morning (collateral process is done at a Legal entity level – when differences become big enough they reach out to MO & VCG). MO are checking all bookings and flows, with the desk and VCG (Jason Hughes/Ed Kastl) are checking marks. We are also trying to get some granularity by product

I'll forward you a note from the collateral guys.

This table shows differences by cpty and the Gross Absolute PV across all outstanding trades with each cpty

CP	Sum of ABS (Local)	Sum of MTM_DIFF	%
BBVASA	856,948	-141,471	-17%
BNPP	1,427,575,108	17,698,254	1%
BOA	3,135,860,802	72,455,626	2%
BPLC	1,078,123,886	-427,385	0%

CA	28,737,306	2,032,294	7%
CGML	49,019,323	-667,742	-1%
CITI	4,417,744,863	60,630,170	1%
CSI	421,675,999	27,289,077	6%
CSX	474,311,803	15,227,896	3%
DBKAG	3,080,139,893	56,005,118	2%
GSI	4,701,978,454	89,576,979	2%
HSBCEU	100,908,403	121,569	0%
HSBCUS	35,801,766	6,027,808	17%
MLI	6,244,692	-156,884	-3%
MSCS	4,124,528,028	114,910,670	3%
MSIL	222,395,628	1,724,699	1%
NOMURAIP	258,811,944	-2,974,037	-1%
RBSPLC	81,168,415	-2,667,779	-3%
SGCIB	3,004,157,922	16,658,449	1%
UBSAG	2,576,649,497	46,660,667	2%
Grand Total	29,226,690,681	519,983,977	2%

From: Goldman, Irvin J
Sent: Friday, April 20, 2012 11:00 AM
To: Lewis, Phil
Subject: FW: Collateral Disputes

Please let me know.

-----Original Message-----
From: Hogan, John J.
Sent: Friday, April 20, 2012 10:22 AM Eastern Standard Time
To: Goldman, Irvin J; Weiland, Peter
Subject: Collateral Disputes

Are you having any in the tranche (or index) positions?

From: Britton, William <William.Britton@morganstanley.com> on behalf of portrec ny <Portrec_Ny@morganstanley.com>
ent: Fri, 20 Apr 2012 19:34:20 GMT
To: Vaz, Daniel X <daniel.x.vaz@jpmorgan.com>; portrecny <portrecny@morganstanley.com>
CC: Port Recs <port_recs@restricted.chase.com>; Coll ICS <coll.ics@jpmchase.com>
Subject: RE: CIO vs Swaps Dealer Desk - MSCS vs JPMC

Daniel,

We completed our initial analysis and it shows two different prices used depending if the tranche is done through the CIO desk vs the JPM dealer desk. We have significant MTM breaks on positions facing the CIO trades whereas trades facing you dealer desk are very much in-line. We have initially looked through all iTraxx 7 and iTraxx 9 Series tranche positions and the associated index delta. Can you please have your risk group advise on this issue?

Thank you

William Britton
Morgan Stanley | ISG Operations
1221 Ave of the Americas, 28th Floor | New York, NY 10020
Phone: +1 212 762-5670 ext. 5388
William.Britton@morganstanley.com

From: Vaz, Daniel X [mailto:daniel.x.vaz@jpmorgan.com]
ent: Friday, April 20, 2012 10:14 AM
: portrec ny; portrecny
Cc: Port Recs; Coll ICS
Subject: RE: CIO vs Swaps Dealer Desk - MSCS vs JPMC

Apologies for the delay Katie. I have sent a follow up email today. Will keep you posted.
Regards,

Daniel Vaz | Collateral Management | Investment Bank | J.P. Morgan | T: +91 22 612 60408 | daniel.x.vaz@jpmorgan.com | jpmorgan.com | Collateral Group Mailbox | coll.ics@jpmchase.com

First Escalation Contact: Sneha Gupta | sneha.x.gupta@jpmorgan.com | +91-80 66763549
Second Escalation Contact Saurabh Sharma | saurabh.x.sharma@jpmorgan.com | +91-80 66763162

From: Britton, William [mailto:William.Britton@morganstanley.com] **On Behalf Of** portrec ny
Sent: Thursday, April 19, 2012 2:14 PM
To: Vaz, Daniel X; portrec ny; portrecny
Cc: Port Recs; Coll ICS
Subject: RE: CIO vs Swaps Dealer Desk - MSCS vs JPMC

Daniel,

Can you provide us with an update?

Thank you

---

om: Vaz, Daniel X [mailto:daniel.x.vaz@jpmorgan.com]
ent: Wednesday, April 18, 2012 2:11 PM
To: portrec ny; portrecny
Cc: Port Recs; Coll ICS

Subject: RE: CIO vs Swaps Dealer Desk - MSCS vs JPMC

Katie,

We are checking with our MO. We will update you as soon as we hear from them.
Regards,

Daniel Vaz | Collateral Management | Investment Bank | J.P. Morgan | T: +91 22 612 60408 | daniel.x.vaz@jpmorgan.com | jpmorgan.com |
Collateral Group Mailbox | coll.ics@jpmchase.com

First Escalation Contact: Sneha Gupta | sneha.x.gupta@jpmorgan.com | +91-80 66763549
Second Escalation Contact Saurabh Sharma | saurabh.x.sharma@jpmorgan.com | +91-80 66763162

From: Schmidt, Katie [mailto:C.Schmidt@morganstanley.com] **On Behalf Of** portrec ny
Sent: Wednesday, April 18, 2012 1:11 PM
To: Vaz, Daniel X; portrec ny; portrecny
Cc: Port Recs; Coll ICS
Subject: RE: CIO vs Swaps Dealer Desk - MSCS vs JPMC

Hi,

Can you also please confirm if there a single price used regardless of the desk it is booked on? MS uses one curve for front office risk and collateral purposes regardless of which desk owns the positions.

Thanks
Katie

›m: Vaz, Daniel X [mailto:daniel.x.vaz@jpmorgan.com]
Sent: Wednesday, April 18, 2012 12:07 PM
To: portrec ny; portrecny
Cc: Port Recs; Coll ICS
Subject: RE: CIO vs Swaps Dealer Desk - MSCS vs JPMC

Hi Katie,

I'm on a business trip & hence my Mumbai number is not reachable. In case of any urgent query, please call the MSCS rec owner Isha Saraiya at +912261260404.
All JPM references beginning with "44" would be booked by the CIO desk.

Regards.

Daniel Vaz | Collateral Management | Investment Bank | J.P. Morgan | T: +91 22 612 60408 | daniel.x.vaz@jpmorgan.com | jpmorgan.com |
Collateral Group Mailbox | coll.ics@jpmchase.com

First Escalation Contact: Sneha Gupta | sneha.x.gupta@jpmorgan.com | +91-80 66763549
Second Escalation Contact Saurabh Sharma | saurabh.x.sharma@jpmorgan.com | +91-80 66763162

From: Schmidt, Katie [mailto:C.Schmidt@morganstanley.com] **On Behalf Of** portrec ny
Sent: Wednesday, April 18, 2012 11:58 AM
To: Vaz, Daniel X; portrecny
Cc: Port Recs; Coll ICS
Subject: CIO vs Swaps Dealer Desk - MSCS vs JPMC

Hi Daniel,

.ried calling you but couldn't get through. Is it possible to differentiate between the deals done on the Swaps Dealer Desk vs the CIO desk for iTraxx Europe Series 9 tranches? I've noticed there are some different trade reference formats on the JP trade

IDS. Is that one way to do so?

Thanks
Katie

Katie Schmidt
Morgan Stanley | Operations
1221 Ave of the Americas, 28th Floor | New York, NY 10020
Phone: +1 212 762-6868
Fax: +1 646 403-9631
C.Schmidt@morganstanley.com

NOTICE: Morgan Stanley is not acting as a municipal advisor and the opinions or views contained herein are not intended to be, and do not constitute, advice within the meaning of Section 975 of the Dodd-Frank Wall Street Reform and Consumer Protection Act. If you have received this communication in error, please destroy all electronic and paper copies and notify the sender immediately. Mistransmission is not intended to waive confidentiality or privilege. Morgan Stanley reserves the right, to the extent permitted under applicable law, to monitor electronic communications. This message is subject to terms available at the following link: http://www.morganstanley.com/disclaimers. If you cannot access these links, please notify us by reply message and we will send the contents to you. By messaging with Morgan Stanley you consent to the foregoing.

This email is confidential and subject to important disclaimers and conditions including on offers for the purchase or sale of securities, accuracy and completeness of information, viruses, confidentiality, legal privilege, and legal entity disclaimers, available at http://www.jpmorgan.com/pages/disclosures/email.

NOTICE: Morgan Stanley is not acting as a municipal advisor and the opinions or views contained herein are not intended to be, and do not constitute, advice within the meaning of Section 975 of the Dodd-Frank Wall Street Reform and Consumer Protection Act. If you have received this communication in error, please destroy all electronic and paper copies and notify the sender immediately. Mistransmission is not intended to waive confidentiality or privilege. Morgan Stanley reserves the right, to the extent permitted under applicable law, to monitor electronic communications. This message is subject to terms available at the following link: http://www.morganstanley.com/disclaimers. If you cannot access these links, please notify us by reply message and we will send the contents to you. By messaging with Morgan Stanley you consent to the foregoing.

This email is confidential and subject to important disclaimers and conditions including on offers for the purchase or sale of securities, accuracy and completeness of information, viruses, confidentiality, legal privilege, and legal entity disclaimers, available at http://www.jpmorgan.com/pages/disclosures/email.

NOTICE: Morgan Stanley is not acting as a municipal advisor and the opinions or views contained herein are not intended to be, and do not constitute, advice within the meaning of Section 975 of the Dodd-Frank Wall Street Reform and Consumer Protection Act. If you have received this communication in error, please destroy all electronic and paper copies and notify the sender immediately. Mistransmission is not intended to waive confidentiality or privilege. Morgan Stanley reserves the right, to the extent permitted under applicable law, to monitor electronic communications. This message is subject to terms available at the following link: http://www.morganstanley.com/disclaimers. If you cannot access these links, please notify us by reply message and we will send the contents to you. By messaging with Morgan Stanley you consent to the foregoing.

Privileged and Confidential
Attorney Client Work Product
May 10, 2012

Table of Contents

This memo summarizes the Firm's review of the valuation of its CIO EMEA credit portfolio in light of the current market conditions and dislocation that occurred in April 2012.

I. Background

The CIO EMEA credit portfolio is made up of Investment and Core Credit portfolios[1]. The Investment portfolio consists of available-for-sale investment securities, while the Core Credit Portfolio primarily consists of synthetic credit positions -- credit derivative positions on various credit indices and tranches of those indices (the index and tranche credit derivatives portfolio). These synthetic positions were entered into to manage the market value deterioration in a potential stress scenario associated with investment securities held in the available-for-sale portfolio; the positions have changed over time depending on the Firm's view of credit risk.

CIO has a substantial presence in the financial markets, and the breadth and depth of its activity has generally given CIO a good sense of the market, with strong market contacts and market intelligence. In particular in these credit products, CIO executed a significant volume in the market and therefore had deep access to market pricing and color.

During January, February and through the first few weeks of March, CIO was buying, to add to existing positions, the risk of (i.e. selling credit protection) the following indices and tranches to reduce the short high yield credit risk position in the portfolio:

- CDX Investment Grade North America Series 9, 10 year and 7 year.
- ITraxx Main Series 9, 10 year and 7 year.

In addition, on April 6, the business press began reporting on certain of these positions, providing other market participants with some level of information regarding the Firm's positions and activity.

[1] CIO also has a North America credit portfolio, but that portfolio does not include synthetic credit positions and therefore is not subject to this review.

In April[1], market activity and market prices for these credit derivatives changed significantly and a number of unusual trends were observed, including:

- The difference between cost of protection on investment grade indices and high yield indices in Europe and North America reduced significantly.
- The difference between cost of protection on short dated risk and long dated risk in a number of indices increased significantly. For a number of indices the cost of protection on the index moved inconsistently with the prices of protection on various tranches of the index. For example, for the iTRaxx Main Series 9 10 year during April:
  - Spread moves for the index itself implied some increase in losses due to increased correlation within the index.
  - Price moves in the super senior tranche implied losses due to very much larger increases in correlation within the index.
  - Price moves in the more junior tranches implied limited increases in correlation.

[1]These trends began to emerge in late March, but developed and became much more significant in April.

These changes have been unusual compared to the historical relationship between investment grade and high yield indices, as well as the relationship between index and tranche exposures. Due to the complexity and the size of the Firm's positions, the effect of these changes, in conjunction with other market factors, on the estimated fair value of the Firm's positions has been significantly negative during April. As noted throughout this memo, relatively small variations in price can have a relatively large impact on the estimated fair value of the entire portfolio, given the size of the Firm's positions.

Size of Position Data

The following table provides the absolute notional amounts (in USD) of these positions at various dates.

Table 1: Notional amount of CIO positions

Notional ($)	31-Dec-11	21-Jan-12	28-Feb-12	30-Mar-12	19-Apr-12
ITRAXX MN	63,877,901,370	76,235,846,930	97,848,010,020	118,982,003,490	118,505,911,681
CDX IG	(15,328,527,939)	(8,446,686,524)	6,220,451,026	54,767,087,520	56,054,146,920
CDX HY	8,123,572,169	4,810,808,419	(1,016,924,933)	(7,739,557,433)	(7,557,874,933)
ITRAXX XO	(5,207,601,000)	(4,371,339,000)	(7,017,111,000)	(8,869,909,500)	(8,736,455,500)
ITRAXX FINSUB	(2,324,580,000)	(2,191,630,000)	(3,079,320,000)	(2,112,040,000)	(2,080,280,000)
CDX LCDX	1,856,414,606	1,826,651,611	1,796,888,575	1,796,888,575	1,796,888,575
ITRAXX FINSEN		(79,910 000)	(140,700,000)	73,150,000	100,706,250
SOVX WE				46,665,000	46,665,000
Total	50,997,179,286	67,783,741,435	94,611,293,688	156,944,227,652	158,129,707,994

Table 2: CIO's share of market volume

The following table compares the absolute notional amount of CIO's transactions in selected indices and to the absolute notional of street-wide transactions, in order to provide a sense of the relative size of CIO's activity in the market for the first four months of 2012. This data, as well as similar data from 2011, demonstrates two key points: 1) prior to late March 2012, CIO was a substantial participant in these credit markets, and 2) even without CIO's involvement (throughout these periods and in April after CIO substantially reduced its activity), the remaining street volume was substantial.

ITRAXX SERIES 9 7Y

Month	CIO Notional Traded	Street Volume	CIO %
Jan-12	$ 993,000,000	$ 6,181,250,000	16%
Feb-12	4,751,750,000	9,754,250,000	49%
Mar-12	775,000,000	8,325,375,000	9%
Apr-12	487,500,000	5,004,150,000	10%
Total	$ 7,007,250,000	$ 29,265,025,000	

ITRAXX EUROPE SERIES 9 10Y

Month	CIO Notional Traded	Street Volume	CIO %
Jan-12	$ 11,769,250,000	$ 26,758,710,300	44%
Feb-12	7,244,900,000	15,205,250,000	48%
Mar-12	6,601,250,000	13,806,250,000	48%
Apr-12	338,750,000	5,570,925,000	6%
Total	$ 25,954,150,000	$ 61,341,135,300	

ITRAXX EUROPE SERIES 16 5Y

Month	CIO Notional Traded	Street Volume	CIO %
Jan-12	$ 26,440,500,000	$ 206,771,511,713	13%
Feb-12	36,359,500,000	216,991,196,801	17%
Mar-12	26,075,000,000	199,058,170,509	13%
Apr-12	25,000,000	13,785,754,578	0%
Total	$ 88,900,000,000	$ 636,606,633,601	

CDX.NA.IG.9 7Y

Month	CIO Notional Traded	Street Volume	CIO %
Jan-12	$ 7,091,500,000	$ 55,936,345,841	13%
Feb-12	8,387,000,000	48,791,460,000	17%
Mar-12	2,017,000,000	41,738,540,328	5%
Apr-12	256,000,000	23,310,200,000	1%
Total	$ 17,751,500,000	$ 169,776,546,169	

CDX.NA.IG.9 10Y

Month	CIO Notional Traded	Street Volume	CIO %
Jan-12	$ 28,528,000,000	$ 83,065,700,000	34%
Feb-12	20,032,000,000	48,049,133,456	42%
Mar-12	9,819,500,000	72,016,977,456	14%
Apr-12	677,000,000	31,722,763,000	2%
Total	$ 59,056,500,000	$ 234,854,573,912	

Note: April data extends to April 26, 2012.

Given the size of the Firm's portfolio and the nature of the positions, the portfolio is sensitive to small changes in credit spreads. At March 31, 2012, the sensitivity to a 1 basis point move in credit spreads across the investment grade and high yield spectrum was approximately ($84) million, including ($134) million from long risk positions, offset by $50 million from short risk positions.

II. JPMorgan Chase Fair Value Measurement Policy

General

Fair value is the price to sell an asset or transfer a liability in the principal (or most advantageous) market for the asset or liability (an exit price). The sale or transfer assumes an orderly transaction between market participants.

Data Sources and Adjustments

Valuation techniques used to measure the fair value of an asset or liability maximize the use of observable inputs, that is, inputs that reflect the assumptions market participants would use in pricing the asset or liability developed based on market data obtained from independent sources. Valuations consider current market conditions and available market information and will, therefore, represent a market-based, not firm-specific, measurement.

Where available, quoted market prices are the principal reference point for establishing fair value. Market quotations may come from a variety of sources, but emphasis is given to executable quotes and actual market transactions (over indicative or similar non-binding price quotes). In certain circumstances valuation adjustments (such as liquidity adjustments) may be necessary to ensure that financial instruments are recorded at fair value.

Bid – offer spread and position size

As further described in US GAAP Accounting Standards Codification Topic 820 Fair Value Measurement ("ASC 820"), the objective of a fair value measurement is to arrive at an appropriate exit price within the bid – offer spread, and ASC 820 notes that mid-market pricing may (but is not required to) be used as a practical expedient.

> 820-10-35-36C "If an asset or a liability measured at fair value has a bid price and an ask price (for example, an input from a dealer market), the price within the bid-ask spread that is most representative of fair value in the circumstances shall be used to measure fair value regardless of where the input is categorized within the fair value hierarchy (that is, Level 1, 2, or 3). The use of bid prices for asset positions and ask prices for liability positions is permitted but is not required."
>
> 820-10-35-36D "This Topic does not preclude the use of mid-market pricing or

other pricing conventions that are used by market participants as a practical expedient for fair value measurements within a bid-ask spread."

Effective Q1 2012, size-based adjustments are explicitly not allowed for cash instruments held by a firm. However, US GAAP continues to permit size-based adjustments for derivatives portfolios if an election is made to do so. Under its current business and risk management strategy, the Firm has not made such a portfolio election for this CIO portfolio, and so evaluates the value of its positions without specific consideration of their overall size.

Cut-off and Timing

US GAAP is not prescriptive regarding market close and timing of valuation. As an operational matter, the Firm allows desks in different regions to mark their books as of the close in that region, and requires that these cut-off practices be applied consistently.

III. CIO Valuation Process

Background

CIO's valuation process reflects how and to whom CIO would exit positions by typically seeking price quotes from the dealers with whom CIO would most frequently transact and with whom CIO would seek to exit positions, rather than looking for more broad based consensus pricing from a wide variety of dealers not active in these credit markets. In that regard, CIO's valuation process is consistent with that of a non-dealer investor/manager.

CIO necessarily uses judgment to identify the point within the bid-offer spread that best represents the level at which CIO reasonably believes it could exit its positions, considering available broker quotes, market liquidity, recent price volatility and other factors.

As noted below, CIO's evaluation of valuation adjustments has been based on market liquidity for the positions, rather than on the absolute size of CIO's positions. In the normal course of business, CIO will continue to review its valuation practices in light of its current risk management and exit strategies to ensure its valuation practices continue to represent CIO's estimate of exit price.

Front Office Mark Process

The main source of information for pricing comes from the Bloomberg messages (pricing runs distributed by the dealers). Where available the desk collects them for all indices and tranches.

Then depending on the product and availability of information the following processes are followed:

- For index products:
  - "On the run" indices (i.e. most recent series, 5y point): as these are the most liquid instruments, the front office typically uses the dealer runs.
  - "Off the run" indices: Front office looks at bid-offer spreads, volumes, recent price changes and recent transaction data, and the front office mark is established at an appropriate price within the bid-offer.
- For tranche products:
  - For liquid tranches: front office computes the best-bid/best-ask using the dealers' runs - the tranche is then marked using the mid of this 'best' market.
  - For illiquid tranches: front office looks at bid-offer spreads, volumes, recent price changes, relevant index prices, and recent transaction data, and the front office mark is established at an appropriate price within the bid-offer.

Timing of Valuation

CIO's valuation policy, consistent with the Firm's policy, is to value its positions as of the close of business in the relevant region. Although the broker quotes CIO receives are generally consistent with that timing, other data sources may provide data using different timing, as follows:

Source	Timing
Broker quotes	As received
Markit/Totem – NA indices and tranches	New York close
Markit/Totem – EMEA indices and tranches	London close
ICE – NA indices	30 minutes before New York close
ICE – EMEA indices	30 minutes before London close

VCG Independent Process

VCG independently price tests the front office marks at each month end and determines necessary adjustments to arrive at fair value for the purposes of the US GAAP books and records. The remainder of this section describes this process.

A. Pricing data sources

CIO VCG obtains prices from third parties as follows:

- Markit/Totem[2] – an independent service that provides prices for a wide range of products derived from the inputs provided by a number of financial institutions.

[2] Markit and Totem are within the same group. Markit provides data the credit derivative indices, while Totem provides data for the tranche risk of those indices.

- Dealer Quotes – Prices from major broker dealers for specific indices and tranches of those indices.
- VCG must approve the sources for all market prices and other parameters as being reliable and applicable.

CIO VCG also looks to actual prices at which CIO has executed recent transactions as an additional source of market information.

The following is a list of the dealers CIO VCG obtains quotes from on a regular basis for indices and tranches in which they have a reasonable level of activity:

- Citi
- Deutsche Bank
- Credit Suisse
- HSBC
- Goldman Sachs
- JPMorgan (IB)
- Royal Bank of Scotland
- Barclays
- Morgan Stanley
- BNP Paribas
- Nomura
- BofA/Merrill Lynch

These dealer quotations are received from a standing solicitation for price estimates for index and tranche positions. The number of dealer quotes received in any particular month generally ranges from 1-4, and is based primarily on which dealers choose to provide quotes that period.

B. Deriving the best estimate of mid-market price (VCG mid-market price) for price testing purposes

Indices:

- For the more liquid indices, typically the on the run indices, VCG utilizes Markit as its primary source for the CIO VCG mid-market price. VCG will also look to broker quotes, but generally finds there to be limited differences to Markit data.
- For the less liquid indices, CIO VCG again uses Markit data as the primary source of independent data. However, given the reduced liquidity of these indices dealer quotes sourced by the front office are also used. Differences between the Markit data and the broker quotes are investigated, for example by reviewing actual levels of trading activity. The CIO VCG mid-market price is determined using the combination of the Markit data, broker quotes and actual trades executed by CIO.

Tranches:

- CIO VCG uses broker quotes as the primary source of data for determining the CIO VCG mid market prices for the tranches positions. CIO VCG also obtains consensus prices from Totem from the Investment Bank[3] (JPM IB). However, CIO VCG uses the

[3] The Investment Bank obtains these as it contributes as a dealer to the Totem consensus prices.

broker quotes, with less reliance on TOTEM data, due to the Firm's experience that the tranches tend to be less liquid than the indices and for any given position, only 2-3 dealers tend to be active in that tranche. Therefore, CIO VCG believes that the broker quote process is appropriately focused on the more active dealers for those tranches. This emphasis on broker quotes also reflects CIO's likely exit strategy, which is more likely to be with specific dealers active in these tranches. Where there are significant differences between broker quotes and TOTEM, CIO VCG will investigate the reasons for such differences, for example, by looking at the levels at which CIO has actually executed transactions, to validate the integrity of the broker quotes received.

C. Estimating the range of fair value utilizing price testing thresholds
- Price testing thresholds are commonly used in valuation to account for reasonable degrees of variance between valuation data obtained from different sources.
- These thresholds are generally established to represent normal bid-offer spreads for each product, with the goal of ensuring that the final mark used by the Firm is within the range of bid-offer spread after applying these thresholds.
- Price testing thresholds may be determined on a variety of bases (e.g., volatility of parameter, market depth and liquidity and pricing service spreads).
- CIO VCG is responsible for establishing the price testing thresholds used. The tolerance thresholds were consistent from 12/31/11 to 3/31/12.

D. Determining a book price
- The CIO VCG mid-market price plus/minus the price testing threshold set by CIO VCG per instrument (the VCG valuation range) is compared to the front office mark. If the front office mark is outside the VCG valuation range, the position mark is adjusted to the outer boundary of the range. Within the VCG valuation range front office marks may be used without adjustment.
- Irrespective of threshold levels, any difference between front office mark and the mid-market price may be adjusted, at CIO VCG's discretion.
- CIO VCG has not historically adjusted front office marks directly to Markit/Totem spreads/prices for the less liquid indices and tranches because:
    - Given its level of activity in the market, CIO has large amounts of specific transaction data that should be considered in determining fair value.
    - CIO has observed that broker quotes are indicative prices that are relevant to the valuation process, in addition to the consensus prices provided by Markit/Totem.
        - Based on CIO experience, CIO believes that the broker quotes received better reflect executable prices, and therefore represent

    - important market data that should be given priority where available.
    - CIO's experience is that not all dealers participating in the Totem process are active in the relevant products and that obtaining direct dealer quotes from the more active dealers for a particular product may better reflect executable prices.
  - Markit/Totem prices are based on quotes by market makers acting in that capacity. CIO, like other non-dealer investors/managers, is not a market-maker and it does not contribute to the Markit/Totem service. Furthermore, in the case of Totem the resulting data is accessible only to market makers who contribute to that service.
  - CIO has observed that the business valuation cut-off time may differ from the data provided by Markit/Totem. The combination of intra-day price moves on the last day of the month and the difference between the time when Markit/Totem fixes and the time when CIO closes its books can result in pricing differences that while small from a price perspective, could be significant for such a large portfolio.

- As additional analysis, CIO estimated that as of March 31, 2012, the sum total of the differences between the front office marks and the CIO VCG mid market estimates was $512 million before adjustment to the boundary of the VCG valuation range (considering price testing thresholds) and $495 million after adjustment.

E. Apply necessary valuation adjustments
- CIO applies valuation adjustments as appropriate for positions deemed to be less liquid. Generally, any on the run index (typically, the four most recent series) and associated tranches have been viewed to be liquid based on market activity, and appropriate front office and CIO VCG judgment. In addition, other indices and tranches continued to have sufficient market activity to be deemed liquid as of March 31, 2012 (for example, ITRAXX Main Series 9 indices and the CDX IG Series 9 indices).
- As of March 31, CIO recorded liquidity valuation adjustments of $188 million for the following:
  - High yield - series 11 and prior indices and tranches.
  - Investment grade - series 12 and prior, excluding series 9 index.
    - CIO believes that the investment grade Series 9 index has generally traded similar to on the run positions because it is viewed as a market benchmark by investors.
- The liquidity adjustments for the series 9 tranches (both high yield and investment grade) were recorded as of March 31, 2012 to reflect the decline in market liquidity

by the end of the first quarter. The incremental liquidity reserve of $155 million for series 9 investment grade tranches was applied for the first time at March 31 as a result of this decline in market activity.

- The liquidity reserve was calculated using CIO's standard liquidity reserve methodology and using spread volatility provided by JPM IB. This volatility varies by position in the capital structure, and is highest for equity tranches and lowest for super senior tranches: = [CS01] x square root [holding period] x [spread volatility
    - CS01 is the credit spread sensitivity to a 1 bps change in market spreads relative to position size
    - Holding period – JPM IB suggested max 120 days was used
    - Spread volatility – provided by JPM IB; varies by position in the capital structure, and is highest for equity tranches and lowest for super senior tranches.
- As of March 31 a liquidity valuation adjustment was not recorded for the CDX North America Investment Grade and Itraxx Main Series 9 indices as each was viewed to be liquid. As noted in Table 2 above, trading volume in the Series 9 index continued to be relatively robust, including through April, without CIO activity in the market, and the volume of market activity excluding CIO has been substantial.
- Details of all adjustments taken to arrive at the fair value for US GAAP books and records are included in Appendix A.

F. Comparison to Industry Practice

The Firm believes that its valuation practices in CIO are consistent with industry practices for other non-dealer investors/managers. CIO, like other non-dealer investors/managers, relies more heavily on transaction-level data available through its own market activity, and its valuation process reflects its exit market and the participants in that market. In the normal course, the Firm evaluates its own business and risk management practices, and makes appropriate refinements to reflect its best estimates of fair value.

G. Review of CIO Q1 pricing information

- CIO analyzed its pricing data as compared to other available market sources and the results are included in Appendix B.
- As of the January, February and March month ends CIO compared its front office marks and final US GAAP book price for reasonableness to a combination of the Markit/Totem data, broker quotes and actual transaction data around the month end date.
- There was evidence that actual transactions and broker quotes diverged from Markit/Totem prices in some cases.
- CIO book marks on individual positions were generally within the bid offer spread.

- As additional analysis, CIO estimated the aggregate difference in the front office marks and the CIO VCG mid-market estimates. This difference ($512 million), less the price testing threshold adjustment of $17mm and less the liquidity reserve of $188mm, was approximately $307 million as of March 31, 2012, compared to the gross value of derivative receivables and payables of approximately $8 billion.

IV. Conclusions

- CIO believes that its marks as of March 31, 2012 represents CIO's estimate of its exit price as of that date.
- In the context of its gross marks (approximately $8 billion of derivative receivables and $8 billion of derivative payables across CIO's portfolio), intra-day price volatility, and CIO's transaction data, CIO believes that it has made reasonable judgments regarding the prices within in the bid-offer spread that best represent CIO's exit price.
- The CIO valuation process is documented and consistently followed period to period.
- Market-based information and actual traded prices serve as the basis for the determination of fair value.
- CIO's book value, including the valuation adjustments, at March 31 2012 for the index and tranche credit derivatives portfolio is within the range of reasonable fair values for such instruments.

We have shared this memo with PricewaterhouseCoopers; they concur with the conclusions reached herein.

Privileged and Confidential
Attorney Client Work Product
May 10, 2012

Appendix A – March 31, 2012 Position Marks

The following table provides the notional amount and fair values of the Firm's positions as of March 31, 2012, including the following: $17 mm tolerance level adjustments, $33 mm liquidity adjustment, and $155 incremental liquidity adjustment.

(Note: subsequent CIO analysis noted that the required tolerance adjustment should have been $12 million, but the following schedule provides detail of the original $17 million estimate.)

					VCG Adjustments			
	Instrument	Sum of Abs. Not	Sum of Factored Notional	Sum of MTM USD	Threshold	Liquidity	Incremental Liquidity	Total
	ABX HE 6 1 A	184,555,364	0	(0)				(0)
	ABX HE 6 1 AAA	64,827,195	0	0				0
	ABX HE 6 2 AAA	28,036,351	0	(0)				(0)
	ABX HE 6 2 BBB	5,075,000	200,000	184,727				184,727
	ABX HE 6 2 BBB-	39,325,000	[illegible]	(11,047,591)				(11,047,591)
	ABX HE 7 1 A	47,742,773	(0)	0				0
	ABX HE 7 1 AAA	334,760,632	0	(0)				(0)
	ABX HE 7 1 BBB 35-100	6,348,154	6,348,154	6,120,712				6,120,712
	ABX HE 7 1 BBB- 40-100	43,958,337	43,125,003	41,691,525				41,691,525
	CDX HY S07 07Y	294,000,000	0	(962)				(962)
	CDX HY S07 07Y 15-25	620,000,000	0	25,494,831				25,494,831
	CDX HY S07 07Y 25-35	140,000,000	0	610,410				610,410
	CDX HY S07 07Y 35-100	754,123,080	0	6,280,655				6,280,655
	CDX HY S08 05Y	24,279,864,000	(15,426,[illegible])	61,182,958		(1,392,677)		59,790,281
1	CDX HY S08 05Y 10-15	895,275,000	812,235,000	83,829,224		(73,307)		83,755,917
	CDX HY S08 05Y 15-25	4,550,000,000	1,410,000,000	[illegible]		(124,009)		(11,495,615)
	CDX HY S08 05Y 25-35	2,850,000,000	[illegible]	10,182,681		(57,979)		10,124,702
	CDX HY S08 05Y 35-100	13,159,563,878	94,468,231	9,154,335		(8,254)		9,146,081
	CDX HY S08 07Y	5,796,420,000	179,760,000	[illegible]		(153,401)		(304,449)
	CDX HY S08 07Y 10-15	326,970,000	[illegible]	(24,677,[illegible])		[illegible]		(24,700,753)
	CDX HY S08 07Y 15-25	1,555,000,000	[illegible]	37,211,343		[illegible]		37,010,936
	CDX HY S08 07Y 25-35	902,000,000	[illegible]	37,704,460		[illegible]		37,457,319
	CDX HY S08 07Y 35-100	1,242,270,388	(108,039,816)	10,826,032		[illegible]		10,539,115
	CDX HY S09 05Y	12,701,075,000	[illegible]	66,922,108		[illegible]		65,283,850
	CDX HY S09 05Y 10-15	772,800,000	70,840,000	41,445,079		(14,406)		41,430,673
	CDX HY S09 05Y 15-25	3,225,000,000	1,055,000,000	9,798,878		[illegible]		9,480,325
	CDX HY S09 05Y 25-35	1,215,000,000	(875,000,000)	33,600,243		(244,862)		33,355,381
	CDX HY S09 05Y 35-100	3,238,503,062	[illegible]	117,453,529		[illegible]		116,597,861
	CDX HY S10 05Y	21,259,098,000	9,234,582,000	[illegible]		[illegible]		(281,140,542)
	CDX HY S10 05Y 10-15	504,750,000	(222,165,000)	(156,352,601)		(86,922)		[illegible]
3	CDX HY S10 05Y 15-25	3,663,000,000	(2,063,000,000)	[illegible]		(1,025,210)		(49,830,[illegible])
	CDX HY S10 05Y 25-35	1,845,000,000	(535,500,000)	44,425,075		(320,873)		44,104,202
5	CDX HY S10 05Y 35-100	14,352,199,627	[illegible]	272,290,710		(1,788,826)		270,501,884
	CDX HY S10 07Y	16,438,590,000	2,048,550,000	[illegible]		(2,431,944)		(88,116,671)
2	CDX HY S10 07Y 10-15	1,359,628,750	[illegible]	(1,107,333,552)		[illegible]		(1,108,102,147)
	CDX HY S10 07Y 15-25	1,605,000,000	[illegible]	(47,125,220)		(414,756)		(47,539,985)
	CDX HY S10 07Y 25-35	1,015,000,000	[illegible]	37,819,202		[illegible]		37,478,635
	CDX HY S10 07Y 35-100	5,246,225,581	(1,452,477,117)	151,846,470		(1,722,255)		150,124,215
6	CDX HY S11 05Y	5,606,580,000	[illegible]	33,242,083		[illegible]		32,583,366
	CDX HY S11 05Y 10-15	432,402,500	[illegible]	[illegible]		[illegible]		[illegible]
4	CDX HY S11 05Y 15-25	1,125,000,000	(1,015,000,000)	[illegible]		[illegible]		[illegible]
	CDX HY S11 05Y 25-35	790,000,000	[illegible]	22,357,926		[illegible]		[illegible]
	CDX HY S11 05Y 35-100	987,492,693	[illegible]	[illegible]		[illegible]		[illegible]
	CDX HY S11 07Y	3,931,270,000	[illegible]	[illegible]		[illegible]		72,582,215
	CDX HY S11 07Y 10-15	16,825,000	[illegible]	[illegible]		[illegible]		[illegible]
	CDX HY S11 07Y 15-25	30,000,000	30,000,000	10,632,380		[illegible]		10,587,404
	CDX HY S11 07Y 35-100	95,673,072	[illegible]	[illegible]		[illegible]		[illegible]
	CDX HY S14 03Y	72,750,000	72,750,000	[illegible]				[illegible]
7	CDX HY S14 05Y	12,558,580,000	17,073,530,000	[illegible]				[illegible]
8	CDX HY S15 05Y	9,982,270,000	8,530,550,000	[illegible]				[illegible]
	CDX HY S16 05Y	8,308,050,000	6,707,550,000	14,917,561				14,917,561
	CDX HY S16 10Y	48,500,000	0	0				0
	CDX HY S17 05Y	9,270,775,000	8,022,365,000	153,219,438				153,219,438
	CDX IG HVOL S08 05Y	100,000,000	0	0				0
	CDX IG S07 07Y	1,484,580,000	703,720,000	5,665,292	414,812	[illegible]		5,657,063
	CDX IG S07 07Y 07-10	250,000,000	[illegible]	2,073,690		[illegible]		1,998,039
	CDX IG S07 07Y 15-30	1,050,000,000	0	[illegible]				[illegible]
	CDX IG S07 07Y 30-100	3,857,595,440	0	23,291,616				23,291,616
	CDX IG S08 05Y	968,000,000	0	(0)				(0)
	CDX IG S08 07Y	858,816,000	[illegible]	[illegible]	1,803,627	(332,476)		[illegible]
	CDX IG S08 07Y 03-07	60,000,000	0	[illegible]				[illegible]
	CDX IG S08 07Y 07-10	1,290,000,000	0	[illegible]				[illegible]

				VCG Adjustments			
Instrument	Sum of Abs Not	Sum of Factored Notional	Sum of MTM USD	Threshold	Liquidity	Incremental Liquidity	Total
CDX IG S08 07Y 10-15	200,000,000	0	3,752,951				3,752,951
CDX IG S08 07Y 15-30	525,000,000	375,000,000	(1,029,767)		(322,310)		(1,352,077)
CDX IG S08 07Y30-100	3,375,746,010	0	13,842,410				13,842,410
CDX IG S09 05Y	110,298,890,477	31,675,380,000	25,177,868				25,177,868
9 CDX IG S09 05Y 00-03	6,009,760,374	2,719,245,168	497,344,852			(739,051)	496,605,800
CDX IG S09 05Y 03-07	6,712,030,000	1,395,000,000	[illegible]			(476,787)	[illegible]
CDX IG S09 05Y 07-10	10,587,000,000	2,045,000,000	[illegible]			(656,683)	(12,352,905)
CDX IG S09 05Y 10-15	5,675,000,000	2,905,000,000	[illegible]			(814,770)	[illegible]
CDX IG S09 05Y 15-30	30,245,000,000	12,215,000,000	[illegible]			(2,442,776)	(68,475,711)
CDX IG S09 05Y 30-100	36,342,317,045	260,414,692	17,001,964			(73,210)	16,928,753
11 CDX IG S09 07Y	51,472,432,005	[illegible]	(151,137,021)				(151,137,021)
CDX IG S09 07Y 00-03	3,469,513,118	308,485,799	142,230,554			(237,075)	141,993,489
CDX IG S09 07Y 03-07	2,045,000,000	215,000,000	50,231,428			(224,404)	50,007,024
CDX IG S09 07Y 07-10	6,325,000,000	365,000,000	110,476,524			(390,332)	110,086,192
CDX IG S09 07Y 10-15	2,790,000,000	1,970,000,000	(8,791,310)			(1,887,017)	(10,678,327)
CDX IG S09 07Y 15-30	13,845,000,000	8,655,000,000	(124,254,673)			(7,311,759)	(131,566,432)
CDX IG S09 07Y 30-100	30,927,620,445	(11,074,221,970)	306,212,849			(11,468,035)	294,744,814
12 CDX IG S09 10Y	92,607,592,000	(37,772,303,000)	(1,252,556,567)				(1,252,556,567)
10 CDX IG S09 10Y 00-03	4,147,470,182	(2,156,549,731)	(1,241,310,778)			(2,534,115)	(1,243,845,094)
CDX IG S09 10Y 03-07	2,590,000,000	(30,000,000)	(5,249,420)			(116,202)	(5,365,622)
CDX IG S09 10Y 07-10	3,495,000,000	(775,000,000)	24,782,107			(1,585,840)	23,196,267
CDX IG S09 10Y 10-15	3,510,000,000	1,980,000,000	117,037,863			(4,098,730)	112,939,133
CDX IG S09 10Y 15-30	5,400,000,000	3,800,000,000	(37,828,804)			(7,741,380)	[illegible]
CDX IG S09 10Y 30-100	20,423,263,361	(16,131,242,624)	773,069,585			[illegible]	739,099,182
CDX IG S10 05Y	9,916,663,474	0	(4,327)				(4,327)
CDX IG S10 05Y 00-03	517,951,404	0	(2)				(2)
CDX IG S10 05Y 03-07	250,000,000	0	(1,220,364)				[illegible]
CDX IG S10 05Y 07-10	90,000,000	0	2,044,469				2,044,469
CDX IG S10 07Y	265,232,000	0	0				0
CDX IG S10 10Y	1,548,800,000	0	11,639				11,639
CDX IG S12 05Y	5,560,068,409	0	98,999				98,999
CDX IG S13 05Y	4,652,764,000	0	(46,845)				(46,845)
CDX IG S14 05Y	8,699,000,000	7,657,000,000	(78,705,085)				(78,705,085)
CDX IG S14 10Y	1,243,000,000	(357,000,000)	(657,420)				(657,420)
CDX IG S15 03Y	604,000,000	0	(0)				(0)
CDX IG S15 03Y 00-03	40,000,000	0	0				0
CDX IG S15 05Y	23,298,500,000	17,520,500,000	(154,991,384)				(154,991,384)
CDX IG S15 05Y 00-03	235,000,000	195,000,000	54,924,977	(7,639)			54,917,338
CDX IG S15 05Y 03-07	20,000,000	(20,000,000)	(1,975,360)				(1,975,360)
CDX IG S15 05Y 15-100	100,000,000	(100,000,000)	6,539				6,539
CDX IG S15 10Y	254,000,000	54,000,000	377,531				377,531
CDX IG S16 05Y	24,709,250,000	18,478,750,000	(136,028,195)				(136,028,195)
CDX IG S16 10Y	1,398,000,000	(302,000,000)	(3,131,885)				(3,131,885)
CDX IG S17 05Y	27,717,200,000	(11,482,293,000)	77,306,796				77,306,796
CDX IG S18 05Y	15,181,000,000	[illegible]	65,505,418				65,505,418
CDX LCDX S10 05Y	5,750,874,000	1,154,056,000	[illegible]		(506,120)		[illegible]
CDX LCDX S10 05Y 05-08	5,750,000	0	0				0
CDX LCDX S10 05Y 12-15	1,050,000,000	(110,000,000)	23,985,359		(73,544)		23,911,815
CDX LCDX S10 05Y 15-100	4,092,708,111	(2,851,684,576)	221,670,056		(1,339,504)		220,330,552
CDX XO S09 05Y	47,143,000	0	(1)				(1)
ITRAXX FINSEN S10 05Y	87,888,891	0	(794)				(794)
ITRAXX FINSEN S12 05Y	106,531,996	0	6,340				6,340
ITRAXX FINSEN S13 05Y	119,848,496	0	(575)				(575)
ITRAXX FINSEN S14 05Y	1,302,353,651	0	(1,464)				(1,464)
ITRAXX FINSEN S15 05Y	2,604,041,478	0	(10,754)				(10,754)
ITRAXX FINSEN S16 05Y	2,893,675,342	(0)	24,823				24,823
ITRAXX FINSEN S17 05Y	573,941,129	(73,240,742)	(2,073,455)				(2,073,455)
ITRAXX FINSUB S06 10Y	66,562,496	0	2,474				2,474
ITRAXX FINSUB S07 05Y	177,109,443	123,843,445	1,176,365	[illegible]	[illegible]		722,939
ITRAXX FINSUB S07 10Y	266,329,890	0	[illegible]				[illegible]
ITRAXX FINSUB S08 05Y	1,574,010,241	703,111,174	[illegible]		[illegible]		11,484,850
ITRAXX FINSUB S08 10Y	133,161,995	0	[illegible]				[illegible]
ITRAXX FINSUB S09 05Y	3,385,264,174	2,253,151,710	8,276,439	[illegible]	[illegible]		4,940,670
ITRAXX FINSUB S09 10Y	189,747,493	0	[illegible]				[illegible]
ITRAXX FINSUB S10 05Y	2,587,395,650	1,471,473,195	26,048,211	[illegible]	[illegible]		24,913,264
ITRAXX FINSUB S10 10Y	332,912,486	0	[illegible]				[illegible]
ITRAXX FINSUB S11 05Y	303,329,972	0	6,736				6,736
ITRAXX FINSUB S12 05Y	2,010,983,187	1,033,300,301	62,100,961		[illegible]		61,045,061
ITRAXX FINSUB S13 05Y	5,086,902,810	101	334,757				334,752
ITRAXX FINSUB S14 05Y	4,973,712,569	[illegible]	[illegible]	[illegible]			[illegible]
ITRAXX FINSUB S15 05Y	3,495,581,119	805,900,727	57,895,601	854,421			58,350,022
ITRAXX FINSUB S16 05Y	5,254,690,704	[illegible]	82,140,503				82,140,503
ITRAXX FINSUB S17 05Y	985,420,963	[illegible]	64,496,190				64,496,190
ITRAXX HV S07 05Y	128,730,601	0	0				0
ITRAXX MN S06 10Y	9,980,378,798	[illegible]	[illegible]	(1,314,547)	(178,833)		[illegible]
ITRAXX MN S06 10Y 00-03	712,432,723	153,139,744	93,141,390		[illegible]		92,995,060
ITRAXX MN S06 10Y 03-06	892,205,467	[illegible]	[illegible]		[illegible]		[illegible]
ITRAXX MN S06 10Y 06-09	3,142,693,883	[illegible]	101,848,841		(45,839)		101,803,002
ITRAXX MN S06 10Y 09-12	506,026,981	0	5,240,180		0		5,240,180
ITRAXX MN S06 10Y 12-22	2,396,969,910	0	47,943,520		0		47,943,520

Privileged and Confidential
Attorney Client Work Product
May 10, 2012

				VCG Adjustments			
Instrument	Sum of Abs Notl	Sum of Factored Notional	Sum of MTM USD	Threshold	Liquidity	Incremental Liquidity	Total
ITRAXX MN S06 10Y 22-100	2,635,884,005	0	25,776,827		0		25,776,827
ITRAXX MN S07 05Y	3,521,777,337	0	0				0
ITRAXX MN S07 10Y	2,870,074,156	0	7,468				7,468
ITRAXX MN S07 10Y 00-03	48,045,930	0	7,147				7,147
ITRAXX MN S07 10Y 06-09	479,393,982	[illegible]	4,039,422		0		4,039,422
ITRAXX MN S07 10Y 09-12	239,690,991	0	3,036,633		0		3,036,633
ITRAXX MN S07 10Y 12-22	1,005,319,950	0	653,326		0		653,326
ITRAXX MN S07 10Y 22-100	6,879,658,746	0	(4,800,268)		0		(4,800,268)
ITRAXX MN S08 05Y	4,253,277,310	0	146				146
ITRAXX MN S08 05Y 00-03	348,228,987	0	(7,634)				(7,534)
ITRAXX MN S08 05Y 03-06	969,441,164	[illegible]	2,956,675		0		2,956,675
ITRAXX MN S08 05Y 06-09	372,861,966	0	237,706		0		237,706
ITRAXX MN S08 05Y 09-12	150,797,994	0	770,066		0		770,066
ITRAXX MN S08 05Y 12-22	1,131,902,453	0	1,386,232		0		1,386,232
ITRAXX MN S08 10Y	5,124,189,007	[illegible]	(2,774)				(2,774)
ITRAXX MN S08 10Y 00-03	625,675,477	[illegible]	226,089				226,803
ITRAXX MN S08 10Y 03-06	905,521,966	9	2,278,173		0		2,278,173
ITRAXX MN S08 10Y 06-09	1,025,370,452	[illegible]	9,125,128		0		9,125,128
ITRAXX MN S08 10Y 09-12	439,444,484	[illegible]	16,046,944		0		16,046,944
ITRAXX MN S08 10Y 12-22	4,037,562,549	[illegible]	22,835,178		0		22,835,178
ITRAXX MN S08 10Y 22-100	12,384,344,537	6	70,810,712		0		70,810,712
ITRAXX MN S09 05Y	125,284,750,038	(27,044,935,000)	207,439,231				207,439,231
ITRAXX MN S09 05Y 00-03	11,180,676,800	3,928,367,353	1,024,601,825			(1,672,955)	1,022,928,870
ITRAXX MN S09 05Y 03-06	6,842,155,670	479,393,982	50,970,087			(242,449)	50,727,638
ITRAXX MN S09 05Y 06-09	6,429,344,185	(452,750,910)	66,588,364			(221,205)	66,367,159
ITRAXX MN S09 05Y 09-12	6,431,869,260	(272,641,095)	13,441,538			(174,860)	13,266,678
ITRAXX MN S09 05Y 12-22	13,056,827,782	162,456,244	(21,926,071)	(37,180)		(74,660)	(21,938,000)
ITRAXX MN S09 05Y 22-100	67,381,487,482	(3,454,724,617)	(12,964,031)			(4,449,750)	(17,416,121)
16 ITRAXX MN S09 07Y	35,764,430,375	(2,876,932,053)	108,869,714	(8,304,789)			100,564,926
ITRAXX MN S09 07Y 00-03	2,250,488,416	785,673,471	399,822,086			(631,236)	398,953,850
ITRAXX MN S09 07Y 03-06	692,457,974	213,063,992	22,980,195			(256,151)	22,724,044
ITRAXX MN S09 07Y 06-09	3,668,695,613	33,291,249	63,295,548			(42,354)	63,253,192
ITRAXX MN S09 07Y 09-12	852,255,968	(239,656,904)	(8,472,842)			(298,646)	(8,771,761)
ITRAXX MN S09 07Y 12-22	2,996,212,388	599,242,478	(1,134,485)			(729,125)	(1,863,580)
14 ITRAXX MN S09 07Y 22-100	14,581,586,955	(14,581,186,955)	73,844,633			(17,686,357)	56,158,266
17 ITRAXX MN S09 10Y	68,722,479,490	(17,254,327,399)	303,088,246	(2,111,576)			300,976,670
13 ITRAXX MN S09 10Y 00-03	6,469,688,118	(1,691,152,837)	(1,183,058,191)			(2,003,233)	(1,185,061,305)
ITRAXX MN S09 10Y 03-06	3,335,763,125	(6,044,560)	1,445,027			(12,775)	1,432,802
ITRAXX MN S09 10Y 06-09	3,275,658,878	(508,022,741)	(41,488,341)			(1,032,573)	(42,576,184)
ITRAXX MN S09 10Y 09-12	3,828,493,607	(317,937,724)	(35,744,279)			(656,425)	(36,400,054)
ITRAXX MN S09 10Y 12-22	10,200,438,619	(328,463,742)	(39,186,111)			(456,504)	(39,642,824)
15 ITRAXX MN S09 10Y 22-100	59,576,018,774	(21,053,385,710)	(129,609,454)			(43,932,899)	(173,543,447)
ITRAXX MN S10 05Y	15,508,571,099	0	(91)				(91)
ITRAXX MN S11 05Y	4,335,698,507	0	9,088				9,088
ITRAXX MN S12 05Y	5,122,191,534	0	(116)				(116)
ITRAXX MN S13 05Y	10,941,501,616	0	1,092				1,092
ITRAXX MN S14 05Y	18,772,338,461	(26,632,982)	(205,927)				(205,927)
ITRAXX MN S15 03Y	5,272,002,157	3,740,604,710	(6,307,017)				(6,307,017)
ITRAXX MN S15 03Y 00-03	93,215,497	93,215,497	32,188,065				32,188,065
ITRAXX MN S15 03Y 03-06	13,316,500	(13,316,500)	(292,315)				(292,315)
ITRAXX MN S15 03Y 22-100	1,510,882,428	(365,494,966)	1,822,606				1,822,606
ITRAXX MN S15 05Y	23,173,705,347	(4,940,724,226)	(42,415,791)				(42,415,791)
ITRAXX MN S15 05Y 00-03	332,912,488	332,912,488	175,486,448				175,486,448
ITRAXX MN S15 05Y 22-100	2,598,717,403	(2,593,717,403)	13,929,469				13,929,469
ITRAXX MN S15 07Y	2,390,311,661	(1,176,570,290)	(25,835,517)				(25,835,517)
ITRAXX MN S15 07Y 00-03	392,838,735	392,838,735	235,003,815				235,003,815
ITRAXX MN S15 07Y 03-06	259,671,740	259,671,740	63,553,224				63,553,224
ITRAXX MN S15 07Y 22-100	2,603,299,900	(2,653,009,514)	(9,788,812)	(1,421,551)			(11,210,363)
ITRAXX MN S15 10Y	3,619,104,215	2,173,519,049	82,791,564				82,791,564
18 ITRAXX MN S16 05Y	62,106,872,099	(19,220,319,557)	(179,260,208)				(179,260,208)
ITRAXX MN S16 10Y	2,390,311,061	1,764,436,184	61,600,127				61,600,127
ITRAXX MN S17 05Y	7,921,965,554	(7,034,473,364)	(93,917,731)	(2,137,579)			(96,055,309)
ITRAXX SOVXWE S03 05Y	24,265,800	0	3,103				3,103
ITRAXX SOVXWE S06 05Y	46,669,000	(46,669,000)	(2,446,516)				(2,446,516)
ITRAXX XO S07 05Y	147,014,155	0	(1,573)				(1,573)
ITRAXX XO S08 05Y	39,924,249	(0)	(51)				(51)
ITRAXX XO S09 05Y	239,696,091	0	(564)				(564)
ITRAXX XO S10 05Y	198,469,109	0	(6)				(6)
ITRAXX XO S11 05Y	155,248,012	0	4,046				4,046
ITRAXX XO S12 05Y	469,806,102	0	578				578
ITRAXX XO S13 05Y	38,150,509	0	140				140
ITRAXX XO S14 05Y	1,483,804,274	6,525,065	(30,728)	(119,115)			(149,843)
ITRAXX XO S15 05Y	2,346,034,300	1,740,133,572	12,315,943				12,315,943
ITRAXX XO S16 05Y	9,971,394,827	6,953,876,040	177,683,391				177,683,391
ITRAXX XO S17 05Y	1,651,245,938	119,848,490	5,043,322				5,043,322
Grand Total	1,553,458,019,329	[illegible]	(46,820,055)	(16,297,722)	[illegible]	(159,292,771)	(250,860,275)
Assets		(62,050,000,014)	7,987,328,315	[illegible]	(20,965,233)	(73,373,713)	7,879,974,825
Liabilities		(24,420,763,772)	[illegible]	[illegible]	[illegible]	(81,191,236)	(8,130,844,066)
Net		[illegible]	(46,820,055)	(16,297,722)	(32,676,725)	(154,292,771)	(250,869,275)

Appendix B - CIO Price Testing Data

The following tables set out valuation estimates of various sources, as well as the final CIO price recorded books and records for the most significant positions within the portfolio. The table also includes notionals for the positions and whether CIO is long or short the risk of the index/tranche (i.e. whether it has sold or purchased credit protection respectively).

The following observations were noted:

- For all selected positions the front office marks were within the bid offer spread indicated by the broker quotes except for the iTraxx Main IDX S09 07Y.
    - This was a result of a front office data input error that was identified and adjusted by VCG to the outer boundary, in accordance with the VCG price testing protocol. (The value difference between the original front office mark and the intended mark was approximately $20 million, and the difference between the CIO book value and the intended mark was less than $15 million).
- CIO VCG spreads/prices correspond to Markit/Totem data for the liquid indices and reflect the broker mids for illiquid indices and tranches.
- There are a number of instances where the broker-mid spreads/prices diverge from the Markit/Totem data.
- There are a number of instances where the CIO transaction data in appendix C show that actual traded spreads/prices diverge from Markit/Totem data in similar time periods. For example: iTraxx Main IDX Series 16 5 year at February month end, and CDX High Yield Series 10 7 year 10-15% tranche at January month-end.
- Average traded prices in the few days surrounding month-end are directionally consistent with the point in the bid offer spread in which the positions have been marked by CIO, as shown by Appendix C. In general, the front office marks, subject to liquidity adjustments, used for CIO books and records reflect information derived from numerous data sources available to CIO front office, rather than relying solely on any one single factor. For example:
    - Recent transaction data (same-day and recent day actual trades) may in some cases be viewed to provide more relevant and reliable information regarding current exit prices (see additional observations below).
    - In some cases, differences between CIO book values and other market information such as Totem/Markit are created because of timing differences between the close of CIO's books and the close of the Totem/Markit data (see additional observations below).
- In certain cases, CIO executed trades on the last day of the month at a price that is different than Totem (and in several cases, was between the Totem value and the CIO book price). See table below for information as of March 31, 2012 (including average traded prices on March 30, 2012):

	Totem	CIO Books	Avg. Traded
CDX.NA.HY 15-25% S10 05Y	92.607	93.326	93.125
CDX.NA.HY 15-25% S11 05Y	83.108	83.685	83.375
CDX.NA.HY IDX S11 07Y	101.250	101.866	101.750
CDX.NA.IG 0-3% S09 10Y	63.219	62.869	63.250
iTraxx Main 0-3% S09 10Y	66.202	65.993	66.313
iTraxx Main IDX S09 07Y	129.000	122.657	129.000 *
iTraxx Main IDX S09 10Y	149.000	144.250	149.000 *

* executed tranche reference trades, not stand-alone traded prices

- The difference between the various data points (FO, Broker prices, and Totem) are relatively insignificant on a price basis, when evaluated in context of:
  - o Daily price volatility - the following table shows that for most of the tested positions, the price difference between the Totem price and the CIO book price is less than the average daily price change during recent months.

	March price difference Totem - CIO	Average daily price change			
		Jan	Feb	Mar	Apr
CDX.IG Main Series 9 (7Yr)	2.00	2.85	2.00	1.98	2.06
CDX.IG Main Series 9 (10Yr)	2.25	2.87	1.73	2.00	2.26
CDX.HY 100 Series 11 (7Yr)	0.62	0.35	0.31	0.29	0.29
CDX.HY 100 Series 14 (5Yr)	0.25	0.30	0.30	0.28	0.28
CDX.HY 100 Series 15 (5Yr)	0.25	0.30	0.33	0.32	0.33
iTraxx Main IDX S16 5Y	1.88	3.74	3.22	3.08	4.05
iTraxx Main IDX S09 07Y	6.34	4.42	3.29	3.22	4.31
iTraxx Main IDX S09 10Y	4.75	4.24	3.17	3.54	4.24

  - o Intraday price volatility – the following table shows three representative series and the maximum, minimum and mean prices during the day on March 31, 2012.

	max	min	mean	variation	% of mean
CDX IG Series 18 5 Y	93.000	90.750	91.910	2.250	2.4%
CDX.HY Series 18 5Y	97.188	96.750	96.950	0.438	0.5%
iTraxx.Main Series 17 5Y	127.625	122.750	125.115	4.875	3.9%

  - o Potential timing differences – CIO EMEA closes its books at the close of business in London, while some of the comparative market data is as of the close of business in New York. This timing difference may result in differences in reported prices.
    - For example, the market price on March 31, 2012 at 4 pm London time for the CDX IG Series 18 5 year was 92.88, and the market price at 9 pm (NY close) was 91.25, a 1.75% difference from the London close.

	APRIL	TOTEM	ICE	FO	Broker Bid	Broker Mid	Broker Offer	VCG Price	CIO Books (GAAP)	Notional (- Long Risk + Short Risk)	Risk	Basis	Benefit
1	CDXNAHY 10-15% S08 05Y			95.375	95.000	[illegible]	95.750	95.563	95.384	1565	short	Price	lower price
2	CDXNAHY 10-15% S10 07Y	8.763		10.625	8.125	[illegible]	11.125	9.583	10.572	-4041	long	Price	higher price
3	CDXNAHY 15-25% S10 05Y	95.710		96.000	95.625	95.875	96.125	95.708	95.951	-2083	long	Price	higher price
4	CDXNAHY 15-25% S11 05Y	85.350		85.500	84.750	85.500	86.250	85.375	85.835	-1015	long	Price	higher price
5	CDXNAHY 35-100% S10 05Y	105.572		105.888	105.375	105.563	105.750	105.542	105.640	-3905	long	Price	higher price
6	CDXNAHY IDX S11 07Y	101.506		101.500	101.063	101.313	101.563	101.506	101.370	-4408	long	Price	higher price
7	CDXNAHY IDX S14 05Y	102.039	102.125	101.500	101.500	101.688	101.875	102.039	101.538	12447	short	Price	lower price
8	CDXNAHY IDX S15 05Y	101.060	101.093	100.825	100.563	100.750	100.938	101.080	100.625	9915	short	Price	lower price
9	CDXNAIG 0-3% S09 05Y	14.846		14.813	14.625	14.813	15.000	14.733	14.785	3570	short	Upfront	higher price
10	CDXNAIG 0-3% S09 10Y	62.842		62.875	62.375	62.625	62.875	62.797	63.001	-2650	long	Upfront	lower price
11	CDXNAIG IDX S09 07Y	91.958	91.750	91.000	90.500	[illegible]	93.500	91.958	94.850	-34193	long	Spread	lower spread
12	CDXNAIG IDX S09 10Y	118.839	119.250	119.000	116.750	118.500	120.250	118.839	122.650	-80980	long	Spread	lower spread
13	iTraxx.Main 0-3% S09 10Y	67.302		67.375	67.125	67.375	67.625	67.406	67.509	-1495	long	Upfront	lower price
14	iTraxx.Main 22-100% S09 07Y	19.292		18.250	17.500	18.500	19.500	18.750	22.084	-14982	long	Spread	lower spread
15	iTraxx.Main 22-100% S09 10Y	48.083		45.000	44.000	45.000	46.000	45.375	46.848	-21841	long	Spread	lower spread
16	iTraxx.Main IDX S09 07Y	148.882		146.000	143.000	145.000	147.000	148.882	149.528	-7078	long	Spread	lower spread
17	iTraxx.Main IDX S09 10Y	171.893		170.000	166.000	[illegible]	170.000	171.893	174.231	-17177	long	Spread	lower spread
18	iTraxx.Main IDX S16 05Y	139.539	139.400	139.000	137.750	138.500	139.250	139.539	139.500	-18724	long	Spread	lower spread

	MARCH	TOTEM	ICE	FO	Broker Bid	Broker Mid	Broker Offer	VCG Price	CIO BOOKS (GAAP)	Notional (- Long Risk + Short Risk)	Risk	Basis	Benefit
1	CDXNAHY 10-15% S08 05Y	92.309		91.500	91.500	92.000	92.500	92.030	91.509	1565	short	Price	lower price
2	CDXNAHY 10-15% S10 07Y	11.337		13.125	10.625	11.875	13.125	11.875	13.072	-4641	long	Price	higher price
3	CDXNAHY 15-25% S10 05Y	92.607		93.375	92.875	93.125	93.375	93.125	93.326	-2083	long	Price	higher price
4	CDXNAHY 15-25% S11 05Y	83.104		83.750	82.875	83.313	83.750	83.313	83.685	-1015	long	Price	higher price
5	CDXNAHY 35-100% S10 05Y	105.618		106.000	105.625	105.813	106.000	105.813	105.953	-3970	long	Price	higher price
6	CDXNAHY IDX S11 07Y	101.250		102.000	101.250	101.625	102.000	101.511	101.866	-4408	long	Price	higher price
7	CDXNAHY IDX S14 05Y	101.633	101.688	101.438	101.438	101.688	101.813	101.633	101.438	12447	short	Price	lower price
8	CDXNAHY IDX S15 05Y	100.750		100.500	100.500	100.688	100.875	100.723	100.500	9815	short	Price	lower price
9	CDXNAIG 0-3% S09 05Y	17.714		18.375	17.750	18.063	18.375	18.053	18.348	3570	short	Upfront	higher price
10	CDXNAIG 0-3% S09 10Y	63.219		62.750	62.750	63.125	63.500	63.125	62.869	-2806	long	Upfront	lower price
11	CDXNAIG IDX S09 07Y	90.000	89.840	88.000	88.000	89.500	91.000	89.671	88.000	-33647	long	Spread	lower spread
12	CDXNAIG IDX S09 10Y	113.030	112.380	110.750	110.750	112.250	113.750	112.243	110.750	-80344	long	Spread	lower spread
13	iTraxx.Main 0-3% S09 10Y	66.202		65.875	65.750	66.250	66.625	66.250	65.993	-1691	long	Upfront	lower price
14	iTraxx.Main 22-100% S09 07Y			12.000	12.000	13.300	14.500	13.333	15.848	-14505	long	Spread	lower spread
15	iTraxx.Main 22-100% S09 10Y			33.000	33.000	34.700	36.750	34.708	38.848	-20948	long	Spread	lower spread
16	iTraxx.Main IDX S09 07Y	129.000		119.750	123.250	127.250	131.250	130.657	122.557	-6680	long	Spread	lower spread
17	iTraxx.Main IDX S09 10Y	149.000	152.500	144.250	144.250	147.750	151.250	150.659	144.250	-17255	long	Spread	lower spread
18	iTraxx.Main IDX S16 05Y	123.435	123.640	121.750	121.250	121.750	122.250	123.435	121.750	-18814	long	Spread	lower spread

	FEBRUARY	TOTEM	ICE	FO	Broker Bid	Broker Mid	Broker Offer	VCG Price	CIO BOOKS (GAAP)	Notional (- Long Risk + Short Risk)	Risk	Basis	Benefit
1	CDXNAHY 10-15% S08 05Y	89.832		89.750	89.500	90.000	90.500	89.750	89.750	1450	short	Price	lower price
2	CDXNAHY 10-15% S10 07Y	15.875		17.000	15.160	16.245	17.330	40.750	17.000	-4041	long	Price	higher price
3	CDXNAHY 15-25% S10 05Y	95.076		95.375	94.660	95.120	95.580	95.292	95.375	-3833	long	Price	higher price
4	CDXNAHY 15-25% S11 05Y	86.208		86.250	85.660	86.330	87.000	86.333	86.250	-815	long	Price	higher price
5	CDXNAHY 35-100% S10 05Y	-		106.188	106.000	106.145	106.290	107.792	106.188	-3905	long	Price	higher price
6	CDXNAHY IDX S11 07Y	101.495		102.000	101.063	101.563	102.063	101.495	102.000	-4308	long	Price	higher price
7	CDXNAHY IDX S14 05Y	101.427	101.594	101.375	101.250	101.500	101.750	101.427	101.375	12457	short	Price	lower price
8	CDXNAHY IDX S15 05Y	100.500		100.563	100.313	100.500	100.688	100.503	100.563	8213	short	Price	lower price
9	CDXNAIG 0-3% S09 05Y	24.034		24.188	23.830	24.060	24.290	24.063	24.188	2955	short	Upfront	higher price
10	CDXNAIG 0-3% S09 10Y	58.871		59.875	59.625	59.853	60.080	59.654	59.875	-3370	long	Upfront	lower price
11	CDXNAIG IDX S09 07Y	94.756	95.810	92.000	89.813	91.813	93.813	93.756	92.000	-33546	long	Spread	lower spread
12	CDXNAIG IDX S09 10Y	114.987	115.750	112.500	111.063	113.313	115.563	113.987	112.500	-67791	long	Spread	lower spread
13	iTraxx.Main 0-3% S09 10Y	65.918		66.125	65.875	66.138	66.400	65.969	66.125	-1445	long	Upfront	lower price
14	iTraxx.Main 22-100% S09 07Y	-		15.500	15.250	16.125	17.000	15.750	15.500	-9975	long	Spread	lower spread
15	iTraxx.Main 22-100% S09 10Y	-		34.500	34.400	35.115	35.830	34.938	34.500	-12070	long	Spread	lower spread
16	iTraxx.Main IDX S09 07Y	135.475		131.750	130.750	132.750	134.750	135.475	131.750	-4353	long	Spread	lower spread
17	iTraxx.Main IDX S09 10Y	150.033	150.750	146.750	144.250	146.250	148.250	150.033	146.750	-10340	long	Spread	lower spread
18	iTraxx.Main IDX S16 05Y	124.676	125.560	126.250	126.000	124.250	126.500	124.676	125.250	-3220	long	Spread	lower spread

	JANUARY	TOTEM	ICE	FO	Broker Bid	Broker Mid	Broker Offer	VCG Price	CIO BOOKS (GAAP)	Notional (- Long Risk + Short Risk)	Risk	Basis	Benefit
1	CDXNAHY 10-15% S08 05Y	70.710		70.000	69.625	70.313	71.000	70.606	70.000	1540	short	Price	lower price
2	CDXNAHY 10-15% S10 07Y	19.911		20.750	19.700	20.538	21.375	20.542	20.750	-4031	long	Price	higher price
3	CDXNAHY 15-25% S10 05Y	93.136		93.375	92.875	93.313	93.750	103.752	93.375	[illegible]	long	Price	higher price
4	CDXNAHY 15-25% S11 05Y	86.352		86.250	85.438	86.063	87.438	86.053	86.250	-550	long	Price	higher price
5	CDXNAHY 35-100% S10 05Y	106.245		106.313	106.170	106.315	106.460	106.300	106.313	-3705	long	Price	higher price
6	CDXNAHY IDX S11 07Y	101.125		101.000	100.688	101.000	101.313	101.125	101.000	-3633	long	Price	higher price
7	CDXNAHY IDX S14 05Y	100.781	100.890	100.625	100.375	100.625	100.875	100.761	100.625	11857	short	Price	lower price
8	CDXNAHY IDX S15 05Y	100.030		100.125	99.938	100.125	100.313	100.031	100.125	6915	short	Price	lower price
9	CDXNAIG 0-3% S09 05Y	26.579		26.813	26.460	26.680	26.900	26.667	26.813	2725	short	Price	lower price
10	CDXNAIG 0-3% S09 10Y	60.901		60.750	60.563	60.813	61.063	60.792	60.750	-3290	long	Price	higher price
11	CDXNAIG IDX S09 07Y	103.614	104.880	102.000	101.500	103.500	105.500	103.614	102.000	-26885	long	Spread	lower spread
12	CDXNAIG IDX S09 10Y	120.944	121.250	119.500	119.000	120.750	122.500	120.944	118.500	-54765	long	Spread	lower spread
13	iTraxx.Main 0-3% S09 10Y	66.673		66.563	66.290	66.620	66.950	66.825	66.563	-1415	long	Price	higher price
14	iTraxx.Main 22-100% S09 07Y	-		19.750	18.160	19.495	20.830	19.500	19.750	-6675	long	Spread	lower spread
15	iTraxx.Main 22-100% S09 10Y	-		40.000	39.400	40.600	41.800	40.500	40.000	-7775	long	Spread	lower spread
16	iTraxx.Main IDX S09 07Y	150.764		148.500	146.750	148.750	150.750	150.764	148.500	-3837	long	Spread	lower spread
17	iTraxx.Main IDX S09 10Y	162.840	162.000	158.000	156.500	158.500	160.500	158.250	158.000	-10574	long	Spread	lower spread
18	iTraxx.Main IDX S16 05Y	143.720	143.690	143.000	142.500	143.000	143.500	143.703	143.000	1387	long	Spread	lower spread

Data sourced from CIO, validated by CIO VCG - New York and London

Privileged and Confidential
Attorney Client Work Product
May 10, 2012

Appendix C - CIO Transaction Data

The following tables set out the following:

- 'SIZE (week ending)' - The average traded volume for the relevant week.
- 'AVG PRICE (week ending)' – The average price at which CIO executed its transactions during the relevant week.

For relevant observations, please refer to appendix B.

	SIZE (week ending)	6-Jan-12	13-Jan-12	20-Jan-12	27-Jan-12	3-Feb-12	10-Feb-12	17-Feb-12	24-Feb-12	2-Mar-12	9-Mar-12	16-Mar-12	23-Mar-12	30-Mar-12	Avg
1	CDXNAHY 10-15% S08 05Y	20	60	20	-	30	200	-	-	45	25	120	-	-	40
2	CDXNAHY 10-15% S10 07Y	280	-	130	300	10	-	-	-	-	-	-	-	-	55
3	CDXNAHY 15-25% S10 05Y	10	80	25	30	70	15	20	-	140	10	20	50	30	38
4	CDXNAHY 15-25% S11 05Y	70	110	-	20	85	25	175	-	20	20	130	10	20	53
5	CDXNAHY 35-100% S10 05Y	-	-	-	-	-	200	-	-	-	-	-	-	-	15
6	CDXNAHY IDX S11 07Y	100	-	-	1,350	300	-	-	-	-	-	-	-	100	142
7	CDXNAHY IDX S14 05Y	250	300	725	175	-	150	775	-	85	-	-	-	25	149
8	CDXNAHY IDX S15 05Y	350	200	450	150	-	300	825	325	550	-	900	-	200	312
9	CDXNAIG 0-3% S09 05Y	30	105	-	35	10	120	75	-	90	60	280	-	145	75
10	CDXNAIG 0-3% S09 10Y	80	-	-	110	30	-	-	-	-	-	200	235	130	58
11	CDXNAIG IDX S09 07Y	598	2,120	-	3,584	825	374	3,789	2,421	1,952	-	1,431	405	10	1,349
12	CDXNAIG IDX S09 10Y	5,988	10,228	958	10,031	2,226	2,398	1,041	4,633	11,646	721	3,859	3,095	841	4,508
13	iTraxx Main 0-3% S09 10Y	30	-	20	20	10	10	-	-	-	-	-	20	155	20
14	iTraxx Main 22-100% S09 07Y	-	100	-	-	-	500	1,925	500	975	-	-	250	125	337
15	iTraxx Main 22-100% S09 10Y	-	1,825	50	-	-	2,645	250	1,275	215	1,000	1,525	1,000	125	747
16	iTraxx Main IDX S09 07Y	-	88	135	631	-	1,960	1,094	590	657	-	-	153	363	455
17	iTraxx Main IDX S09 10Y	1,673	5,412	1,662	3,027	520	3,266	1,024	1,795	2,165	988	3,678	1,151	484	2,067
18	iTraxx Main IDX S16 05Y	5,779	[illegible]	7,292	[illegible]	6,521	10,805	10,375	9,561	10,563	1,043	5,500	6,600	-	6,919

	AVERAGE PRICE (week ending)	6-Jan-12	13-Jan-12	20-Jan-12	27-Jan-12	3-Feb-12	10-Feb-12	17-Feb-12	24-Feb-12	2-Mar-12	9-Mar-12	16-Mar-12	23-Mar-12	30-Mar-12	30/03/12 TOTEM - Prices
1	CDXNAHY 10-15% S08 05Y	63.25	62.75	60.38	-	71.25	67.14	-	-	95.75	90.18	88.15	-	-	92.38
2	CDXNAHY 10-15% S10 07Y	18.75	-	15.38	11.93	20.75	-	-	-	-	-	-	-	-	11.31
3	CDXNAHY 15-25% S10 05Y	75.00	82.31	85.63	89.25	92.88	90.75	93.00	-	95.13	92.50	93.00	93.50	92.58	92.63
4	CDXNAHY 15-25% S11 05Y	69.66	74.28	-	82.50	85.92	83.50	85.25	-	86.25	82.50	83.87	83.63	83.34	83.25
5	CDXNAHY 35-100% S10 05Y	-	-	-	-	-	106.25	-	-	-	-	-	-	-	-
6	CDXNAHY IDX S11 07Y	97.31	-	-	100.39	101.00	-	-	-	-	-	-	-	101.75	101.53
7	CDXNAHY IDX S14 05Y	97.53	97.56	98.65	100.86	-	101.19	100.63	-	101.47	-	-	-	101.88	101.83
8	CDXNAHY IDX S15 05Y	97.04	96.89	98.33	99.62	-	100.86	99.84	100.23	100.60	-	100.57	-	100.94	100.72
9	CDXNAIG 0-3% S09 05Y	38.00	32.67	-	27.86	26.64	26.30	28.30	-	23.04	24.33	22.11	-	17.18	17.88
10	CDXNAIG 0-3% S09 10Y	70.00	-	-	67.80	61.75	-	-	-	-	-	62.31	60.74	62.53	63.31
11	CDXNAIG IDX S09 07Y	136.60	124.05	-	110.16	106.44	102.00	106.90	103.88	96.51	-	91.23	84.42	90.00	89.67
12	CDXNAIG IDX S09 10Y	145.67	136.25	133.75	125.44	120.92	132.12	123.60	120.45	115.89	110.33	115.33	106.70	111.20	112.25
13	iTraxx Main 0-3% S09 10Y	69.96	-	64.63	57.13	65.63	65.50	-	-	-	-	-	63.13	65.29	66.75
14	iTraxx Main 22-100% S09 07Y	-	38.75	-	-	-	17.50	20.18	17.63	17.65	-	-	15.00	12.75	-
15	iTraxx Main 22-100% S09 10Y	-	59.88	56.00	-	-	36.48	40.50	37.93	37.88	35.25	34.13	31.45	33.63	-
16	iTraxx Main IDX S09 07Y	-	189.50	179.63	163.14	-	138.18	145.37	138.60	137.13	-	-	113.00	125.00	130.86
17	iTraxx Main IDX S09 10Y	194.37	185.71	181.42	168.27	159.79	150.28	157.94	154.07	149.69	152.57	147.18	136.30	144.68	150.66
18	iTraxx Main IDX S16 05Y	175.22	175.04	164.94	147.32	140.44	131.11	138.27	132.24	129.02	138.75	126.59	113.06	-	127.44

Data sourced from CIO; validated by CIO middle office

95% 10Q VaR ($mm)	2Q11 Spot	2Q11 Avg	1Q11 Spot	1Q11 Avg	2Q10 Spot	2Q10 Avg
IB VaR by risk type:						
Fixed income	40	46	55	49	87	64
Foreign exchange	8	9	11	11	11	10
Equities	21	25	22	29	23	20
Commodities & other	11	16	10	13	12	20
Diversification benefit to IB trading VaR	(35)	(37)	(37)	(38)	(42)	(42)
IB Trading VaR	**45**	**59**	**61**	**64**	**91**	**72**
CPG	24	27	28	26	29	27
Diversification benefit to IB trading & CPG VaR	(12)	(8)	(7)	(7)	(9)	(9)
Total IB trading & CPG VaR	**57**	78	**82**	83	**111**	**90**
Mortgage Banking VaR	18	20	18	16	19	24
Chief Investment Office (CIO) VaR	52	51	55	60	55	72
Diversification benefit to total other VaR	(3)	(10)	(13)	(14)	(12)	(14)
Total other VaR	**67**	**61**	**60**	**62**	**62**	**82**
Diversification benefit to total IB and other VaR	(26)	(45)	(56)	(57)	(59)	(79)
Total IB and other VaR	**98**	**94**	**86**	**88**	**114**	**93**

From: Macris, Achilles O <achilles.o.macris@jpmorgan.com>
Sent: Sat, 05 May 2012 22:37:28 GMT
To: Drew, Ina <Ina.Drew@jpmorgan.com>
CC: Goldman, Irvin J <irvin.j.goldman@jpmchase.com>
Subject: per the last call: here are the facts:

Hi Ina,

I am not sure if I understood this correctly on the last call:

Jamie asked if the position was increased after you ordered to stop trading.

I think that your instruction came on March 23 following the SAA meeting in the previous day in which Bruno presented the book.
I have looked into this recently as I was briefly in Asia the following week:
The week of March 26, the desk did some smaller final rebalancing trades. These trades were not long risk or involving the IG9 index. The delta was actually reduced through these transactions. Risk management was monitoring this process.

In the prior week (March 19/ March 23) Javier and team increased the delta in the book.
The increase was in their delegated authority and not in violation of any limit.

Per our previous call. the increase was not discussed with me or you or in any of our management forums.
Actually, the result of these actions and the corresponding RWA increases, led me to call Venkat and ask for Olivier's help at that time.

The explanation that Javier and Bruno are providing regarding the increased delta is in line with the stated objective to balance the book.
Balancing and risk neutralizing the book, was exactly their instruction from both of us.

The evidence now provided relating to the need to better balance the book (via the increased delta) is convincing, but very complicated.

In my judgement the increased delta is not one of the main contributing factors for the poor performance of this book that deteriorated around the end of Q1. I have concerns that the increased delta created too much market awareness and further increased an already large concentration.
These issues point to a bad judgement call on concentration and liquidity, as well as luck of escalation of a material change to the roadmap of balancing the book. I don't however think that beyond these important issues, there was a violation of any specific order or limit.

I hope that this clarifies the issue.

Thanks,
Achilles

From: Grout, Julien G <julien.g.grout@jpmchase.com>
Sent: Thu, 22 Mar 2012 17:46:07 GMT
To: CIO ESTIMATED P&L <CIO_CREDIT_P&L@jpmchase.com>
CC: CIO P&L Team <CIO_P&L_Team@jpmchase.com>
Subject: CIO Core Credit P&L Predict [22 Mar]: +$82k (dly) -$276,990k (ytd)

Daily P&L: $82,141
YTD P&L: -$276,990,321

Daily P&L($) YTD P&L($)

Europe Financials -6,597,360 -14,533,858

Redacted By
Permanent Subcommittee on Investigations

Europe High Grade 25,839,314 124,436,937

Redacted By
Permanent Subcommittee on Investigations

US High Grade -82,388,848 409,065,325

Redacted By
Permanent Subcommittee on Investigations

US HY & LCDX 94,962,354 -347,851,042

Redacted By
Permanent Subcommittee on Investigations

Redacted By
Permanent Subcommittee on Investigations

US ABX / TABX -155 -21,008

Redacted By
Permanent Subcommittee on Investigations

New Investments -20,633,978 -461,330,052

Redacted By
Permanent Subcommittee on Investigations

Dead Books (Core) -13 2,017

Redacted By
Permanent Subcommittee on Investigations

Washbook/Costs 0 0

Redacted By
Permanent Subcommittee on Investigations

Explanatory P&L (in $1000s):
Name Total Dirctnl Tranche Carry IR N/T Adjust FX

Redacted By
Permanent Subcommittee on Investigations

Close COD

Redacted By
Permanent Subcommittee on Investigations

Another day of weakness triggered by negative news from China overnight, a very poor set of PMI in Europe. The market feels shaky here, with European financials, iTraxx.Xover and CDX.IG underperforming. Volatilities are higher by about +4pt across the board, but there was no flattening of index curves - some market players were actually marking curves a tad steeper, on the off the run series (S9, IG9). No obvious theme in tranches today - equity tranches were steeper again, in CDX.IG, but slightly flatter in iTraxx.
The behaviour of the book was close to what happened yesterday - the book is making money thanks to the decompression trades in Europe and in the US (our shorts in CDX.HY, S14,15,16,17 widened), with gains estimated to $80M. Again, the book is getting hurt with losses in index forward spreads in S9 and IG9, and in tranches (weaker CDX.HY equity and mezzanine tranches, steeper IG9 equity tranches).

Today we sold protection in the following index: iTraxx.Main (5.65B), iTraxx.Xover (300M), CDX.IG (3.95B) and FINSUB (100M). Beside providing carry, these trades should reduce the VaR, but increase the IRC. We are pausing in our sale of protection, to see what the overall impact on capital numbers is going to be.

Again, a lot of prices are still being framed and we are providing our best estimate.

From: Hagan, Patrick S <patrick.s.hagan@jpmorgan.com>
Sent: Mon, 02 Apr 2012 12:29:02 GMT
To: Goldman, Irvin J <irvin.j.goldman@jpmchase.com>
Subject: RE: Final split?

Irv:
Thanks. I sent him that instruction, so he can get on it.

I didn't mean to throw a spanner in the works, but we got nervous when our intuition about the CRM didn't match QR's modeling runs. I'm over here today with Olivier Vigneron, and we have some ideas about the source of the discrepancy, if not the magnitude.

By the way, hanks for your help.

Pat

From: Goldman, Irvin J
Sent: Monday, April 02, 2012 1:42 AM
To: Hagan, Patrick S
Subject: RE: Final split?

Pat,
There are two issues. 1) trying to understand the qr model is essential. 2) the firm (finance) has to sign off on the rwa for the quarter on the split front office chose from a risk perspective. Which is the original second split. Which I explained in the previous email. I think it's important for you to explain to Venkat and bruce broder that the additional analysis you seek is to understand the qr model not to come up with a new split which is no longer possible.

-----Original Message-----
From: Hagan, Patrick S
Sent: Sunday, April 01, 2012 08:32 PM Eastern Standard Time
To: Goldman, Irvin J
Subject: RE: Final split?

Irv:
Every way we look at the second split, the CRM should have come down by an esimated 10%. But it went up ... slightly on Mar 7 and then by 10%+ on Mar 21. This raises all sorts of red flags (ie, scares the heck out of me), since it means that we still only have a weak grasp of what is happening inside QR's model. Which means that we're unsure of which new positions would help our CRM/IRC and which will not help, or worse that we may get clobbered by the CRM one month out of the blue

---

From: Goldman, Irvin J
Sent: Monday, April 02, 2012 1:16 AM
To: Hagan, Patrick S
Subject: RE: Final split?

Pat,
Hope you enjoyed your weekend. I think it's important for you to understand that was approved by ever

-----Original Message-----
From: Hagan, Patrick S
Sent: Sunday, April 01, 2012 02:03 PM Eastern Standard Time
To: Broder, Bruce; Venkatakrishnan, CS; Grout, Julien G; Iksil, Bruno M
Cc: Goldman, Irvin J; Wilmot, John; Martin-Artajo, Javier X
Subject: FW: Final split?

Bruce:
We still do not have the results needed to make a decision.

We did a first split with known results for March 7 and March 21.

We did a second split, of which we expected a reduction of 12.5% IRC for both portfolios, with the CRM decreasing by a lesser amount. The March 7 portfolio came back with a CRM at the same level. We are still waiting for the results to ensure that the IRC is **12.5%** reduced from the first split. We am **still waiting for the answer** on this IRC.

When the CRM for Mar 21 was calculated, it came back 40% higher than before. We do not understand this number. Since then we have tried several variations on portfolio 2, and got back growing CRM numbers. We have **not been able** to make sense of the CRM. I am still waiting on QR to ensure that the actual IRC is **12.5%** lower.

Pat

From: Broder, Bruce
Sent: 01 April 2012 17:06
To: Hagan, Patrick S; Wilmot, John; Goldman, Irvin J; Venkatakrishnan, CS; Martin-Artajo, Javier X; Vigneron, Olivier X
Subject: Final split?

For perfect clarity, I am forwarding back what I understand has been selected as the final split. Please let me know if this is not the correct one. Otherwise, this is what we'll proceed with.
Thanks,
Bruce

From: Hagan, Patrick S
Sent: Wednesday, March 28, 2012 08:45 PM
To: Bangia, Anil K; Broder, Bruce; Patel, Samir R
Cc: Iksil, Bruno M; Grout, Julien G; Martin-Artajo, Javier X
Subject: RE:

These are the positions to be formed into the IRC books of COB Mar 7th and COB Mar 21.

Good night,

Pat

From: Bangia, Anil K
Sent: Wednesday, March 28, 2012 10:56 PM
To: Hagan, Patrick S
Subject: RE:

No problem. I will be around late.

From: Hagan, Patrick S
Sent: Wednesday, March 28, 2012 5:55 PM
To: Bangia, Anil K
Subject: RE:

It's going to be a couple more hours before we can get you something trustworthy ...

From: Bangia, Anil K
Sent: Wednesday, March 28, 2012 10:54 PM
To: Hagan, Patrick S
Subject: RE:

I don't understand. Can you elaborate please?
Is this a computation issue on your side? Is this a matter of re-running the IRC split?

From: Hagan, Patrick S
Sent: Wednesday, March 28, 2012 4:59 PM
To: Bangia, Anil K
Subject:

We've got to start over on the Mar 7 and Mar 21 positions ... there's no way we can guarantee the correctness of what we're doing ...

Patrick S. Hagan
Chief Investment Office,
J.P. Morgan
100 Wood Street
London EC2V 7AN
United Kingdom

+44 (0)20 7777 1563
patrick.s.hagan@jpmorgan.com

From: Goldman, Irvin J <irvin.j.goldman@jpmchase.com>
Sent: Mon, 16 Apr 2012 19:02:50 GMT
To: Zubrow, Barry L <barry.l.zubrow@jpmchase.com>; Hogan, John J. <John.J.Hogan@jpmorgan.com>; Braunstein, Douglas <Douglas.Braunstein@jpmorgan.com>
CC: Wilmot, John <JOHN.WILMOT@jpmorgan.com>; Drew, Ina <Ina.Drew@jpmorgan.com>
Subject: RE: Daily Risk Report

All,

Wanted to let you know that CIO is having a few hour post mortem session tomorrow in which we will be discussing the strategy going forward.

Irv

From: Zubrow, Barry L
Sent: Monday, April 16, 2012 1:58 PM
To: Hogan, John J.; Wilmot, John; Goldman, Irvin J
Cc: Braunstein, Douglas
Subject: RE: Daily Risk Report

Can I suggest that you start circulating something, even if not "perfect". No doubt it will be a work in progress.

You should also include progress on "tear ups"

Barry

-----Original Message-----
From: Hogan, John J.
Sent: Monday, April 16, 2012 01:55 PM Eastern Standard Time
To: Wilmot, John; Goldman, Irvin J
Cc: Braunstein, Douglas; Zubrow, Barry L
Subject: Daily Risk Report

John/Irv,
As part of the daily risk report you guys are putting together, please show us a section which outlines the current trading strategy around risk managing the position, both now and over the next few months. We"d like to see a glide path of how this risk is going to come down through the December maturity.
Thanks,
John

VAR METHODOLOGY

PATRICK S. HAGAN AND KEITH STEPHAN
CHIEF INVESTMENT OFFICE
JP MORGAN
PATRICK.S.HAGAN@JPMORGAN.COM
KEITH.STEPHAN@JPMORGAN.COM

Abstract. We detail the VAR methodology for the CIO core credit books.

1. Overview. Our core credit books are composed of credit derivative swaps on broad based indices (CDIs) and credit derivative swaps on tranches of broad-based indices (CDOs). The value of our credit derivative positions is driven by two primary factors:
i) the overall widening and tightening of the credit spread curves. This determines the future (market implied) expected loss rates of the index, and thus the forward expected default probability curves implied by the market;
ii) actual defaults and default payments.
There are two other, more tactical, factors:
iii) steepening and flattening of the spread curves, which determines the market's timing of the expected losses; and
iv) the distribution of expected losses among the different tranches of the capital structures. The market's seeming preference for equity and junior tranches, or for the more senior tranches, relates to whether the market anticipates the index losses coming from relatively rare scenarios in which many names default, or from more common scenarios in which a few names default. Mathematically, this preference is quantified by the correlation.
Finally, there are two secondary risks:
(v) interest rate risks. Like all swaps, the value of future payments depends on the yield curve. Interest rates movements don't directly effect the amounts paid in to and out of our core books. So this risk is secondary to the spread and correlation risks, although not particularly small;
(vi) foreign exchange risks. Our core books own instruments denominated in Euros. As a dollar-based bank, we have risk to the Euro/USD exchange rate on any unhedged portion of our book. Like most businesses, the month-end value of the Euro-denominated deals is hedged every month, so we only have FX risk to the profit/loss of the Euro-denominated instruments since the beginning of the current month.

Our approach to spread and correlation risk is based on the full revaluation of our books under specified scenarios; it is not based on extrapolating from the Greeks (deltas, gammas, ...) of our position. We choose not to use Greeks, because they only provide an approximate revaluation of our books, and it may be difficult to convince others (and ourselves!) that we had incorporated all the significant risks. E.g., are curve-flattener cross gamma terms, or default/delta cross terms negligible? Each such question could require a historical study to answer, but using full revaluations of our books renders all such questions moot.

Interest rate movements don't affect the amounts paid in to and out of the book. So, as detailed below, we calculate the additional VAR from interest rates from the PV01 of the book to 1y, 2y, 3y, 5y, 7y, and 10y par swap rate shifts. Similarly, the FX VaR will be calculated from the value of the unhedged part of our Euro-denominated deals, which is generally the difference between the current value of these deals, and their value at the last month end.

2. VAR. Our VAR will be based on the 264 scenarios determined by the daily market movements over the last calendar year. The daily market movements (spread changes, correlation changes, and defaults) will be applied to today's market to get 264 possible scenarios for tomorrow's market. Out of these 264 one day scenarios, the average loss over the worst seven scenarios is our "99 VaR."

One way to view this procedure, is as a Monte Carlo simulation of possible one day PNL. Instead of using a theoretical distibution of spread and correlation moves, which could easily overlook subtle interactions between different market variables, we use an empirical distribution determined by the actual market movements over the past year. The purpose of the historical data, then, is to provide a bias-free sampling of the correct, empirical distribution.

Let t_0 be today, and consider a specific index A (*e.g.*, CDX HY series 10). We strip the end-of-day price quotes for the CD swaps on index A to obtain today's survival curve $Q^A_{base}(T)$ and hazard rate curve $h^A_{base}(t)$ for this index:

(2.1a) $\quad Q^A_{base}(T) = e^{-\int_{t_0}^{T} h^A_{base}(T')dT'}$ = expected fraction on index surviving at least to T;

(2.1b) $\quad h^A_{base}(T)$ = hazard rate = rate of default at T, given survival until T.

Currently we use piecewise constant hazard rates $h(T)$ in our stripping procedure, with the nodes corresponding to the maturity dates of the CD index swaps used in the stripping process. This gives us our base curve.

For each date t_i over the past year, we strip the market's CD swap quotes for that date t_i to obtain the survival and hazard rate curves as seen at date t_i:

(2.2a) $\quad Q^A(t_i;T) = e^{-\int_{t_i}^{T} h^A(t_i;T')dT'}$ = expected fraction surviving to T, as seen at date t_i;

(2.2b) $\quad h^A(t_i;T)$ = hazard rate for date T as seen at date t_i

(2.2c) $\quad$ = rate of default at T, given survival from t_i to T, as seen at date t_i.

Again, we find these survival and hazard rate curves by stripping the closing marks for the CD swaps on series A, as recorded on t_i. We use the same stripping procedure as before.

For date t_i, the market movement of index A's survival curve is

(2.3a)
$$\delta^A_i(T) = \frac{h^A(t_{i+1};T) - h^A(t_i;T)}{h^A(t_i;T)}$$

For the i^{th} scenario, we use the hazard rate curve

(2.3b)
$$h^A_i(T) = h^A_{base}(T)\left\{1 + \delta^A_i(T)\right\} = h^A_{base}(T)\frac{h^A(t_{i+1};T)}{h^A(t_i;T)};$$

(2.3c)
$$Q^A_i(T) = e^{-\int_{t_0}^{T} h^A_i(T')dT'} = e^{-\int_{t_0}^{T} h^A_{base}(T')\left\{h^A(t_{i+1};T')/h^A(t_i;T')\right\}dT'}$$

for series A. That is, today's hazard rate curve is changed proportionately to the market movement on date t_i.

For each tranch B (*e.g.*, the CDX HY series 15, 5Y, 0-10 tranch), let the attachment and detachment correlation be

(2.4a)
$$\beta^{B,att}_{base}, \qquad \beta^{B,det}_{base},$$

using today's EOD marks. For each historical date t_i, let

(2.4b)
$$\beta^{B,att}(t_i), \qquad \beta^{B,det}(t_i),$$

be the EOD attachment and detachment correlation for the tranch. Then the one day market movement for date i is

(2.5a)
$$\nu^{B,att}_i = \frac{\beta^{B,att}(t_{i+1}) - \beta^{B,att}(t_i)}{\beta^{B,att}(t_i)},$$

(2.5b)
$$\nu^{B,det}_i = \frac{\beta^{B,det}(t_{i+1}) - \beta^{B,det}(t_i)}{\beta^{B,det}(t_i)}$$

For the i^{th} scenario, we use the attachment and detachment correlations

$$\beta_i^{B,att} = \beta_{base}^{B,att}\left\{1+\nu_i^{B,att}\right\} = \beta_{base}^{B,att}\frac{\beta^{B,att}(t_{i+1})}{\beta_i^{B,att}(t_i)}, \tag{2.6a}$$

$$\beta_i^{B,det} = \beta_{base}^{B,det}\left\{1+\nu_i^{B,det}\right\} = \beta_{base}^{B,det}\frac{\beta^{B,det}(t_{i+1})}{\beta^{B,det}(t_i)}. \tag{2.6b}$$

For the i^{th} scenario, we will also apply any defaults that occur on date t_i.

For each of the last 264 business days t_i, we will calculate the change to the current value of the core books under scenario i:

$$dV_i^{core} = V_i^{core} - V_i^{base}. \tag{2.7}$$

This provides the main risks of our books. Before we can find the worst seven outcomes and calculate the VAR99, we need to add the interest rate and FX components to the risk.

2.1. Illiquid indices. Newly issued series do not have a year's history. For these we use the spread shifts $\delta_i^A(T)$, correlation shifts, $\nu_i^{B,att}$, $\nu_i^{B,det}$, and any defaults from the most similar series which is liquid on the historical date t_i. For example, the desk currently has positions in CDX IG S17 and CDX HY S17. These series started trading on 9/20/2011. For historical dates between 3/20/2011 and 9/20/2011, we use the spread shifts $\delta_i^A(T)$ and correlation shifts, $\nu_i^{B,att}$, $\nu_i^{B,det}$ from the then-current series CDX IG S16 and CDX HY S16 as proxies for the S17 spread and correlation changes. Before 3/20/2011 (which was the first date S16 traded), we used CDX IG S15 and CDX HY S15 as the proxy.

The series in each family are issued every six months. If the desk were to trade each series when issued, then there could be at most two proxy time series for each family. Currently the desk has positions in CDX IG series 16 and series 17, CDX HY series 16 and series 17, and Itraxx series 15 and series 16, all of which require proxy time series.

In addition, the historical market movements for some instruments on some dates are missing or unreliable due to market illiquidity. These too will be implied from the liquid market quotes at t_i.Currently we investigate whether a market quote is a mis-mark when the change in the one day spread, attachment correlaton, or detachment correlation exceeds 20%,

$$\left|\delta_i^A(T)| > 20\%\right|, \tag{2.8a}$$

$$\left|\nu_i^{B,att}| > 20\%\right| \quad \text{or} \quad \left|\nu_i^{B,det}| > 20\%\right| \tag{2.8b}$$

This figure was chosen because, after investigation, all changes of this size have proven to be market misquotes. Currently, out of a sample of 7,200 curves (288 days with 40 curves per day), we have 182 curves with problematic entries that have been replaced with their liquid proxies.

series	oldest	other	total
CDX IG	11	12	23
Itraxx Main	14	15	29
CDX HY	59	69	118
other	1	1	2
total	85	97	182

Of these problematic curves, 85 are in the very oldest series, CDX IG series 7, CDX HY series 7, and Irraxx Main series 6. These series have the poorest liquidity, and their 3Y index swaps tend to have erratic prices because their very short maturity exacerbates market noise. Fortunately, we have very little exposure on these oldest swaps.

2.4. VAR and VAR capital. We follow the above procedure to calculate the change to the current value of the book under each scenarios i generated from the previous 264 days. VAR-99 will be the average of these daily returns over the 7 worst scenarios. The capital will then be calculated as $\sqrt{10}$.times this average to obtain the theoretical 10 day loss at the 99% confidence level. Besides publishing our stand-alone VaR number, we will also publish the entire P/L vector along with the dates t_i of the market shift. This will for our VAR result to be diversified against other LOBs.

2.5. Results. The actual spread shifts and correlation shifts used for all the series and tranches are in the attached workbook *HistVaRShiftsUsed.xls*. The one day P/L outcomes for these scenarios are shown in the spreadsheet *HisVarPNLVectors* in the workbook *CIOCapitalResults20111_09_30*. The strategy-by-strategy and position-by-position breakdown of the P/L for the worst seven scenarios is shown in the *HisVarBreakdown* sheet in the same workbook.

2.6. Critiques. The VAR obtained from these calculations is significantly higher than the desk's current VAR. This is because

a) our VAR calculations incorporate correlation movements as well spread movements. Although this could decrease the loss on any given day, including an extra source of variation generally raises the VAR;

b) our full revaluation calculations incorporate gamma and cross-gamma effects (as well as all higher derivatives). Again, this can decrease or increase the outcome on any given day, but negative gamma positions tend to be exacerbated on the worst days;

c) survival curves generally flatten the most when they are steep, and steepen the most when they are flat. Our methodology applies the steepening/flattening experienced on one date t_i to another date t_{base}, without also accounting for the steepness or flatness of the curve on date t_{base}. This tends to exagerate the influence curve steepening and flattening;

d) the desk's VAR calculations are based on street deltas, the deltas quoted by market makers, which are often more temperate than the deltas obtained theoretically. Our calculations are based on full revaluations, so they correspond to theoretical deltas;

e) the survival curve and correlation shifts are obtained directly from our closing marks. The data quality is good for liquid indices where we have large positions, since we have good coverage from market makers in these positions. For less liquid series, for series in which we don't have a strong market presence, and for illiquid market days, the data quality is poorer. Again, extra noise can decrease or increase the outcome on any given day, but in general, extra noise leads to higher VAR.

Over the next few months we will be examining the market movement data, focussing on the worst days. By comparing our data with data from other databases, we will gradually eliminate the errors in our market data. All replacement of market data from our initial data set will be fully documented and sourced, so as to maintain objectivity.

All the above problems with our methodology generally lead to higher VAR, which is unsurprising since VAR can be considered as a measure of noise. Accordingly, we believe that our VAR-99 calculation is decidedly conservative.

Yield curve movements and changes in the FX rate do not directly affect the physical payments into and out of our core books, so the value of our core credit position is nearly linear in the interest rate and FX risks. Accordingly, these secondary risks (interest rate and FX) are being calculated by matching the linear (delta) risks. This neglects second order risks: interest rate gamma, FX gamma, interest rate/spread cross gamma terms, ... We believe this is justified by the small size of the interest rate and FX risks, as well as by the near-linearity of the book values to these risks.

In developing this methodology, we chose to use relative spread and correlation changes,

$$h_i^A(T) = h_{base}^A(T)\frac{h^A(t_{i+1};T)}{h^A(t_i;T)}, \tag{2.12a}$$

$$\beta_i^{B,att} = \beta_{base}^{B,att}\frac{\beta^{B,att}(t_{i+1})}{\beta_i^{B,att}(t_i)}, \tag{2.12b}$$

$$\beta_i^{B,det} = \beta_{base}^{B,det}\frac{\beta^{B,det}(t_{i+1})}{\beta^{B,det}(t_i)}, \tag{2.12c}$$

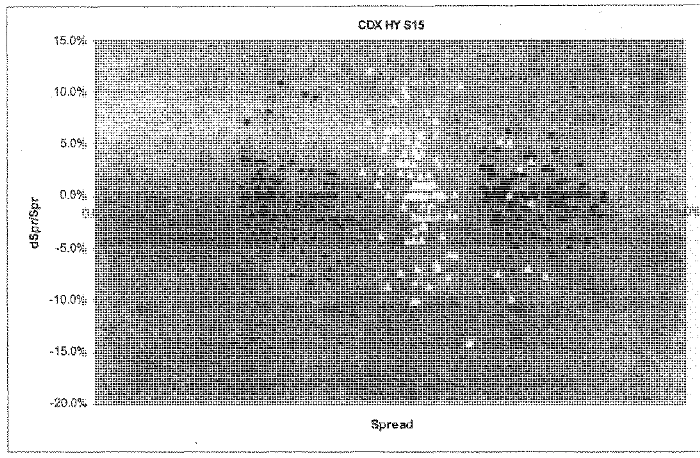
instead of absolute changes,

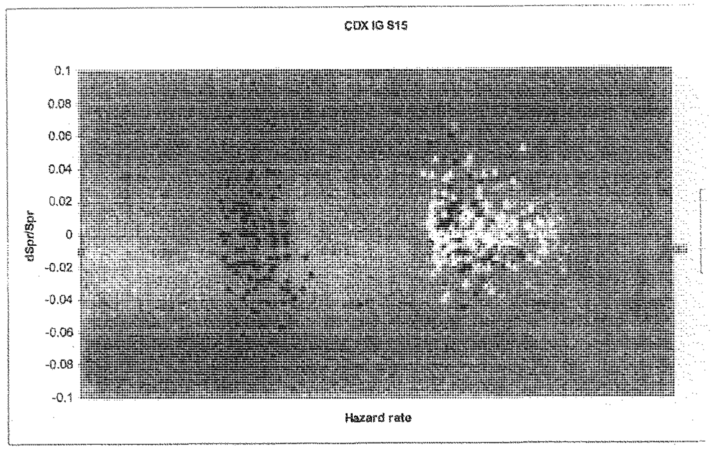
$$h_i^A(T) = h_{base}^A(T) + \left\{h^A(t_{i+1};T) - h^A(t_i;T)\right\}, \tag{2.13a}$$

$$\beta_i^{B,att} = \beta_{base}^{B,att} + \left\{\beta^{B,att}(t_{i+1}) - \beta^{B,att}(t_i)\right\}, \tag{2.13b}$$

$$\beta_i^{B,det} = \beta_{base}^{B,det} + \beta^{B,det}(t_{i+1}) - \beta^{B,det}(t_i)., \tag{2.13c}$$

Since neither the spreads nor the correlations must remain positive, we believe that using relative changes is theoretically sounder that using absolute changes. Also, the size of the relative changes seems to be the same regardless of the size of the spread itself. For example, in the graphs below, the HY spreads are about four times larger than the IG spreads, but the relative changes are similar in size. Finally, using the relative correlation changes allows us to compare different models against each other.


CDX HY S15
15.0%
10.0%
5.0%
0.0%
-5.0%
-10.0%
-15.0%
-20.0%
dSpr/Spr
Spread


CDX IG S15
0.1
0.08
0.06
0.04
0.02
0
-0.02
-0.04
-0.06
-0.08
-0.1
dSpr/Spr
Hazard rate

From: Drew, Ina <Ina.Drew@jpmorgan.com>
Sent: Mon, 09 Jan 2012 23:05:23 GMT
To: Wilmot, John <JOHN.WILMOT@jpmorgan.com>
Subject: Re: CRM results for Q4

[redacted] = Redacted by the Permanent Subcommittee on Investigations

Its very important since if we can spare some deleveraging (assuming we believe the risk profile. We pick up 100 - 250 mil in carry and more optionity. Even with vars stress, thiis qr outcome will bring the total away down. I want to get a handle on it before they deleverage.

From: Wilmot, John
To: Drew, Ina
Sent: Mon Jan 09 18:00:17 2012
Subject: RE: CRM results for Q4

I don't believe this includes VaR and Stress VaR. My conversation with Pete this morning suggested we were coming about spot on for the RWA for this book(CRM was a bit better, basically through higher diversification benefit, not risk reduction – but that was offset by higher stress VaR in December). I will reconfirm with Pete.

John C. Wilmot | Chief Investment Office | john.wilmot@jpmorgan.com | Work: (212) 834-5452 | Cell: [redacted]

From: Drew, Ina
Sent: Monday, January 09, 2012 5:55 PM
To: Wilmot, John
Subject: Fw: CRM results for Q4

This baffles me. We put in 41 bil. We now look wrong on the low side and on the high side.

From: Drew, Ina
To: 'macris@[redacted]
Sent: Mon Jan 09 17:26:13 2012
Subject: Re: CRM results for Q4

We may not need to deleverage as much but we sure better pin down as you say to be certain

---

From: macris@[redacted]
To: Drew, Ina
Sent: Mon Jan 09 17:13:43 2012
Subject: CRM results for Q4

A beneficial result but it is still "random". The real work needs to done to pin the number to knowable variables

From: Enfield, Keith [mailto:Keith.Enfield@jpmorgan.com]
Sent: 09 January 2012 15:22
To: Macris, Achilles O; macris@btinternet.com
Cc: Giovannetti, Alison C; Iksil, Bruno M; Hagan, Patrick S; Martin-Artajo, Javier X
Subject: CRM results for Q4

Achilles,

As mentioned, the Q4 CRM model output for CIO is $ 26.4 bn compared to $ 41.5 bn in Q3. The firm is now combining CIO's results with the IB's so we are getting a diversification benefit which reduces the number further to $ 18.3 bn.

Regards,
Keith.

From: Iksil, Bruno M <bruno.m.iksil@jpmchase.com>
Sent: Tue, 10 Jan 2012 19:37:05 GMT
To: Stephan, Keith <keith.stephan@jpmorgan.com>
Subject: RE: CRM results for Q4

---

yes I will show you tomorrow how the book has changed between end of dec and now.
I am much less short.
I need now the rwa marginals so that I can do the proper trades,ie trades less stupid than go long like all of us, and instead create tail upside while minimizing the rwa, no matter where the var sits, because the chance is that the higher my var the lower the aggregate var for whole cio.

From: Stephan, Keith
Sent: 10 January 2012 19:29
To: Iksil, Bruno M
Subject: FW: CRM results for Q4

More on the same topic.

From: Weiland, Peter
Sent: 10 January 2012 19:26
To: Martin-Artajo, Javier X
Cc: Stephan, Keith; Giovannetti, Alison C; Wilmot, John; Hagan, Patrick S; Alexander, David M; Gandhi, Samir X
Subject: FW: CRM results for Q4

Hi Javier –

Keith Stephan said you are waiting for some data from me on RWA, so I wanted to be sure that you saw the email I sent you yesterday (below).

That said, I have tried to pull together a more organized and complete picture of the components of the tranche RWA for 4Q:

The final actual RWA of $36.2B is at the top end of the range I estimated in November of $31.5-36.0B, which came from the components:
VaR $3.5-5.0B

Redacted by the Permanent Subcommittee on Investigations

Stress VaR $8.0-11.0B
CRM $20.0B (diversified)

I'll discuss this Thursday at SAA, but there were two components that affected the final figure for 4Q:

- The actual diversification factor (relative to IB) came to 31% rather than 25%, reducing CRM compared to estimate
- VaR and stress VaR increased significantly in December increasing those components compared to the estimate

The December data and the trend in tranche VaR recently point toward increased RWA for 1Q. We should discuss.

I continue to plug away with QR to try to bring our views and theirs into alignment, and as I say below I think there are important issues that QR needs to explain with respect to methodology.

Pete

Peter Weiland | **J.P.Morgan** | Chief Investment Office | 270 Park Ave. | ☎ Tel: +1 212 834 5549 | ☎ Cell: +[redacted]
peter.weiland@jpmorgan.com

From: Weiland, Peter
Sent: Monday, January 09, 2012 12:38 PM
To: Martin-Artajo, Javier X
Subject: RE: CRM results for Q4

Thanks Javier. Happy 2012 to you. I look forward to seeing you early next month.

The below is very much in line with all the discussions we had toward the end of 2011, the only material difference being that the diversification factor used came to 31% instead of the 25% I had used to estimate (resulting in $18.3B CRM RWA rather than the $20B I had estimated). The $26.4B standalone is pretty much where we were expecting it to land.

I have been trying to get the dialogue going between Pat and QR on the topic of what Pat calls "re-centering" and what they call "de-meaning". This is the big methodological sticking point I think. I will talk to QR this week and get some conversations set up.

Pete

Peter Weiland | **J.P.Morgan** | Chief Investment Office | 270 Park Ave. | ☎ Tel: +1 212 834 5549 | ☎ Cell: +[redacted]
peter.weiland@jpmorgan.com

From: Martin-Artajo, Javier X
Sent: Monday, January 09, 2012 11:50 AM
To: Weiland, Peter
Subject: FW: CRM results for Q4

Pete ,

Happy new year first of all ,

Can you give me more info regarding this below ?

regards

= Redacted by the Permanent Subcommittee on Investigations

From: Enfield, Keith
Sent: 09 January 2012 15:22
To: Macris, Achilles O; macris@[redacted]
Cc: Giovannetti, Alison C; Iksil, Bruno M; Hagan, Patrick S; Martin-Artajo, Javier X
Subject: CRM results for Q4

Achilles,

As mentioned, the Q4 CRM model output for CIO is $ 26.4 bn compared to $ 41.5 bn in Q3. The firm is now combining CIO's results with the IB's so we are getting a diversification benefit which reduces the number further to $ 18.3 bn.

Regards,
Keith.

RWA	Oct 2011	Nov 2011	Dec 2011	4Q 2011
VaR	4,498	4,392	5,430	[illegible]
Stress VaR	10,458	11,437	17,558	15,168
CRM	*Estimate*	*Estimate*	*Estimate*	*Actual*
CRM standalone	27,919	26,863	26,300	26,395
CRM div. factor	25%	25%	25%	31%
CRM diversification	-6,980	-6,716	-6,575	-8,122
Net CRM	20,939	20,147	19,725	18,274
TOTAL Tranche RWA	35,895	36,027	42,714	36,215

▬ = Redacted by the Permanent Subcommittee on Investigations

From: Macris, Achilles O <achilles.o.macris@jpmorgan.com>
Sent: Fri, 20 Jan 2012 14:49:17 GMT
To: Drew, Ina <Ina.Drew@jpmorgan.com>
Subject: VaR

Hi Ina,

Our VaR will be per below at month-end ($57m -- or below) -- however:

Look at the new model for VAR . Firm down but mVAR for IB from [redacted] This will happen with capital hopefully End of Q1 .

Best,
Achilles

From: Lee, Janet X
Sent: 20 January 2012 13:54
To: Stephan, Keith; Goldman, Irvin J; Weiland, Peter
Cc: Martin-Artajo, Javier X; Macris, Achilles O; Kalimtgis, Evan
Subject: RE: Breach of firm var

For point 3, please see table attached for details of impact analysis on cob 01/18 using the new model's results. The synthetic book's VaR drops from $98mm to $53mm. Firmwide VaR will see a 29% reduction from $138mm to $98mm, back under the $125mm limit. CIO VaR will see a reduction of 44% to $57mm, back under the $95mm limit.

18/01/2012	Current 10QVaR	Current 10QmVaR	NewModel 10QVaR	New Model 10C
Firmwide	137,961,472	137,961,472	98,456,554	98,456
Inv Bank Regional	[redacted]			
CIO	102,385,406	85,490,464	57,183,430	32,103
CIO_International	100,778,451	82,272,976	56,421,966	28,199
CIO EMEA	100,328,172	80,924,464	55,936,163	26,847
CIO CREDIT EMEA	99,879,941	78,319,448	54,960,953	24,071
CIO_CORE_CREDIT	97,176,584	73,183,992	53,110,655	20,153

Thanks,

Janet Lee
Chief Investment Office
JPMorganChase
Phone: +44 (0)207 777 2174
Email: janet.x.lee@jpmchase.com

From: Stephan, Keith
Sent: 20 January 2012 12:02
To: Goldman, Irvin J; Weiland, Peter
Cc: Martin-Artajo, Javier X; Macris, Achilles O; Kalimtgis, Evan
Subject: FW: Breach of firm var
Importance: High

Irv & Pete

Below please find details of the VaR limit breach. The VaR increase is driven by Core Credit (tranche) in EMEA. The VaR has increased steadily since the end of December as positions in CDX.HY on-the-run indices have been added to the portfolio to balance the book, which has been taken longer risk since the expiry of CDX.HY.11 3Y positions which matured 21 Dec 2011.

Key Points:

1. The increase in VaR is largely attributed to increased short risk positions in CDX.HY indices – which we have discussed w/ the desk and which were added specifically to reduce the outright long CS01 profile of the book (as we are additionally over the MtM CS01 limit and actively reducing this risk to move within the $5MM CS01 threshold)
2. We are reviewing the details of the current VaR number and actively working with the desk to reduce the current VaR based on current marginals, while continuing to address the CS01 as above; N.B. the action taken thus far has further contributed to the Positive Stress benefit in the Credit Crisis (Large Flattening Sell-off) for this portfolio which has increased from +$1.4bio to +$1.6bio from 17-19 Jan.
3. We are in late stages of model approval for full revaluation which will have the effect reducing the standalone VaR for Core Credit from circa $96MM to approx $70MM – impact analysis on the marginal contribution to the Firm is ongoing and will be distributed later today.

I expect that we will resolve through active risk management the breach of VaR limit using current method over the next two trading sessions, depending on liquidity.

Furthermore, I believe that the process of model approval is nearing completion and that this will be implemented in the next 1-2wks in production.

My recommendation therefore is that we do not address, nor upsize the limit for CIO – but that we continue to work in partnership with the desk to manage to the current $95mm limit over the next two to three trading sessions – and that we discuss further with the model review group (MRG) today the schedule for completion of approval of the new model with a view toward implementation next week if possible. My team and I are disaggregating strategy level marginal VaR (reported daily) to the level of position / instrument level marginal VaR to provide the desk with precise list of actions that can be taken to most effectively reduce VaR while maintaining balance of other risk measures. This will be complete by mid-afternoon London time today.

Evolution of Current VaR using production model:

cid:image001.png@01CCD767.766510C0

The details of the drivers of the VaR increases, using current model for measurement are as follows:

Jan18 to Jan19 (from $94.7mm to $98.6mm) - +$3.8mm move:

1) +4mm from Stg 15D – Increased HY14 – HY16 short risk position by $1.075bn

Jan17 to Jan18 (from $91.8mm to $94.7mm) +$3mm move:

1) +2mm from Stg 18US – Increased IG17 5Y short risk position by $2.25bn
2) +1mm from Stg 14EU – Increased Itraxx MN16 long risk position by $785mm

Jan16 to Jan17 (from $96mm to $91.8mm) – ($4mm) move:

1) -4mm from Stg 15D : Reduced HY17 Index short risk position by $1.3bn

Jan06 to Jan16 (from $93mm to $96mm) - +$3mm move:

1) +3mm from Stg 15D

Increase in HY Index short risk positions of $1.1bn (HY14$300mm, HY15 $250mm, HY16 $450mm, HY17 $50mm)

2) +2mm from Stg 18US

Increase in IG9 10Y Index long risk by $6.7bn

Increase in IG17 5Y short risk position by $3.0bn provides diversification

3) +1mm from Stg 14EU

Decrease in MN9 5Y Index long risk position by $7.25bn

Decrease in MN Outright Index short positions provide diversification (S15-S16 5/10Y – net decrease of $775mm

4) -3mm from worst day rolloffs (5th, 19th and 29th days)

Dec 21 to Jan06 (from $76mm to $93mm) - +$17mm move:

1) Stg 15D $14mm (increased short risk positions across HY14-HY17 by $2.65bn)
2) Stg 18US $1mm
3) Stg 27D $2mm (reduced Long risk pos in HY10 7Y + Price tightening in recent weeks meant that this position delivered positive offset on worst days
4) Note: 14EU does have a net increase in XO16 pos by $260mm but increase in MN16 long risk pos by $2.0bn more than offsets the var moves from XO.

[redacted] = Redacted by the Permanent Subcommittee on Investigations

From: Goldman, Irvin J
Sent: 20 January 2012 03:08
To: Stephan, Keith; Weiland, Peter
Cc: Macris, Achilles O; Martin-Artajo, Javier X; Kalimtgis, Evan
Subject: Breach of firm var

All,
This is the third consecutive breach notice (below) that has gone to Jamie and OC members. We need to get Ina specific answers to the cause of the breach, how it will be resolved and by when. She requested the answers today -Friday and would like Achilles and Javier to vett the international credit explanations.
Irv

Firmwide 95% 10Q VaR

· The Firm's 95% 10Q VaR as of cob 01/18/2012 has increased by $5mm from the prior day's VaR to $138mm and has breached the $125mm Firm VaR limit for the third consecutive day.
· CIO's 95% 10Q VaR as of cob 01/18/2012 has increased by $7mm from the prior day's VaR to $102mm and has breached the $95mm CIO VaR limit for the third consecutive day.
· The increase in the Firm's VaR is primarily driven by an overall reduction in diversification benefit across the Firm and position changes in CIO and MSR.
· Each LOB's contribution to the Firm's $138mm VaR (as shown by marginal VaR) are: IB [redacted] CIO ($85mm mVaR, primarily driven by CIO International credit tranche book), RFS [redacted], Private Equity [redacted] nd TSS [redacted]
· The stand alone VaR for each LOB are as follows: IB is [redacted] CIO is $102mm (vs. $95mm limit), RFS is [redacted] TSS is [redacted], Private Equity is [redacted] and AM is [redacted]

10Q Externally Disclosed VaR
The below table shows the 95% 10Q VaR for the current quarter compared with the prior quarter and the corresponding quarter of prior year.

Please contact the MRM External Reporting team with any questions.

From: Martin-Artajo, Javier X <javier.x.martin-artajo@jpmorgan.com>
Sent: Tue, 24 Jan 2012 10:44:33 GMT
To: Weiland, Peter <peter.weiland@jpmchase.com>
CC: Wilmot, John <JOHN.WILMOT@jpmorgan.com>; Goldman, Irvin J <irvin.j.goldman@jpmchase.com>
Subject: RE: Credit book Decision Table - Scenario clarification

[redacted] = Redacted by the Permanent Subcommittee on Investigations

---

Sure . Let me know when it suits you I am available today in the afternoon .

From: Weiland, Peter
Sent: 23 January 2012 18:10
To: Martin-Artajo, Javier X
Cc: Wilmot, John; Goldman, Irvin J
Subject: RE: Credit book Decision Table - Scenario clarification

Hi Javier --

John, Irv, and I spent some time reviewing your decision table this morning. Can we set up a time to discuss with you? And probably we should include Keith Stephan and Bruno?

Thanks

Pete

Peter Weiland | J.P.Morgan | Chief Investment Office | 270 Park Ave. | ☎ Tel: +1 212 834 5549 | ☎ Cell: +1 [redacted]
peter.weiland@jpmorgan.com

From: Martin-Artajo, Javier X
Sent: Thursday, January 19, 2012 9:02 AM
To: Drew, Ina; Wilmot, John
Cc: Macris, Achilles O; Weiland, Peter
Subject: Credit book Decision Table - Scenario clarification

Ina ,

as a follow up from yesterdays conversation regarding the tranche book I would like to further clarify the different scenarios and assumptions for each of them .

The first scenario is the one discussed when you were in London an is a scenario that we reduce our book to the agreed target at year end 2012 of 20.5 Bln but the current model used by QR remains . This would need the path of reduction to be to reduce the RWA using a strategy that postions the book for maximum carry and would have high trading costs and a higher risk profile so that we could have also a large drawdown .

The second scenario or Central Scenario discussed with you and John Wilmot is a scenario that we meet the year end target by opportunistically reducing the necessary legs and optimization is used following the current QR model guidelines and assumes that we get a reduction on the cost of capital using the new VAR .

The third scenario is posible if we get the new model but we do not get diversification and we would reconsider .

The fourth scenario is our Target scenario and the one we are hoping to implement again by midyear .

Let me know if you want to further discuss .

Best regards

Javier

From: Drew, Ina <Ina.Drew@jpmorgan.com>
Sent: Wed, 25 Jan 2012 21:36:46 GMT
To: MRM Reporting <mrm.reporting@jpmchase.com>; Weiland, Peter <peter.weiland@jpmchase.com>; Macris, Achilles O <achilles.o.macris@jpmorgan.com>
CC: Goldman, Irvin J <irvin.j.goldman@jpmchase.com>; Doyle, Robin A. <Robin.A.Doyle@chase.com>; MRM Firmwide Reporting <MRM_Firmwide_Reporting@jpmorgan.com>; MRM CIO Europe <MRM_CIO_Europe@restricted.chase.com>; MRM CIO Asia <MRM_CIO_Asia@restricted.chase.com>; Intraspect - LIMITS <Intraspect_-_LIMITS@restricted.chase.com>
Subject: RE: ACTION NEEDED:CIO International-One-off Limits Approval

---

approve

From: MRM Reporting
Sent: Wednesday, January 25, 2012 4:25 PM
To: Weiland, Peter; Drew, Ina; Macris, Achilles O
Cc: Goldman, Irvin J; Doyle, Robin A.; MRM Reporting; MRM Firmwide Reporting; MRM CIO Europe; MRM CIO Asia; Intraspect - LIMITS
Subject: ACTION NEEDED:CIO International-One-off Limits Approval

Pete/Ina/Achilles,

This email is to request for your approval to temporarily increase the following CIO International Limits until January 31st, 2012.

LOB	Limit Type	Current Limit	Proposed One-Off Limit
CIO	CIO - Intl - International - Aggregate - Total VaR	$100mm	$110mm
CIO	CIO - Int'l - 10Q - Credit VAR	$95mm	$110mm
CIO	CIO - Int'l - Aggregate - Credit VAR	$100mm	$110mm
CIO	CIO - International - 10Q - Total VAR	$95mm	$110mm

CIO 95% VaR has become elevated as CIO balances credit protection and management of its Basel III RWA. In so doing, CIO has increased its overall credit spread protection (the action taken thus far has further contributed to the positive stress benefit in the Credit Crisis (Large Flattening Sell-off) for this portfolio which has increased from +$1.4bn to +$1.6bn) while increasing VaR during the breach period.

Action has been taken to reduce the VaR and will continue. In addition, CIO has developed an improved VaR model for synthetic credit and has been working with MRG to gain approval, which is expected to be implemented by the end of January.

The impact of the new VaR model based on Jan. 18 data will be a reduction of CIO VaR by 44% to $57mm.

If more information is required, please let us know and we will arrange to provide further details.

Upon receipt of your approval, the above proposed limits will be effective **immediately**.

If you approve of the above limit changes, please <u>reply to all</u> with your approval. Thank you.

From: Drew, Ina <Ina.Drew@jpmorgan.com>
Sent: Thu, 08 Mar 2012 19:16:27 GMT
To: Martin-Artajo, Javier X <javier.x.martin-artajo@jpmorgan.com>
CC: Macris, Achilles O <achilles.o.macris@jpmorgan.com>; Wilmot, John <JOHN.WILMOT@jpmorgan.com>; Goldman, Irvin J <irvin.j.goldman@jpmchase.com>; Weiland, Peter <peter.weiland@jpmchase.com>
Subject: Re: CIO CRM results

Ok. Glad to see a formal process started. Update us as things develop. Thanks.

From: Martin-Artajo, Javier X
To: Drew, Ina
Cc: Macris, Achilles O; Wilmot, John; Goldman, Irvin J; Weiland, Peter
Sent: Thu Mar 08 13:19:02 2012
Subject: RE: CIO CRM results

Ina ,

they agree with us that we need to change both model and inputs as discussed in our SAA session but we have to prioritize .

So , this means that we will have closer numbers to the average CRM of the last three months so we will be somewhere below the aggreed number of 36 Bln for overall RWA (they will publish this tonight to us to have a sense of the improvement) but not lower than 30 Billion until we agree on how the model should look to model the actual CIO risk since it is significantly diffent from the IB . We are not going to do yet with the CRM RWA yet what we have done with the VAR that is to challenge the current methodology and have the model changed . It would not be done by the end of the quarter for sure .

regards

From: Drew, Ina
Sent: 08 March 2012 18:01
To: Martin-Artajo, Javier X
Cc: Macris, Achilles O; Wilmot, John; Goldman, Irvin J; Weiland, Peter
Subject: Re: CIO CRM results

What does it mean accept numbers for this month. What is the rwa result

---

From: Martin-Artajo, Javier X
To: Drew, Ina; Hogan, John J.; Venkatakrishnan, CS
Cc: Macris, Achilles O; Weiland, Peter; Goldman, Irvin J; Bacon, Ashley

Sent: Thu Mar 08 12:53:01 2012
Subject: CIO CRM results

Ina ,

I just had a meeting with Venkat to agree on the next steps to reconcile our differences regarding the CRM RWA in the following way :

1. We are going to accept current CRM model and its parameters this month and therefore for Q1 and will work first on how does this model behave as it is .
2. In order to calculate current CRM for all the correlation tranches risk and hedges that we have we are going to run our CIO portfolio with Venkat's team next week on a daily basis to make sure that we have a more systematic analysis behaviour of the model for our own portfolio and compare the results with the previous result .

So we will appoint Anil Bangia and Pat Hagan to work together on the Quantitative side and on the business side Bruno Iksil will coordinate on our side with .

We will compare results at the end of next week and will share the new results .

regards

From: Drew, Ina
Sent: 08 March 2012 00:33
To: Venkatakrishnan, CS; Hogan, John J.; Bacon, Ashley; Goldman, Irvin J; Weiland, Peter
Cc: Macris, Achilles O; Martin-Artajo, Javier X
Subject: Re: CIO CRM results

I will discuss with Javier and Achilles tomorrow to reconcile . Thank you for prioritizing. From what I understand there is a difference in view on the underlying model - position increase aside.

From: Venkatakrishnan, CS
To: Drew, Ina; Hogan, John J.; Bacon, Ashley; Goldman, Irvin J; Weiland, Peter
Sent: Wed Mar 07 19:12:25 2012
Subject: Fw: CIO CRM results

Ina,

There are two related issues. The first is the $3bn increase in CRM RWA between Jan and Feb, from $3.1bn to $6.3bn. The second is that your group believes that the absolute level of CRM RWA we calculate was high to begin with in Jan. The second question requires us to explain our models to the satisfaction of your team. I am in London and spoke with Javier today and we will make this an urgent matter.

Based on our models, though, we believe that the $3bn increase in RWA is entirely explained by a $33bn notional increase in short protection (long risk) in your portfolio between Jan and Feb. See table below.

Peter Weiland and your mid-office confirm this $33bn notional increase in long index risk. Further we both agree that this position change results in a change of about $150mm (a decrease) in 10%CSW. Per our models, a roughly 10% capital charge ($3bn) on this $33bn increase in risk is reasonable.

Also, to be clear, there has been no model change on our end; the change in RWA for tranches has hardly changed over the month.

I understand that we need to build your confidence in our models themselves but, given our models, we believe the increase in RWA is well explained by the build up in your risk positions.

I will call you tomorrow from London to follow up, but you can reach me at [redacted]

Thanks,

Venkat

From: Bangia, Anil K
Sent: Wednesday, March 07, 2012 06:35 PM
To: Venkatakrishnan, CS
Subject: CIO CRM results

	Standalone CRM ($MM)		Net Notional($MM)			Position Count	
	Jan 18th	*Feb 22nd*	*Jan 18th*	*Feb 22nd*	*Position Increase*	*Jan 18th*	*Feb 22n*
All CIO Positions	3,154	6,301				25,291	26,92
Index CDS: All Positions	2,043	6,224				16,833	19,16
Index CDS: Common Positions	651	646				15817	1581
Index CDS: Rolloff Positions*	4,037		55,091			1,016	
Index CDS: New Positions		9,579		88,618	33,527		3,34
Index Tranche: All Positions	2,814	2,818				8,445	7,75
Index Tranche: Common Positions	1,972	2,174				7,334	7,33
Index Tranche: Rolloff Positions*	1,484					1,111	
Index Tranche: New Positions		1,416					42

* Includes 421 Dummy PCM Trades that were removed from PCM feed (4 CDS/227 Index CDS/190 Tranches)

▬ = Redacted by the Permanent Subcommittee on Investigations

From: Surtani, Lavine <Lavine.Surtani@jpmchase.com>
Sent: Fri, 09 Mar 2012 21:51:16 GMT
To: Hogan, John J. <John.J.Hogan@jpmorgan.com>
CC: MRM External Reporting <MRM_External_Reporting@jpmchase.com>; Bacon, Ashley <Ashley.Bacon@jpmorgan.com>; Doyle, Robin A. <Robin.A.Doyle@chase.com>
Subject: RE: Firmwide VaR overlimit

Understood John.

Regards,

Lavine

Lavine Surtani | Corporate Market Risk Reporting | T: 212-270-1369 (midtown); 212-623-6835 (downtown) | M: [redacted]
lavine.surtani@jpmchase.com

From: Hogan, John J.
Sent: Friday, March 09, 2012 4:46 PM
To: Surtani, Lavine; Bacon, Ashley; Doyle, Robin A.; GREEN, IAN; Waring, Mick; Weiland, Peter
Cc: MRM External Reporting
Subject: RE: Firmwide VaR overlimit

Thanks—I think the memo should come from Ashley and be addressed to Jamie and me with an explanation of why it makes sense to increase. Thx, John

---

From: Surtani, Lavine
Sent: Friday, March 09, 2012 4:43 PM
To: Bacon, Ashley; Doyle, Robin A.; Hogan, John J.; GREEN, IAN; Waring, Mick; Weiland, Peter
Cc: MRM External Reporting
Subject: RE: Firmwide VaR overlimit

All,

We will get the approvals ready for distribution on Monday unless notified otherwise.

Regards,

Lavine

Lavine Surtani | Corporate Market Risk Reporting | T: 212-270-1369 (midtown); 212-623-6835 (downtown) | M: [redacted]
lavine.surtani@jpmchase.com

From: Bacon, Ashley

Sent: Friday, March 09, 2012 2:01 PM
To: Doyle, Robin A.; Hogan, John J.; GREEN, IAN; Waring, Mick; Weiland, Peter
Cc: Surtani, Lavine
Subject: Re: Firmwide VaR overlimit

As discussed, I think that's reasonable, and would not be surprised if we get there (or indeed go back to 110). I think seeing it moving over these ranges is not a cause for concern, but we will continue to look into the diversification swings as they happen. Thanks

---

From: Doyle, Robin A.
Sent: Friday, March 09, 2012 06:29 PM
To: Bacon, Ashley; Hogan, John J.; GREEN, IAN; Waring, Mick; Weiland, Peter
Cc: Surtani, Lavine
Subject: Firmwide VaR overlimit

All,

Spoke with John...he'd like to raise the limit incrementally...so we are thinking about $150 to start. Can we work with this? If yes, Lavine and team will get a memo drafted for approvals.

Let me know.

Robin

From: Bacon, Ashley
Sent: Thursday, March 08, 2012 1:41 PM
To: Hogan, John J.; GREEN, IAN; Waring, Mick; Weiland, Peter
Cc: Doyle, Robin A.
Subject: Firmwide VaR overlimit

John, calibrating a new VaR limit for the Firm requires us to take a view on the % of their limit each LOB consumes, and how diversified the aggregate portfolio is in the VaR look-back period. Ian created the table below covering this space.

Firmwide diversification has fallen to around 20 % partly on account of CIO buying some risk back in the MTM book and the IB getting longer of equity delta with less gamma. As always it is hard to pin down diversification changes with a full and intuitive explanation.

Recent average firmwide diversification has been more like 30%, Also CIO is contemplating a possible reduction in VaR limit to $70mil (factored in here, but not yet agreed). I would suggest we set a limit to accommodate diversification staying where it is with a 20 point increase in average utilization - so $175mil.

Ian, Mick, Pete, please jump in if you disagree.

Ashley

Required limit $mm	Assumed div score %							
% of LOB limit	15	18	20	25	30	40	50	55
100	213	205	200	188	[redacted]	150	125	113
95	202	195	190	178	[redacted]	143	119	107
90	191	185	180	169	[redacted]	135	113	101

85	181	174	170	159	[redacted]	128	106	96
80	170	164	160	150	[redacted]	120	100	90
75	159	154	150	141	[redacted]	113	94	84
70	149	144	140	131	[redacted]	105	88	79
65	138	[redacted]	130	122	114	98	81	73
60	128	123	120	113	105	90	75	68
55	117	113	110	103	96	83	69	62
53	113	109	106	99	93	80	66	60

From: Iksil, Bruno M <bruno.m.iksil@jpmchase.com>
Sent: Thu, 15 Mar 2012 18:45:25 GMT
To: Martin-Artajo, Javier X <javier.x.martin-artajo@jpmorgan.com>
Subject: Update on core

The divergence increases between crude mid prices and our estimate. Julien will send a small spreasheet recording the breadown of the divergence per blocks.

The ig9 10yrs lags another bp today. The hy market struggles to keep the rally pace with the sp500. Rescap curve is now flat at 65pts upfront. The equity tranches are fully impacted now. Yet the hy indices keep performing well.

Since month end, despite rescap event and greece, xover in itraxx and hy in cdx have maintained their ratio versus ig rally. That is 4bps tighter for ig17, 5 bps for main s16, 21 bps for xover and 20-25 bps for hy (if one adds the loss in rescap that is prices as certain now ie 75cts in price). In that regard, we keep the ig9 10 as performing like the market beta adjusted.

The whole ig9 curve should have outperformed actually if we look at the performance of radian and mbia or sfi. This is reflected in the ig9 5yr that has tightened 10bps, but not in ig9 10yr that has tightened less than 1 bps by the quotes we receive. What is really puzzling here is that the skew quotes have not changed! The cds outperformance and index underperformance should have tightened the skew.

We look at what we could do the reduce the difference while not growing the positions especially in ig9. The solutions are very limited : some main s9 trades could help, some hy trades too but the principal lag is where we do not want to add.

What I do right now is buying 0-3 7yr and 10yr in order to smooth the extinction of the book. This will be may be the solution : let the book run off. So I prepare it for this outcome. So far I did not show up in the index market. Just testing waters. I may not find size but the trading cost is high, not only the bid ask but the almost infinite ability of the dealers to twist their runs.

Best regards

Bruno

From: Martin-Artajo, Javier X <javier.x.martin-artajo@jpmorgan.com>
Sent: Fri, 16 Mar 2012 11:59:31 GMT
To: Iksil, Bruno M <bruno.m.iksil@jpmchase.com>
Subject: RE: trade ideas on core

Sorry Bruno about the previous call . Calling you now .

From: Iksil, Bruno M
Sent: 16 March 2012 06:42
To: Martin-Artajo, Javier X
Cc: Grout, Julien G; Hagan, Patrick S
Subject: trade ideas on core

I thought this night that we should consider putting some skew trades on both in ig9 10yr and itraxx mains9 10yr :
we could lock 60cts over good size I think.
This would maintain the upside on default, improve the carry and basically offset the loss we have now.

As I mentionned yesterday, despite the rally in Radian, MBIA and SFI, despite the lag in the IG9 10yr index, the skew has barely changed.
It shows to me a puzzling obstination on dealer side to keep it like that. Because this cannot be the result of a HF holding the market on its own alone.

This trade is not perfect of course but if the book goes in run-off mode as far as tranches are concerned, that is an interesting option. This money is obtained from a downgrade in the liquidity of the portfolio. Yet, it looks a much better option than collapsing or unwinding the trades with the street or any dealer or counterparty in block trades.

The trades could be booked on a standalone basis from one cash quote, so this would be easy to mark (with an increased issue here I agree).
The liquidity injection we would operate might also be favorable for us to reduce some tranche lines, especially the 0-3 10yr in that regard.

As a summary :
Negatives

- added dependency on dealers quotes
- downgraded profile if the book remains a tail risk book in credit derivatives
- slight overload in operations due to the single name booking
- we may have to increase RWA in the process first hand

positives

- we lock a PNL in form of carry forward that offsets the current unrealized loss
- does not alter the tail profile in terms of defaults upside
- likely helps us reduce some remaining large positions once we have traded sizes on skew
- once booked, very simply to mark and maintain.
- allows us to pay the trading costs to set the book for run off mode

The real choice to make is whether the book should be on run-off mode, ie we lightly manage it with a long risk bias : we would allow for P&L swings and we would just prepare for default risk looking forward. To be sure, this is the case already but the book is not in run off mode. If the book steps in run-off, the skew trade would make sense because we would not plan to unwind agressively as we did last year.

Let me know

Bruno

From: Macris, Achilles O <achilles.o.macris@jpmorgan.com>
Sent: Fri, 23 Mar 2012 10:43:52 GMT
To: Drew, Ina <Ina.Drew@jpmorgan.com>
Subject: This is not "normal"........

FYI --

It's really strange what is going on here.......

Javier and team here feel "surrounded" and blindsided in terms of methodology etc.
I think that we will need to intervene and somehow mediate this issue with the IB and insure the unbiased role of Ashley and Risk management.
Let's please decide and coordinate on our exact course of action, as this issue is really taking a worrisome direction that could be embarrassing to the firm.

Clearly, the IB knows our positions as well as the "checkmate" in terms of Capital treatment.
They will certainly like to settle with CIO and close their short position in IG.
The positive for CIO is that we are long IG when the market is moving tighter and tighter. We have the "right" position on this. Therefore, if we could afford the RWA, time and gravity will be working in our favour.
The negative for CIO remains the capital utilization and the unpredictability of the capital utilization.

The problem with "settling" with the IB and help closing their shorts, is that CIO will be substantially short the market, post settlement. This is not where we I would like us to be in the middle of this strong market.

More in our meeting on this.

Best,
Achilles

From: Iksil, Bruno M
Sent: 23 March 2012 09:37
To: Martin-Artajo, Javier X
Subject: Ade will try to contact you on your mobile

He has been approached by IB guys who wanted to know in the detail , our position on IG9. they were very specific. He will call you to give more colour.

From: Drew, Ina <Ina.Drew@jpmorgan.com>
Sent: Thu, 05 Apr 2012 22:08:57 GMT
To: Dimon, Jamie <jamie.dimon@jpmchase.com>
Subject: Re: CIO

If you are referring to the wind down in the ib credit exotics book, it is separate. Achilles and I targeted the CIO tranche and derivative activity as a reduction item (I specified in last bus review) due to the high rwa it draws under basle III. We have also had issues with QR that have made the rwa outcome less predictable. However we are working with Ashley and Venkat to see IF both the ib and cio positions could be moved out into the winters fund.

I have been assessing the trade off between p l and rwa for the second quarter. I can go over all the technicals with you at any time. I wanted to this week but understood you were on vacation.

----- Original Message -----
From: Dimon, Jamie
Sent: Thursday, April 05, 2012 06:00 PM
To: Drew, Ina
Subject: Re: CIO

Ok. Send me some info. Also how does it relat or not to our wind down credit exotics book?

----- Original Message -----
From: Drew, Ina
Sent: Thursday, April 05, 2012 05:58 PM
To: Dimon, Jamie; Zubrow, Barry L; Staley, Jes; Cutler, Stephen M; Maclin, Todd; Braunstein, Douglas; Erdoes, Mary E; Smith, Gordon; Petno, Douglas B.; Bisignano, Frank J; Hogan, John J.; Cavanagh, Mike
Subject: CIO

I want to update the operating committee on what is going on with the credit derivatives book in CIO especially given a wsj article which will come out tomorrow.

One of the activities in cio is a credit derivatives book which was built under Achilles in London at the time of the merger. The book has been extremely profitable for the company (circa 2.5 billion) over the last several years. Going into the crisis, we used the instrumentation to hedge mortgage risk and credit widening. Recently, in December, the book outperformed as it was positionned in for "jump" risk or default risk throughout the summer as a relatively inexpensive hedge for fallout from weak markets during the european crisis. The fourth quarter 400 million gain was the result of the unexpected american airlines default.

Post December as the macro scenario was upgraded and our investment activities turned pro risk, the book was moved into a long position. The specific derivative index that was utilized has not performed for a number of reasons. In addition the position was not sized or managed very well Hedge funds that have the other side are actively and aggressively battling and are using the situation as a forum to attack us on the basis of violating the Volcker rule

Having said that, we made mistakes here which I am in the process of working through. The drawdown thus far has been 500 mil dollars but nets to 350 mil since there are other non derivative positions in the same credit book. The earnings of the company were not affected in the first quarter since we realized gains out of the 8.5 billion of value built up in the securities book.

John Hogan and his team have been very helpful. I wanted my partners to be aware of the situation and I will answer any specific questions at oc monday.

Have a good holiday.

From: Iksil, Bruno M <bruno.m.iksil@jpmchase.com>
Sent: Sat, 07 Apr 2012 15:42:11 GMT
To: Martin-Artajo, Javier X <javier.x.martin-artajo@jpmorgan.com>
Subject: Re: IMPORTANT

Totally agreed. Fundamentally they resist this because the whole business model in credit derivs becomes obsolete. Now you know that jpmorgan was the historical sponsor of this : self regulation, private markets, bilateral contract pure commercial rights. If they admit that the index is the reference, then it could and should be traded on an exchange, and the super-senior should trade like a bond. Then the banks lose 70pct of their pricing power through the whole credit world.

From: Martin-Artajo, Javier X
Sent: Saturday, April 07, 2012 03:23 PM
To: Iksil, Bruno M
Subject: Re: IMPORTANT

This is really the problem that the hedgefunds have . They can not get out and they are blaming the indexes . I think that somebody needs to do some work on this in terms of liquidity because the volumes there as dismal and if it really gets out there that only the indexes trade then the whole idea of fair value uis gone . This will tie up with my complain to QR about a bottoms up model that is not tradable . Only the indexes ....

Let me know if you agree ...

From: Iksil, Bruno M
Sent: Saturday, April 07, 2012 02:58 PM
To: Martin-Artajo, Javier X
Subject: Re: IMPORTANT

The skew has always remained elevated since 2008 on ig9 and s9. The on the run skew is generally biased but comes back to zero when the index gaps out. October and the crisis in europe has increased the counterparty risk and many european banks like csfb, db, bnp, sg, barclays, ubs, rbs and smaller players like natixis or calyon exited the skew market.

From: Martin-Artajo, Javier X
Sent: Saturday, April 07, 2012 02:36 PM
To: Iksil, Bruno M
Subject: Re: IMPORTANT

Also , let's discuss about the single names . I think that this is all about these guys unable to get singkle names since October last year probably .

From: Iksil, Bruno M
Sent: Saturday, April 07, 2012 02:23 PM
To: Martin-Artajo, Javier X
Subject: Re: IMPORTANT

Yes I was working on it this morning. I will send you a first batch. Of max downside cases. They all range from -350 to - 750. 2 stress provide a large upside beyond 1 bln. Probability weighted that comes down to -100m. Yet some scenarios can likely make a loss of 300m. It is just that they are uiinlikely in my view.

From: Martin-Artajo, Javier X
Sent: Saturday, April 07, 2012 02:18 PM
To: Iksil, Bruno M
Subject: IMPORTANT

▬ = **Redacted by the Permanent Subcommittee on Investigations**

Bruno ,

Please confirm that you have seen this email . I will have a call with Ina and Achilles tomorrow Sunday to brief her on the downside risks for Q2 .

I need you to work on the scenarios that we discussed and be available tomorrow morning to send them to me and discuss . I am available from 8am to 10 am or from 12 to 2 PM . All london time .

Please send me the spreadsheet as soon as you have it either today or early tomorrow morning .

Best regards

Javier

From: Drew, Ina
Sent: Friday, April 06, 2012 09:22 PM
To: macris@[redacted]
Cc: Martin-Artajo, Javier X
Subject: Re: Credit

Ok. Thanks. Maybe we should review what you have sunday. Let me know

---

From: macris@[redacted]
Sent: Friday, April 06, 2012 04:04 PM
To: Drew, Ina
Cc: Martin-Artajo, Javier X
Subject: Re: Credit

Hi Ina,

We spoke with Javier at length following our conversation. We will be prepared for the call on Monday..

Javier is convinced that our overall economic risk is limited. There is no default event to amplify our losses as the same critical names are part of our short in HY and our long in IG.
Any further draw-down, will be the result of further distortions and marks between the series where we are holding large exposures. **This clearly needs to be estimated with much more precision.**
I also have no doubt that both time and events are healing our position. I am however unsure on the potential magnitude of an "one touch" draw-down for Q2 which is highly dependant on marks.

Both Javier and Bruno continue to be extremely concerned about the confidentiality around our specific large exposures. The press seems to be referring to CIO position size which is different to the overall JPM size on the same instruments. Additionally, there were some specific HF's calling our team and trying to get information from both front-office and infrastructure personnel (!).
As you know, I am not regularly giving much credence to such rhetoric. I have nevertheless asked for a summary of the specifics for your information.

Best,
Achilles

▬ = Redacted by the Permanent Subcommittee on Investigations

From: "Drew, Ina" <Ina.Drew@jpmorgan.com>
To: "Macris, Achilles O" <achilles.o.macris@jpmorgan.com>; "macris@[redacted]
Sent: Friday, 6 April 2012, 17:13
Subject: Credit

Jamie and Doug want a full diagnostic monday. I will need it sunday night. More focused on p l than rwa at moment as I indicated. I'm not comfortable with the level of analysis so far. I tried to reach you by phone and text.

From: Braunstein, Douglas <Douglas.Braunstein@jpmorgan.com>
Sent: Mon, 09 Apr 2012 20:54:51 GMT
To: Dimon, Jamie <jamie.dimon@jpmchase.com>
Subject: Follow up

---

1. Have clear statement for Joe
2. Have asked Ina and Wilmot for clear analysis of the positions—maturities, balances, spreads (current) and normalized
3. Joe is providing feedback to WSJ and Bloomberg
4. Had follow up call with Keith Horowitz at Citi; Ben Hesse. Sarah will have some specific questions we should ultimately address on the call
5. Think we are ok for now but will let you know if we need you to follow up with anyone

Douglas L. Braunstein | Chief Financial Officer | JPMorgan Chase & Co.
270 Park Avenue | New York, NY 10017 | Tel. 212-622-1020 |
|eFax: 917-464-7578
e-mail: douglas.braunstein@jpmorgan.com

From: Wilmot, John <JOHN.WILMOT@jpmorgan.com>
Sent: Mon, 09 Apr 2012 21:52:47 GMT
To: Braunstein, Douglas <Douglas.Braunstein@jpmorgan.com>; Dimon, Jamie <jamie.dimon@jpmchase.com>
Subject: FW: Series 9 tranche liquidity reserves

Below is detail relative to the liquidity reserve taken on the Series 9 credit tranche positions. I will forward the related notional exposures tomorrow morning as they are not included below and London is closed. John

John C. Wilmot | Chief Investment Office | john.wilmot@jpmorgan.com | Work: (212) 834-5452 | Cell: [redacted]

6 CREDIT TRANCHE POSITIONS IMPACTED
3 Maturities of ITRAXX Series 9 (5yr, 7yr, 10yr Maturity)
3 Maturities of CDX Investment Grade (5yr, 7yr, 10yr Maturity)

CREDIT TRANCHES LIQUIDITY RESERVE DETAILS
Total Increase of approximately +$155Million

RATIONALE FOR ADDITIONAL TRANCHE LIQUIDITY RESERVES
As part of CIO's recurring liquidity review, Credit Index markets (post Series 8) are deemed liquid and are excluded from CIO's Liquidity Reserve computation. Liquidity reserves are taken for the Series 6, 7, and 8 Credit Index and Tranches.

Credit Tranche markets have always been considered less liquid (compared to Index markets) and Liquidity reserves are therefore computed and taken. However, in the past, the Liquidity Reserve associated with these 6 Series-9 Tranche positions was not taken because their markets were deemed sufficiently liquid. The additional +$155Million Liquidity Reserve was taken due to the inclusion of these 6 Series-9 tranche positions; this reflects the market's reduced liquidity.

CALCULATON METHODOLOGY (DEFINED BELOW)
Liquidity Reserve = [CS01] X Square Root [Holding Period] X [Spread Volatility]

[A] CS01 (Credit Spread sensitivity to a 1bps change in market spreads relative to Position Size)
[B] Holding Period (JPM IB suggested maximum 120days used by CIO)
[C] Spread Volatility (provided by JPM IB VCG; varies by position in capital structure; highest volatility for Equity tranches; lowest volatility for Super Senior tranches)

▬▬ = Redacted by the Permanent Subcommittee on Investigations

From: Hogan, John J. <John.J.Hogan@jpmorgan.com>
Sent: Tue, 10 Apr 2012 18:59:03 GMT
To: Wilmot, John <JOHN.WILMOT@jpmorgan.com>; Dimon, Jamie <jamie.dimon@jpmchase.com>; Braunstein, Douglas <Douglas.Braunstein@jpmorgan.com>; Drew, Ina <Ina.Drew@jpmorgan.com>
CC: Goldman, Irvin J <irvin.j.goldman@jpmchase.com>; Zubrow, Barry L <barry.l.zubrow@jpmchase.com>
Subject: RE: Materials for FED/OCC Questions

For tomorrow's call, we should have a discussion of what we believe the correlation is between the net $101 bio (and $55 bio in tranches) in long positions vs what we are hedging. Also would like to see a maturity waterfall of the longs and shorts. Thanks, John

---

From: Wilmot, John
Sent: Tuesday, April 10, 2012 1:40 PM
To: Dimon, Jamie; Braunstein, Douglas; Hogan, John J.; Drew, Ina
Cc: Goldman, Irvin J
Subject: FW: Materials for FED/OCC Questions

Attached below is the data I sent to Joe Sabatini for delivery to the Fed and OCC to answer their two requests from yesterday afternoon's call:

1. Notional long and short risk positions across the credit derivatives book
2. How does this activity relate to the broader CIO activity

John

John C. Wilmot | Chief Investment Office | john.wilmot@jpmorgan.com | Work: (212) 834-5452 | Cell: [redacted]

From: Wilmot, John
Sent: Tuesday, April 10, 2012 1:36 PM
To: Sabatini, Joseph
Cc: Goldman, Irvin J
Subject: Materials for FED/OCC Questions

Joe – here is the information for the Fed and OCC from our call yesterday afternoon. Let me know if there are any further questions. Thanks. John

The table below shows major (and total) long and short risk positions in indices - and totals for long and short risk in tranches.

— = Redacted by the Permanent Subcommittee on Investigations

cid:image002.png@01CD1740.181D4690

The note below describes this credit derivatives activity relative to the overall CIO activity.

The Chief Investment Office has utilized the "synthetic credit portfolio," which is a portfolio of credit derivatives, to construct a hedge against other risks on JPMC's balance sheet. This activity has been part of the CIO portfolio construction and risk management since 2007. The related credit derivative instruments offer an efficient means to establish protection against adverse credit scenarios and "stress events".

This activity is among the key tools utilized by CIO to manage and hedge stress loss risks. The synthetic credit portfolio has benefited the Firm, especially in times of credit market dislocation, sudden spread widening and in the occurrence of defaults, which is typically a catalyst for credit spread widening scenarios.

In Q3 and Q4'11, CIO began to reduce the net stress loss risk profile of the hedges, as more positive macroeconomic data in the US and an improving situation in Europe post LTRO merited a reduction to the stress loss protection of the "synthetic credit portfolio." The book, as a dedicated hedge, continues to be short HY and to provide default protection.

John C. Wilmot | Chief Investment Office | john.wilmot@jpmorgan.com | Work: (212) 834-5452 | Cell: [redacted]

Summary of Positions			LONG	SHORT	Grand Total
Major Index Positions	CDX HY S09 05Y	external	7,853,202,000	-1,362,900,000	6,490,302,000
		internal	120,050,772,331	-111,111,450,331	8,939,322,000
	CDX HY S08 05Y Total		127,903,974,331	-112,474,350,331	15,429,624,000
	CDX IG S09 05Y	external	18,862,584,439	-40,911,107,639	-22,048,523,200
		internal	1,378,820,642,166	-1,388,447,498,966	-9,626,856,800
	CDX IG S09 05Y Total		1,397,683,226,604	-1,429,358,606,604	-31,675,380,000
	CDX IG S09 07Y	external	34,937,540,005	-3,869,096,000	31,068,444,005
		internal	1,159,939,174,565	-1,158,009,466,565	1,929,708,000
	CDX IG S09 07Y Total		1,194,876,714,570	-1,161,878,562,565	32,998,152,005
	CDX IG S09 10Y	external	78,381,380,000	-3,421,154,000	74,960,226,000
		internal	1,578,072,188,019	-1,574,704,274,019	3,367,914,000
	CDX IG S09 10Y Total		1,656,453,568,019	-1,578,125,428,019	78,328,140,000
	ITRAXX MN S09 05Y	external	39,630,987,500	-24,870,950,000	14,760,037,500
		internal	1,850,432,937,345	-1,842,698,637,345	7,738,300,000
	ITRAXX MN S09 05Y Total		1,890,063,924,845	-1,867,567,587,345	22,496,337,500
	ITRAXX MN S09 10Y	external	28,612,411,848	-10,796,366,848	17,816,045,000
		internal	832,410,632,093	-833,151,047,093	-740,415,000
	ITRAXX MN S09 10Y Total		861,023,043,941	-843,947,413,941	17,075,630,000
	ITRAXX MN S16 05Y	external	28,093,325,000	-6,267,625,000	21,825,700,000
		internal	315,479,043,750	-318,937,693,750	-3,458,650,000
	ITRAXX MN S16 05Y Total		343,572,368,750	-325,205,318,750	18,367,060,000
Subtotal of Major Index Positions			7,271,576,621,060	-7,118,557,267,555	153,019,353,505
All other Index Positions			3,220,110,559,079	-3,271,688,007,677	-51,577,448,599
Total of Index Positions			10,491,687,380,138	-10,390,245,275,232	101,442,104,906
Total of Tranche Positions			361,998,489,148	-306,133,417,090	55,865,072,058

From: Youngwood, Sarah M <sarah.m.youngwood@jpmorgan.com>
Sent: Tue, 10 Apr 2012 19:10:13 GMT
To: Dimon, Jamie <jamie.dimon@jpmchase.com>; Braunstein, Douglas <Douglas.Braunstein@jpmorgan.com>; Staley, Jes <jes.staley@jpmorgan.com>; Drew, Ina <Ina.Drew@jpmorgan.com>; Evangelisti, Joseph <joseph.evangelisti@jpmchase.com>
CC: Miller, Judith B. <Judith.B.Miller@jpmorgan.com>; Investor Relations <Investor_Relations@restricted.chase.com>
Subject: CIO articles - Calls (7)

---

4 more conversations on CIO articles – Betsy Graseck (MS – sellside), Kevin Mixon (junior of Glenn Schorr, Nomura – sellside), Steve Chubak (junior of Guy Moszkowski, BoA – sellside) and Anu Venkataraman AB (buyside). All of them understand our CIO activities. Joe's statements very helpful to the conversations. I will send a full update later.

Sarah

Sarah Youngwood | Managing Director | Head of Investor Relations | JPMorgan Chase Co. |
270 Park Avenue, New York, NY 10017 | T: 212 622 6153 | F: 212 270 1648|

From: Evangelisti, Joseph <joseph.evangelisti@jpmchase.com>
Sent: Tue, 10 Apr 2012 22:22:17 GMT
To: Operating Committee <Operating_Committee@jpmchase.com>
CC: Youngwood, Sarah M <sarah.m.youngwood@jpmorgan.com>; Horan, Anthony <ANTHONY.HORAN@chase.com>; Miller, Judith B. <Judith.B.Miller@jpmorgan.com>; Press Team 2012 <press_team_2012@restricted.chase.com>; Wilmot, John <JOHN.WILMOT@jpmorgan.com>; Radin, Neila <NEILA.RADIN@chase.com>; Scher, Peter L <peter.l.scher@jpmchase.com>; Saracho, Emilio R <emilio.saracho@jpmorgan.com>
Subject: WSJ tomorrow

The Wall Street Journal is running a follow-up story tomorrow related to our CIO hedging activities. Their lead is going to be along the lines of "The London Whale, who made waves in January and February, has dived beneath the surface and has now gone silent (stopped trading)." They'll also say that hedge funds are in a complex chess match with our firm and waiting for our next move. The story does not seem focused on regulatory issues.

We provided additional background and on-the-record statements today explaining the hedging activities of our CIO and putting these activities in the context of our overall asset and liability management. We also said that we now feel that our risks are effectively balanced. Joe

From: Youngwood, Sarah M <sarah.m.youngwood@jpmorgan.com>
Sent: Wed, 11 Apr 2012 18:56:20 GMT
To: Dimon, Jamie <jamie.dimon@jpmchase.com>; Braunstein, Douglas <Douglas.Braunstein@jpmorgan.com>; Staley, Jes <jes.staley@jpmorgan.com>; Drew, Ina <Ina.Drew@jpmorgan.com>; Evangelisti, Joseph <joseph.evangelisti@jpmchase.com>
CC: Miller, Judith B. <Judith.B.Miller@jpmorgan.com>; Investor Relations <Investor_Relations@restricted.chase.com>
Subject: CIO articles - Calls (9)

Two calls today.

Kush Goel – Neuberger (Buyside)

- I've see the articles about CIO. Are you commenting?
  - We have some public statements in the press. We can also point you to our public disclosure in the 10K as well (Note 12)
- What is CIO? Is it really 400 people? Are they based in London?
  - We don't disclose CIO separately
  - CIO is an appropriate size to hedge our structural risk and manage excess liquidity investments
  - London and New York
- Who runs CIO – Who do they report to?
  - Ina Drew; reports to JD
- I've heard they have hired prop traders? Why?
  - We can't comment on specific people. We try to hire the best people to run this very important function. 2.3T balance sheet
- Does this run afoul of Volcker?
  - CIO hedges the structural risk of the firm and prudently invests the Firm's excess liquidity - we don't believe Volcker is intended to limit these activities.
- What was the specific credit position discussed in the article; where are these derivatives disclosed?
  - All our trading assets are disclosed in the financial statements – IB and CIO combined
  - CIO VaR is disclosed in the Market Risk section of the 10K with a brief description of the activities
  - Referred to Joe's quotes
    - "Trades are part of the firm's hedging strategy"
    - JPMorgan holds a portfolio of IG debt and uses "credit-related instruments" such as derivatives to protect against a decline in the value of the holdings
    - "We are balanced"
- Will Doug and Jamie address this on the call?
  - Don't know. This is a core function of the bank. I am sure they will address in Q&A if asked.

Peter Handy – Sanford Bernstein (Sellside; works with John McDonald)

- I am trying to add granularity to my modeling of Principal Transactions. Can you help me understand your disclosure?
  - Helped him understand line items (generically; no discussion of performance)
  - Peter was double counting IB principal transactions and offsetting with losses in Corporate as he hadn't understood our disclosure in Corporate/PE
  - He now understands our disclosure

Sarah Youngwood | Managing Director | Head of Investor Relations | JPMorgan Chase Co. |
270 Park Avenue, New York, NY 10017 | T: 212 622 6153 | F: 212 270 1648|

From: Youngwood, Sarah M <sarah.m.youngwood@jpmorgan.com>
Sent: Fri, 13 Apr 2012 17:22:08 GMT
To: Dimon, Jamie <jamie.dimon@jpmchase.com>; Braunstein, Douglas <Douglas.Braunstein@jpmorgan.com>
CC: Miller, Judith B. <Judith.B.Miller@jpmorgan.com>; Investor Relations <Investor_Relations@restricted.chase.com>
Subject: 1Q12 calls - Buyside and Sellside comments (3)

We are now getting calls. Tone positive. No questions on CIO. A lot of detailed questions. Continuing to return calls and will keep you posted.

Glenn Schorr (Nomura – Sellside)

- General comments/feedback
  - Stock beaten up because of Europe news over the last few days; creates a new overhang
  - No one has a real problem with your earnings
  - Heard you on growth, expense control, increase in reserve interpreted as conservative
  - No big changes
  - Drop of incremental good feeling from the results as the street expected that performance
  - Quarter was fine
- Are you saying anything different related to capital requirements and share repurchase?
  - Glenn himself was very clear on Jamie's message – and very comfortable with the answers – however he had heard the question from investors and wanted to clarify
- When will the high gain on sale normalize? On the call, the language was "gain on sale normalizing on a go-forward basis"
  - We noted that on the call, we recognized it's outsized this quarter; referred to Investor Day guidance; didn't provide specific timing
- Cost of fund increase
- Is there any threshold for when/how you report high-yield seconds?
  - Clarified
- We've seen a big rise in trade finance loans. Usually I think of this as more safe and relationship-based. Any reason to be concerned with this much growth?
  - Growth is YoY; QoQ slow down; referred to Doug's comments; our growth very focused on quality
- The largest firms were supposed to have living will to July. Does that timeline still hold?
  - We're working on it; we haven't said anything on it

Andrew Marquardt (Evercore – Sellside)

- Feedback on results
  - Better than expected results; show of strength; taking share and well positioned; results make me feel better in an uncertain environment
  - Investors wondering whether stock has legs above $45 price
    - Referred to Jamie's comments on the call, which were differentiated between stock price from the perspective of intrinsic valuation/investment vs. in the context of other capital deployment opportunities
  - Thought CIO comments were very helpful; no questions on the topic
- Had asked at Investor day for additional disclosure on NIM (loan details; BoA provides); reiterated ask
- I was surprised by the focus on capital and the special dividend?
  - Reiterated Jamie's response
- What has changed in your forward-looking guidance?
  - Went through the comparison of wording vs. last quarter; didn't offer color beyond
  - Referred to comments on the call on $49B and NII

- Revenues on fees – Anything still left on the WaMu settlement?
  - We noted we have not said, and reminded him this has nothing to do with private label; it relates to the actual bankruptcy of the entity
- Any additional color on the strength in FICC? Is there any guidance?
  - Referenced Doug's commentary on the call
- Why not bring down your reserves in repurchases?
  - Timing; not a trend
- Pace of reserve release?
  - Referenced Jamie's comments on the call
- Capital – Any reason to think there is any change in what you've said before (i.e. that you would get to 9.5% by 2013)?
  - We didn't specify on the call
- Can you provide more color on investment opportunities?
- Have you received many questions regarding CIO?
- Did you update the flight to quality deposits number of ~$75B you disclosed at Investor Day?
  - No update provided

Gerard Cassidy (RBC Capital – Sellside; will be on CNBC this afternoon)

- NIM – Are we to expect the current cost of the long-term debt to stay in the 2.7% range? Is the 2.7% the new normal?
  - One time gain in 4Q; recommended he look at our spreads and maturities, which we've disclosed in our 10-K; referred to TruPS as potential impact (no amount or timing specified; just referred to Doug's comments)
- Timing regarding TruPS redemption
- Asked for clarification on NPLs
- What is driving the fantastic loan growth in AM?
- Why did you increase allocated capital in CB?
  - Growth
- What did Doug Braunstein say on CNBC related to non-core EOP loans?
  - We pointed him to Investor Day non-core loan growth and run-off analysis
- Have you provided guidance as to where foreclosure-related expense could be this year?
  - Referenced Investor Day Servicing expense walk
  - $300-350mm Doug mentioned today was in line with Investor Day
- Is the credit card portfolio sequential decline seasonal? Seems like a lower seasonal impact than a year ago
  - We confirmed seasonality; added that sales volumes are up
- Within Corp./PE, NII seemed to drop significantly; can you give some color on the swing?
  - Gave theoretical feedback on drivers of different lines in Corp/PE
- Did you see any change in repurchase demands that give you encouragement that we have reached a peak in terms of reserve release?
  - Timing; not a trend

Sarah Youngwood | Managing Director | Head of Investor Relations | JPMorgan Chase Co. |
270 Park Avenue, New York, NY 10017 | T: 212 622 6153 | F: 212 270 1648|

From: Youngwood, Sarah M
Sent: Friday, April 13, 2012 11:01 AM
To: Dimon, Jamie; Braunstein, Douglas
Cc: Miller, Judith B.; Investor Relations
Subject: 1Q12 calls - Buyside and Sellside comments (2)

Only one call since we finished earnings call.

John Balkind (Sandler O'Neill Asset Management – Buyside)

- Wanted clarification on NPL reporting change
  - We went through it – He understands

Glenn Schorr and Betsy Graseck have also e-mailed that they will want to talk but have asked to discuss after Wells call.

Sarah

Sarah Youngwood | Managing Director | Head of Investor Relations | JPMorgan Chase Co. |
270 Park Avenue, New York, NY 10017 | T: 212 622 5153 | F: 212 270 1648|

From: Youngwood, Sarah M <sarah.m.youngwood@jpmorgan.com>
Sent: Sat, 14 Apr 2012 16:00:05 GMT
To: Dimon, Jamie <jamie.dimon@jpmchase.com>
CC: Braunstein, Douglas <Douglas.Braunstein@jpmorgan.com>; Warren, Shannon S <warren_shannon@jpmorgan.com>; Levy, Douglas S <douglas.s.levy@chase.com>
Subject: Re: 1Q12 calls - Buyside and Sellside comments (6)

Jamie,

P6 of supplement, we broke out long-term debt cost by quarter (showing rate going from 2.10% in 3Q11 to 2.15% in 4Q11 and 2.71% in 1Q12). We didn't have a specific break out or footnote re debt gain in 4Q11. I don't believe we mentioned the gain in press release, presentation or script.

In 1Q12, we disclosed page 18 of pres: "Debt-related gain in 4Q11" (as driver of change in NIM on core NIM page).

Sarah

Sarah Youngwood | Head of Investor Relations | JPMorgan Chase & Co. | T: 212 622 6153 | F: 212 270 1648 |

From: Dimon, Jamie
Sent: Saturday, April 14, 2012 11:04 AM
To: Youngwood, Sarah M
Subject: Re: 1Q12 calls - Buyside and Sellside comments (6)

Did we disclose the fourth qtr hedging benefit in the fourth qtr. Plus. Was it broken out on the nim page

---

From: Youngwood, Sarah M
Sent: Friday, April 13, 2012 07:20 PM
To: Dimon, Jamie; Braunstein, Douglas
Cc: Miller, Judith B.; Investor Relations
Subject: 1Q12 calls - Buyside and Sellside comments (6)

Doug and Jamie,

Last batch of calls. Overall, themes have remained consistent. Buyside and Sellside positive on the underlying performance. Some questioning regarding sustainability. No concerns re high risk seconds, but a topic of conversation. Debt gain in Q4, capital deployment, TruPS and mortgage costs also key themes. Very few questions on CIO (2 came late in the day – see below). Only one estimate change so far (Guy Moszkowski – BoA); expect most people to work on their models over next few days. Research generally positive.

Dick Bove (Rochdale Securities – Sellside)

- Stock didn't pick up despite good earnings. Issue might be sustainability
    - FI strength in the IB might be viewed as seasonal
    - Strong Mortgage income might be buoyed by HARP program
- What are some of the issues you're hearing – China, Spain – what is the overhang as you are seeing?
- Increase in cost of debt? Explained that there was a 4Q hedging benefit which was not repeated in 1Q
- CIO question. Company is attempting to 'make money' from their hedging portfolio?
    - CIO office manages structural risks (FX, Rates, Basis, Credit, etc...) and looks to invest excess liquidity, as described by Doug. All consistent with our interpretation of Volcker
- Dick has been in discussions with Bloomberg to let them know that he believes that they are inaccurately

portraying JPM's CIO activities and supporting a group of former employees without trying to take a balanced perspective. Dick already wrote a note and is considering writing a follow-up
  - I didn't comment

David Hendler – CreditSights, fixed income-focused

- Nice results for the quarter
- Securities gains, is that where the trading would be for CIO? If looking at BS, where does CIO activity reside? Is CIO activity actively managed?
- Your CDS seem to indicate that the Street is comfortable with CIO story
- Derivative receivables; can you differentiate what is IB and what is CIO/Treasury?
  - No, you cannot
  - The $370B number is the securities portfolio related to CIO
- Are you too big in certain parts of CDS and that is a risk market we need to consider. You may have an issue in terms of getting out of your position and it may be your positions are too big
  - We have been operating effectively with this type of size for a while; no specific change; there are a variety of markets/strategies we can utilize
- You guys do the best job with disclosure; currently, the problem is that your CIO activities are not all that transparent
- Doug was very transparent today regarding the general strategy in CIO, but his explanations only came after the news articles
- I would love to meet with Ina to talk about this
- I wrote a note that was balanced and Bloomberg took it apart and quoted me; I don't want you to get the wrong impression; my words were taken out of context

Jeff Harte and Ted Holtzman (Sandler O'Neill) – Sellside

- Feedback/general comments
  - I think your numbers are better than the markets think. I'm not sure what the market is doing.
  - There were a lot of questions about home equity and IB revenue absent DVA/CVA
  - A lot of competitors are talking about gaining market share in Europe. Jamie has said he isn't seeing this
  - Clients are asking why JPM stock is not up
- Investment Bank
  - Wanted to clarify guidance on comp/revenue
    - Maintain full year guidance: 35-40%
  - CPG – Do we know the dollar amount of CVA on the revenue line?
    - Yes, a gain of $175mm
- Mortgage Banking
  - $200mm servicing cost associated with the settlement – is this a one-time hit?
    - Yes, if you pull this out, it would be relatively flat QoQ
  - Mortgage origination margins spiked this quarter. The increase was a variety of mix-related things; what would you highlight?
    - Volumes are strong; we've strategically moved to a mix that favors retail branches
    - Pointed him to Investor Day slides for a normalized MB P&L
  - HARP – Does it help volumes?
  - The rep and warranty reserve - there is a number within the RFS segment and then for the total firm, but they're not the same. Where else would this be found?
    - Amounts related to Bear/EMC
    - The repurchase reserve relates primarily to the agencies; we've maintained our guidance for losses at $350mm +/-
- Card Services & Auto

- Revenue yield in credit card dropped; due to seasonally that is not unusual; how much of this is due to the current spread environment versus seasonality?
- Corporate/PE
  - Revenue – If I take out PE and the WaMu settlement, how should I think about non-PE results
    - $200mm +/- quarterly net income guidance
- Buyback
  - What I see in the supplement doesn't match what Doug mentioned
    - What you see is the total repurchases on a settlement date basis for the quarter
    - We settled some trades that were done last year in the quarter; Doug talking about total buybacks under the new authorization
  - Are you limited when you can engage in a buyback?

Tom Alonso (Macquarie – Sellside)

- General comments/feedback
  - Stock has had good run to date; expected pullback
  - Tone of the call was slightly more cautious than expected given earnings performance
    - Surprised by the magnitude of reserve release for RFS this quarter
  - Surprised by the question raised on special dividends
    - Reiterated Jamie's response
  - Concerned about loan growth overall
    - Discussed trends in CB and highlighted our higher capital allocation in January
- Additional color on FICC? Is trend sustainable?
  - Referenced Doug's commentary
- Clarified the approximately $450mm shares bought back was YTD and not incremental to disclosure in supplement

Vivek Juneja (JPMorgan – Sellside)

- Issued a report on home equity risks yesterday
- Regarding disclosure, what's different about the Junior liens that were not moved?
  - Those that moved to NPL bucket are behind seriously delinquent (nonperforming) firsts
  - Regulators required this move in the disclosure
- Mentioned that WFC reclassified all HE that was behind a delinquent first
- WFC call – Someone mentioned JPM expected 55% loss on these. Is this true?
  - Pointed him to the Investor Day slide re high-risk seconds

Jim Mitchell (Buckingham Research – Sellside)

- The upside in trading was good
- Good earnings, doesn't seem like people were listening - Europe concerns seem to have brought the market down
- Given the noise in the debt yield this quarter, how should I think about a normal debt yield?
  - 4Q11 was lower because of the debt item that was mentioned on the call
- Why is your mortgage compensation ratio higher?
  - Mix change toward retail originations which have higher costs, but also higher margins
- What is the Mortgage default cost run rate?
  - We had $200mm of incremental servicing costs associated with the settlement and other matters

Matt Burnell – Wells Fargo – Sellside (email)

- Requested public information that the regulators issued on the home equity NPL accounting treatment
  - Referred to OCC document http://www.occ.gov/news-issuances/news-releases/2012/nr-ia-2012-15a.pdf

Anu Venkataraman (Alliance Bernstein – Buyside)

- Special dividend clarification – is Jamie against a special dividend?
  - We are not starved for opportunities to use our excess capital. We have a number of options and do not believe a special dividend is an attractive option relative to other more accretive uses of capital
- Litigation reserves – what is the contingency that would require such a high level of provisioning?
  - We cannot specifically comment on any specific litigation. These are big numbers but we are being conservative and feel comfortable with how well reserved we are being.

Dan Bitar (MSD Capital – Buyside)

- What are your thoughts around full-year comp for the IB?
  - Expect comp to be in the range of 35%-40%
- Your mortgage revenue spreads seem to above normal. What is the normal rate?
  - Referred to Investor Day
- Your capital allocated was up at many of your businesses
  - We discussed the updated allocated capital at Investor Day
  - Capital decisions are based on longer-term needs of the business
- High -risk seconds change in methodology. Can you explain?
- Why were credit card expenses up YoY?
  - As we noted, this was related to an expense related to a noncore product we are exiting.
- Why did loan growth increase in AM?
- Why is compensation up in Corporate?
  - Normal first quarter accrual for FICA
  - Increased headcount
- Are you done with your litigation? Seemed that way when Doug was speaking on the call
  - Referred to Doug's comments
- What caused the increase in LTD yield?
  - We had a debt-related benefit in the fourth quarter

Rob Hertz (Oppenheimer – Buyside)

- Can't believe how people are reacting to home equity (HE)
- Also believe Europe is ruling the day; don't know how Spanish banks plan to recapitalize
  - I suspect people are aware of the next steps in Spain and how dire their real estate situation is. I don't know where this money is going to come from. Spain might become another Ireland
  - Thought Jamie's analogy to an accordion was appropriate
- Can you review the HE information with me?

Pri DaSilva – Credit Suisse

- Trying to understand our litigation reserves
  - We only disclose the expense; not the reserves

Calls pending

1. Voicemail into KBW (David Konrad). David highlights "change in regulatory guidance and increase in NPLs" in one of his report without a clear explanation. He didn't call us but I reached out to offer an explanation of the reporting change and point out our disclosure.
2. Marty Mosby – Returned call; no voicemail

Sarah Youngwood | Managing Director | Head of Investor Relations | JPMorgan Chase Co. |
270 Park Avenue, New York, NY 10017 | T: 212 622 6153 | F: 212 270 1648|

From: Iksil, Bruno M <bruno.m.iksil@jpmchase.com>
Sent: Mon, 30 Jan 2012 21:12:38 GMT
To: Martin-Artajo, Javier X <javier.x.martin-artajo@jpmorgan.com>
Subject: core credit

---

ok they really push against our positions here everywhere. there is more pain to come in HY too : a lot of capital comes back into basis and skew trades. I can see a bad scenario here where spreads widen and guys do not go long risk but make basis arbs with a bearish view on weak names. Here we should stop adding and take full pain : I see 50m coming in IG9 as I mentionned and another 50m in HY. this is really the street moving pieces but there is not position in the book that stands out as it is balanced. So that requires a lot of trades and I think we would just add to the pain here.

From: Martin-Artajo, Javier X <javier.x.martin-artajo@jpmorgan.com>
Sent: Thu, 22 Dec 2011 11:16:11 GMT
To: Iksil, Bruno M <bruno.m.iksil@jpmchase.com>; Hagan, Patrick S <patrick.s.hagan@jpmorgan.com>
CC: Grout, Julien G <julien.g.grout@jpmchase.com>; Patel, Samir R <samir.r.patel@jpmorgan.com>
Subject: RE: urgent ----- : Rwa

What kind of numbers can we reduce . What is posible to reduce ?

We need a number around **13 Bln** since we can reduce 2 Bln in CLO's and Bank names

I have just put a list of posible reductions . Can we **be more specific** and write your own estimates for End of Q1 2012 ?

Model reduction QR CRM (15% acknoledged already)	4
Model reduction QR VAR	1
Model Reduction QR Stress	2
Reduction for duration shortening	1
Book Optimization	3

regards

▬▬ = Redacted by the Permanent Subcommittee on Investigations

---

From: Iksil, Bruno M
Sent: 22 December 2011 06:46
To: macris@[redacted]Martin-Artajo, Javier X
Subject: Re: urgent ----- : Rwa

I received it. For what I need to provide a clue : I would need julien to be in the loop and,(most of all) what kind of rwa measure we refer to and possibly data out of it. We can reduce it by simply selling protection but then the pnl volatility will increase potentially and the group diversification will be reduced.

Now what we are doing today is :
1-flattening the profile on the medium sized default scenarios, say if we have 5-10 defaults, because here we have some leverage in the capital structure that creates great gains (as you saw) on surprise defaults but generate theoretical drawdowns (typical f9 model flaw) accretive to rwa.
2- reducing some of the main carry and convexity generators (namely long term equity tranches where we are long risk). This mitigates a bit the point 1- with regards to the upside on the first default of "AMR" type
3- we are reducing the largest index notionals in investment grade indices and the net long risk in cdx hy9 hy10 series that went to balance the short risk we had on hy11 3yr that expired in december.

All this should reduce any kind of rwa, be it QR or our own measure. Yet I have to say I work in the blind for QR measure.

We will keep doing that in Q1 and it should provide good results although I receive no update, so (again) it is difficult to project much. I target the reduction of the largest notionals and the largest leverage through the monitor I showed in one Tuesday meeting so that I am almost sure the reduction in rwa appears no matter which model people want to use. Now, with no data and no update, I cannot predict the moment when the reduction will show. So far, I pay the bid-ask in the market (estimated cost likely to have been 150-250m this year) but I try to avoid bad trades in RV terms. Volatility this year provided good opportunities to get interesting rv trades that partly balanced the execution cost.

The next stage I think is that next year some very large exposures will naturally expire and same for 2013. I understand that we look for a steep reduction end q1 next year : this may be do-able if for example we have a default in investment grade. Now, if that happens I will simply sacrifice the gain to exit the positions accordingly. By "sacrifice" I mean that I will lock at best 50pct of the potential and not re-build it. That can provide a very effcicient way to reduce rwa. Otherwise, we can hope for low volatility and the we will shrink as we did this year but the problems of timing and data and model will remain.

Best regards

Bruno

...cted by the Permanent Subcommittee on Investigations

From: macris@btinternet.com
Sent: Thursday, December 22, 2011 05:39 AM
To: Martin-Artajo, Javier X; Giovannetti, Alison C
Cc: Iksil, Bruno M
Subject: urgent ----- : Rwa

FYI -- please confirm this is received and that we can coordinate a response this morning. -- thanks

----- Forwarded Message -----
From: "Drew, Ina" <Ina.Drew@jpmorgan.com>
To: "Martin-Artajo, Javier X" <javier.x.martin-artajo@jpmorgan.com>; "macris@[redacted] <macris@[redacted]
Cc: "Wilmot, John" <JOHN.WILMOT@jpmorgan.com>
Sent: Thursday, 22 December 2011, 2:55
Subject: Rwa

We are running an additional rwa reduction scenario. Can u send John and I a scenario whereby the tranche book and other trading assets are reduced by an incremental 15 bil in the first quarter? Not a stress scenario, so assuming normal (whatever that is now - not year end) liquidity. Pls list by trading strategy, ie: credit tranche, other trading positions, with cost estimate - (background: trying to work with ccar submission for firm that is acceptable for an increased buyback plan). Need in early ny morning -

From: Iksil, Bruno M <bruno.m.iksil@jpmchase.com>
Sent: Mon, 19 Mar 2012 11:44:53 GMT
To: Martin-Artajo, Javier X <javier.x.martin-artajo@jpmorgan.com>
CC: Grout, Julien G <julien.g.grout@jpmchase.com>
Subject: Core Book analysis and proposed strategy

Book position

- The book has positive carry, P&L upside on defaults and positive convexity if spreads gap wider. It is relatively neutral directionally overall at current market spread levels>
- To obtain this profile, the book receives the forward credit spreads. When markets are caught in squeeze like this one, the P&L volatility can become very large : this is what is happening since the beginning of this year in CDX IG9 and Main ITRAXX S9 series. The hit amounts to 5-10 Bps lag in those forwards versus the 50-60Bps rally.
- The book incurred a loss of 100m usd IN us hy from KODAK default and RESCAP almost certain default : this weakness have been corrected now and offers decent upside in any new default in HY indices

Market behaviour

- The CDX IG9 and ITRAXX Main S9 are the series where index tranches still trade. This is where the street owns some protection especially in the longer tenors for capital relief reason and uncertainty about the timing of defaults.
- some large Hedge funds have some "skew trades" where they buy protection on the series 9 10yr indices versus the single names
- in the rally, those series (where the book is long risk and the street is short risk) have lagged consistently : by trading and trying to correct the lag, we could retrieve 1-2bps but then we met strong resistance either with size or bid-ask widening.
- this year the tranche market depth has vanished : we can trade but small size each time with an appetite from dealers to load protection on the longest tenors.
- in US HY, in addition to the 2 defaults, we face a flattening trend advertized by dealers saying that either we have defaults or we rally : either ways, the curve flattens and we have a steepener on.
- as a summary, the book is a very visible player and holds a trade that the street wants to have now : ie a protection against unpredictable defaults. At the same time, they still own their "no default" trades from last year. So the street systematically steepens the series 9 curves and maintain the longest tenors wider than anything else.

Proposed strategy : **let the P&L fluctuate while not defending, just maintaining the upside on defaults over time**

- CDX IG and ITRAXX MAIN : over the next 18 months
  - buy back the protection in 0-3 10yr to reverse the profile (3Bln in main, 6bln in IG)
  - buy some 0-3 in 7yr tenors (1bln main-2 bln in IG)
  - sell protection over time on widenings to maintain the carry (5-10 Bln Main and IG)
- CDX US HY : over the next 18 months
  - put flatteners on in HY14-hy15-hy16-hy17 series while we own the protection on the 5yr now
  - let the longs in HY10-hy11 series live as they have lost already 18 names out of 100 and look safer than hy 14 to hy17 series

P&L possible range : the loss is likely to range between 100m to 300m

- main reason is the CDX IG9 lag (2-3bps or 100-150m)
- second next is CDX HY : the hit is another 100m spread within the tranche and index bid-ask. Typical here, you cannot really trade but the mid does not change.

- third is Main itraxx : the curve in S9 steepened by 5bps pushing the forward back up while the other curves steepened 1 bp in the rally. The hit here is 80-100m.

- the estimated bid-ask on the book grossly amounts to 500m all-in (200m for IG, 100m for Itraxx main, 200m for CDX HY).

Conclusion

- the book has very useful features and should be maintained with its upside on defaults as much as possible.

- the market is very small now and we are too visible with likely some of our trades creating a concern among dealers : this affects us both in the bid-ask cost and the Mark_To_market because the street owns the long term protection to cover their legacy, ie "no default" trades mostly held in form of steepeners and long risk in short term equity tranches.

- there is a trap that is building : if we limit the Mark-To_Market we risk increasing the notionals further and weaken our position versus the rest of the market. One solution would be to let the book be really long risk, yet this would not be in a liquid market and may increase the P&L noise especially in corrections.

- the solution proposed amounts to be longer risk and let the book expire carrying the upside on default : I think we own here a very good position for a size that is also significant. This would involve some mechanical trading, ie buy protection on 10yr equity tranches, put flatteners in HY 14-17 and SELL protection on spread wdidening.

The PNL breakdwon and bid-ask analysis will come soon after. Julien is on it.

Bruno

From: Drew, Ina <Ina.Drew@jpmorgan.com>
Sent: Tue, 20 Mar 2012 23:59:59 GMT
To: Macris, Achilles O <achilles.o.macris@jpmorgan.com>
Subject: Wed call

[redacted] = Redacted by the Permanent Subcommittee on Investigations

---

Achilles
Javier briefed me this morning on the credit book. He sounded quite nervous. Let's discuss on our weekly call. The full briefing is later in the morning but I want to understand the course of action from you.

[redacted] I believe John communicated but there is still activity.

From: Iksil, Bruno M <bruno.m.iksil@jpmchase.com>
Sent: Thu, 29 Mar 2012 21:18:08 GMT
To: Martin-Artajo, Javier X <javier.x.martin-artajo@jpmorgan.com>
Subject: First draft of the presentation

CIO SYNTHETIC CREDIT UPDATE

March 2012

STRICTLY PRIVATE AND CONFIDENTIAL

J.P.Morgan

Core Credit Book: summary

1- the beta adjusted moves

- case of a 1x1 hy vs IG position : illusions with spreads and bp measure sensitivities
- the book remains neutral x% CS01 : implications
    1- if IG9 lags, the book becomes long risk, because we are long risk in IG9
    2- if HY decompresses, the book becomes short risk, because we are short risk in HY

2- the Method

- Look at beta adjusted moves on history : the whole story is about compression and decompression
- breakdown the risk from beta factors
    1- the book has a directional bias, but next it is all about expected loss changes (mixing carry and MTM)
    2- the beta neutral book breaks into 3 parts:
        a- decompression trade ie HY vs IG on the run
        b- S9 vs IG on the run and hy off the run vs HY on the run
        c – equity tranche slope

3- the findings : target YTD at -750M

- the book is huge : 95Bln IG9 and 38Bln S9 fwds , decompression (8M bp in HY or 25Bln, 2.3M in Xover or 7Bln)
- Decompression worked very well and only starting : total gain ytd of 600M (60Bp Xover, 60bps in HY)
  we captured 12% decompression out of a move of 18%
- Series9 lag is overwhelming : total loss YTD is 1.5bln (22bps in IG9 fwds and main S9)
- directionality -60M and carry -40M (with no roll down) : total 100m
- defaults (Kodak and Rescap) cost are estimated at 100M total
- 0-3 equity slopes cost a total 200M : 50M in itraxx (2pts) and 150M in CDX IG (5pts)
- New trades : gain 200M

1589

Core Credit Book: Trading activity : positions and new trades

Rationale for the positions increase :

1- cover the HY downside on some defaults, prepare for IG tightening, stay market neutral to minimize RWA

2- started by selling IG9 5yr and S9 5yr : the curve steepened and the forwards moved up

3- sold S9 and IG9 5x10 to limit the P&L hit

4- defended the P&L at Month end while the decompression kept going and increased the underperformance of S9 series

Itraxx Block	All trades		Start Jan Book	Start Feb Book	Start March Book	Current Book
Main OTR Xover	3.700	-2,479,033,784	-3,756,756,757	-3,283,783,784	-4,884,371,622	-6,235,790,541
Main OTR IG	4.500	10,599,246,667	16,062,222,222	14,040,000,000	20,883,402,222	26,661,468,889
S9 Fwd	4.300	15,534,528,571	20,497,375,000	27,746,375,000	33,398,625,000	38,511,625,000
5yr IG OTR eq	4.500	14,844,105,079	19,586,380,556	26,513,202,778	31,914,241,667	36,799,997,222
Net 5yr OTR	4.500	22,472,525,079	-4,116,619,444	6,190,069,444	14,082,350,556	20,725,417,222
CDX block	**All trades**		**Start Jan Book**	**Start Feb Book**	**Start March Book**	**Current Book**
HY OTR	4.100	-12,027,013,171	-7,246,905,439	-7,695,056,537	-14,662,635,805	-19,273,918,610
IG OTR	5.000	52,269,399,240	31,495,051,038	33,442,715,708	63,723,815,208	83,764,450,278
Hyotr	4.100	-2,550,011,220	-8,555,429,927	-11,325,839,805	-11,224,162,976	-11,105,441,146
HY10-11	2.435	4,293,653,388	14,405,446,694	19,070,202,546	18,899,001,314	18,699,100,082
IG9 fwd	4.500	39,888,688,889	54,651,951,114	75,029,095,559	94,017,484,448	94,540,640,003
IG OTR	5.000	-35,899,820,000	-49,186,756,003	-67,526,186,003	-84,615,736,003	-85,086,576,003
Net IG OTR	5.000	12,061,510,760	-20,135,375,035	-5,227,009,705	-8,934,809,205	-8,073,864,275

Core Credit Book: BP sensitivities and Directionality of the book

As spreads tightened the IG9 and S9 10yr saw their duration increase while all other legs had a shrinking duration

1- this created an increase on the expected loss of the long risk that was amplified with the forward exposure

2- the decompression created a long risk that was covered with a short risk in HY as the market rallied (Var minimization)

3- this long risk exposure should have been maintained : this would have triggered an increase in RWA and Var

4- the decompression trade in HY and Xover was never large enough due to the legacy because we had to increase the position to defend the P&L hit without being able to stay long risk (due to RWA & Var constraints)

5- the decompression in S9 (around 25%) have induced a natural increase of long risk circa 10Bln long risk in main and 25Bln long risk in IG

CS01		All trades	0 Start Jan Book	Start Feb Book	Start March Book	Current Book
Main OTR Xover		-917,243	-1,390,000	-1,215,000	-1,807,218	-2,307,243
Main OTR IG		4,769,661	7,228,000	6,318,000	9,397,531	11,997,661
	0					
S9 Fwd		6,679,847	8,813,871	11,930,941	14,361,409	16,559,999
5yr IG OTR eq		6,679,847	8,813,871	11,930,941	14,361,409	16,559,999
	0					
Net 5yr OTR		10,112,636	-1,852,479	2,785,531	6,337,058	9,326,438
	0					
CDX block		All trades	Start Jan Book	Start Feb Book	Start March Book	Current Book
HY OTR		-4,931,075	-2,971,231	-3,154,973	-6,011,681	-7,902,307
IG OTR		26,134,700	15,747,526	16,721,358	31,861,908	41,882,225
	0					
Hyotr		-1,045,505	-3,507,726	-4,643,594	-4,601,907	-4,553,231
HY10-11		1,045,505	3,507,726	4,643,594	4,601,907	4,553,231
	0					
	0					
IG9 fwd		17,949,910	24,593,378	33,763,093	42,307,868	42,543,288
IG OTR		-17,949,910	-24,593,378	-33,763,093	-42,307,868	-42,543,288
Net IG OTR		6,030,755	-10,067,688	-2,613,505	-4,467,405	-4,036,932

J.P.Morgan

Core Credit Book: P&L explain

Positives	**+1020M USD**	**Negatives**	**-1820M USD**
Decompression	+560M USD	Steepening S9 and IG9	-1000M USD
HY off the run	+ 200M USD	Defaults	- 150M USD
Carry	+ 150M USD	Duration effect	- 450M USD
New trades	+ 110M USD	Equity tranche steepening	- -220M USD

		Feb	March	Current Book	TOTALS
Book	TOTALS	**88,516,208**	**-12,239,142**	**-180,141,486**	**-103,864,420**
Itraxx Block					0
Xover/main ratio		58,799,595	44,189,466	57,852,908	**160,841,968**
S9fwd ratio		-52,805,736	-122,108,870	-242,054,127	**-416,968,733**
Tranche P&L		20,000,000	-20,000,000	-50,000,000	**-50,000,000**
New trades P&L		50,000,000	20,000,000	0	**70,000,000**
directional		12,522,349	65,680,263	54,059,733	**132,262,345**
	TOTALS				TOTALS
IG block		**-118,638,384**	**-71,133,553**	**-524,044,348**	**-713,816,284**
HY/IG ratio		89,015,888	120,496,700	199,004,093	**408,516,681**
HY off ther un vs on the run		181,036,597	56,597,893	-34,187,796	**203,446,695**
IG9 Fwd		-340,643,952	-69,926,692	-544,970,101	**-955,540,745**
Tranche P&L		-35,000,000	-70,000,000	-65,000,000	**-170,000,000**
New Trade P&L		20,000,000	20,000,000	0	**40,000,000**
directional		-33,046,916	-28,301,454	-28,890,544	**-90,238,914**
Defaults			-100,000,000	-50,000,000	**-150,000,000**

Core Credit Book: Series 9 steepening explanation : the forwards have lagged the 40bps market rally by 22 bps....

CDX IG9	Spread compressio	spread 03/01/2012	spread 27/03/2012	Duration chge	Spread chge	Duration adjusted	Beta adjust	Dur1	Dur2
5yr	48%	132	68	-23.00%	64	90.90	92.3	0.97	0.
7yr	37%	140	88	-14.00%	52	57.80	51.5	2.82	2.
10yr	26%	149	111	2.000%	38	37.51	29.3	5.26	5.
On the run 5yr	32%	121	82	-9.00%	39	40.98	41.0	4.65	4.
S9 forward	22%	152	118	26.00%	34	26.06	19.6	4.29	4.
IG15	35%	111	72	-12.00%	39	41.94	46.5	3.8	3.

Main S9	Spread compressio	spread 03/01/2012	spread 27/03/2012	Duration chge	Spread chge	Duration adjusted	Beta adjust	Dur1	Dur2
5yr	48%	170	89	-21.00%	81	101.37	79.5	1.44	1.
7yr	34%	189	124	-9.00%	65	69.42	45.0	3.23	3.
10yr	26%	195	145	20.000%	50	43.97	26.3	5.54	5.
On the run 5yr	34%	173	115	0.04	58	56.69	40.0	4.38	4.
S9 forward	22%	206	160	36.00%	46	30.54	16.9	4.08	4.

Component	Itraxx Main S9	CDX IG 9
10yr underperformance	8 Bp	1 Bp
Steepening	4 Bp	4 Bp
Duration effect	4Bp	10 Bp
Beta adjustment	8 Bp	7 Bp
Total	24 Bp	22 Bp

Core Credit Book: Analysis of the IG9 performance

IG9 can be proxied as a normal IG index of 117 names and 5 HY Names (MBIA, RADIAN, ISTAR, SPRINT, RR Donnelley) :

- The 5 names behaved like the whole HY market : they underperform the IG market and steepened a lot
- Their move relative to the rėst of IG indices allows to explain most of the lag in IG9 curve but not all
- Yet 5yr IG9 outperformed by 3Bps, 7yr outperformed by 4 bps while 10yr underperformed by 2 Bps : the net **P&L impact is -100M USD**

5yr	compression	spread 03/01/2012	spread 27/03/2012	Duration chge	Spread chge	Index eq bp	index based theo			
CDX IG9	**61%**	**132**	**68**	**-23.00%**	**64**	**64.00**	**64.0**	**0.97**	**0.74**	
RDN	60%	31.00%	12.48%		18.5%	15.18	18.82% -	0.24		
MBIA	28%	16.00%	11.49%		4.5%	3.70	9.71% -	4.26		
SPRINT	63%	5.80%	2.17%	**IG tightening**	3.6%	2.98	3.52%	0.09		
RRD	59%	4.09%	1.68%	**55.00%**	2.4%	1.98	2.48% -	0.06		
SFI	73%	12.62%	3.40%	**simul**	9.2%	7.56	7.66%	1.28		
% Index loss	**55%**	**44%**	**51%**	**55.04%**	**31.39**		-	**3.20**		

7yr	compression	spread 03/01/2012	spread 27/03/2012	Duration chge	Spread chge	Index eq bp	index based theo			
CDX IG9	**40%**	**140**	**88**	**-14.00%**	**52**	**52.00**	**52.0**	**2.82**	**2.68**	
RDN	34%	52.00%	34.50%		17.5%	14.34	20.94% -	2.82		
MBIA	14%	36.00%	31.00%		5.0%	4.10	14.49% -	7.78		
SPRINT	14%	21.00%	18.00%	**IG tightening**	3.0%	2.46	8.46% -	4.47		
RRD	20%	15.00%	12.00%	**45.00%**	3.0%	2.46	6.04% -	2.49		
SFI	12%	26.00%	23.00%	**simul**	3.0%	2.46	10.47% -	6.12		
% Index loss	**21%**	**31%**	**41%**	**35.12%**	**23.36**		-	**23.68**		

10yr	compression	spread 03/01/2012	spread 27/03/2012	Duration chge	Spread chge	Index eq bp	index based theo			
CDX IG9	**26%**	**149**	**111**	**2.000%**	**38**	**37.51**	**29.1**	**5.26**	**5.28**	
RDN	26%	66.00%	49.00%		17.0%	13.93	16.65%	0.29		
MBIA	10%	51.00%	46.00%		5.0%	4.10	12.86% -	6.44		
SPRINT	1%	36.50%	36.00%	**IG tightening**	0.5%	0.41	9.21% -	7.14		
RRD	3%	30.00%	29.00%	**33.00%**	1.0%	0.82	7.57% -	5.38		
SFI	19%	38.50%	31.00%	**simul**	7.5%	6.15	9.71% -	1.81		
% Index loss	**14%**	**23%**	**27%**	**27.91%**	**19.26**		-	**20.48**		

Core Credit Book: The devil in the details

1-The steepening of the IG9 HY names was more aggressive than the whole HY market : **this result in an underperformance of 80M USD**

OTR HY tightenin	15.100%	IG9 10yr impact
IG9 HY block tight	14%	0.33
HY off the run tigh	29.733%	IG9 7yr impact
IG9 &yr Hy block	21%	3.17
1 Yr HY tightening	45%	ig9 5yr impact
IG9 5yr HY block	55%	- 3.46

Core Credit Book: Summary

1- the Book has been missing an extra 35M CS01 : this is a cost opportunity of 1.2 Bln due to the 40 bps rally in IG

- this long risk shows naturally in the spread tightening and with the coming expiry of the short term S9 leg
- it triggers a an increase in Var- stress Var- CRM- IRC-RWA across the board it we maintain the book balanced

2- the need to reduce VAR - RWA and stay within the CS01 limit prevented the book from being long risk enough

- as we bought protection on HY in the rally, we kept the 10%CS01 neutral to slightly bull
- the slight bullish bias was dwarfed by the exposure in the forwards that kept increasing to protect the P&L

3- Thus a decompression trade was put on in order to remain market neutral, but it increased the CS01 very fast

- as a result a decompression trade built up both in Xover and Main : it is a good trade that performed well
- yet, selling more protection in IG to balance the protection we bought in HY put us close to the CS01 limit

4- The long risk exposure would likely have missed the first 15 bps and the realistic P&L miss is rather 800M USD

- despite the conviction on the rally in IG spreads, we needed to sell 10Bln in main and 30Bln in IG ideally which is a significant bullish bet
- in early February and early March, when spreads widened back, the book would likely have suffered a weekly loss of up to 200M each time : this was not an acceptable P&L noise ....So the long would have been implemented slowly anyway

5- carrying this long risk exposure would have triggered some brutal P&L swings of 100-200 in early February and March.

- the book was aiming at fine tuning the P&L noise while reducing the risks and the notionals on opportunities
- the losses coming from the IG forwards were already wild, so we waited before being outright long risk for fear the noise would just increase more

Core Credit Book: Storyboard

1- Starting point initially the book kept deleveraging in January reducing the shorts in series 9 5yr, removing the short risk in IG, adding short risk in HY. The aim was to create some options on the book as in 2011 to reduce aggressively on opportunities.

2- Mission : balance the book. :

a-it was slightly long risk since the 15th of January

b-some protection on HY was bought to reduce the loss on some HY defaults like Kodak and rescap

c- put some decompression trade to go long IG and neutralize the cost of carrying the protection in HY

3- Execution : it went all bad….

- the forward spreads started underperforming and this created a residual long risk exposure that had to be covered to reduce the Var and RWA

- the notionals in series 9 were too large and the loss was way larger than the small directional gain (Jan and Feb)

- The decompression in HY and Xover sped up in March and this put the book short risk and worsened the loss in the forwards

4- What Happened?

- January : tried to reduce the short in the IG9 and S9 5yr but this pushed the forwards up and the potential was already 400M. We reported a loss of 130M USD YTD

- February : tried to cover the HY downside risk to default and added to IG9 and S9 forwards in order to contain the P&L loss as decompression kept going. We reported a loss of 220M USD YTD

-March : the notionals increased in forward position uselessly and loss accelerated to incredibly high levels. The move was too fast and painful.

5- Plan

- put the book to sleep : to stop flagging our moves to the market

- maintain a long risk bias with on the run IG indices to keep a good carry in front of the upside on defaults

- buy up to 5Bln protection in IG9 0-3 10yr and 2.5Bln Main s9 10yr 0-3 to flatten the future default profile

Core Credit Book: Risk Management and execution mistakes

1- The reduction of the 5yr IG9 and S9 early in January turned out to be a bad move :

- initially, sell 5 yr on a roll basis vs on the run IG indices allowed to reduce the short, improve the carry, reduce the sensitivity of the book towards flattening and pre-empt a tightening in IG spreads without increasing CS01.

- the market players quickly steepened the S9 curves starting the underperformance of the forwards : because the slight long risk bias was insufficient to cover the loss, we added back some flatteners to correct the hit.

2- The Kodak default triggered a second wrong move :

- The loss was 50M and we started covering the risk in February by selling HY14-HY17 indices that contained MBIA, Radian, MGIC, ISTAR given that RESCAP risk to default was growing.

- However, by selling those series and targeting the "mortgage & insurance" related names, we aggravated the underperformance of the IG9 forwards because they contain MBIA, Radian and ISTAR

- As a result, those names underperformed the whole market. Thus the decompression trade worked but the IG9 forward especially underperformed in the rally and this is where the main long risk of the book is.

3- The Xover / Main decompression trade....

- Due to the need to contain the RWA-Var complex, we sold protection on main while buying protection in Xover

- This was a way to profit from either a recovery in Europe IG space without

- The decompression in HY and Xover sped up in March and this put the book short risk and worsened the loss in the forwards

4- **What would have happened if none of these bad moves were initiated?**

- The decompression would have happened anyway and the forward underperformance may have been twice smaller or down 750. All these mistakes induced an increase in the forward positions to contain the P&L hit.

- If the book had gone long risk fully, the Var would have increased and the RWA as well : likely 10-15 Bln RWA

-The carry would have improved and the book would have had twice a weekly drawdown of 200M

J.P.Morgan

1598

— = Redacted by the Permanent Subcommittee on Investigations

From: Achilles Macris <[redacted]
Sent: Wed, 04 Jan 2012 06:57:54 GMT
To: 'Martin-Artajo, Javier X' <javier.x.martin-artajo@jpmorgan.com>
Subject: FW: RWA reduction for Core Credit - scenario analysis summary

---

Did you see this?

From: Giovannetti, Alison C [mailto:alison.c.giovannetti@jpmorgan.com]
Sent: 03 January 2012 17:27
To: Martin-Artajo, Javier X
Cc: Macris, Achilles O; macris@btinternet.com
Subject: FW: RWA reduction for Core Credit - scenario analysis summary

Hi Javier,

Left you a voicemail, can you give me a call +44 207 325 8025.

Thanks
Alison

From: Wilmot, John
Sent: 03 January 2012 15:37
To: Giovannetti, Alison C
Subject: FW: RWA reduction for Core Credit - scenario analysis summary

We need to close the loop on cost of reducing another $5bn in RWA from the tranche book (to $15bn by YE2012, gradual reduction over the year). Ina, Javier and I weren't able to discuss this slide specifically as it was sent after our last call. If you can give me an estimate by EOD that would be helpful. Thanks.

John C. Wilmot | Chief Investment Office | john.wilmot@jpmorgan.com | Work: (212) 834-5452 | Cell: (917) 664-1690

From: Grout, Julien G
Sent: Thursday, December 29, 2011 10:58 AM
To: Drew, Ina; Wilmot, John; Martin-Artajo, Javier X
Cc: Iksil, Bruno M
Subject: RWA reduction for Core Credit - scenario analysis summary

Hi - please find attached a grid for the Core credit Book RWA reduction scenarios. Please note that we will not be able to make any sensible and efficient work on RWA for the core book without any 'marginals' numbers produced by QR. Currently any major reduction will lead to a very high cost though proportional reducing.

Julien

CORE Credit RWA Reduction Scenarios - Summary

RWA Reduction Target	$2B	$5B	$7B	$10B
Proposed Execution	•Reduction of long dated equity long • IG9 roll •Short CDX.HY (old and new series) • the desk is currently implementing those	• Same trades (as on the left) • 11% proportional reduction	24.5% proportional reduction	35% proportional reduction
Execution Cost	$101M	$273M	$362M	$516M
Carry Give up (FY 2012)	$90M if starting Q1 2012	•$134M if starting Q1 2012 •$123M if starting Q2 2012	•$93M if starting Q1 2012 •$70M if starting Q2 2012	•$133M if starting Q1 2012 •$100M if starting Q2 2012
Default Profile (first default)	•CDX.HY: +$32M •CDX.IG: +$219M •iTraxx: +$207M	•CDX.HY: +$28M •CDX.IG: +$195M •iTraxx : +$184M	•CDX.HY: ($198M) •CDX.IG: +$166M •iTraxx : +$168M	•CDX.HY: ($171M) •CDX.IG: +$143M •iTraxx : +$145M
Default Profile (second default)	•CDX.HY: +$25M •CDX.IG: +$229M •iTraxx: +$225M	•CDX.HY: +$22M •CDX.IG: +$204M •iTraxx: +$200M	•CDX.HY: ($39M) •CDX.IG: +$228M •iTraxx: +$229M	•CDX.HY: ($33M) •CDX.IG: +$196M •iTraxx: +$197M

From: Drew, Ina <Ina.Drew@jpmorgan.com>
Sent: Sat, 07 Apr 2012 16:40:15 GMT
To: Goldman, Irvin J <irvin.j.goldman@jpmchase.com>; Wilmot, John <JOHN.WILMOT@jpmorgan.com>
Subject: Fw: Sunday call

I am going a deep dive tomorrow in prep for a review with doug/jamie

From: macris@[redacted]
Sent: Saturday, April 07, 2012 02:50 AM
To: Drew, Ina
Cc: Martin-Artajo, Javier X; Adam, Phillipa C
Subject: Sunday call

I am changing my flight to return to London Sunday early morning GMT -- any time is fine for me.

How about Sunday 14.00 EST -- 19.00 GMT ?

Javier we can take the call together from my flat if you like

From: "Drew, Ina" <Ina.Drew@jpmorgan.com>
To: "Martin-Artajo, Javier X" <javier.x.martin-artajo@jpmorgan.com>; "macris@[redacted]
Sent: Saturday, 7 April 2012, 1:56
Subject: Re: Credit

Give me a time sunday that works for you.

From: Martin-Artajo, Javier X
Sent: Friday, April 06, 2012 04:42 PM
To: Drew, Ina; macris@[redacted]
Subject: Re: Credit

[redacted] = Redacted by the Permanent Subcommittee on Investigations

Will do . Thank you .

From: Drew, Ina
Sent: Friday, April 06, 2012 09:22 PM
To: macris@[redacted]
Cc: Martin-Artajo, Javier X
Subject: Re: Credit

Ok. Thanks. Maybe we should review what you have sunday. Let me know

From: macris@[redacted]
Sent: Friday, April 06, 2012 04:04 PM
To: Drew, Ina
Cc: Martin-Artajo, Javier X
Subject: Re: Credit

Hi Ina,

We spoke with Javier at length following our conversation. We will be prepared for the call on Monday..

Javier is convinced that our overall economic risk is limited. There is no default event to amplify our losses as the same critical names are part of our short in HY and our long in IG.
Any further draw-down, will be the result of further distortions and marks between the series where we are holding large exposures. **This clearly needs to be estimated with much more precision.**
I also have no doubt that both time and events are healing our position. I am however unsure on the potential magnitude of an "one touch" draw-down for Q2 which is highly dependant on marks.

Both Javier and Bruno continue to be extremely concerned about the confidentiality around our specific large exposures. The press seems to be referring to CIO position size which is different to the overall JPM size on the same instruments. Additionally, there were some specific HF's calling our team and trying to get information from both front-office and infrastructure personnel (!).
As you know, I am not regularly giving much credence to such rhetoric. I have nevertheless asked for a summary of the specifics for your information.

Best,
Achilles

From: "Drew, Ina" <Ina.Drew@jpmorgan.com>
To: "Macris, Achilles D" <achilles.o.macris@jpmorgan.com>; "macris@[redacted]
Sent: Friday, 6 April 2012, 17:13
Subject: Credit

Jamie and Doug want a full diagnostic monday. I will need it sunday night. More focused on p l than rwa at moment as I indicated. I'm not comfortable with the level of analysis so far. I tried to reach you by phone and text.

—— = Redacted by the Permanent Subcommittee on Investigations

From: Martin-Artajo, Javier X <javier.x.martin-artajo@jpmorgan.com>
Sent: Mon, 09 Apr 2012 11:49:16 GMT
To: macris@[redacted]Drew, Ina <Ina.Drew@jpmorgan.com>
Subject: One point about yesterdays call

Ina ,

When you asked last week about what we needed to do in the Core Book I forgot to mention yesterday that the book as it is is stable and does not need to be rebalanced unless there is a credit event . So at this point with all major risks balanced the book as it is we do not need to trade in the market for a few months .

Regards

▬ = **Redacted** by the Permanent Subcommittee on Investigations

From: Braunstein, Douglas <Douglas.Braunstein@jpmorgan.com>
Sent: Tue, 10 Apr 2012 18:49:24 GMT
To: Alvelo, Alexandra X <alexandra.alvelo@jpmorgan.com>
Subject: FW: 8:30am Calls Set up for Wednesday and Thursday

Must do

Douglas L. Braunstein | Chief Financial Officer | JPMorgan Chase & Co.
270 Park Avenue | New York, NY 10017 | Tel. 212-622-1020 |
|eFax: 917-464-7578
e-mail: douglas.braunstein@jpmorgan.com

From: Drew, Ina
Sent: Tuesday, April 10, 2012 2:19 PM
To: Dimon, Jamie; Braunstein, Douglas; Zubrow, Barry L; Hogan, John J.; Staley, Jes; Macris, Achilles O
Cc: Serpico, Gina; Wilmot, John; Goldman, Irvin J
Subject: 8:30am Calls Set up for Wednesday and Thursday

I am setting up a call on Wed and Thurs (we will continue Monday or as needed) for this group to get updates on the Credit Book and make sure we are all up to date. I want to make sure that we are responding appropriately to all of the deliverables and questions. We can also report back on our individual discussion with regulators, analysts, press etc. Gina will contact your admins and set up a dial in from my office. If you can call in or come that would be helpful.
Thank you for your help and support.
Ina

From: Iksil, Bruno M <bruno.m.iksil@jpmchase.com>
Sent: Wed, 22 Feb 2012 12:14:48 GMT
To: Martin-Artajo, Javier X <javier.x.martin-artajo@jpmorgan.com>; Perryman, Andrew X <andrew.perryman@jpmorgan.com>; berner, andy x <andy.x.berner@jpmchase.com>
Subject: core credit latest version

CORE CREDIT BOOK P&L REVIEW

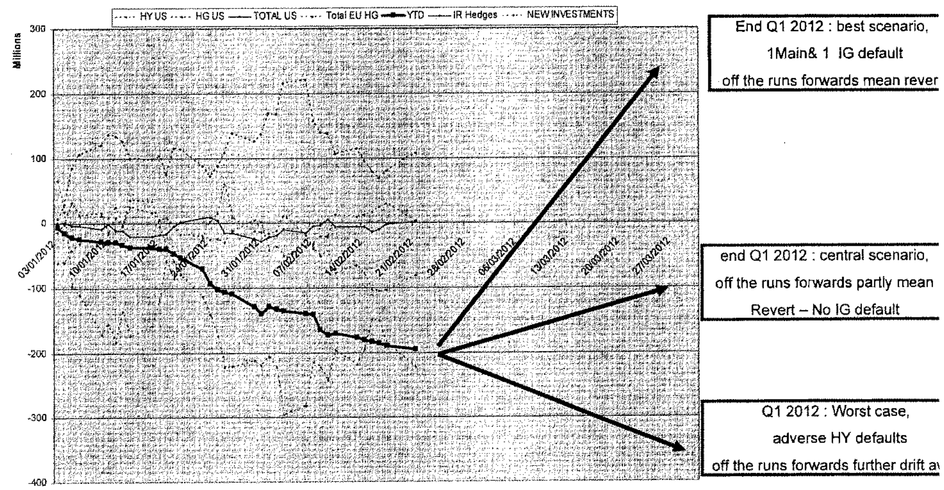
Bruno Iksil

February 2012

J.P.Morgan

Credit book YTD story

1. The book is using the remaining liquid tranche markets to receive 5yr into 1yr forward spreads
2. The Core credit book was up 350M in 2011 (up 2.1 Bln since 2007)
3. The loss YTD 2012 mostly from off the runs underperformance vs on the run indices



J.P.Morgan

Credit book Main feature : carry-convexity- default exposure all positive!

Negatives ? : some HY 10-11 specifics, off-the-run to on-the-run basis MTM

1. **The book conveys a daily positive carry of 1M$ to 1.5M$, provides upside on gap risk, upside on IG index based defaults (all IG series both CDX and Itraxx from series 9 to on 16) and some US HY indices**

2. **The book would lose money on some US HY specific defaults (30-40M$ per name) or on motionless markets (curve steepening and no spread volatility)**

3. **The Core book will trade on the bullish side (risk wise) given the positive convexity and the general outlook....**

4. **The potential P&L recovery until Dec2012 is estimated at : 500M$ (out of other trading gains/losses)** 1608
   - Carry (40M$ per month) : 350M$
   - Default gains vs losses :150M$

   (conservative assumptions0 : 6 "adverse" default and 1 "favorable" default in Main, IG and HY)
   - 6 Adverse default in Hy10 and hy11 serie would cost circa 100M$ (15M$ on average per default)
   - 1 default in Itraxx Main would bring in 70-100M$
   - 1 default in IG9 would bring in 70M$
   - 1 default in HY14-hy17 would bring 50-100M$

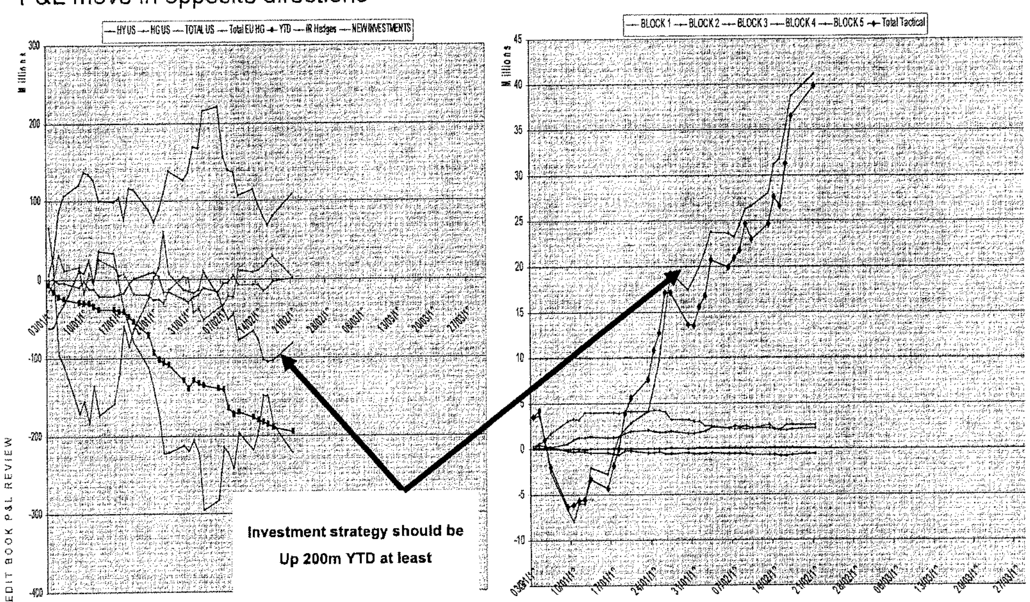
Annexes

1. Annex 1 : P&L drill down analysis
2. Annex 2 : Forward credit spreads, rationale and carry
3. Annex 3 : default exposure analysis
4. Annex 4 : main bullet points end of January 2012
5. Annex 5 : CDX IG 9 " skew story" beneath the current underperformance
6. Annex 6 : The need for hedging interest rate exposure on forward credit spreads
7. Annex 7 : core versus Tactical : same view but different implementations

Confidential Treatment Requested by J.P. Morgan & Co.

Annex 1 : Credit book YTD P&L history : tactical and Core (10-20 times larger)

P&L move in opposite directions



CORE CREDIT BOOK P&L REVIEW

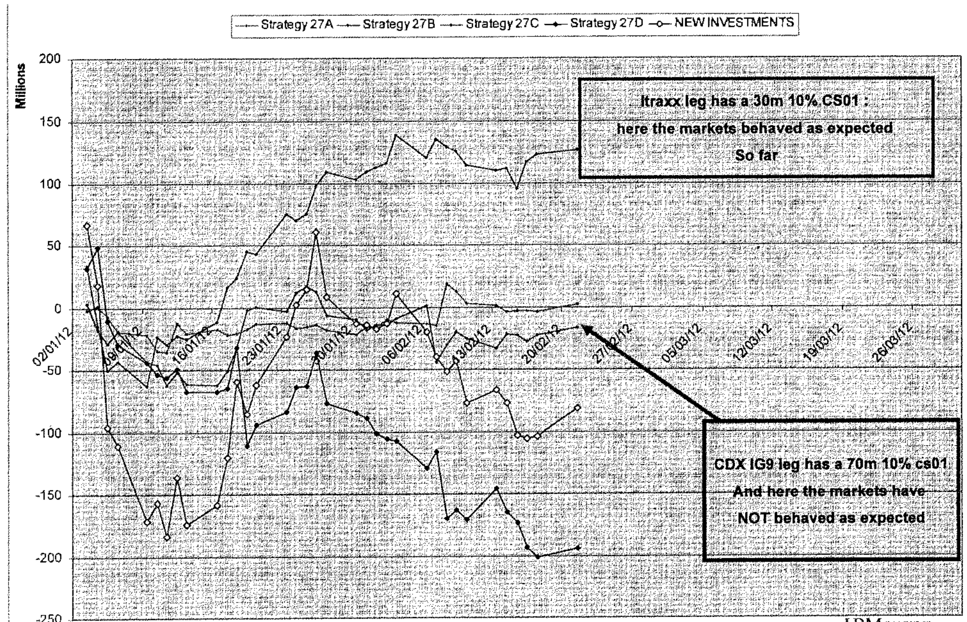
J.P.Morgan

1610

JPM-CIO-PSI 0001789

annex 1 : Credit book : "new investment" P&L history breakdown : CDX IG9 had un expected behaviour.... The rest of the book has performed in line...

CORE CREDIT BOOK P&L REVIEW

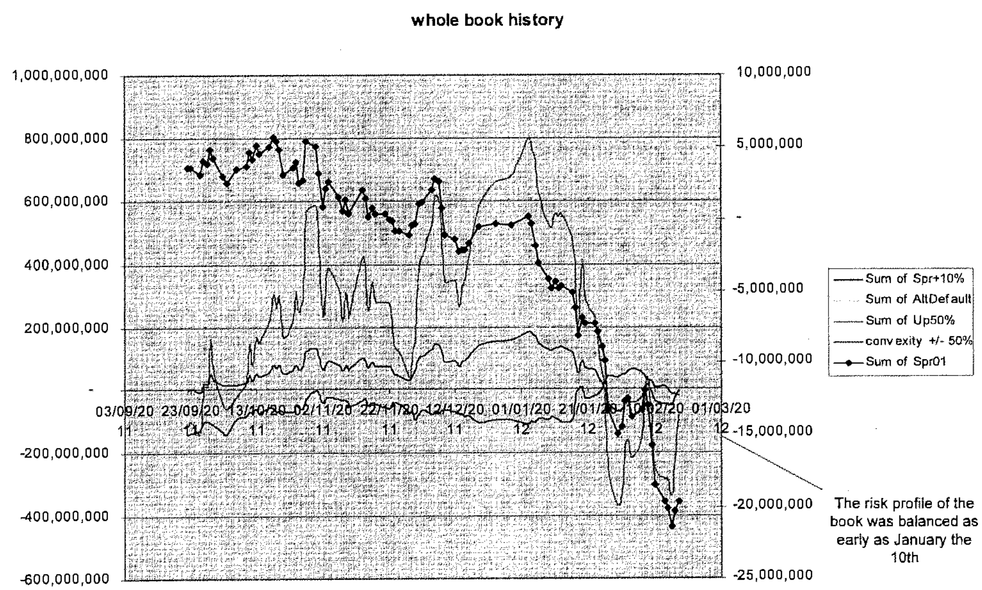


J.P.Morgan

Confidential Treatment Requested by J.P. Morgan & Co.

1612

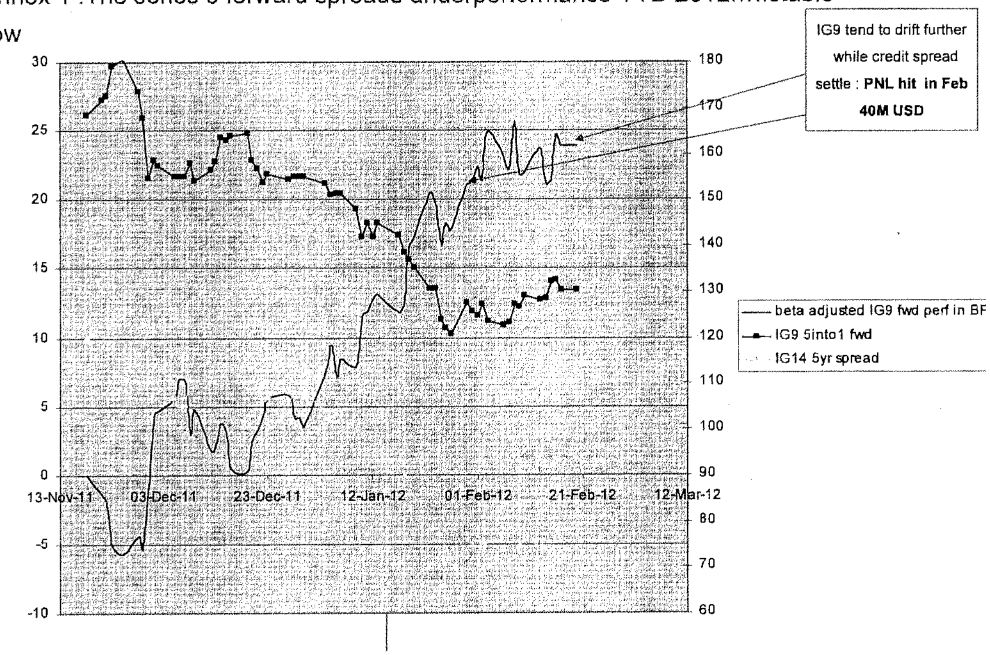
annex 1 : Credit book Risk management history



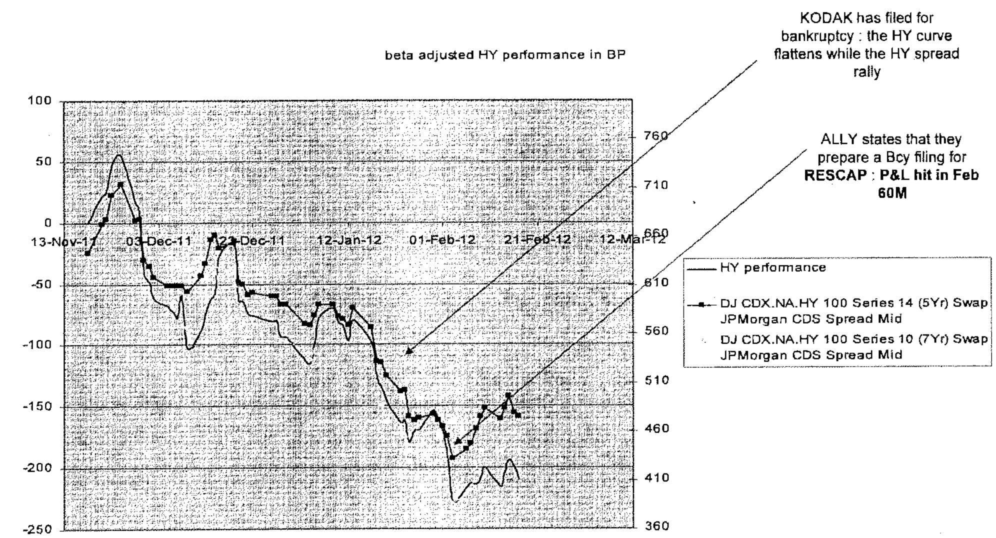
CORE CREDIT BOOK P&L REVIEW

J.P.Morgan

annex 1 :The series 9 forward spreads underperformance YTD 2012.....stable now

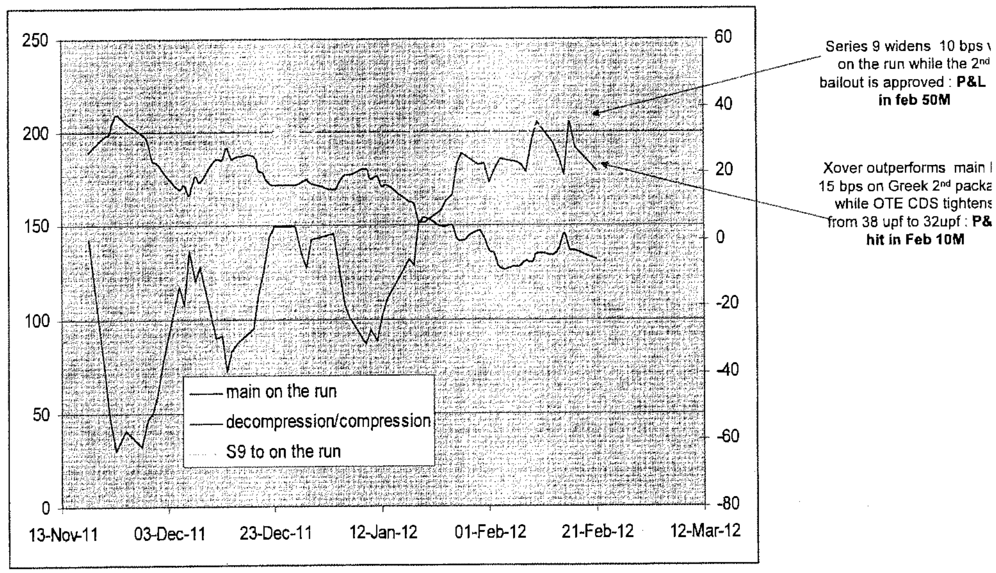


annex 1 : The HY11-10 series kept underperforming Hy14-17



CORE CREDIT BOOK P&L REVIEW

Annex 1 :The main S9 Fwd started drifting away from on the run market while Xover started outperforming..



1615

J.P.Morgan

Annex 1 : P&L summery YTD Feb 22nd 2012

Core P&L

Blocks	Jan 31st	Feb 22nd	P&L on feb
Whole Cor	-140	-210	-70
Main	90	140	50
CDX IG	110	60	-50
CDX HY	-340	-410	-70
carry	50	80	30
New trade	220	280	60
HY Xover E	-310	-380	-70
CDX IG9 rc	-160	-200	-40
Main S9 rc	60	10	-50

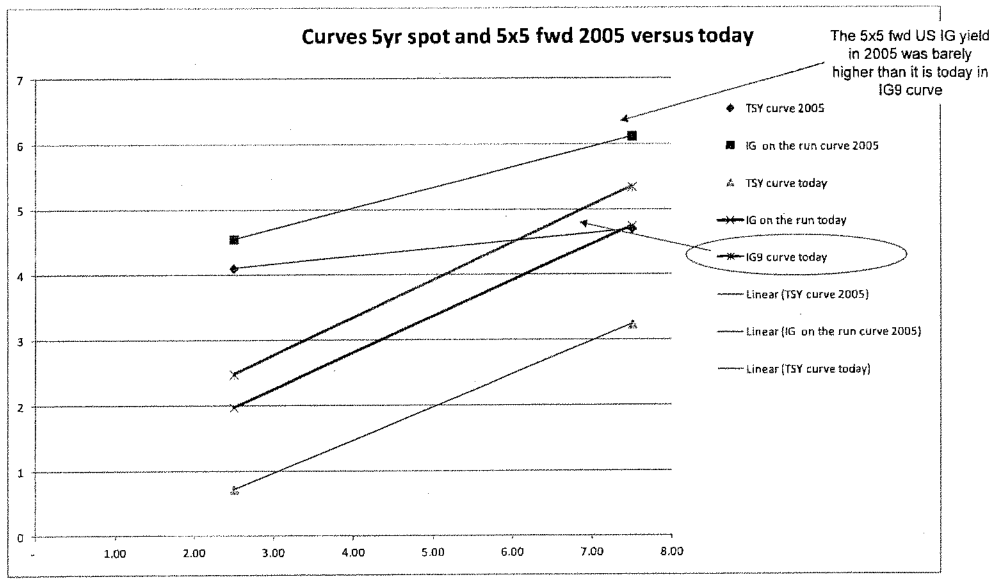
RESCAP news and itraxx Xover compression

IG9 forward spread creeping wider despite Radian rally

Main s9 forwards creeping wider despite relief on greece

150M of gains come from the long Risk trades done at start of the year To flatten the short bias in the book

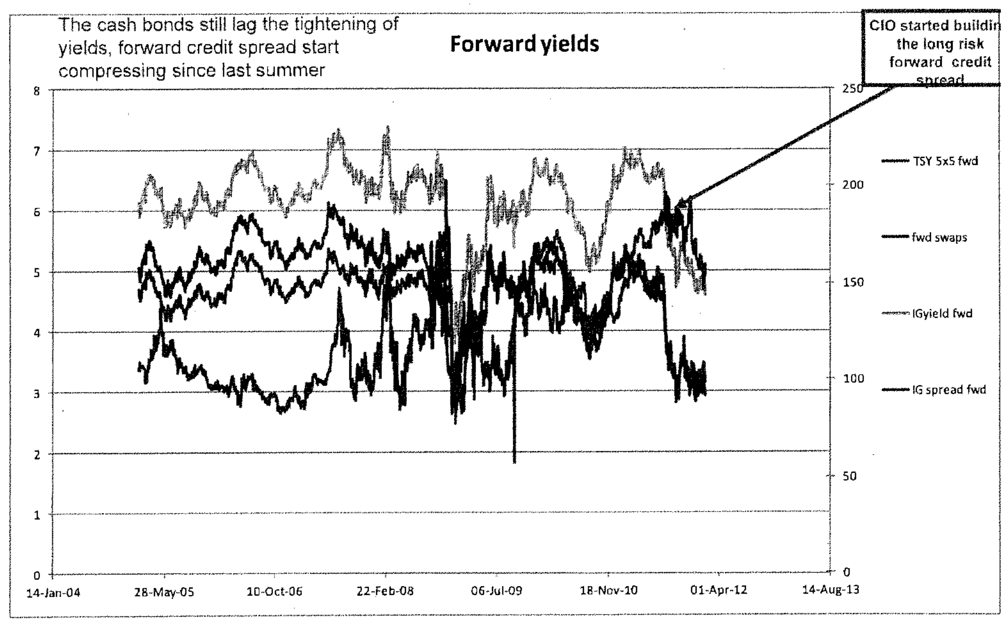
annex 2 :The opportunity on the credit forward curve….. The forward yields have barely changed since 05 .. The IG9 is the right spot despite the 5 risky names



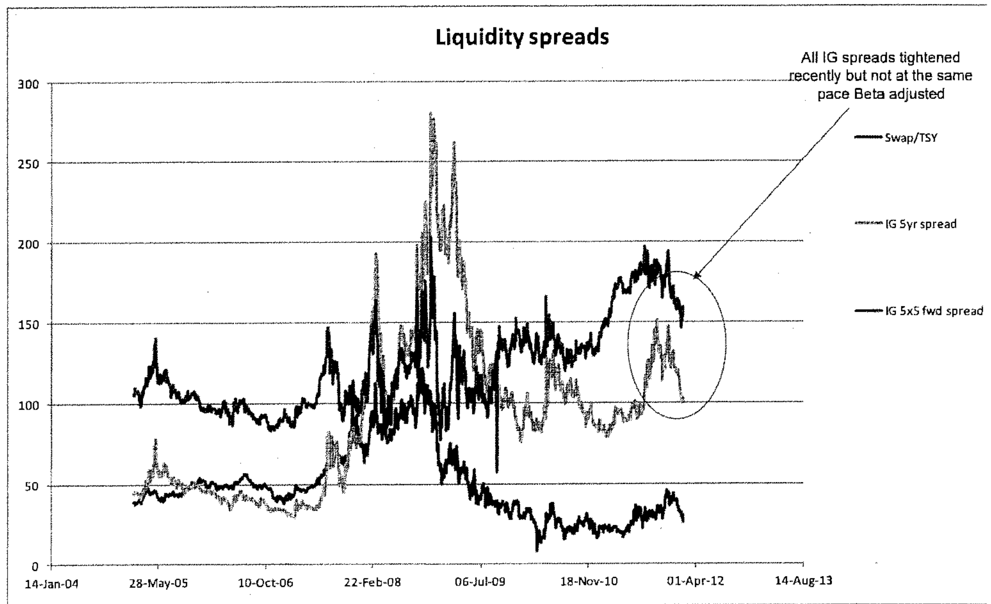
CORE CREDIT BOOK P&L REVIEW

J.P.Morgan

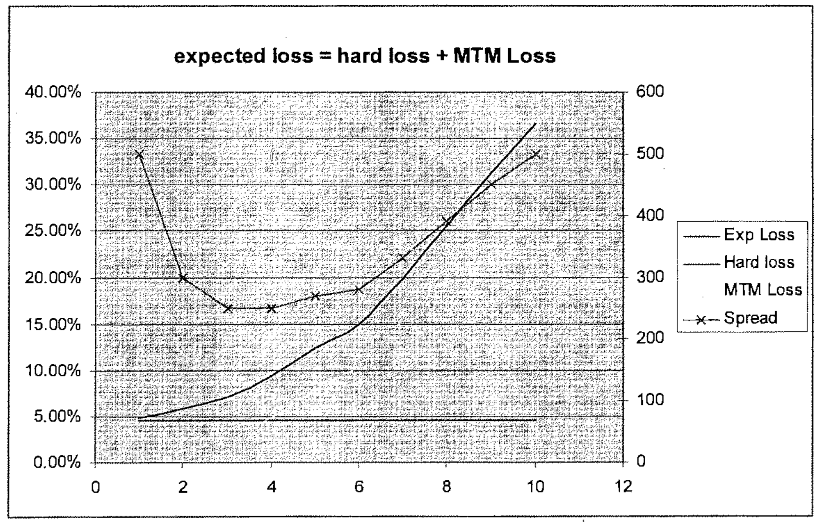
annex 2 : 5yr x 5yr Forward yield history



Annex 2 : The forward credit spreads lagged the 5yr credit spread tightening



annex 2 : the markets focus on mtm risk more than idiosynchratic risk.



Annex 2 : The book has a positive daily carry of 1m$ to 2m$ depending on spread and curve levels

carry

Block	gross carry	fwd roll down
itraxx	500,276	1,152,241
cdx ig	891,954	1,900,639
cdx hy	-825,139	-1,628,535
total	567,091	1,424,345

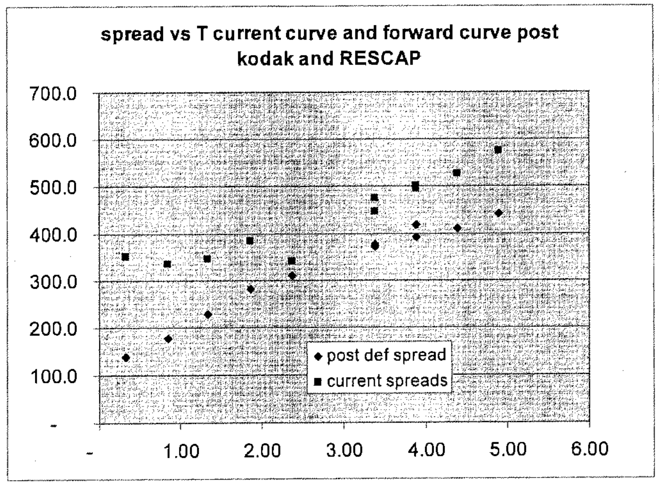
1621

Annex 3 : Book exposure to riskiest names

[redacted]

CDX IG and HY	protectior	protectior	protection	P&L expected		Markets				
Risky names	HY OTR	HY 11-8	Main	on default	Max loss	Jump imp	LGD	spread in	Priced in	
Radian	266	-155	115	67,800,000	180,800,000	30.00%	80.00%	20.00%	50.00%	
MBIA	266	0	115	152,400,000	304,800,000	40.00%	80%	17%	40%	
Istar	266	0	115	228,600,000	304,800,000	60.00%	80%	8%	20%	
Countrywide	0	0	115	74,750,000	92,000,000	65.00%	80%	4%	15%	
RR donneley	0	0	115	51,750,000	69,000,000	45.00%	60.00%	4.00%	15.00%	**Total**
ILFC	266	0	115	171,450,000	228,600,000	45.00%	60.00%	4.00%	15.00%	**746,750,000**
RESCAP	266	-320		- 10,800,000	- 40,500,000	20.00%	75.00%	24.00%	55.00%	
KODAK	266	-295		- 1,450,000	- 21,750,000	5.00%	75.00%	70.00%	70.00%	
TXU	237	-295		- 17,400,000	- 49,300,000	30.00%	85.00%	23.00%	55.00%	
HOVNANIAN	266	-295		- 5,800,000	- 18,850,000	20.00%	65.00%	20.00%	45.00%	
CAESAR Ent	266	-295		- 8,700,000	- 18,850,000	30.00%	65.00%	16.50%	35.00%	
Clear Channel	266	-295		- 9,570,000	- 18,850,000	33.00%	65.00%	16.00%	32.00%	
Realogy	266	-320		- 20,520,000	- 35,100,000	38.00%	65.00%	12.00%	27.00%	**total**
Sabre	266	-295		- 11,020,000	- 18,850,000	38.00%	65.00%	12.00%	27.00%	**- 85,260,000**
MGIC	76	0		36,480,000	64,600,000	48.00%	85.00%	17.00%	37.00%	
Alcatel USA	76	0		36,480,000	57,000,000	48.00%	75.00%	12.00%	27.00%	
Super Value	144	0		64,800,000	100,800,000	45.00%	70.00%	10.00%	25.00%	
Dean Food	266	0		109,060,000	159,600,000	41.00%	60.00%	7.00%	19.00%	
Toys R Us	266	0		111,720,000	159,600,000	42.00%	60.00%	6.00%	18.00%	
ALLY	266	0		66,500,000	106,400,000	25.00%	40.00%	4.50%	15.00%	**total**
sprint	266	-155		49,950,000	72,150,000	45.00%	65.00%	8.50%	20.00%	**474,990,000**

Annex 3 : Post Kodak and RESCAP auctions and implied Hard losses: HY curves look steep but consistent...Hy14 to hy16 anticipate 1 to 4 more defaults than HY8 to hy11 series



Hard loss	Index
0.70%	HY8 5 yr
0.70%	HY8 7 yr
1.30%	HY9 5 yr
1.50%	HY10 5 yr
2.00%	HY10 7 yr
1.80%	HY11 5 yr
2.50%	HY11 7 yr
3.00%	HY14 5 yr
3.50%	HY15 5 yr
4.00%	HY16 5 yr
5.00%	HY17 5 yr

1623

Confidential Treatment Requested by J.P. Morgan & Co.

CORE CREDIT BOOK P&L REVIEW

Annex 3 : European risky names Xover

Name	Wgt	Eqty Tkr	Corp Tkr	5 Yr CDS Tkr	Spread
Hellenic Telecommunications Organization S	2	HTO GA	HTOGA	COTE1E5	2060.655
Norske Skogindustrier ASA	2	NSG NO	NSINO	CT352336	1645.506
Ono Finance II PLC	2	8143340Z ID	ONOSM	CT358298	1216.146
Scandinavian Airlines System Denmark-Nor	2	SAIR SS	SAS	CSAS1E5	1197.871
ConvaTec Healthcare E SA	2	0121070D LX	CONVAT	CY088818	1064.562
Alcatel-Lucent/France	2	ALU FP	ALUFP	CALC1E5	1052.064
Wind Acquisition Finance SA	2	8420224Z LX	WINDIM	CT355118	999.053
Ineos Group Holdings Ltd	2	6623Z LN	INEGRP	CT358901	947.272
Societe Air France	2	394859Z FP	AFFP	CAFR1E5	914.876
M-real OYJ	2	MRLBV FH	MESSA	CMES1E5	901.23
Fiat SpA	2	F IM	FIAT	CFIAT1E5	842.967
Portugal Telecom International Finance BV	2	1332Z NA	PORTEL	CPORT1E5	842.537
Melia Hotels International SA	2	MEL SM	SOLSM	CSOL1E5	822.764
CIR-Compagnie Industriali Riunite SpA	2	CIR IM	CIRIM	CCIRI1E5	788.349
Dixons Retail PLC	2	DXNS LN	DXNSLN	CDIX1E5	760.833
Grohe Holding GmbH	2	3394Z GR	GROHE	CGRO1E5	757.834
EDP - Energias de Portugal SA	2	EDP PL	ELEPOR	CEPOR1E5	756.258
Codere Finance Luxembourg SA	2	3533037Z LX	CODERE	CX398261	752.044
Fiat Industrial SpA	2	FI IM	FIIM	CY079380	727.107
Ardagh Packaging Finance Plc	2	0121101D LN	ARGID	CY088950	694.4
Stena AB	2	1081Z SS	STENA	CT761604	679.891
Sunrise Communications Holdings SA	2	0209438Z LX	SUNCOM	CY088862	674.456
UPC Holding BV	2	3590264Z NA	UPCB	CT352145	644.488
International Consolidated Airlines Group SA	2	IAG LN	IAGLN	CBAB1E5	638.451
NXP BV / NXP Funding LLC	2		NXPI	CX404642	631.31
TUI AG	2	TUI1 GR	TUIGR	CTUI1E5	606.042

1624

Annex 3 : European risky names Main series 9

Name	Wgt	Eqty Tkr	Corp Tkr	5 Yr CDS Tkr	Spread
Hellenic Telecommunications Organization $	0.8	HTO GA	HTOGA	COTE1E5	2060.655
Banco Espirito Santo SA	0.8	BES PL	BESPL	CESP1E5	967.298
Portugal Telecom International Finance BV	0.8	1332Z NA	PORTEL	CPORT1E5	842.537
Dixons Retail PLC	0.8	DXNS LN	DXNSLN	CDIX1E5	760.833
EDP - Energias de Portugal SA	0.8	EDP PL	ELEPOR	CEPOR1E5	756.258
Peugeot SA	0.8	UG FP	PEUGOT	CPEUG1E5	551.5
Finmeccanica SpA	0.8	FNC IM	FNCIM	CFMEC1E5	511.458
Banca Monte dei Paschi di Siena SpA	0.8	BMPS IM	MONTE	CBMP1E5	399.833
Telecom Italia SpA	0.8	TIT IM	TITIM	CTIIM1E5	392.238
UniCredit SpA	0.8	UCG IM	UCGIM	CUNI1E5	335.833
Lafarge SA	0.8	LG FP	LGFP	CLAFS1E5	324.667
Renault SA	0.8	RNO FP	RENAUL	CREN1E5	323.473
Intesa Sanpaolo SpA	0.8	ISP IM	ISPIM	CBCI1E5	317.5
Continental AG	0.8	CON GR	CONGR	CCONT1E5	313.009
Telefonica SA	0.8	TEF SM	TELEFO	CTLFO1E5	291.365
Banco Bilbao Vizcaya Argentaria SA	0.8	BBVA SM	BBVASM	CBBV1E5	278.701
Assicurazioni Generali SpA	0.8	G IM	ASSGEN	CASS1E5	278.333
Banco Santander SA	0.8	SAN SM	SANTAN	CBSH1E5	276.167
Royal Bank of Scotland PLC/The	0.8	2783Z LN	RBS	CRBS1E5	275.667
ThyssenKrupp AG	0.8	TKA GR	TKAGR	CTHYS1E5	262.208
Societe Generale SA	0.8	GLE FP	SOCGEN	CSOC1E5	262.167
Deutsche Lufthansa AG	0.8	LHA GR	LHAGR	CLUFT1E5	261.5

1625

annex 3 :US risky names CDX IG series 9

Name	Wgt	Eqty Tkr	Corp Tkr	5 Yr CDS Tkr	Spread
Radian Group Inc	0.8	RDN US	RDN	CRDN1U5	1993.395
MBIA Insurance Corp	0.8	16302Z US	MBI	CMBIN1U5	1278.682
Sprint Nextel Corp	0.8	S US	S	CT357422	871.194
iStar Financial Inc	0.8	SFI US	SFI	CT351304	819.876
RR Donnelley & Sons Co	0.8	RRD US	RRD	CX359760	778.621
Jones Group Inc/The	0.8	JNY US	JNY	CJNY1U5	518.773
International Lease Finance Corp	0.8	0067543Q US	AIG	CILFC1U5	476.877
Liz Claiborne Inc	0.8	LIZ US	LIZ	CLIZ1U5	381.787
PulteGroup Inc	0.8	PHM US	PHM	CPHM1U5	379.518
Computer Sciences Corp	0.8	CSC US	CSC	CCCS1U5	360.08
JC Penney Co Inc	0.8	JCP US	JCP	CJCP1U5	337.314
Gannett Co Inc	0.8	GCI US	GCI	CGCI1U5	317.665
Lennar Corp	0.8	LEN US	LEN	CLEN1U5	302.542
American International Group Inc	0.8	AIG US	AIG	CAIG1U5	297.043
Alcoa Inc	0.8	AA US	AA	CAA1U5	291.697

Annex 3 : US risky names HY : yellow names in short risk positions, blue names in all series (longs and shorts)

Name	Wgt	Eqty Tkr	Corp Tkr	5 Yr CDS Tkr	Spread	HY17	HY16	HY15	HY14	HY11	HY10	HY9	HY8
Energy Future Holdings Corp	1	TXU US	TXU	CTXU1U5	2404.219	0	1	1	1	1	1	1	1
Residential Capital LLC	1	578903Z US	RESCAP	CX351294	2336.506	1	1	1	1	1	1	1	0
Radian Group Inc	1	RDN US	RDN	CRDN1U5	2302.166	1	1	1	1	1	0	0	0
K Hovnanian Enterprises Inc	1	15657Z US	HOV	CT357624	1984.469	1	1	1	1	1	1	1	1
MGIC Investment Corp	1	MTG US	MTG	CMTGI1U5	1726.136	1	1	0	0	0	0	0	0
Caesars Entertainment Operating Co Inc	1	16124Z US	HET	CT358457	1652.033	1	1	1	1	1	1	1	1
Clear Channel Communications Inc	1	2968900Q US	CCMO	CCCU1U5	1617.862	1	1	1	1	1	1	1	1
MBIA Inc	1	16302Z US	MBI	CMBIN1U5	1278.682	1	1	1	1	0	0	0	0
Alcatel-Lucent USA Inc	1	LU US	ALUFP	CLU1U5	1208.129	1	1	0	0	0	0	0	1
Sabre Holdings Corp	1	TSG US	TSG	CTSG1U5	1136.281	1	1	1	1	1	1	1	1
Realogy Corp	1	3362726Q US	REALOG	CX404670	1110.035	1	1	1	1	1	1	1	0
SUPERVALU Inc	1	SVU US	SVU	CSVU1U5	983.18	1	1	1	0	0	0	0	0
RadioShack Corp	1	RSH US	RSH	CRSH1U5	931.327	1	1	1	1	1	1	1	1
Beazer Homes USA Inc	1	BZH US	BZH	CBZH1U5	864.397	0	0	1	1	1	1	1	1
Sprint Nextel Corp	1	S US	S	CT357422	838.338	1	1	1	1	1	0	0	0
First Data Corp	1	FDC US	FDC	CT355304	820.722	1	1	1	1	1	1	1	0
Meritor Inc	1	MTOR US	MTOR	CARM1U5	791.69	1	1	1	1	1	1	1	1
Frontier Communications Corp	1	FTR US	FTR	CCZN1U5	757.388	1	1	1	1	1	1	1	1
iStar Financial Inc	1	SFI US	SFI	CT351304	753.993	1	1	1	1	0	0	0	0
AK Steel Corp	1	93610Z US	AKS	CAKS1U5	715.298	1	1	1	1	1	1	1	1
Rite Aid Corp	1	RAD US	RAD	CRAD1U5	712.599	1	1	1	1	1	1	1	1
NRG Energy Inc	1	NRG US	NRG	CT356322	706.512	1	1	1	1	1	1	1	1
Freescale Semiconductor Inc	1	8222737Q US	FSL	CX355484	705.874	1	1	1	1	1	1	1	1
Toys R US Inc/Old	1	TOY US	TOY	CTOY1U5	679.055	1	1	1	1	0	0	0	1
Levi Strauss & Co	1	8089Z US	LEVI	CT357317	629.5	1	1	1	1	1	1	1	1
MGM Resorts International	1	MGM US	MGM	CMGG1U5	615.943	1	1	1	1	1	1	1	1
Forest Oil Corp	1	FST US	FST	CT355400	598.789	1	1	1	1	1	1	1	1
Dean Foods Co	1	DF US	DF	CT363784	590.521	1	1	1	1	0	0	0	0
Goodyear Tire & Rubber Co/The	1	GT US	GT	CGT1U5	560.604	1	1	1	1	1	1	1	1
KB Home	1	KBH US	KBH	CKBH1U5	559.419	1	1	1	1	1	1	1	1
Avis Budget Car Rental LLC / Avis Budget F	1		CAR	CX376680	544.631	1	1	1	1	1	1	1	1
Tenet Healthcare Corp	1	THC US	THC	CTHC1U5	541.306	1	1	1	1	1	1	1	1
Chesapeake Energy Corp	1	CHK US	CHK	CCHK1U5	535.84	1	1	1	1	1	1	1	1
American Axle & Manufacturing Inc	1	15863Z US	AXL	CT370292	514.114	1	1	1	1	1	1	1	1
Neiman Marcus Group Inc/The	1	NMG/A US	NMG	CNMG1U5	497.103	1	1	1	1	1	1	1	1
Cooper Tire & Rubber Co	1	CTB US	CTBUS	CCOOP1U5	485.533	1	1	1	1	1	1	1	1
International Lease Finance Corp	1	0067543Q US	AIG	CILFC1U5	479.51	1	1	1	1	0	0	0	0
Royal Caribbean Cruises Ltd	1	RCL US	RCL	CRCL1U5	479.143	1	1	1	1	1	1	1	1
HCA Inc/DE - Pre 2010 IPO	1	3605818Q US	HCA	CHCA1U5	445.445	1	1	1	1	1	1	1	1
SunGard Data Systems Inc	1	764144Q US	SDSINC	CX356791	441.536	1	1	1	1	1	1	1	1
Unisys Corp	1	UIS US	UIS	CT357681	425.144	1	1	1	1	1	1	1	1
Ally Financial Inc	1	ALLY US	ALLY	CGMAC1U5	424.982	1	1	1	1	0	0	0	0
Hertz Corp/The	1	766481Z US	HTZ	CHTZ1U5	421.172	1	1	1	1	1	1	1	1
Standard Pacific Corp	1	SPF US	SPF	CSPF1U5	412.885	1	1	1	1	1	1	1	1
CSC Holdings LLC	1	12910Z US	CVC	CCVC1U5	401.053	1	1	1	1	1	1	1	1
Advanced Micro Devices Inc	1	AMD US	AMD	CT355268	398.431	1	1	1	1	1	1	1	1
Owens-Illinois Inc	1	OI US	OI	COI1U5	398.256	1	1	1	1	1	1	1	1
United Rentals North America Inc	1	16790Z US	URI	CRI1U5	397.155	1	1	1	1	1	1	1	1
Windstream Corp	1	WIN US	WIN	CT359313	393.41	1	1	1	1	1	1	1	1
Liz Claiborne Inc	1	LIZ US	LIZ	CLIZ1U5	390.819	1	1	1	1	0	0	0	0

Confidential Treatment Requested by J.P. Morgan & Co.

Annex 4 : Credit book build-up and RWA actions

1. **The book receives the forward 5 into 1 yr credit spread in IG and rolls down the US HY curve**
   - CIO opted to receive the forwards on IG series 9 and HY series 10-11 in order to use the liquid tranche markets
   - The tranches allowed to create positive convexity in spread volatility and jump to defaults (AMR)
   - Each bucket (Itraxx Main, CDX IG, CDX HY) has been beta hedged with its respective on the run index
2. **RWA reduction actions**
   - The natural volatility and P&L noise of the Forward positions was reduced in 2011 by beta hedging each bucket (Var optimisation)
   - The "carry- roll down" of the forward positions was used to finance upside on systemic and idiosyncratic risk with tranche positions. The term structure on equity tranches and indices was the best opportunity in 2011
   - With an updated data on detailed RWA scenarios (Last update was in March 2011) a further material RWA reduction is possible at minimum cost for 2012.
3. **The Skew and basis theme : main source of P&L noise 2012 YTD**
   - CIO sells protection on the S9 long term index when correlation desks-HF-dealers buy protection because this is the only liquid access to protection on risky and well distributed names. CIO would benefit also if those names defaulted...
   - The owners of this protection got short squeezed and act to limit the tightening of the S9 series
   - The filing of KODAK in US HY did not stop the rally in HY but made our long risks under-perform the market

1628

JPM-CIO-PSI 0001807

Confidential Treatment Requested by J.P. Morgan & Co.

Annex 4 : Credit book profile P&L summary table as of January 31st 2012

1. **The main P&L driver YTD was the underperformance Beta adjusted of the series 9 forwards**
   - The largest loss comes from the best performer of the 3 buckets, ie CDX IG9 (implied Loss 150M USD)
   - The second loss comes from the US HY position : the HY market outperformed IG while we have a decompression trade (implied loss 100MUSD) and the filing of KODAK generated another 50M USD drawdown
   - The Itraxx position is lagging but not materially (40M USD Loss). The interest rate hedge cost another 20MUSD.
2. **The main positive P&L contributors are carry and New trade**
   - CIO sold protection in IG on the run series with a bullish view (gain 200M)
   - The carry of the book YTD is estimated positive 50MUSD
3. **The Skew and basis theme : CIO owns the liquidity and the exit for the protection buyers**
   - If the names default, the SKEW trades will look to unwind, ie sell protection on IG9 10yr and the will collapse the IG9 forwards (same applies to iTraxx S9 series)
   - If the spreads tighten further and the liquidity in the cash market comes, the Skew will tighten and the skew arbs will also look to unwind, ie sell the protection in IG9 10yr. (same applies to iTraxx S9 series)
   - In both case, CIO can expect to gain 300-400M protection owners look for a way out.
   - Further drawdown is possible as the credit spreads keep squeezing and protection owners in S9 IG indices look to hedge their short risk.

1629

Annex 5: IG9 skew "arb" : fair value to index price is 50-70 cts

	start	expiry	T						
IG9 5yr	03/02/2012	20/12/2012	0.891667	0.93%					
CDS 4x1	20/03/2013	20/03/2017	4.058333	1.306%	Simul	Price diff	mid point		
IG9 10yr	02/02/2012	20/12/2017	5.966667	**1.22%**	**1.31%**	**0.55%**	fwd slope		
ig9 03/17	03/02/2012	20/03/2017	5.2	1.24%			target duration		
FWD ig9	20/03/2017	20/12/2017	0.763889	1.80%	simul slope				
slope 4x1	02/02/2012	20/03/2017	5.202778	12.26791	**15.34**				
Trading cost									
	loss bid	**loss ask**	**trading cc**	**T**	**simul ig9**	**actual ind**	**slope cost**		**actual slope cost**
index	**7.18%**	**7.63%**	**0.44%**	**5.202778**	**0.51%**	**0.18%**		**14.10%**	**1.044%**
2.920833	Loss bid	Loss ask	implied bid	implied offe	duration	Do	rate		
0.19%	7.18%	7.63%	1.27%	1.35%	5.657473	5.878542		1%	
5.583333									

J.P.Morgan

Annex 5: IG9 Skew "arb" : Commentary

- The dealers state that the IG9 10yr trades 10-15 bps tight to the single names, among which you find Radian (60% full upfront) MBIA (45% full Upfront) SFI (70% full upfront) RRDonnelley (33%upfront) and sprint (35% upfront). These 5 names weight 25% of the whole loss of the index and an estimated 35-40% of the slope trading cost.
- The high dispersion level of the index (which fair value is around 130-140 bps in any case) creates distortions : as it turns out, if one looks at the skew in IG9 10yr it quotes 65cts-75cts (or 12-15bps index equivalent). If one computes the average running from the components, on gets to 170Bps (for an official quote around 122 on the index hence an apparent 48bps "basis"). But the price quote is in upfront with totally matched coupons : the reason is found in the presence of those 5 names above. Because they could really default any day no one is interesting in the running.
- So I wanted to compute the price in upfront of the basis from the single names. Yet the 5yr CDS matures in March 2017 while the IG9 10yr matures in December 2017. So I need curves and a forward analysis to get to the extended maturity of the IG9 10yr. Here I got (from the mid of the 5yr CDS) that the index should trade at 133 while the index was 121 mid. This is equivalent to 67cts in upfront. Interestingly CSFF and BARCLAYS and BOA send quotes on the ig9 10yr skew like 65-80cts. So I am on track. Now BNP states on and on that the Fair value of the index is like 40 bps away from market price.
- What this suggests if that those dealers offer a free entry ticket to the skew trade ie, they incentivise investors to sell them the skew ie sell protection on single names to buy protection on the index.
- Then I looked at what it would cost to trade a slope or a forward spread like IG9 10yr vs IG9 5yr (maturing in dec2012). I assumed that the IG9 5yr having only 11 months to live cannot be far from the single name equivalent. Now, there is almost no quote on the 1 yr cds except for the riskiest names. I looked then at what is the cost to trade the 5yr alone and the ig9 5yr vs IG9 10yr one for one in single names : the cost for the ig9 10yr alone is 51ct. The cost to trade the forward is 104cts. The index itself as such costs 15cts. So, the "skew arb" reflects merely the cost for anyone to neutralize an index exposure with single names. This means that, anyone entering the skew trade at say 65cts is likely to lose money if he tries remove it piece by piece (51 cts in CDS and 15cts in index on perfect exec). He is sure to lose money if one tries to wedge the basis with forwards.
- Only a spread compression and a dramatic improvement in liquidity would improve the quotes such that the skew would be traded out safely. I just wanted to make sure that the numbers were consistent here.

Annex 5: IG9 skew "arb" : Commentary (continued)

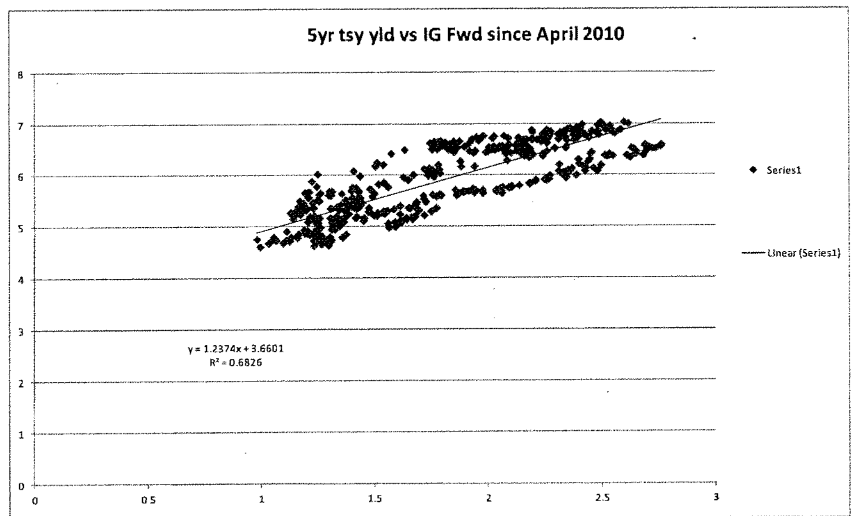
- Now, some players, aware of the liquidity trap that is here, simply buy the index protectionon IG9 10yr and sell protection on the on-the-run to leverage a cheap protection on the 5 widest names. Here they lock in say 70cts from ig9 and give up say 25cts (6bps) ie save say 45cts on the index (120 names) for 5 names or approx 10-11% in upfront for a group that has on average 45% full upfront. Given that the recovery can be assumed to be 30% (total loss of 70%) they mostly improve the reward if all those names file : instead of making 25% (70%-45%) they would make 35% , ie 10% more.

- Now, if the market rallies and names do not default altogether the odds are not so good : because they pay this protection and will need to lock a skew trade at one stage. If we just assume there is no default in 6 months, they will likely lose 10pts (CDS will roll down and tighten). More they might have to sell back some CDS (4pts cost to trade the pack). The only cheap way out is to sell back the IG9 10yr. Now, because the index is a high beta one to the on-the-run index, a rally like the one we see is hurting them if only because of the PV effect related to the tightening.

- I need to produce the charts displaying the curves I know. But I will only be able to simulate what the curve should look like. Because only the 5yr really trades. Comes the roll in March, June and September this year, the forward extrapolation will weigh less and less and the chance is that no defaults in the pack will tighten the skew. Here the skew guys will try to exit and pressure the leveraged short guys to exit too. The trade we have is perfect in that regard because we will have the leg all these guys need.

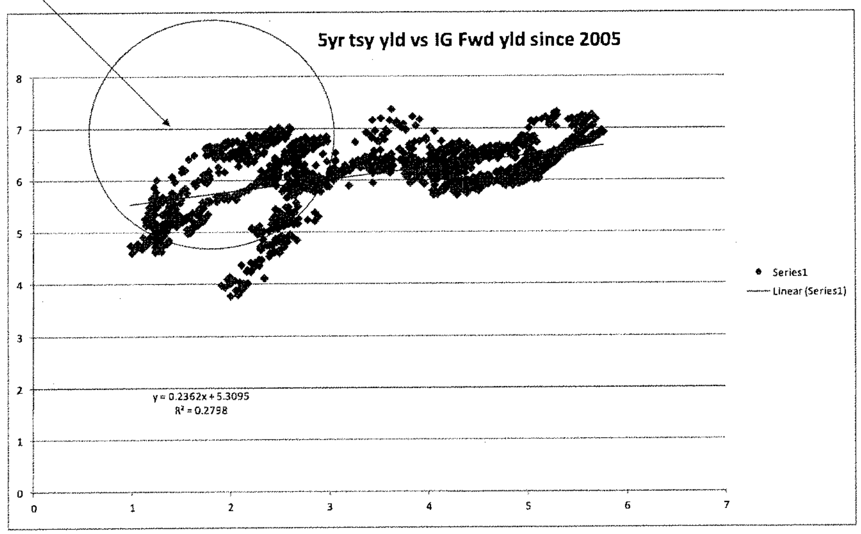
Annex 6 : 5yr yield history

Recently the forward credit yields have tightened with a high beta to the 5yr TSY yield



Annex 6 : 5yr yield history

The broader historical picture shows almost no correlation between 5yr TSY and forward credit yields



Annex 7 : Tactical and Core.. Same views, different implementations

1. **Core and Tactical views : monetary policy creates carry incentives but is dangerous game with bonds**
   - Receive IG forwards vs on the run, roll down HY curve vs on the runs
   - target upside on defaults- maintain positive convexity
   - Maintain a short risk in bond futures for fear the govt market cracks
2. **Different implementations : core focus on credit only, tactical uses equity options**
   - Core source positive gamma from long term equity tranches and index flatteners
   - Tactical sources gamma and vega from equity markets
   - Core P&L suffers from its size, credit only exposure and bearish bias (no drawdown allowed)
   - Tactical P&L suffers from temporary regime shifts but is less liquidity dependent in rallies.
3. **Positive and negatives**
   - Positive for core : core target liquidity traps
   - Positive for tactical : tactical is more daily event driven and not dependent on liquidity fights
   - Profiles are different :
     - size : Core is downsizing while tactical is stable and much smaller
     - Carry : Core is not meant to carry positively while tactical may within its drawdown limit
     - Strategy : core targets medium-long term disagreements with markets while tactical uses opportunistically exogenous events.

From: Macris, Achilles O <achilles.o.macris@jpmorgan.com>
Sent: Thu, 08 Mar 2012 11:39:34 GMT
To: Martin-Artajo, Javier X <javier.x.martin-artajo@jpmorgan.com>
Subject: FW: CIO CRM results

---

what is going on here?

From: Drew, Ina
Sent: 08 March 2012 00:29
To: Macris, Achilles O; Martin-Artajo, Javier X
Cc: Goldman, Irvin J; Weiland, Peter
Subject: Fw: CIO CRM results

[redacted] = Redacted by the Permanent Subcommittee on Investigations

Not consistant with your take. Let's discuss thurs.

From: Venkatakrishnan, CS
To: Drew, Ina; Hogan, John J.; Bacon, Ashley; Goldman, Irvin J; Weiland, Peter
Sent: Wed Mar 07 19:12:25 2012
Subject: Fw: CIO CRM results

Ina,

There are two related issues. The first is the $3bn increase in CRM RWA between Jan and Feb, from $3.1bn to $6.3bn. The second is that your group believes that the absolute level of CRM RWA we calculate was high to begin with in Jan. The second question requires us to explain our models to the satisfaction of your team. I am in London and spoke with Javier today and we will make this an urgent matter.

Based on our models, though, we believe that the $3bn increase in RWA is entirely explained by a $33bn notional increase in short protection (long risk) in your portfolio between Jan and Feb. See table below.

Peter Weiland and your mid-office confirm this $33bn notional increase in long index risk. Further we both agree that this position change results in a change of about $150mm (a decrease) in 10%CSW. Per our models, a roughly 10% capital charge ($3bn) on this $33bn increase in risk is reasonable.

Also, to be clear, there has been no model change on our end; the change in RWA for tranches has hardly changed over the month.

I understand that we need to build your confidence in our models themselves but, given our models, we believe the increase in RWA is well explained by the build up in your risk positions.

I will call you tomorrow from London to follow up, but you can reach me at [redacted]

Thanks,

Venkat

From: Bangia, Anil K

Sent: Wednesday, March 07, 2012 06:35 PM
To: Venkatakrishnan, CS
Subject: CIO CRM results

	Standalone CRM ($MM)		Net Notional($MM)			Position Count		
	Jan 18th	*Feb 22nd*	*Jan 18th*	*Feb 22nd*	*Position Increase*	*Jan 18th*	*Feb 22nd*	*Count Increase*
All CIO Positions	3,154	6,301				25,291	26,927	
Index CDS: All Positions	2,043	6,224				16,833	19,160	
Index CDS: Common Positions	651	646				15817	15817	
Index CDS: Rolloff Positions*	**4,037**		**55,091**			1,016		
Index CDS: New Positions		**9,579**		**88,618**	**33,527**		3,343	2,327
Index Tranche: All Positions	2,814	2,818				8,445	7,758	
Index Tranche: Common Positions	1,972	2,174				7,334	7,334	
Index Tranche: Rolloff Positions*	1,484					1,111		
Index Tranche: New Positions		1,416					424	

* Includes 421 Dummy PCM Trades that were removed from PCM feed (4 CDS/227 Index CDS/190 Tranches)

Bruno – can you read the below draft and let me know if you agree /w the points – think we need to get Javier on board w/ this before we send out formal limit request.

From: Stephan, Keith
Sent: 16 February 2012 17:09
To: Weiland, Peter
Cc: Lee, Janet X; Chandna, Sameer X
Subject: RE: CIO Global Credit spread BPV limit breach- COB 02/09/2012

Since mid-January CIO has been in breach of its global csbpv limits, driven primarily by position changes in the tranche book.

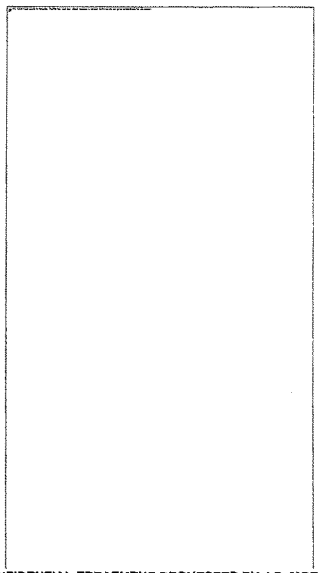
The csbpv methodology adds the csbpv sensitivities of all the credit products, unadjusted for correlations. As IG and HY positions have been added in January (with a hedge ratio of roughly 5x) the net csbpv prints a positive number even though on a beta-adjusted basis the book is relatively flat.

Market Risk is currently reviewing all limits and most likely will remove the csbpv limit to be replaced with a set of credit-spread-widening (CSW) limits to better reflect the risk of the portfolio in material market moves. Until the new limits are implemented we will propose a one-off to the csbpv, up to $20mm, as we find that the stress and csw measures are more appropriate indicators of the risk of the portfolio.

As you can see below – the CSBPV measure vs. 10% CSW shows that the book has been reasonably balanced despite the headline bpv looking much longer. This is not the case in the 50% CSW measure, as the parallel relative shifts of 50pc have the effect of steepening the already upward sloping credit curves, hence makes losses look higher when compared with the 10pc measure. This can be seen clearly in comparison of the 50% CSW measure vs. the Large Flattening Selloff / Credit Crisis scenario P&L, which simulates more realistic (i.e. flattening) curve dynamics in the large (circa 50%) selloff. The book, in this case, benefits, given that in CDX.IG, long forward risk is achieved via flattener positions, i.e. the stress loss for the IG strategies in the large flattening selloff is -100mm vs. -1bn in the 50% parallel move.

50% vs LFS:

ITX XO	+0.5	vs	+0.65	Diff $+0.15bn
ITX MN	-1B	vs	-1.3B	Diff $-0.3bn
CDX HY	+1.4B	vs	+1.8B	Diff $+0.4bn
CDX IG	-1B	vs	-0.1B	Diff $+1bn



50% parallel shock vs. Large Flattening Selloff:

50% vs LFS:

ITX XO	+0.5	vs	+0.65	Diff $+0.15bn
ITX MN	-1B	vs	-1.3B	Diff $-0.3bn
CDX HY	+1.4B	vs	+1.8B	Diff $+0.4bn
CDX IG	-1B	vs	-0.1B	Diff $+1bn

From: Weiland, Peter
Sent: 15 February 2012 23:39
To: Stephan, Keith
Cc: Lee, Janet X
Subject: FW: CIO Global Credit spread BPV limit breach- COB 02/09/2012

How about this? Maybe you can edit and add your graphs if you think it would help.

Since mid-January CIO has been in breach of its global csbpv limits, driven primarily by position changes in the tranche book.

The csbpv methodology adds the csbpv sensitivities of all the credit products, unadjusted for correlations. As IG and HY positions have been added in January (with a hedge ratio of roughly 5x) the net csbpv prints a positive number even though on a beta-adjusted basis the book is relatively flat.

Market Risk is currently reviewing all limits and most likely will remove the csbpv limit to be replaced with a set of credit-spread-widening (CSW) limits to better reflect the risk of the portfolio in material market moves. Until the new limits are implemented we will propose a one-off to the csbpv, as we find that the stress and csw measures are more appropriate indicators of the risk of the portfolio.

— = Redacted by the Permanent Subcommittee on Investigations

Pete

Peter Weiland
Tel: +1 212 834 5549
Mob: [redacted]

From: Hassan, Syed S
Sent: Wednesday, February 15, 2012 3:51 PM
To: Hassan, Syed S; Lee, Janet X; Stephan, Keith; D'costa, Karolyn K; Xiong, Bo
Cc: MRM CIO NA; MRM External Reporting; Weiland, Peter
Subject: RE: CIO Global Credit spread BPV limit breach- COB 02/09/2012

Hi Janet & Keith

Can you please advise on the below request? We'd like to get the notification out as the excession has been ongoing for a while now. Thanks.

Regards,

Hassan-

From: Hassan, Syed S
Sent: Monday, February 13, 2012 2:37 PM
To: Lee, Janet X; Stephan, Keith; D'costa, Karolyn K; Xiong, Bo
Cc: MRM CIO NA; MRM External Reporting
Subject: CIO Global Credit spread BPV limit breach- COB 02/09/2012

Hi Janet & Keith,

The following CIO Global Credit Spread BPV limits have been breaching since the aforementioned period.

Can you please examine and confirm the breaches as valid? If so, please also provide some commentary surrounding the breaches? Thanks.

Regards,

Syed Hassan | Market Risk Management & Reporting | Chief Investment Office | J.P. Morgan | 2nd floor, 277 Park Avenue, NY | 212.270.2562| Syed.S.Hassan@JPMorgan.com

From: MRM Reporting <mrm.reporting@jpmchase.com>
Sent: Thu, 19 Jan 2012 00:52:07 GMT
To: Dimon, Jamie <jamie.dimon@jpmchase.com>; Hogan, John J. <John.J.Hogan@jpmorgan.com>; Zubrow, Barry L <barry.l.zubrow@jpmchase.com> Staley, Jes <jes.staley@jpmorgan.com>; Doyle, Robin A. <Robin.A.Doyle@chase.com>; Weiland, Peter <peter.weiland@jpmchase.com>; Drew, Ina <Ina.Drew@jpmorgan.com>; Bacon, Ashley <Ashley.Bacon@jpmorgan.com>; 'David B Lowman' <IMCEAEX-_O=CORPEXCHANGE_OU=EXCHANGE+20ADMINISTRATIVE+20GROUP+20+28FYDIBOHF23SPDLT+29_CN=RECIPIENTS_CN=David+2Eb+2Elowman@jpmchase.com>;
CC: Waring, Mick <Mick.Waring@jpmorgan.com>; Lochtefeld, Thomas A <thomas.a.lochtefeld@jpmorgan.com>; Surtani, Lavine <Lavine.Surtani@jpmchase.com>; Tocchio, Samantha X <samantha.x.tocchio@jpmorgan.com>; Gondell, Sarah N <sarah.n.gondell@jpmorgan.com>; Sreckovic, Steven <steven.sreckovic@jpmorgan.com>; McCaffrey, Lauren A <lauren.a.mccaffrey@jpmorgan.com>; MRM Business Reporting <MRM_Business_Reporting@jpmchase.com>; MRM Reporting <mrm.reporting@jpmchase.com>; Intraspect - LIMITS <Intraspect_-_LIMITS@restricted.chase.com>
Subject: JPMC 95% 10Q VaR - Limit Excession Notification (COBs 1/16/12 and 1/17/12)

The Firm's 95% 10Q VaR breached its $125mm limit for the second consecutive day on January 17th 2012.

The breach in VaR for cob January 16th was primarily driven by an overall reduction in diversification benefit across the Firm as well as position changes in both the IB (Global FX - increase in short EUR IR bpv; GCG - increase in long oil delta) and CIO (increase in net credit protection position in synthetic credit within CIO EMEA).

The breach in VaR for cob January 17th was primarily driven by an overall reduction in diversification benefit across the Firm as well as position changes in CIO.

Blackberry friendly:
$ mm

COB	VaR	Limit
1/17/2012	132.9	125.0
1/16/2012	126.5	125.0

CIO MSR POSITION SUMMARY - OAS MODEL

Includes Asset Drip — 04/20/12 Close

Duration BPV (assumes parallel shift, correct hedge ratios) — -25 — SW10yr bps

P&L (mm)

[redacted]

2 HEDGEABLE TRR ESTIMATE

	Daily	WTD	MTD	QTD	YTD
Slide & Carry	[redacted]				
Duration (+/-5bps)					
Convexity					
MBS Basis Convexity					
MBS Basis					
MBS Mix - 30yr					
MBS Mix - 15yr					
Volatility					
Curve					
Treasury Basis					
Front End					
Other					
Hedgeable TRR					
New Transaction p&l					
Duration					
Curve					
MBS Basis					

3 OVERVIEW

	Asset	Hedge	Limit
Total BPV +/-5bps:	[redacted]		
Duration BPV +/-5bps:			
Front End BPV +/-5bps:			
$CNVX:			
Vega (0.1 bp vol):			
MBS Basis(+/-1):			
MBS Basis(+/-5):			
Curve 2-5yr:			
Curve 15-30yr:			
1M Slide & Carry:			
Remaining Apr:			
95% VAR (04/19):			
99% VAR (04/19):			

4 HEDGE POSITIONS

	CURRENT ($B) Net *	BPV	DRIFT BPV	NEW TRADES ($MM) Net / Gross	BPV	BPVol	Comments
Trading	[redacted]						
Swaps *							
FE Swap/FRA							
Swaptions							
MBS							
MBS Opt							
UST							
UST Futures							
UST Options							
ED/FF/OIS							
Euro$ Options							
Cmbs							
Hedge Total							
Asset							
Net Position							

5 MARKET DATA

	Today	Change	Asset	Hedge
1yr Swap	[redacted]			
2yr Swap				
3yr Swap				
5yr Swap				
10yr Swap				
15yr Swap				
20yr Swap				
30yr Swap				
2yr UST				
5yr UST				
10yr UST				
30yr UST				
30Y CC				
15Y CC				

Total — Asset — A-SW/UST — A-CC — Hedge — MBS+ — Swap/UST — MBS Opts — Options — Short

BPV / CNVX / $CNVX / Vega

[redacted]

Total — Asset — A-SW/UST — A-CC — Hedge — MBS+ — Swaps — MBS Opts — Options — Total Drift

[redacted]

Rate Change — -5 — -3 — -2 — -1 — 0 — 1 — 2 — 3 — 5

[redacted]

7 ADDITIONAL RISK SENSITIVITY

10 bps 2s-10s curve: — Bull — Bear

Steeper / Flatter

Today — Curve

[redacted]

0.1 Spread: — Higher 0.14 — Lower (0.14)

Asset / Hedge / Total — Vol [redacted]

8 CURVE DRIFT

	-10 bps	+10 bps
<1 Year	(0.01)	0.01
1 Year	(0.02)	0.02
2 Year	(0.03)	0.03
3 Year	(0.00)	(0.00)
5 Year	0.01	(0.02)
10 Year	0.08	(0.08)
15 Year	0.46	(0.43)
20 Year	0.10	(0.11)
30 Year	0.03	(0.03)
	0.62	(0.59)

9 MBS Positions

	TBA	MBS Opt	CMM	Hedge	Asset	Total	TBA front	TBA back	A front	A back	Front Px	Yr Key	BPV
FNMA 3/3.5	[redacted]												
FNMA 4.0													
FNMA 4.5													
FNMA 5.0													
FNCI 2.5													
FNCI 3.0													
FNCI 3.5													
FNCI 4.0													

10 CURVE EXPOSURE

Entire Curve

	Total	Asset	Overlay	Hedge Total	Hedge Libor Duration	Hedge UST/FF Dur/Opt	Hedge Libor Opt Options
Front End	[redacted]						
2 Year							
3 Year							
5 Year							
10 Year							
15 Year							
20 Year							
30 Year							
Total							

Front End	Total	Asset Total	Hedge Libor	Hedge OIS	FF Fut/Opt	Hedge ED	Total
O/N	[redacted]						
1M							
2M							
3M							
4M							
5M							
6M							
9M							
1 Year							
18M							
Other							
Total(ex Fut)							

11 CC SCENARIO

		Spot	Chg
Scenario 1	CC	2.32	(50)
	10yr Sw	1.58	(50)
	bpv	2.42	2.46
	Basis	(2.1)	(1.5)
	$CNVX	92	66
Scenario 2	CC	3.32	50
	10yr Sw	2.58	50
	bpv	0.70	0.74
	Swap	1.9	2.5
	$CNVX	(35)	(59)

12 VOLATILITY

	Asset	Overlay	Hedge	Total	OIS-BP Vol	0.1 chg
1mx10	[redacted]					
3mx10						
1x10						
2x10						
5x10						
7x10						
10x10						
20x10						

Nrvr Swap	Asset Vega	(Start of Day) Hedge Vega	Net Vega	Net Change
25	[redacted]			
10				
5				
0				
-5				
-10				
-25				

JPM-CIO-PSI 0005996.xls

Redacted by the Permanent Subcommittee on Investigations

MSR Daily Blotter_

Redacted by the
Permanent Subcommittee on Investigations

Redacted by the
Permanent Subcommittee on Investigations

Market Data State Close

ROLL Level Change

CPN SWAP Level Change

Redacted by the
Permanent Subcommittee on Investigations

JPM-CIO-PSI 0005996.xls

MSR P/L and Risk Scenarios

MBS Spread Change: -15, -14, -13, -12, -11, -10, -9, -8, -7, -6, -5, -4, -3, -2, -1, 0, 1, 2, 3, 4, 5, 6, 7, 8, 9, 10, 11, 12

10Y Swap Rate Change: 50, 45, 40, 35, 30, 25, 20, 15, 10, 5, 0, -5, -10, -15, -20, -25, -30, -35, -40, -45, -50 (each with rows BPV, Basis, P/L)

[redacted]

Convexity PNL

50, 45, 40, 35, 30, 25, 20, 15, 10, 5, 0, -5, -10, -15, -20, -25, -30, -35

[redacted]

**Redacted by the
Permanent Subcommittee on Investigations**

JPM-CIO-PSI 0005996.xls

[redacted]

$Cnvx profile

[redacted]

— = Redacted by the Permanent Subcommittee on Investigations

JPM-CIO-PSI 0005996.xls

Curve	[redacted]
Volatility	[redacted]
Treasury Basis	[redacted]
Other	[redacted]
Total	[redacted]

UST	[redacted]
Treasury Futures	[redacted]
Treasury Options	[redacted]

[redacted]

Product Details

[redacted]

Redacted by the Permanent Subcommittee on Investigations

JPM-CIO-PSI 0005996.xls

MSR - Mortgage Hedging

[redacted]

FNMA 3.0	[redacted]
FNMA 3.5	
FNMA 4.0	
FNMA 4.5	
FNMA 5.0	
FNMA 5.5	
FNMA 6.0	
Dw 2.5	
Dw 3.0	
Dw 3.5	
Dw 4.0	
Dw 4.5	
Dw 5.0	
Dw 5.5	
GNMA 4.0	
GNMA 4.5	
GNMA 5.0	
GNMA 5.5	
Gold 4.5	
Gold 5.0	
Gold 5.5	
Total	

[redacted]

Redacted by the Permanent Subcommittee on Investigations

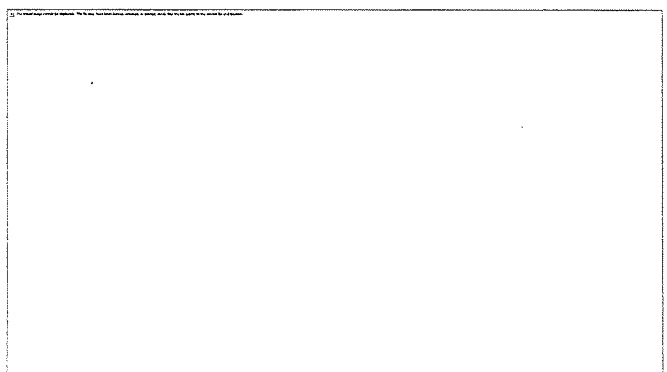
JPM-CIO-PSI 0005996.xls

From: Weiland, Peter <peter.weiland@jpmchase.com>
Sent: Sat, 12 May 2012 00:21:37 GMT
To: Hogan, John J. <John.J.Hogan@jpmorgan.com>; Goldman, Irvin J <irvin.j.goldman@jpmchase.com>; Bacon, Ashley <Ashley.Bacon@jpmorgan.com>
CC: Drew, Ina <Ina.Drew@jpmorgan.com>
Subject: RE: NON IB VaR Bandbreak Summary Report - COB 4/30/2012

VaR bandbreaks can have several causes, and there are two in particular that are contributing to CIO's recent bandbreaks in synthetic credit. Generally speaking when using a VaR at 95 percentile, we should expect to see a band break about once every twenty days, or once per month.

1) **VaR method.** During 2H2011 CIO developed a new VaR methodology ("WestEnd VaR"). It was approved by the Model Review Group (MRG) and implemented on January 26, 2012. Very recently, as MRG was brought in to review models in CIO generally, it was determined that the VaR implemented on January 26 was not implemented as tested and had flaws. On May 10 CIO reverted back to its former VaR method ("BC VaR").

   One of the flaws detected in the WestEnd VaR was a damping of volatility caused in the cleansing of time series. As a result the VaRs have been understated. In the chart below we show the band breaks against both the WestEnd VaR and the BC VaR.



We see five bandbreaks from the WestEnd VaR and two bandbreaks from the BC VaR during the March-April period.

2) **Volatility.** Because VaR is calculated based on one year of observed market data, bandbreaks can occur at greater frequency than the statistics would suggest when entering a period of locally higher volatility. The recent drivers of CIO's synthetic credit P/L are relative value exposures including curve, compression (relationship between investment grade and high yield spreads), and basis between on-the-run and off-the-run indexes.

In looking at the volatility of the relative value relationships we have not seen any systematic increase that would lead to more frequent band breaks, but the move on April 10 was a 4SD move in iTraxx curve.

US CDX.IG Curve

US Compression

Index Basis US; IG9 vs. on-the-run

Conclusion: Using the BC VaR rather than the WestEnd VaR we find that the bandbreak frequency drops to expected levels. Also, the largest P/L day shows up on the Tuesday after Easter (Apr 10), the first business day after a four day weekend in London, so that day compresses four market data days. That also happens to be the weekend that the press began reporting on the JPMorgan credit derivatives position, which we believe contributed to the market moves.

Peter Weiland
Tel: +1 212 834 5549
Mob: +1 914 434 8719

From: Hogan, John J.
Sent: Thursday, May 10, 2012 5:58 PM
To: Goldman, Irvin J; Bacon, Ashley; Weiland, Peter
Cc: Drew, Ina
Subject: Re: NON IB VaR Bandbreak Summary Report - COB 4/30/2012

Irv/Pete,
I'd like a comprehensive response of this by tomorrow please.
John

From: Hogan, John J.
Sent: Thursday, May 10, 2012 10:23 AM
To: Goldman, Irvin J; Bacon, Ashley; Weiland, Peter
Subject: Fw: NON IB VaR Bandbreak Summary Report - COB 4/30/2012

Let's discuss

From: Roder(Regulator), Glenn
Sent: Thursday, May 10, 2012 10:20 AM
To: Hogan, John J.; Drew, Ina
Subject: FW: NON IB VaR Bandbreak Summary Report - COB 4/30/2012

Attached is an example of a recent VaR bandbreak for CIO that I mentioned during our meeting yesterday. I believe bandbreaks for CIO occurred 8 times during April. Please explain the reason for this bandbreak, as well as the reason for the other occurrences during April.

Thank you.

Glenn

From: Market Risk Management - Reporting
Sent: Wednesday, May 02, 2012 5:42 PM
To: Doyle, Robin A.; Surtani, Lavine; Bacon, Ashley; Tocchio, Samantha X; Weiland, Peter; Venkatakrishnan, CS; Man, George KB; Stephan, Keith; Yew, Patricia; GREEN, IAN; Roder(Regulator), Glenn; MRM External Reporting
Cc: Intraspect - VAR Bandbreaks
Subject: NON IB VaR Bandbreak Summary Report - COB 4/30/2012

Please find attached the **Non IB VaR Bandbreak Summary Report** for cob 4/30/2012:

Downside VaR: CIO – 218.1mm Loss, 88.6mm VaR, 129.5mm Break

CIO EMEA – 220.0mm Loss, 87.5mm VaR, 132.5mm Break

Upside VaR (HedgeVaR): None

Please find attached the **Non IB VaR Bandbreak Summary Clean PnL** Report for cob 4/30/2012, noting that Clean PnL is currently being provided only by the CIO and PB.

Downside VaR: CIO – 220.0mm Loss, 88.6mm VaR, 131.3mm Break
CIO EMEA – 219.0mm Loss, 87.5mm VaR, 131.5mm Break

Upside VaR (HedgeVaR): None

<<VAR_Band_Break_Summary_Non_IB_20120430-xls.zip>>

Please contact MRM External Reporting team with any questions.

JPMC Internal Use Only

From: Martin-Artajo, Javier X <javier.x.martin-artajo@jpmorgan.com>
Sent: Thu, 08 Mar 2012 17:53:01 GMT
To: Drew, Ina <Ina.Drew@jpmorgan.com>; Hogan, John J. <John.J.Hogan@jpmorgan.com>; Venkatakrishnan, CS <cs.venkatakrishnan@jpmorgan.com>
CC: Macris, Achilles O <achilles.o.macris@jpmorgan.com>; Weiland, Peter <peter.weiland@jpmchase.com>; Goldman, Irvin J <irvin.j.goldman@jpmchase.com>; Bacon, Ashley <Ashley.Bacon@jpmorgan.com>
Subject: CIO CRM results

Ina ,

I just had a meeting with Venkat to agree on the next steps to reconcile our differences regarding the CRM RWA in the following way :

1. We are going to accept current CRM model and its parameters this month and therefore for Q1 and will work first on how does this model behave as it is .
2. In order to calculate current CRM for all the correlation tranches risk and hedges that we have we are going to run our CIO portfolio with Venkat's team next week on a daily basis to make sure that we have a more systematic analysis behaviour of the model for our own portfolio and compare the results with the previous result .

So we will appoint Anil Bangia and Pat Hagan to work together on the Quantitative side and on the business side Bruno Iksil will coordinate on our side with .

We will compare results at the end of next week and will share the new results .

regards

From: Drew, Ina
Sent: 08 March 2012 00:33
To: Venkatakrishnan, CS; Hogan, John J.; Bacon, Ashley; Goldman, Irvin J; Weiland, Peter
Cc: Macris, Achilles O; Martin-Artajo, Javier X
Subject: Re: CIO CRM results

Redacted by the Permanent Subcommittee on Investigations

I will discuss with Javier and Achilles tomorrow to reconcile . Thank you for prioritizing. From what I understand there is a difference in view on the underlying model - position increase aside.

From: Venkatakrishnan, CS
To: Drew, Ina; Hogan, John J.; Bacon, Ashley; Goldman, Irvin J; Weiland, Peter
Sent: Wed Mar 07 19:12:25 2012
Subject: Fw: CIO CRM results

Ina,

There are two related issues. The first is the $3bn increase in CRM RWA between Jan and Feb, from $3.1bn to $6.3bn. The second is that your group believes that the absolute level of CRM RWA we calculate was high to begin with in Jan. The second question requires us to explain our models to the satisfaction of your team. I am in London and spoke with Javier today and we will make this an urgent matter.

Based on our models, though, we believe that the $3bn increase in RWA is entirely explained by a $33bn notional increase in short protection (long risk) in your portfolio between Jan and Feb. See table below.

Peter Weiland and your mid-office confirm this $33bn notional increase in long index risk. Further we both agree that this position change results in a change of about $150mm (a decrease) in 10%CSW. Per our models, a roughly 10% capital charge ($3bn) on this $33bn increase in risk is reasonable.

Also, to be clear, there has been no model change on our end; the change in RWA for tranches has hardly changed over the month.

I understand that we need to build your confidence in our models themselves but, given our models, we believe the increase in RWA is well explained by the build up in your risk positions.

I will call you tomorrow from London to follow up, but you can reach me at [redacted]

Thanks,

Venkat

From: Bangia, Anil K
Sent: Wednesday, March 07, 2012 06:35 PM
To: Venkatakrishnan, CS
Subject: CIO CRM results

	Standalone CRM ($MM)		Net Notional($MM)			Position Count		
	Jan 18th	Feb 22nd	Jan 18th	Feb 22nd	Position Increase	Jan 18th	Feb 22nd	Count Increase
All CIO Positions	3,154	6,301				25,291	26,927	
Index CDS: All Positions	2,043	6,224				16,833	19,160	
Index CDS: Common Positions	651	646				15817	15817	
Index CDS: Rolloff Positions*	4,037		66,091			1,016		
Index CDS: New Positions		3,579		69,618	33,527		3,343	2,327
Index Tranche: All Positions	2,814	2,818				8,445	7,758	
Index Tranche: Common Positions	1,972	2,174				7,334	7,334	
Index Tranche: Rolloff Positions*	1,484					1,111		
Index Tranche: New Positions		1,418					424	

* Includes 421 Dummy PCM Trades that were removed from PCM feed (4 CDS/227 Index CDS/190 Tranches)

From: Goldman, Irvin J <irvin.j.goldman@jpmchase.com>
Sent: Mon, 07 May 2012 18:30:01 GMT
To: Bates, Paul T <paul.t.bates@jpmchase.com>; Lewis, Phil <phil.lewis@jpmorgan.com>; Weiland, Peter <peter.weiland@jpmchase.com>; Enfield, Keith <Keith.Enfield@jpmorgan.com>; Hughes, Jason LDN <Jason.LDN.Hughes@jpmorgan.com>; Grout, Julien G <julien.g.grout@jpmchase.com>; Stephan, Keith <keith.stephan@jpmorgan.com>
CC: Bacon, Ashley <Ashley.Bacon@jpmorgan.com>
Subject: RE: CIO Credit Collateral differences as of COB Friday 4th

---

This needs to go to CS Venkatakrishnan for the Daily Report

From: Bates, Paul T
Sent: Monday, May 07, 2012 2:16 PM
To: Lewis, Phil; Goldman, Irvin J; Weiland, Peter; Enfield, Keith; Hughes, Jason LDN; Grout, Julien G; Stephan, Keith
Subject: CIO Credit Collateral differences as of COB Friday 4th

CIO Credit Collateral differences as of COB Friday 4th

Total difference between CIO and the counterparties is now $203mm vs. $194mm prior day.

Largest Counterparty Difference: Morgan Stanley is now $61mm vs. $57mm prior day.

Largest Instrument Difference: Itraxx MN S09 10Y 22-100 is now $24mm vs. $34mm on the prior day.

Difference by counterparty:

JPMORGAN CHASE & CO.

Barry L. Zubrow
Executive Vice President
Corporate and Regulatory Affairs

February 13, 2012

By electronic submission

Department of the Treasury
Office of Domestic Finance
1500 Pennsylvania Avenue NW
Washington, DC 20520

Securities and Exchange Commission
100 F Street NE
Washington, DC 20549

Board of Governors of the Federal Reserve System
20th Street and Constitution Avenue NW
Washington, DC 20551

Office of the Comptroller of the Currency
250 E Street SW
Washington, DC 20219

Federal Deposit Insurance Corporation
550 17th Street NW
Washington, DC 20429

Re: Comment Letter on the Notice of Proposed Rulemaking Implementing Section 619 of the Dodd-Frank Wall Street Reform and Consumer Protection Act

Ladies and Gentlemen:

JPMorgan Chase & Co. appreciates the opportunity to comment on the joint notice of proposed rulemaking[1] issued by your agencies to implement section 619 of the Dodd-Frank Wall Street Reform and Consumer Protection Act, also known as the Volcker Rule.

Overview

Our company is affected by the proposed rule in numerous ways. Through JPMorgan Chase Bank, N.A., J.P. Morgan Securities LLC and other affiliates, we engage in market making in a wide range of securities and derivatives; through the various legal entities that comprise J.P. Morgan Asset Management, we offer investment solutions to our clients through funds and other products; and at the corporate level, our Chief Investment Office is responsible for making investments to hedge the structural risks of our balance sheet on a consolidated basis.[2]

[1] 76 Fed. Reg. 68846 (November 7, 2011).

[2] We will refer to JPMorgan Chase & Co. and all its subsidiaries collectively in this letter as "JPMorgan," or the "Firm."

JPMorgan Chase & Co. 270 Park Avenue, New York, NY 10017-2014
Telephone: 212-270-0593 • Facsimile: 212-270-7320
barry.l.zubrow@jpmchase.com

In each of these areas, we believe that the proposed rule would have serious, adverse effects on our ability to manage our risks and address the needs of our clients, and on market liquidity and economic growth. While the proposed rule would require us to eliminate pure proprietary trading and limit our hedge fund and private equity fund investing, we believe those intended effects will have significantly less impact on the Firm than the indirect and unintended effects on market making, asset-liability management and asset management for customers.

Section 619 does not prohibit most risk taking by banking entities. Risk taking is necessary for us to help American businesses finance and manage economic growth. Rather, the statute by its terms prohibits a particular category of risk taking that its drafters determined was not appropriate for banking entities. That type of risk taking is short-term speculative risk taking, either directly through certain types of proprietary trading or indirectly by means of investing in private equity or hedge funds. Other areas where banking entities take risk – even significant risk, for example, by making loans – are not covered by the statute, and do not need to rely on its exceptions to continue.

We have two core concerns with how the proposed rule has interpreted the statute. First, it has in some areas turned the statute's narrow prohibition into a more general prohibition on risk taking, and put banking entities in the position of having to rely on ambiguous or incomplete exceptions to the proposed rule in order to continue some of their core functions. Thus, the proposed definition of trading account, which is part and parcel of the definition of proprietary trading, would appear to apply to many types of trading and asset-liability management activities beyond just those focused on short-term price movements. The statute clearly focuses on hedge funds and private equity funds, and a study by the Financial Stability Oversight Council[3] warns against the potential impact of a more expansive definition. Nonetheless, the proposed rule broadens the statutory definition to encompass securitization structures, potentially all non-U.S. funds sponsored by or invested in by U.S. banking entities, including the foreign equivalents of U.S. mutual funds, and almost all wholly owned subsidiaries.

Second, the proposed rule appears to take the view that banking entities, their customers, and the economy must pay almost any price in order to ensure absolute certainty that there can never be an instance of prohibited proprietary trading. The proposed rule appears to presume that banking entities will camouflage prohibited proprietary trading to evade the rule, and that extraordinary efforts are necessary to prevent this behavior.

We believe that the statute mandates a very different approach. The statute clearly sets forth Congressional intent as to how it is to be implemented. The statute directs the FSOC to study and make recommendations to the agencies on implementation so as to:

[3] "Study & Recommendations on Prohibitions on Proprietary Trading & Certain Relationships with Hedge Funds & Private Equity Funds," Financial Stability Oversight Council (January 2011) (the "FSOC Study").

- promote and enhance the safety and soundness of banking entities;
- minimize the risk that banking entities will engage in unsafe and unsound activities;
- limit the inappropriate transfer of Federal subsidies from banks to unregulated entities;
- reduce conflicts of interest;
- limit activities that have caused undue risk or loss.[4]

We believe that all of these policy goals could be addressed by a final rule that imposes dramatically fewer costs to liquidity, market efficiency and safety and soundness than the one proposed. There are numerous other laws established to serve many of the same purposes – everything from margin requirements to Section 23A of the Federal Reserve Act to concentration limits to risk-based deposit insurance premiums. The same goals appear to have motivated these laws, yet none of them have been implemented through an intrusive compliance regime and with a resulting chill on legitimate economic activity.

The concerns we express are not unique to our Firm or even to the banking industry. We have heard them from our clients, including businesses, asset managers, and foreign nations – all of which see the proposed rule as impairing their ability to fund themselves and manage their risks. The agencies are not required by section 619 to impose these costs, and we urge them to revisit the proposed rule with them more firmly in mind.

We acknowledge the serious challenges that the agencies face in implementing the statute. For example, the issues with the proposed restrictions on fund activity derive from a core problem: Congress did not define with any precision what constitutes a "hedge fund" or a "private equity" fund. We believe that the proposed rule makes matters worse by increasing rather than decreasing the scope of the term "covered fund," and by unnecessarily exporting these problems to overseas funds and bank subsidiaries. Similarly, as detailed below, distinguishing proprietary trading from market making is difficult, particularly with respect to market making in illiquid instruments. We believe that a prohibition on bright-line proprietary trading, as set forth in the FSOC study, [5] would have been a good solution, and consistent with the statute. However, once the regulators determined that a broader, more quantitative enforcement regime was needed, any such regime would, as a consequence, be necessarily complex, and our comment does not fault the complexity in this part of the rule. Rather, we focus on how certain aspects of the regime are particularly likely to chill legitimate market making and impose needless costs. Finally, in its unduly constrained approach to asset-liability management, the proposed rule may undermine banking entities' safety and soundness.

---

[4] Section 619(b)(1). The section also provides guidance on accommodation of insurance companies and divestiture of assets that are not relevant here.

[5] See FSOC Study at pages 27-28.

The Volcker Rule is made far more damaging by the fact that no other country has adopted anything like it. Capital markets are global, and a typical institutional client has relationships with multiple banks, many of which are foreign banks; U.S. financial banking entities, therefore, will suffer competitively from the Volcker Rule. Furthermore, U.S. companies that lack the ability to fund themselves in overseas markets should not be put at a disadvantage to foreign companies that can access markets where the liquidity providers are not subject to the Volcker Rule and, therefore, are more liquid and efficient.

The Firm supports comments on the proposed rule being submitted by the Securities Industry and Financial Markets Association, The Clearing House Association, the American Securitization Forum, the Loan Syndications & Trading Association and the International Swaps and Derivatives Association. Those comments detail numerous issues created by the proposed rule, and how many of its components appear to conflict with the language and purpose of the statute, and impose high costs on banks, their customers, financial markets and the economy as a whole. In this comment letter, we will not replicate all those points but rather focus on some and provide examples from our own experience to highlight major concerns about the proposal.

We do believe that the extraordinary complexity of the proposal, the hundreds of questions asked in the preamble, and the breadth and depth of proposed changes the agencies are likely to receive mean that the next version of the rule should and likely will differ materially from the first. Accordingly, we believe that those parts of the proposed rule that have elicited the most comment, and presumably will have undergone the most change, should be republished for comment to ensure that efforts to fix one problem have not created another. While we recognize that the statute will take effect in July regardless of the status of the rulemaking, we believe that both regulated entities and the agencies have experience implementing statutes without a complex rulemaking to guide them, and could do so in this case. We believe that the FSOC's definition of bright-line proprietary trading could be adapted as the basis for an interim rule with respect to that aspect of the rule. With regard to funds, an interim final rule could identify those types of funds that are clearly traditional hedge funds or private equity funds while seeking further comment on any new definition that expands the definition to categories of "similar funds."

Ultimately, we believe that the statute is so flawed that it will be impossible to implement in a way that does not impose unacceptable costs on our economy and financial system. Other regulatory and supervisory actions, as well as secular industry reforms – including extraordinarily high capital, liquidity and other requirements related to derivatives and other trading assets; improved underwriting standards; and permanent changes to the securitization landscape – impose more than sufficient restraints on the types of risk taking that are the Volcker rule's focus.

We note that the statute and proposed rule permit proprietary trading in U.S. Government securities, presumably because of a belief that trading in those securities benefits their liquidity and reduces the cost to their issuer, the U.S. Government. Foreign nations are now seeking a parallel exemption from the rule, citing precisely those reasons and expressing concern about what restrictions on trading will mean for the liquidity and pricing of their securities. U.S. companies are expressing the same concern with respect to their securities, further highlighting the potentially significant cost of the statute.

Those concerns highlight the extraordinary difficulties of proscribing proprietary trading while protecting client-driven and risk-mitigating trading activities. Nevertheless, we do not propose to debate the merits of the underlying statute in this letter. Instead, our comments focus on the potential implications of the proposed rule for our client franchises and risk management activities.

Our letter covers some general comments and then is divided into three main sections:

- First, a discussion that the market-making-related permitted activity is drafted too narrowly, and would deprive markets of valuable liquidity.
- Second, a discussion that the proposed definition of covered fund exceeds the statutory mandate by applying its restrictions abroad, and would thereby do unnecessary harm to the competitiveness of U.S. firms and investors.
- Third, a discussion that a combination of provisions could impair the ability of banking entities to engage in asset-liability management, including liquidity risk management, and an exemption for asset-liability management is therefore necessary to safeguard adverse effects on safety and soundness.

TABLE OF CONTENTS

I. General Comments

A. Trading Account

The statute defines proprietary trading as "engaging as a principal for the trading account of the banking entity or nonbank financial company supervised by the Board in any transaction to purchase or sell, or otherwise acquire or dispose of, any security, any derivative, any contract of sale of a commodity for future delivery, any option on any such security, derivative, or contract, or any other security or financial instrument that the appropriate [regulators] may . . . determine."[6] This definition would seem to ban a wide range of risk taking by banking entities. The definition is significantly and necessarily narrowed, however, by its reference to "trading account," which is in turn defined as comprising "any account used for acquiring or taking positions in [covered instruments] . . . principally for the purpose of selling in the near term (or otherwise with the intent to resell in order to profit from short-term price movements)"[7] or other accounts that the agencies may by rule decide to cover.

Thus, the definition of "trading account" is where Congress actually made clear what it meant by proprietary trading. And Congress made clear that it viewed proprietary trading as having in all cases a focus on earning profit from short-term price movements. It thereby distinguished impermissible proprietary trading from longer term investment activity and asset-liability management. The proposed rule defines "trading account" by reference to three separate tests: a purpose test (which tracks the statute and includes a rebuttable presumption that any position held for less than 60 days was taken with short-term trading intent); a market risk capital test (which substantially incorporates the definition of a "trading book" under proposed Basel capital rules); and a status test (if the activity requires registration as a dealer then the status test is fulfilled). If any one of the three tests is satisfied, the particular account will be a trading account (unless one of the three exceptions set forth within the trading account definition applies).

The preamble to the proposed rule indicates that the agencies added the market risk capital test on the assumption that its coverage was effectively the same as the purpose test, and to reinforce consistency between the proposed rule and the market risk capital rules, and to "eliminate the potential for inconsistency or regulatory arbitrage."[8] We believe, however, that the proposed market risk capital test does capture additional types of trading that are not within the purpose test, and types of trading that clearly should be permissible. The status test does as well. Accordingly, we suggest the agencies revert to the statutory definition.[9]

---

[6] Section 619(h)(4).

[7] Section 619(h)(6).

[8] See proposed rule at page 68859.

[9] If the agencies do wish to proceed with a separate market risk capital test, they would need to reopen this rulemaking in order to resolve what would otherwise appear to be significant procedural issues. Not only has the

B. Supervisory Implementation

The statute creates a supervisory role for five separate regulators. The proposed rule suggests no means by which the supervisory efforts of those agencies should be coordinated. As the statute notes, inconsistent application or implementation of regulations could create competitive advantages and disadvantages among entities affected by its terms.[10]

This jurisdictional ambiguity is not simply an awkward issue for the agencies, but rather, if permitted to continue in the final rule and its implementation, it will also be a significant problem for markets. The proposed rule already vests extraordinary discretion in the regulators, and makes it very difficult for a banking entity to know whether trading will be considered permissible (whether as market making, underwriting, asset-liability management or otherwise) or impermissible as proprietary trading. Interpretations are likely to vary over time, and one examiner at an agency may take a different view from another. Political considerations may change views of what is permissible. A whole additional layer of uncertainty is added, though, if the same trading unit at a given banking entity is subject to interpretation by examiners at a multitude of agencies. A trader at a national bank subsidiary of a bank holding company that registers as a swap dealer faces the prospect of having a vague and politically charged rule interpreted by four different agencies for purposes of his or her trading.

We recommend that before this rule is finalized, the agencies adopt and seek comment on a protocol for supervision and enforcement that ensures that a given banking entity will face one set of rules, and that different banking entities will face the same set of rules. Failure to do so will result in even greater chilling of legitimate trading, and even greater damage to market liquidity, funding for U.S. businesses, and economic activity.

We are less concerned with who makes the rules here than with the consistency of the application of those rules, though we believe that because these restrictions have safety and soundness as their primary focus, the banking regulators would seem to have the most relevant experience as well as having the examination resources.

C. Need for Phased Implementation

Regardless of how the final rule turns out, it will be a shock to the U.S. financial system, as banking entities will need to take extraordinary measures to attempt to implement it, counsel traders on what is permitted and what is not, and establish a cumbersome compliance regime. Both banking entities and regulators will need to learn how as many as seventeen metrics work when used, for the first time, to distinguish government-approved trading from

---

proposed rule here not provided notice as to how that test would expand the statutory definition, the market risk capital test is currently only a proposed rule, and is subject to change. See proposed rule at page 68859; Risk-Based Capital Guidelines: Market Risk, 76 Fed. Reg. 1890 (January 11, 2011).

[10] See Section 619(b)(2)(B)(ii).

government-prohibited trading. The risk posed to the U.S. economy by a hurried implementation of the Volcker Rule is significant. We encourage the agencies to adopt a gradual approach to implementation of the final rule. In particular:

- The agencies should use the initial conformance period to develop a complete understanding of the range of activities conducted by banking entities that require the assumption of principal risk and how those activities are distinguishable from prohibited proprietary trading. The initial conformance period should be used exclusively to collect and analyze data concerning those activities and bright-line proprietary trading activities and to develop appropriate quantitative tools to test for compliance with the proprietary trading prohibition after the expiration of the initial conformance period.

- The following sentence should be removed from the final rule because it has created considerable confusion as to the availability of the initial conformance period for banking entities to conform their activities to the statute and appears at odds with the Board's Conformance Rule:

  > The agencies expect a banking entity to fully conform all investments and activities to the requirements of the proposed rule as soon as practicable within the conformance periods . . .

- The final rule should require banking entities to use reasonable efforts to begin furnishing metrics as of the first anniversary of the effective date and state that the provision of such reports during the initial conformance period is without prejudice to the ability of a firm to rely on the full initial conformance period with respect to its activities.

The sole recommendation of the recent GAO study on proprietary trading was that regulators should collect and review more comprehensive information on the nature and volume of activities potentially covered by the statute in order to ensure that it is implemented effectively.[11] The initial conformance period is an opportunity for agencies to adopt a heuristic approach not solely with respect to the quantitative measurements in Appendix A to the proposed rule, but with respect to implementation of the statute as a whole. We encourage the agencies to use the initial conformance period for that purpose.

The proposed rule has created considerable confusion concerning the initial conformance period. As the proposed rule notes more than once, the purpose of the initial conformance

[11] See GAO Report to Congressional Committees, "Proprietary Trading – Regulators Will Need More Comprehensive Information to Fully Monitor Compliance with New Restrictions When Implemented;" July 2011 (the "GAO Study") ("In order to improve their ability to track and effectively implement the new restrictions on proprietary trading and hedge fund and private equity fund investments, we recommend that the Chairperson of FSOC direct the Office of Financial Research, or work with the staffs of the Commodity Futures Trading Commission, FDIC, Federal Reserve, OCC, and SEC, or both, to collect and review more comprehensive information on the nature and volume of activities that could potentially be covered by the act.").

period is to give markets and banking entities an opportunity to adjust to the statute. The purpose of the Board's Conformance Rule, which took effect on April 1, 2011,[12] was to implement the conformance periods. While the proposed rule states that the Board is not proposing any substantive changes to the Board's Conformance Rule, such a substantive change is arguably made by the statement that the agencies expect a firm to fully conform all investments and activities to any final rule as soon as practicable within the conformance periods. No such statement is made or implied in the Board's Conformance Rule. Furthermore, to the extent that the statement implies that a firm may not be permitted to rely on the full initial conformance period, it appears inconsistent with Congressional intent.

Any version of the compliance program outlined in the proposed rule would require a significant systems build-out. We believe that few, if any, banking entities could have completed that build-out by the effective date even if the final rule had been issued in October 2011, as required by the statute. The statement imposes an unrealistic and, given the existence of the initial conformance period, unnecessary burden on banking entities. We agree, however, with the statement in the proposed rule that the metrics can only be usefully identified and employed after a process of substantial public comment, practical experience, and revision. We believe that a full year's worth of data would be sufficient to allow the agencies to refine the suite of metrics.

II. Proprietary Trading and Investment Banking Activities

Regulated banking entities are by far the largest providers of market-making services. The existence of a robust, competitive field of such entities willing to provide liquidity is essential to create secondary market support for investments like corporate and municipal bonds. The statute has created considerable uncertainty about the market-making-related services that these entities can continue to provide. Further, while the statute clearly identifies the promotion of safety and soundness as one of its primary objectives and specifically protects market-making-related activities, the proposed rule appears more heavily focused on the prospect of banking entities hiding prohibited behavior. Consequently, it proposes to operate with a disruptive level of granularity and fails to provide banking entities with a sufficiently clear path to compliance. We believe that, if implemented as drafted, the proposed rule could have a chilling effect on the provision of liquidity by market makers that, in turn, would impair capital formation. Our principal concerns and recommendations concerning the market-making-related aspects of the proposed rule, each of which is described in more detail below, can be summarized as follows:

- The final rule should establish a rebuttable presumption that if the metrics required by the rule demonstrate that a business is a market-making business then the business in question is in compliance with the final rule.

[12] See Conformance Period for Entities Engaged in Prohibited Proprietary Trading or Private Equity Fund or Hedge Fund Activities, 76 Fed. Reg. 8265 (February 14, 2011).

- The proposed rule regarding market-making should not rely on hard-coded criteria; instead, some of the criteria included in the proposed rule should be moved to an appendix as guidance to banking entities on how to distinguish permitted market-making-related activities from prohibited proprietary trading.

- Metrics should be applied at a less granular level, with longer observation periods, a frequency that more closely reflects typical banking operations and more statistically appropriate calculation periods. For some metrics, the proposed implementation set out in the proposed rule is dramatically more difficult than necessary, and will yield negligibly more insight than a less burdensome version.

- While the statute very clearly permits the purchase, sale, acquisition or disposition of securities and other instruments in connection with market-making-*related* activities, the proposed rule appears to permit only transactions that are, themselves, market making. We believe that this fails to give full effect to Congressional intent with respect to the protection of critical aspects of a market maker's activities, such as certain arbitrage activities.

- The proposed rule puts unnecessary restrictions on interdealer trading, which is an important component of market making. The agencies should make clear that, whether or not conducted on an organized trading facility or exchange, interdealer trading driven by liquidity needs is market-making-related activity and is permitted. The agencies should clarify that the nature of the trading relationship determines whether an activity is market-making-related, not the characteristics of the parties to the transaction.

- Presently, the proposed rule does not properly accommodate important client-driven structured transactions. The final rule should recognize that these transactions are an important element of a banking entity's role and are related to its market-making activities.

- The proposed rule splits exemptions between the prohibition against proprietary trading and the prohibition against investing in covered funds in a manner that was not intended by the statute. As a result, we would be unable to engage in customer-driven underwriting and market making activity with respect to assets such as collateralized loan obligation equity and certain exchange-traded fund securities because such assets are treated as covered funds under the proposed rule.

- The agencies should not apply the final rule to commodity forward and foreign exchange products that clearly have a commercial, and not strictly financial, purpose.

- The proposed rule's proposed definition of "resident of the United States" would create competitive inequalities overseas among U.S. banking entities and should be amended to reflect the terms of the SEC's Regulation S so that the term "resident of the United States" does not include any agency or branch of a U.S. person located outside the United States if the agency or branch operates for valid business reasons, is engaged in the business of banking and is subject to substantive banking regulation in the jurisdiction where located.

We have concerns about aspects of the proposed rule other than market-making that we believe would impair the ability of JPMorgan to provide its clients investment banking services. These concerns, all of which, again, we address in greater detail below, can be summarized as follows:

- Similar to our proposed treatment of the criteria for the market-making exemption, the proposed rule regarding risk-mitigating hedging should not rely on hard-coded criteria, but rather a number of the criteria should be addressed exclusively in an appendix where they would provide guidance that the agencies would apply to help distinguish permitted risk mitigating hedging activities from prohibited proprietary trading.
- The final rule should clearly permit banking entities to continue to use all risk management tools currently available to them, including scenario hedges. The proposed rule should be revised to make clear that scenario hedges are within the scope of the hedging permitted activity.
- The proposed rule does not clarify the status of intra-group trading activity – which firms frequently use for a variety of risk management, legal, tax and regulatory reasons – and therefore leaves unclear whether it is permissible. The final rule should take proper account of intra-group transactions by considering the economic effect of series of related transactions, not just individual transactions, on a banking entity group as a whole.
- The documentation burden associated with Section __.5(c) of the proposed rule is unnecessarily disruptive. It should be applied at a less granular level and should not be applied to trading desks that exist to hedge risks assumed by other trading desks.
- The definition of covered fund set out in the proposed rule could cause the disappearance of certain securitization activities, resulting in a material reduction in credit for a wide range of industrial, commercial and service-sector entities. As drafted, we believe the definition exceeds the requirements of the statute and fails to take proper account of the FSOC's recommendations and the rule of construction set out in Section 13(g)(2) of the statute.
- The government obligations permitted activity should be expanded to include derivatives referencing government obligations because a failure to do so will inadvertently affect liquidity in government obligations themselves. In order to preserve liquidity in the bonds issued by other sovereign entities, it should also be expanded to include trading that is otherwise permitted by law in the obligations of all foreign governments that are comparable in credit quality to the United States.
- The definition of trading account should be limited to a purpose test as required by the statute. The presumption that any account used to acquire or take a covered financial

position that is held for sixty days or less is a trading account position exceeds congressional intent and should be removed from the final rule.

- The agencies should give further consideration to the meaning of the term "loan." At present, it throws into question the treatment of certain market-standard means of transferring the risk associated with loans. We believe that there clearly are circumstances under which debt securities should be considered to be within the phrase "extension of credit" in the definition of loan and that the rule should leave room for the issue to be addressed on a case-by-case basis.

- The exclusion for repurchase agreements should be extended to encompass all transactions that are analogous to extensions of credit and are not based on expected or anticipated movements in asset prices.

A. Market Making

1. The Essence of Market Making

The essence of a market maker's job is to provide liquidity by quoting prices to customers and then to respond intelligently to the risks acquired when customers act on the quoted prices. A single trade will typically expose the market maker to multiple risks, and the successful market maker is one who makes the right choices about which risks to prioritize addressing, in what sequence, and with which instruments. The optimal choices are the ones that minimize the volatility of his or her portfolio while maximizing the amount of bid-offer spread captured over time. Market making thus necessarily involves risk mitigation rather than risk elimination. The proposed rule introduces significant uncertainty into this optimization process and risks diminishing the willingness of market makers to provide liquidity.

Regulated banking entities and broker-dealers are by far the largest providers of market-making-related services. The existence of a robust, competitive field of banking entities willing to provide liquidity is essential to creating secondary market support for investments like corporate and municipal bonds. Without the predictable source of secondary market liquidity that market makers provide, the risks of bond ownership would increase, causing investors to raise borrowing costs to issuers. That, in turn, would seriously impair capital formation.

In essence, the distinction between prohibited proprietary trading and the core capital-raising functions of the U.S. financial markets now rests on the agencies' interpretation of the words "designed," "reasonably expected," and "near term." Given the vital importance of the distinction, the choices that regulators make in implementing the statute are critical. While the proposed rule represents a good faith effort to resolve the uncertainty generated by the statute, its approach to supervision could reduce the willingness of firms to make markets. As we note in the introduction, in its directions to the FSOC, the statute clearly identified the promotion of safety and soundness as one of its primary objectives. At the same time, it specifically recognized that some market-making-related activities were not in conflict with this objective and should be protected. The proposed rule instead focuses heavily on the possibility of firms "hiding" prohibited behavior or mischaracterizing activities to evade the statute and is insufficiently focused on the safety and soundness of firms and the financial markets more broadly. What follows in this section of the letter is a discussion of the principal issues that we believe should be addressed in order to minimize the adverse effects of the proposal on market-making-related activities.

2. Liquidity Substitution and the Shadow Banking System

A few observers have suggested that, while the statute may reduce the ability of banking entities to provide liquidity, that effect may be offset by an increase in market participation by non-regulated firms. We believe this argument is misplaced for two reasons. First, the statute provides a clear exemption for market-making activities by banking entities rather than directing the agencies to consider alternative providers of that service. Second, and more fundamentally, market realities make it highly unlikely that non-regulated entities would have the incentive or resources to serve as dependable market makers at narrow spreads, particularly in volatile markets when such services are most necessary. Such a suggestion ignores lessons from recent financial crises and greatly underestimates the importance of housing critical financial services within the regulated banking sector.

One important lesson is that procyclical liquidity is not a substitute for through-the-cycle liquidity. We view our market-making business as part of an overall franchise that includes commercial banking, lending and underwriting relationships. High-frequency traders and hedge funds play an important role in financial markets, but their business models do not require the development or maintenance of such relationships. As such, we believe that their willingness and ability to accept risk to support clients during periods of market stress (when, as we note above, a market maker's services are of the greatest value) will naturally be more limited than those of a banking entity.

Market making is optimally located within financial institutions that are subject to close prudential supervision. The minimum capital requirements to which banking entities are subject ensure that, even in stressed markets, they have sufficient capital to participate actively in market making. Also, banking entities typically have access to diversified sources of funding that allow them to assume less liquid and more volatile positions from clients with greater confidence. By contrast, non-regulated financial market participants are typically very thinly capitalized and have limited, if any, access to traditional capital markets. Furthermore, managing the complexity associated with large portfolios of lightly mismatched "leftover" risk over long periods of time and in all market conditions, which is a critical element of a market-maker's role, requires access to capital and risk management infrastructure that is only found in banking entities. As events like the collapse of Long Term Capital Management and others have demonstrated, market events like unexpectedly high margin calls threaten the viability of highly leveraged or lightly capitalized market actors with complex portfolios of offsetting positions.

Also, many non-regulated entities operate a business model that depends on executing a high volume of intra-day transactions and ending the trading day without any risk position at all. Even a small increase in execution uncertainty or operational risk can lead such an entity to exit a market. The "flash crash" of May 6, 2010 clearly demonstrates the destabilizing effect of such contingent liquidity.

We expect that, however it may be implemented, the statute will reduce liquidity. That impact will lead to a widening of bid-offer spreads that will attract non-regulated entities, at least temporarily. But we encourage the agencies to recognize that the business model of non-regulated entities means that any commitment to providing liquidity is likely to prove limited, high in cost, and fickle.

3. The Definition of Trading Account

As noted above, the proposed definition of trading account is broader than the statutory definition.

In a later section, we describe how the proposed market risk capital test would expand the statute to cover asset-liability management functions that should be permissible, and why it should be eliminated. Here we focus on three additional issues: (1) why the registration test should also be eliminated; (2) why the 60-day presumption is counterfactual and should be eliminated; and (3) how, in one way, the proposed rule expands the purpose test unwisely.

Registration Test

The inclusion of the registration test in the final rule would create significant uncertainty about the scope of the proprietary trading prohibition. The test appears to overlap entirely with the purpose test and, as such, is redundant. Further, the final rule will apply globally. In the course of preparing for the implementation of the final rule, it is becoming clear that, in certain jurisdictions, it is difficult to conclude with certainty whether frequent long-term investing activity gives rise to a local dealer registration requirement. In cases where it does, the registration test would make activity that lacks short-term trading intent subject to the statute's prohibitions. Since that would exceed Congressional intent, the registration test should be removed from the proposed rule completely.

Presumption

Although it is described in the proposed rule as being intended to "simplify" and to provide "greater clarity and guidance," the rebuttable presumption set out in the proposed rule that any covered financial position held for sixty days or less is a trading account position[13] (the "sixty-day presumption") is an expansion of the proprietary trading prohibition set out in the statute. Nothing in the statute requires or implies a requirement for such a rebuttable

[13] See proposed rule Section __.3(b)(2)(ii).

presumption and there should be no such presumption in the final rule. The sixty-day presumption only increases the uncertainty surrounding the proprietary trading prohibition. It is far from clear what evidence would suffice to rebut the presumption. Also, the inclusion of the sixty-day presumption highlights confusing inconsistencies in the agencies' approach to the definition of trading account. In relation to the market risk rules test, when looking for guidance with respect to the phrase "short-term," the proposed rule refers to the FASB ASC Master Glossary definition of "trading" which notes that "near-term" for purposes of classifying trading activities is "generally measured in hours and days rather than months or years." We find that inconsistent with a rebuttable presumption that a position held for two months was acquired with short-term trading intent. The proposed rule itself, at footnote 102, also appears to note the inconsistency.[14]

Purpose Test

While we generally support reverting to the statutory purpose test as the sole definition of trading account, we are concerned about the statement that a trading account "would also include a derivative, commodity future, or other position that, regardless of the term of that position, is subject to the exchange of short-term variation margin through which the banking entity intends to benefit from short-term price movements."[15] Decisions about the intervals at which collateral should be taken from counterparties are taken by credit risk managers, not traders. They reflect credit risk appetite, not trading intent. Regularly taking collateral to mitigate the credit risk associated with a financial transaction simply is not an indicator of short-term trading intent, and the statement should be deleted. It should be noted that Title VII of the Dodd-Frank Act will require certain firms to take collateral from their counterparties on a daily basis in respect of swap and security-based swap transactions whether or not they actually want to do so. Since that collateral posting is mandatory, it says nothing at all about intent. If left in the final rule, the statement may cause banking entities to alter otherwise prudent risk management practices to conform to the final rule. That would run contrary to the stated purpose of the statute and constitute a clear case of the cost of a rule outweighing its benefit.

4. <u>The Proposed Rule Should Not Rely on Hard-Coded Criteria</u>

Because of its multiple overlapping parts, the proposed rule does not provide regulated entities a clear path towards compliance. For market making to continue in its current form,

[14] See proposed rule at footnote 102: "See FASB ASC Master Glossary definition of "trading." Although §__.3(b)(2)(ii) of the proposed rule includes a rebuttable presumption that an account used to acquire or take certain covered financial positions that are held for 60 days or less is a trading account, the agencies note that U.S. GAAP does not include a presumption that securities sold within 60 days of acquisition were held for the purpose of selling them in the near term."

[15] See proposed rule at page 68858. The purpose test also includes covered financial positions acquired or taken principally for the purpose of benefitting from actual or expected short-term price movements.

as the statute clearly intended, firms should have a way of knowing whether the activities they are conducting will or will not qualify for the exception.

For example, Section __.4(b)(2)(vi) of the proposed rule requires firms to conduct their market making-related activities in a manner consistent with Appendix B to the proposed rule. However, Appendix B provides that consistency with Appendix B is insufficient and also requires compliance with all of Section __.4(b). In places, Appendix B and Section __.4(b) address the same topic, and it is unclear whether compliance with Appendix B also constitutes compliance with the corresponding criterion in Section 4(b). If it does, it is difficult to see why there is a separate criterion in Section __.4(b) at all. If it does not, it is unclear what additional compliance steps are required. Addressing the subject matter of Section __.4(b)(2)(ii), (iii), (iv), (v) and (vii) of the proposed rule only in Appendix B would resolve the confusion that presently exists in the architecture.

The proposed rule proposes to apply seventeen metrics daily at a variety of points in the firm's trading hierarchy. Also, Appendix B to the proposed rule is a multi-page description of the distinctions between permitted market-making-related activities and prohibited proprietary trading that notes frequently how facts and circumstances can cause a genuine market-making business to resemble a proprietary trading business. Because of its use of hard-coded criteria in the proposed rule itself, as the proposed rule is presently constructed, a trading desk that has all of the anatomical properties of a market-making business,[16] that consistently yields satisfactory results with respect to the preponderance of the seventeen metrics and that operates its business consistent with Appendix B can still be told that its activities are prohibited proprietary trading because, for example, it held itself out on a regular basis when it should have held itself out on a continuous basis. That is clearly the wrong result and would be avoided if the subject matter of Section __.4(b)(2)(ii), (iii), (iv), (v) and (vii) of the proposed rule were addressed only in Appendix B. That would allow the agencies greater flexibility as it would ensure that "facts and circumstances" can be factored into regulatory decisions. In a rule intended to address a variety of products and all market conditions, that flexibility is essential to proper supervision.

5. <u>The Proposed Rule Goes beyond the Statute to Proscribe "Market-Making Related" Activities</u>

The statute very clearly permits the purchase, sale, acquisition or disposition of securities and other instruments in connection with market-making-*related* activities. As the agencies are aware, the word "related" was specifically added during the House-Senate conference process. In places, however, the proposed rule appears to read this word out of the statute. For example, the proposed rule states:

[16] For example, the business employs sales staff that cover clients, issues research to clients, delivers pricing runs to clients and is considered by the Street and by clients to be a market-making business.

> a trading desk or other organizational unit of a banking entity that is engaged wholly or principally in arbitrage trading with non-customers would not meet the terms of the proposed rule's market making exemption.[17]

While some types of arbitrage trading might properly be considered speculative, others clearly relate to customer needs and should be seen as a part of a firm's market-making-related activities. Corporate bond exchange-traded funds provide a useful example of the latter. Exchange-traded funds are a low-cost means by which investors, often individuals, are able to participate efficiently in markets that would otherwise be closed to them. For the product to work, two conditions must be met: the underlying bonds must be tradable and liquid, and market participants must be willing to execute arbitrage transactions between the exchange-traded fund and the underlying bonds. The corporate bond exchange-traded fund market could not continue to function as it does without that arbitrage activity: supply and demand forces would cause the exchange-traded fund to diverge from fair value and distort its performance. The liquidity on the underlying bonds is provided by corporate bond market makers. For an exchange-traded fund market-maker, the ability to optimize various sources of liquidity, including the underlying corporate bond market, is an important factor in the efficiency that drives the exchange-traded fund's low friction costs. But the exchange-traded fund market-maker's portfolio construct might at times have the appearance of an arbitrage strategy. Often, as a matter of organizational efficiency, firms will restrict that strategy to certain specific individual traders within the market-making organization, who may sometimes be referred to as a "desk." The proposed rule apparently would not allow such a desk to rely on the market-making-related exception. We believe that this is inconsistent with the statute and unwise as a matter of policy.

Also, in order to minimize risk management costs, firms commonly organize their market-making activities so that risks delivered to client-facing desks are aggregated and passed by means of internal transactions to a single utility desk. The aggregated client-delivered risk is then hedged in aggregate and, optically, can bear some of the characteristics of arbitrage. Such activity is a direct function of a firm's market-making operations, and we encourage the agencies to recognize it as permitted market-making-related behavior.

6. The Proposed Rule Creates Considerable Doubt about the Status of Interdealer Trading Activity

Interdealer trading is a vital component of market making, as permitted under the statute. Accordingly, we suggest the agencies clarify that the nature of the trading relationship determines whether an activity is market-making-related, not the characteristics of the parties to the transaction.

In its discussion of the Customer-Facing Trade Ratio, the proposed rule notes that:

[17] See proposed rule at page 68871.

> A broker-dealer, swap dealer, or security-based swap dealer, any other entity engaged in market making-related activities, or any affiliate thereof may be considered a customer of the trading unit for these purposes if the covered banking entity treats that entity as a customer...[18]

We regard that comment as a recognition of the important fact that there is a significant amount of interdealer trading activity where one dealer is acting as the customer of another. We also agree with the direction of the following comment made in the proposed rule:

> activities by...a person that primarily takes liquidity on an organized trading facility or exchange, rather than provides liquidity, would not qualify for the market-making exemption under the proposed rule...[19]

Whether or not conducted on an organized trading facility or exchange, trading activity that has as its primary driver the provision of liquidity is market-making-related activity and should be permitted. We see no distinction in this regard between anonymous exchange-traded transactions and over-the-counter transactions where the identity of the counterparties is disclosed.

A particularly vivid example of why the agencies should clarify the status of interdealer activity is the direct market in currency options. The market is called "direct" because it is entirely bilateral and is neither intermediated by inter-dealer brokers nor executed on any organized trading facility. The currency options market is a global, 24-hour, 6-day-per-week market. Following the decades-old conventions of the foreign exchange spot market, firms provide two-way prices to each other in that market on demand. This informal agreement to quote two-sided prices to other market makers is an essential feature of being a market maker in the global currency options market. When one market maker provides pricing to another in that market, it considers the market maker to which it provides the pricing to be a customer. Access to that interdealer liquidity is essential to allow firms to develop the risk inventory needed to satisfy demand in their market-making franchises and to manage risks delivered to them by their non-dealer customers. At present, there is considerable confusion in the industry about whether the agencies view this activity as prohibited. We strongly recommend that the agencies clear up that confusion in the final rule.

7. The Proposed Rule Undervalues the Metrics

The proposed rule notes consistently that the metrics are designed for "identifying trading activity that warrants additional scrutiny." They are equally well designed for identifying trading activity that warrants no further scrutiny. While we agree that no single metric can serve as a dispositive tool for identifying prohibited proprietary trading, we submit that if a business routinely passes over a dozen metric tests designed to determine whether it is a

[18] Proposed rule at page 68960.

[19] Proposed rule at page 68872.

market-making business, the need for further inquiry into the nature of the business is significantly reduced and may be superfluous. The final rule should provide that where a firm has established an internal compliance program with respect to a business and the metrics that are run by the firm demonstrate that the business is a market-making business, the business should benefit from a rebuttable presumption that it is in compliance with the final rule.

8. The Metrics Require Changes to Reduce Impact on Liquidity and Decrease Implementation Burden

Level of Reporting. The proposed rule requires banking entities to calculate and report metrics at points in the organizational hierarchy down to the trading desk level. The choice of level at which to apply metrics is an extremely important one: while too high a level may cause smoothing of results, too low a level will routinely generate false positives. The opportunity to explain the facts and circumstances surrounding false positive mitigates the harm, but not enough: knowing that individual decisions will require explanation will seriously chill desirable capital commitment by market makers. That chilling effect will be magnified at the worst possible times since the incidence of false positives will increase in distressed market conditions, when a market maker's services are of the greatest value.

The proposed rule could safely be less granular and still be effective. At JPMorgan, the most senior level of trading risk management is referred to as the Investment Bank Risk Committee, or IBRC, and meets weekly to discuss the Firm's trading risks. The heads of all the trading businesses are represented at these meetings, and positions are discussed at a level of granularity that appropriately reflects the materiality of the risk. We believe that the metrics should not be applied below the level at which data is routinely reviewed by senior management at these IBRC meetings. For example, at JPMorgan, the trading business level would be Credit Trading or Institutional Equity as opposed to a sub-level within each business – e.g., North American Credit Trading.

Frequency of Reporting. The proposed rule proposes monthly reporting of metrics. While the agencies should retain the ability to request more frequent reporting on an exception basis and firms should be required to investigate anomalies as they arise, the routine reporting frequency should be quarterly. Monthly reporting is too frequent because of the complexity of the process that surrounds the generation of regulatory reports. Before such reports are submitted to regulators, they are subjected to trader, compliance, risk-manager and senior management reviews. That process is time consuming and, as a result, such reports are generally produced only on a quarterly basis.

Calculation periods. Similarly, thirty-day and sixty-day calculation periods are too short for some of the proposed measurements. A thirty-day calculation period will typically capture only 22 trading days. For statistical calculations, a sample set of 22 data points is just too small and creates an unnecessarily high degree of measurement uncertainty. To maximize their usefulness, the calculation period should be one calendar quarter (typically 63 trading days) for each of the following proposed quantitative measurements:

- Volatility of Comprehensive Profit and Loss and Volatility of Portfolio Profit and Loss;
- Comprehensive Profit and Loss to Volatility Ratio and Portfolio Profit and Loss to Volatility Ratio;
- Skewness of Portfolio Profit and Loss and Kurtosis of Portfolio Profit and Loss; and
- Spread Profit and Loss.

Utility of the Metrics. Some of the metrics are completely new; they are not currently in widespread use in the industry. Two metrics in this category are Inventory Risk Turnover and Spread Profit and Loss. While each is potentially useful in concept, the proposed implementation set out in the proposed rule is dramatically more difficult than necessary and will yield negligibly more insight than a less burdensome version of the test.

The Inventory Risk Turnover metric should focus only on the principal measure of directional risk for the subject portfolio. One of the core functions of a market-maker is to warehouse certain secondary risks, which is essential to the proper functioning of most markets. The purpose of an inventory turnover measure is to compare the amount of risk that a market maker retains to the size of the market marker's client franchise. A typical securities trading desk will trade many securities, and many desks will trade both derivatives and securities. The proposed rule's proposal to require firms to compute risk turnover in relation to *all* of the regularly produced risk sensitivities of *all* instruments within the relevant portfolio would require risk turnover to be calculated for ten or more risk sensitivities in some businesses and is excessive.

We believe that focusing only on the principal measure of directional risk strikes the right balance between practicality and relevance. Any concern that focusing only on that principal measure will encourage the warehousing of outsize positions in other risks should be mitigated by the application of other measurements (especially profit and loss volatility metrics and the Comprehensive Profit and Loss Attribution metric) that should effectively identify other risk concentrations. In addition, the more exotic the risk, the greater the difference in measurement methodology across firms. Requiring inventory risk turnover to be measured against more than the principal measure of directional risk will make it far more challenging for the agencies to manage horizontal reviews and, as such, to maintain a level playing field among firms.

With respect to the Spread Profit and Loss metric, the End of Day Spread Proxy is sufficient and should be used for all asset classes. Using the prevailing bid-ask or similar spread at the time the purchase or sale is completed is far more onerous than is necessary to distinguish position-related revenue from spread-related revenue. It will yield meaningless results in institutional markets where clients have significant bargaining power (which describes most markets for the institutions most affected by the statute) because, in those markets, it would be perfectly reasonable for a firm to record the most recently traded price as the midmarket price. In that situation, the Spread Profit and Loss would be zero, producing a metric "failure" in all cases.

The End of Day Spread Proxy relies on processes that firms generally already have in place in response to industry-wide demand for accurate end-of-day valuations. It is much more objective than the proposed approach because it is subject to far greater scrutiny by third parties. Correctly, the proposed rule notes the need for market makers to manage retained principal risk effectively. Balancing risk in order to be able to quote to clients is an essential element of a trading business that is designed to satisfy near term customer demand. For the most liquid asset classes, the proposed approach will cause market makers who successfully manage intra-day fluctuations in client demand to appear to be trading with "a simple expectation of future price appreciation,"[20] leading to defensive pricing behavior and a reduction in market liquidity. While it could be argued that our proposed approach would allow a proprietary trading desk with an intra-day trading mandate to appear to have only spread-related revenue,[21] any such business would fail a simple review of its mandate and set-up and would almost certainly produce profit and loss volatility numbers inconsistent with a market-making business.

With respect to the Customer-Facing Trade Ratio, we believe that the metric should not be based on trade counting; instead it should be a risk-based normalization, similar to the Inventory Risk Turnover metric. The proposed approach introduces the possibility of nonsensical results. For example, a corporate customer might execute a multi-billion dollar hedge of its foreign currency exposure by buying a foreign currency put option in the FX Options market. The market-maker may, among other approaches, "call out" in the interbank market and exit the position in much smaller pieces. The result would be to have one customer trade and, perhaps, ten or more dealer trades, simply because each of the interbank trades is smaller.

Further, as the agencies acknowledge,[22] Stress VaR is not in regular use for day-to-day risk management. For Basel purposes, Stress VaR will be calculated only at the highest level of the firm, and computing it at a more granular level creates a significant implementation burden as well as problems in terms of comparability and relevance of results. More importantly, as a measure that conveys no information about intent or proportionality between the risk assumed and client demands, it provides little relevant information about a banking

[20] See proposed rule at page 68871.

[21] If a proprietary trading business had an intra-day trading mandate it would always end the trading day with a flat position. If the mid-market value of its trades were only determined at end of day then all of the revenue would go into the spread category, creating the appearance of compliance even though the activity is clearly prohibited.

[22] See proposed rule at 68887.

entity's compliance with the statute. We therefore believe that Stress VaR should be removed from the list of required metrics.

Inapplicability to Asset-Liability Management

The metrics proposed would not, in any form, be useful in distinguishing valid asset-liability management from proprietary trading. We discuss this in detail below, under "Asset-Liability Management."

9. Solution-Driven Transactions

We are concerned that, generally, the proposed rule does not appear to acknowledge the more structured, client-driven transactions that banking entities routinely enter into with their client base. Such transactions (which are often referred to as "solution" transactions) are increasingly driven by client financing needs, but may also be driven by risk management considerations. For example, a transaction may be designed to provide a predictable source of funding for a client's regulatory capital needs or to provide structured protection to a client on its loan or securities portfolios. Our goal is either to give the client indirect access to cheaper sources of funding or assume risks from the client that we then distribute to the market. Typically, the client-facing transaction is relatively structured and we hedge or offset the risk assumed using a combination of transactions executed through our market-making desks. This activity is related to our market-making franchises and therefore permissible under the statute.

Banking entities are by far the largest provider of these solution-driven products. We are concerned that the trading on behalf of customers permitted activity is not sufficiently broad to permit this activity and that a narrow interpretation of the requirement to hold oneself out "on a regular or continuous basis" would preclude reliance on the market-making permitted activity in connection with these client-driven transactions. We suggest the agencies make clear in the final rule that, for this purpose, a banking entity meets a requirement to hold itself out if it markets structured transactions to its client base and stands ready to enter into such transactions with them even though transactions may occur on a relatively infrequent basis.

B. Risk-Mitigating Hedging Permitted Activity

We discuss in detail below the application of the exception for risk-mitigating hedging to JPMorgan's corporate asset-liability management function. It is within that function, rather than within our investment bank, that we hedge the structural risks of the company's balance sheet. In this section, we discuss how the risk-mitigating hedging exception applies to hedging within our investment bank. As the proposed rule acknowledges, hedging is a vital part of market making, because it allows market makers to manage the principal risk they must incur to perform the function. In several ways, the proposed rule would make hedging more difficult.

1. The Proposed Rule Should Not Rely on Hard-Coded Criteria

The criteria in Section __.5(b) of the proposed rule should be factors to be considered when distinguishing prohibited proprietary trading from hedging, not tests that must be satisfied in every case in order to qualify for the hedging permitted activity. For example, we are concerned that even if all other requirements of the hedging section are satisfied, a transaction is not a hedge unless it is contemplated by the written policies established by the firm pursuant to subpart D. That limits the ability of the firm to hedge unanticipated risks quickly.

The hedging permitted activity set out in the proposed rule is much narrower than the discussion of the hedging permitted activity in the preamble. For example, the preamble states that anticipatory hedging is permitted in certain circumstances but the text of the proposed rule itself makes no reference to anticipatory hedging.[23] The mismatch between the discussion in the preamble and the hard-coded criteria in the proposed rule generates considerable uncertainty. Removing hard-coded criteria from the proposed rule would help to resolve that uncertainty.

If the criteria in Section __.5(b) in the hedging section of the proposed rule were removed and the subject matter of those provisions were addressed instead in an appendix to the proposed rule analogous to Appendix B, the agencies would be able to take facts and circumstances into account throughout the supervisory process. As we note above, we believe that is essential to the proper supervision of complex financial markets.

2. The Importance of Scenario Hedging

While most risk management is designed to address reasonably foreseeable risks, risk managers also routinely consider so-called "tail risks;" remote, but potentially devastating movements in a portfolio of assets that can follow events like the collapse of a major financial institution or the insolvency of a highly leveraged sovereign entity. As the agencies are aware, banking entities routinely stress test their balance sheets against such outlying scenarios and many banking entities are currently engaged in stress tests concerning macroeconomic and financial market scenarios mandated by the Federal Reserve to ensure that institutions have robust, forward-looking capital planning processes.[24] Typically, scenario hedges are not dictated by individual trading desks.[25] In fact, it is common for

[23] See page 68875 of the proposed rule and contrast it with Section __.5(b)(2)(ii) of the proposed rule.

[24] See Federal Reserve press release November 22, 2011 at http://www.federalreserve.gov/newsevents/press/bcreg/20111122a.htm.

[25] Since most scenario hedges are established at higher levels of organization within banking entities, they would be subject to the additional documentation requirements set out in Section __.5(c) of the proposed rule. Also, scenario hedges have a clearly identifiable risk and profit-and-loss profile. They should be identifiable using Value-at-Risk and Stress VaR and VaR Exceedance and revenue metrics. Consequently, supervisors will have ample opportunity to require banking entities to explain the facts and circumstances surrounding these trades.

individual trading desks to be unaware that such hedges have been established because awareness might change behavior in a manner that undermines the value of the hedge.

A position should qualify as a hedge if it is reasonably correlated to a specific risk or the banking entity can reasonably demonstrate through its stress testing program that the position reduces its tail risks. At inception, the correlation between a chosen hedge and a given tail risk may be relatively loose. Section __.5(b)(2)(iii) of the proposed rule requires that the hedging transaction be "reasonably correlated, based upon the facts and circumstances of the underlying and hedging positions and the risks and liquidity of those positions, to the risk or risks the purchase or sale is intended to hedge or otherwise mitigate." We believe that this requirement may be too narrow to permit scenario hedging and, as such, could deprive banking entities of an important risk management tool.[26]

3. Intra-group activity

Generally, the proposed rule does not adequately discuss intra-group trading activity and therefore leaves unclear whether it is permissible. For a variety of risk management, legal, tax and regulatory reasons, banking entities frequently use booking vehicles that do not face external counterparties except to support the trading or hedging activities of other group members. For example, a hedge fund derivative transaction entered into by a U.S. banking entity with a non-U.S. customer may be hedged by means of an offsetting transaction between the banking entity and a non-U.S. affiliate of the banking entity that buys hedge fund shares as its hedge for the offsetting transaction. That combination of transactions provides the group, as a whole, with an efficient hedge to the customer-facing transaction. The proposed rule is drafted as though the same entity always executes both the risk-generating transaction and the hedge. The final rule should clearly allow banking entities to consider exempt groups of transactions entered into by different group members if they are connected and in aggregate act as a hedge for specific risks faced by one or more members of the group.[27]

4. Documentation of Macro Hedges

The proposed rule appears to underestimate the frequency with which hedges are established by a supervisor or risk manager responsible for more than one trading desk. We believe that the requirement for contemporaneous documentation should apply only to hedges executed one level or higher above the level described in the example contained in footnote 161 in the proposed rule. That is, the documentation requirement should apply only to hedges that are

[26] We also address these issues in the Asset-Liability Management section of this letter below.

[27] Another example of the proposed rule's failure to recognize intra-group activity appears in relation to the market-making permitted activity. In many cases, mere booking entities are able to rely on intra-group exemptions under local law and do not carry dealer registrations. Since the proposed rule makes such registration an absolute condition, it would be impossible for such entities to rely on the market making exemption.

established by the manager of a person responsible for more than one desk or by more senior management. No additional documentation of a hedge transaction should be required at or below the level described in footnote 161 as long as the hedge in question is contemplated by the hedging policies and procedures maintained by the relevant business in compliance with Subpart D. Otherwise, the administrative burden associated with the proposed rule would be significant to the point of interrupting normal trading operations. That, in turn, may cause banking entities to become exposed to greater risks. It should also be noted that these hedges will be subject to testing using metrics and, as such, will be subject to review by the agencies.

The mandate of certain desks is to hedge the risks generated by other desks. Such risk management desks should not be subject to the documentation requirements with respect to their trading activity at all. We believe that it is incorrect to consider such desks to be "at a level of organization that is different than the level of organization establishing . . . the [risk generating transaction]." The two typically sit at the same level within an organization and typically have separate management reporting lines. If such desks were subject to the documentation requirements, their daily trading operations would be materially affected because they would be required to separately document the purpose of every trade executed. The final rule should make clear that such desks are not subject to the documentation requirements.

C. The Extraterritorial Application of the Volcker Rule Would Create Competitive Disadvantages among U.S. Firms

The definition of "resident of the United States" contained in the proposed rule creates competitive inequalities among U.S. banking entities that operate overseas. As drafted, the proposed rule places U.S. banks that operate overseas through branches at a disadvantage to U.S. banking entities that operate overseas through subsidiaries. To avoid these inequalities, the definition of "resident of the United States" should be conformed to the definition of U.S. person contained in the SEC's Regulation S.

Many U.S. banks conduct activities in covered financial positions from their overseas branches. Such activities are typically heavily regulated locally. For example, the London branch of JPMorgan Chase Bank, N.A. is a "resident of the United States." It is regulated by the UK Financial Services Authority. However, a long-established U.K. subsidiary of a U.S. firm is not captured by any clause of the "resident of the United States" definition. As such, in their dealings with a branch, overseas entities must take into account the possible application of the Volcker Rule to their transactions, but, in their dealings with a subsidiary, they do not. Consequently, overseas entities are more likely to want to deal with subsidiaries than branches. We see no policy justification for the competitive disadvantage at which JPMorgan Chase Bank, N.A. would be placed – certainly no justification relating to the subject of the statute.

The inclusion of foreign branches of U.S. banks within the definition of "resident of the United States" in combination with the proposed rule's definition of derivative, may adversely impact trading in U.S. Government debt obligations by foreign investors in a manner that clearly was not intended by Congress. Although the Treasury Secretary has proposed to exclude foreign exchange swaps and forwards from regulation as swaps for most purposes[28], the proposed rule proposes to include such products within the definition of derivative. Foreign exchange swaps and forwards are the means by which foreign investors convert local currencies into U.S. dollars so that they can purchase U.S. Government debt obligations. As such, liquidity in those products affects liquidity in U.S. Government debt obligations. Those products are very often executed with overseas branches of U.S. banks. If foreign exchange swaps and forwards remain covered financial products under the final rule and those overseas branches of U.S. banks are residents of the United States, then foreign investors will have to assess the proposed rule's implications when they trade in those products with such local branches. That, we believe, may reduce liquidity in those products and that, in turn, may reduce liquidity in U.S. Government debt obligations.

The agencies note that the definition of "resident of the United States" in the proposed rule is similar but not identical to the definition of U.S. person for purposes of the SEC's Regulation S. As it relates to bank branches, the definition should be identical. The full provisions of the U.S. person definition of Regulation S should be added to the proposed rule so that the term resident of the United States does not include any agency or branch of a U.S. person located outside the United States if:

(i) the agency or branch operates for valid business reasons; and

(ii) the agency or branch is engaged in the business of banking and is subject to substantive banking regulation in the jurisdiction where located.

D. Government Obligations Permitted Activity

We refer the agencies to the letter dated February 10, 2012 submitted by JPMorgan, Wells Fargo Bank, N.A., Deutsche Bank AG, New York Branch, RBC Capital Markets, LLC and Société Générale, New York Branch, in which we convey our concerns about the impact of the proposed rule on the market for municipal securities that do not fall within the scope of government obligations permitted activity and the impact of the proposed rule on the tender option bond markets. We believe that the government obligations permitted activity is also too narrow in certain other key respects. Our other principal concerns and recommendations can be summarized as follows:

- The permitted activity should be expanded to include derivatives referencing government obligations.

[28] See Determination of Foreign Exchange Swaps and Foreign Exchange Forwards Under the Commodity Exchange Act, 76 Fed. Reg. 25774 (May 5, 2011).

- The government obligations permitted activity should be expanded to include trading that is otherwise permitted by law in the obligations of all foreign governments that are comparable in credit quality to the United States.

Presently, the government obligations permitted activity addresses only direct holdings of government obligations. As a practical matter, it is rare for trading desks to trade only a cash instrument; trading desks that trade in government obligations routinely trade also in futures, options and swaps referencing government obligations. Subjecting trading in those instruments to the prohibitions of the statute could limit the ability of banking entities to position themselves efficiently and to hedge government obligations. That, in turn, would reduce trading in the government obligations themselves and, therefore, undermine Congressional intent with respect to the government obligations permitted activity. Since trading in futures, options and swaps on government obligations is essential to trading in the government obligations themselves, we believe that the agencies should exercise discretion under 13(d)(1)(J) of the statute to complete the government obligations permitted activity by extending it to such instruments.

As noted above, we share the concerns of certain foreign governments that the proposed rule would reduce liquidity in non-U.S. government bonds.[29] We believe that, as a matter of comity and in order to ensure that liquidity in foreign government securities is maintained, the government obligations permitted activity should be expanded to encompass the debt of all foreign governments that have a credit quality comparable to the U.S. At a minimum, the agencies should make clear that all of a firm's activities that are necessary or reasonably incidental to its acting as a primary dealer in a foreign government's debt securities are protected by the market-making-related permitted activity. Such activities may require a firm to assume positions in such debt securities even in circumstances where near-term demand is entirely unpredictable.

E. Commodity Forwards Should Not be Included in the Final Rule.

The statute does not expressly encompass forward contracts in nonfinancial commodities ("Commodity Forwards"). Certain agencies have noted that Commodity Forwards are commercial merchandising transactions, whose primary purpose is to transfer ownership of a commodity.[30] The Department of the Treasury has noted that they are more similar to funding instruments, such as repurchase agreements.[31] Although Commodity Forwards are

[29] See Letter from Chancellor of the Exchequer, George Osborne, to Chairman Bernanke, dated January 23, 2012 ("I am concerned that the regulations could have a significant adverse impact on sovereign debt markets . . .").

[30] See joint SEC and CFTC release "Further Definition of Swap, Security-Based Swap, and Security-Based Swap Agreement; Mixed Swaps; Security-Based Swap Agreement Recordkeeping" (76 Fed. Reg. No. 99, May 23, 2011).

[31] See Determination of Foreign Exchange Swaps and Foreign Exchange Forwards Under the Commodity Exchange Act, 76 Fed. Reg. 25774 (May 5, 2011).

excluded from the definitions of the terms "swap" and "security-based swap" in the derivatives-related provision of the Dodd-Frank Act,[32] the agencies propose to exercise their discretion to expand the statute to encompass those instruments by including them within the Title VI definition of a "derivative." We believe that there is ample evidence that commercial agreements such as Commodity Forwards should not be considered "financial instruments" as that term is used in Section (h)(4) of the statute and, as such, should not be made subject to the restrictions of the statute. However it may be implemented, the statute will, to some extent, impair liquidity in every asset class that it touches. This liquidity concern is made particularly acute by the lack of certainty currently surrounding the meaning of the term "spot" in relation to commodities where standard delivery periods can extend to weeks and perhaps even months. As we discuss further below, we have very similar concerns and comments with respect to the proposal to extend the reach of the statute to foreign exchange forwards and foreign exchange swaps. We strongly encourage the agencies to refrain from extending the statute to asset classes that are clearly commercial, as opposed to strictly financial, in nature.

F. Loans

While we support the exclusion of loans from the proprietary trading prohibition and the other provisions of the proposed rule directed at protecting the loan markets, we believe that the proposed rule does not go far enough in certain respects. Our principal concerns can be summarized as follows:

- The final rule should make clear that the primary means of transferring interests in loans are not within the scope of the rule.

- We believe that there clearly are circumstances under which debt securities should be considered to be within the phrase "extension of credit" in the definition of loan and that the rule should leave room for the issue to be addressed on a case-by-case basis.

- The final rule should make clear that covered financial positions that are acquired by a firm as a result of a default under a debt previously contracted in good faith are not subject to the proprietary trading prohibition.

- The loan securitization exemption is too narrow to allow banking entities to acquire or retain an ownership interest in a typical loan securitization vehicle, a collateralized loan obligation. As such, they do not successfully implement the rule of construction under section 13(g)(2) of the statute.

The purchase and sale of loans are outside the scope of the proprietary trading prohibition. Assignments and participations are the principal means used by lenders to transfer interests in

---

[32] See section 721 (adding a new paragraph 47(B)(ii) to the Commodity Exchange Act).

loans (and commitments to make loans). A loan participation is a traditional banking product used as an alternative to an assignment, typically in circumstances where consent to an assignment is unavailable. A loan participation is a transfer or acquisition of a lender's economic interest in a loan that places the participant in the same risk position as an owner of a portion of the loan. However, although for many purposes (including accounting purposes) the originating banking entities and the participant treat the participation as a sale of the loan to the participant, the "lender of record" does not change. Given the nature and purpose of a loan participation we believe that the agencies intend to treat loan participations as a loan for purposes of Section __.3(b)(3)(ii) of the proposed rule. We believe however that the following text in the proposed rule should be clarified to avoid any ambiguity on this point:

> The reference in § __.3(b)(3)(ii) to a position that is, rather than a position that is in, a loan…is intended to capture only the purchase and sale of these instruments themselves.

The proposed rule questions whether the definition of loan should exclude a security. We note below how such an exclusion would undermine the value of the loan securitization exemption. It would also cause disruption in markets where security-based products like variable funding notes are used in place of loans. Like repurchase agreements, while such products are legally distinguishable from loans, they operate in economic substance as loans, and are not based on expected or anticipated movements in asset prices. As with almost all of the subject matter of the proposed rule, a generalized approach to the meaning of the phrase "extension of credit" in the definition of loan would have unintended consequences. We encourage the agencies to use the initial conformance period to develop a comprehensive understanding of the policy and practical implications of a blanket exclusion of securities from that phrase and to work with the industry to develop an approach to the issue that accommodates both the breadth of the statute's proprietary trading prohibition and the need to preserve important sources of credit for U.S. and international businesses.

Despite the exclusion of loans, lending activity will be reduced by the statute unless the final rule excludes from the proprietary trading prohibition all covered financial positions acquired by a firm in the ordinary course of collecting a debt previously contracted. Without that exclusion, banking entities will be less willing to extend loans against collateral in the form of covered financial positions or to extend loans to distressed companies which may result in the lender receiving covered financial positions in lieu of the debt previously contracted in a bankruptcy proceeding. We note that the proposed rule proposes to apply such an exclusion to the prohibition on covered funds activities. We strongly support that proposal and believe that it clearly should be applied in respect of the proprietary trading prohibition as well.

The loan securitization exemption set out in Section __.13(d) of the proposed rule (the "loan securitization exemption") does not reflect the terms of typical loan securitizations. Even the most typical loan securitization vehicles, collateralized loan obligations, will, from time to time, own assets other than those listed in the loan securitization exemption. For example, subscription proceeds and proceeds from the repayment of loans are commonly held in high quality assets such as Treasury securities, highly rated commercial paper or U.S. dollar cash until such time as they are applied, for example, to acquire loans. Also, like firms, collateralized loan obligations may receive assets other than loans in the course of collecting a debt previously contracted in good faith. It should also be noted that almost no collateralized loan obligations owns credit exposure exclusively in the form of loans; virtually all of such securitizations also permit a holding of corporate bonds or of bonds issued by other collateralized loan obligations. Although they may represent a small percentage of the overall assets of the structure, such "bond buckets" are an essential element of the structure because they allow the structure to access credit assets at times when appropriate assets in the form of loans are temporarily unavailable. Collateralized loan obligations are an important part of the loan markets. There will be almost no occasion on which it will be possible for a banking entity to rely on the loan securitization exemption in relation to a collateralized loan obligation. Consequently, the loan securitization exemption does not (even partially) give effect to the rule of construction under section 13(g)(2) of the statute (the "securitization exclusion")[33] in that respect. We recommend that the agencies revise the loan securitization exemption to reflect the terms of market-standard collateralized loan obligation transactions.

G. The Proposed Definition of Covered Funds Would Disrupt Certain Lending Activity

We discuss in a separate section below several ways in which the definition of covered funds is overbroad with respect to our asset-management business, but note here additional issues that arise in the trading context. The proposed rule encompasses certain securitization vehicles and could result in the disappearance of a number of beneficial securitization activities altogether. That, in turn, would materially reduce the availability of credit for a wide range of industrial, commercial and service-sector entities. As drafted, we believe the definition exceeds the requirements of the statute and fails to take proper account of the securitization exclusion. The final rule should exempt securitization issuers that rely on the exemptions contained in Sections 3(c)(1) and 3(c)(7) of the Investment Company Act, such as asset-backed commercial paper conduits ("ABCP Conduits"),[34] from the definition of covered fund.

[33] Which provides that nothing in the statute is to be "construed to limit or restrict the ability of a banking entity. . . to sell or securitize loans . . ."

[34] An ABCP Conduit is a special purpose entity, often established by a firm, which issues asset-backed commercial paper to fund such ABCP Conduit's activities. ABCP Conduits provide financing to customers of the firm by providing secured loans to special purpose entities established by customers, or by purchasing asset-backed securities issued by special purpose entities established by customers. In order to facilitate the ABCP Conduit's issuance of asset-backed commercial paper, the firm that establishes the ABCP Conduit provides liquidity facilities to the conduit to provide funds for the timely repayment of commercial paper, and frequently provides additional credit enhancement to the conduit, often in the form of a letter of credit. ABCP Conduits are prominent examples of securitization vehicles that would be considered "Covered Funds" under the proposed rule, because they typically rely on the exemptions contained in Section 3(c)(1) or 3(c)(7) of the Investment Company Act.

Firms are involved in securitization transactions in various capacities. In addition to securitizing their own loans, for example, they arrange and underwrite securitization transactions for their customers, provide liquidity facilities and credit enhancement to securitization vehicles, establish and administer vehicles such as ABCP Conduits to provide financing to their customers, and provide such financing directly to customers through the direct purchase of asset-backed securities. Certain securitizations are able to rely on exemptions from the Investment Company Act other than those contained in Sections 3(c)(1) and 3(c)(7) of that Act, but many securitizations, such as ABCP Conduits, would be investment companies but for those exemptions and, as such, would meet the definition of a covered fund under the proposed rule. Precluding banking entities from engaging in activities that have long been recognized as permissible activities for banking entities, and that are vital to the normal functioning of the securitization markets, will have an extremely significant and negative impact on the securitization markets and on the ability of banking entities and other companies to provide credit to their customers.

Because Congress understood the important role that securitization plays in the provision of credit to consumers and companies, it included the securitization exclusion in the statute. If the definition of covered fund set out in the proposed rule is adopted in the final rule then the final rule will restrict the ability of banking entities to sell or securitize loans and the final rule will not give effect to the securitization exclusion.

The proposed rule suggests that the agencies consider themselves bound by the statute to treat all entities that rely on the exemptions contained in Sections 3(c)(1) and 3(c)(7) of the Investment Company Act as hedge funds or private equity funds.[35] We believe that the agencies are not so bound and, in fact, could have defined hedge funds and private equity funds without reference to those exemptions at all. Under the statute, the terms hedge fund and private equity fund are defined to mean an issuer that would be an investment company under those exemptions *or* such similar funds as the agencies may, by rule, determine. The proposed rule suggests that the agencies interpreted an "or" in section (h)(2) of the statute as an "and," resulting in the overly broad definition of covered fund contained in the proposed rule. We believe that the agencies have the statutory flexibility to adopt a definition of hedge fund and private equity fund that encompasses only those entities that are recognized in the market place as such and that excludes entities, such as securitization vehicles, that are clearly distinguishable from hedge funds and private equity funds. In fact, the securitization exclusion explicitly directed the agencies to avoid adopting rules that would limit or restrict the ability of banking entities to sell or securitize loans.

---

[35] See proposed rule at page 68897: "The proposed rule follows the scope of the statutory definition by covering an issuer only if it would be an investment company, as defined in the Investment Company Act, *but for* section 3(c)(1) or 3(c)(7) of that Act."

As is true for collateralized loan obligations, the loan securitization exemption is too narrow to be of sufficient value in the broader securitization context as it applies only to issuers of asset-backed securities whose assets are solely composed of "loans" and certain other assets. This fails to recognize that securitization issuers commonly hold assets such as liquidity facilities, credit enhancement, and highly liquid investments or cash in their collection accounts. Notably, it also appears that the agencies are interpreting the definition of "loan" quite narrowly, as the preamble indicates that the agencies do not view that definition to include asset-backed securities. However, securitization vehicles routinely purchase asset-backed securities and other financial interests that have long been viewed by banking entities and the agencies as simply an alternative means by which banking entities provide financing to their customers.

The risk retention exemption also has been drafted too narrowly to be of use in implementing the securitization exclusion, as it limits the amount of a firm's interest to the minimum risk retention requirements of new Section 15G of the Exchange Act and the rules adopted thereunder (the "Risk Retention Rules"). However, the Risk Retention Rules acknowledge that a securitizer may be required to maintain risk in excess of the minimum specified in those rules due to the demand of investors, other rules (including Article 122a of the European Union Capital Requirements Directive), or in order to avoid breaching the minimum risk retention rules due to fluctuations in the underlying asset pool.

Furthermore, even if an entity is able to rely on the loan securitization exemption or the risk retention exemption as they appear in the proposed rule, a firm that sponsors, manages or advises a securitization issuer would be prohibited by the so-called Super 23A provisions set out in Section 16 of the proposed rule from entering into "covered transactions" with that issuer. That would prevent many banking entities from providing the liquidity facilities and credit enhancement that investors in the asset-backed securities require. If such enhancements are not provided then the securitization simply is not viable. The end result of all of these provisions is that the sale and securitizations of loans will have been limited or restricted by the rules that give effect to the statute, contrary to the clear intent of the securitization exclusion.[36]

While we recognize that the agencies could retain the loan securitization exemption and the risk retention exemption and attempt to revise those exemptions to address concerns raised by participants in the securitization markets, we believe that it would be extremely difficult to modify those provisions in a way that would give full effect to the securitization exclusion. The FSOC Study clearly recommended that the agencies carefully evaluate the range of funds

[36] We note that we are not providing the agencies with an exhaustive list of all problems that the proposed rule poses to securitization vehicles, as we believe that the most efficient and effective way for the agencies to address these problems is to exclude securitization vehicles from the definition of covered fund. For a more complete list of securitization related issues, the agencies should refer to comment letters drafted by various industry groups, in particular, the comment letters submitted by the American Securitization Forum and SIFMA with respect to Volcker Rule provisions that impact securitization.

and other vehicles that rely on the exclusions contained in Section 3(c)(1) or 3(c)(7) of the Investment Company Act.[37] We encourage the agencies to revisit the approach taken in the proposed rule to ensure that the approach taken in the final rule does not inadvertently limit the availability of credit by unnecessarily and inappropriately limiting the ability of banking entities to engage in securitization activities.

H. Repurchase and Reverse Repurchase Agreements

We agree repurchase or reverse repurchase agreements should not be considered trading account instruments. We also agree with the statement that, in substance, such transactions operate much like a secured loan, and are not based on expected or anticipated movements in asset prices. However, we believe that the proposed rule should have gone further and extended the treatment given to repurchase and reverse repurchase agreements to all transactions that a firm can reasonably demonstrate are not based on expected or anticipated movements in asset prices and that, notwithstanding their legal characterization, operate in economic substance as a financing transaction.

Several types of transactions with legal characteristics that distinguish them from loans are analogous to extensions of credit and are not based on expected or anticipated movements in asset prices. Total rate of return swaps where the firm is fully hedged by holding the asset that is the subject of the swap is an example. In such trades, the economic interest of the firm is limited to the value of a financing leg that is typically a floating rate of interest plus a spread. A foreign exchange swap is a further example. As the Department of the Treasury noted in its proposed Determination of Foreign Exchange Swaps and Foreign Exchange Forwards under the Commodity Exchange Act[38] (the "proposed FX determination") foreign exchange swaps are "predominantly used as short-term funding instruments similar to repurchase agreements". Although the proposed FX determination treats them differently,[39] precisely the same can be said for currency swaps. Currency swaps are currently the primary source of U.S. dollar funding for European entities that fund naturally in euro but also have a need for U.S. dollars to fund their operations. Given the current economic crisis in Europe, many of such entities are unable to access the U.S. dollar-denominated commercial paper market and the currency swap market (also referred to in this context as the basis swap market) has become the funding source of last resort. Importantly, a determination that these

[37] See FSOC Study at page 62. We support comments being submitted by SIFMA regarding an exclusion for securitization vehicles from the definition of covered fund as well as a similar exclusion for other investment vehicles that might rely on the exemptions contained in Sections 3(c)(1) and 3(c)(7) but that are not in the nature of a hedge fund or private equity fund.

[38] See Determination of Foreign Exchange Swaps and Foreign Exchange Forwards Under the Commodity Exchange Act, 76 Fed. Reg. 25774 (May 5, 2011).

[39] Although the proposed FX determination treats them differently, foreign exchange swaps and currency swaps are not materially different in this respect. Both are, in essence, funding transactions. Currently, it is market practice to structure these funding transactions as currency swaps.

types of transactions are not subject to the Volcker Rule's prohibitions would not affect their status under, for example, the securities laws or the Commodity Exchange Act. Total rate of return swaps transactions and currency swap transactions would remain heavily regulated as security-based swaps and swaps, respectively. Foreign exchange swaps would remain subject to the CFTC's new trade-reporting requirements, enhanced anti-evasion authority, and strengthened business-conduct standards for swaps dealers and major swap participants.

I. The Statute's Exceptions Apply to All Activities It Covers

We support the letter submitted by three law firms, which makes clear that all exceptions contained in the statute unambiguously apply to all types of conduct covered by the statute, whether it be trading or fund ownership.[40]

This point is important. For example, as we note above, many structured finance vehicles rely on the exemptions contained in sections 3(c)(1) and 3(c)(7) of the Investment Company Act and, as such, would be covered funds as that term is presently defined in the proposed rule. As the proposed rule is presently structured, the market-making permitted activity affords an exemption from the prohibition against proprietary trading, but affords no exemption from the prohibition against acquiring or retaining an ownership interest in covered funds. As a result, we would be unable to engage in customer-driven underwriting and market making activity with respect to assets such as collateralized loan obligation equity, European exchange-traded fund securities and securities issued by U.S.-exchange traded funds that are commodity pools.

J. Compliance Program

We support the clear statements in the proposed rule permitting a banking entity to establish a compliance program on an enterprise-wide basis when practical.[41] We believe that coordination – and, when appropriate, consistency – across trading units will be essential to the effective and efficient implementation of a compliance program on this scale. As currently proposed, however, the non-metric aspects of the compliance program are too granular, would be unnecessarily duplicative, and would disrupt trading activities. The proposed rule should be revised to permit greater flexibility in the level of the organization at which certain policies and procedures are implemented. We see limited benefit to implementing and maintaining separate written policies and procedures for each trading unit, and believe that it will be counterproductive for policies and procedures to be so granular. Indeed, this manner of documentation and maintenance will likely reduce the clarity and

[40] See Memorandum from Cleary Gottlieb Steen & Hamilton, Davis Polk & Wardwell, and Sullivan & Cromwell, January 23, 2012.

[41] Unless specifically stated, our comments on the compliance requirements focus on the non-metric aspects of the enhanced program required under Section __.20(c)(1) of the proposed rule.

accuracy of the message to traders, and increase the likelihood of unintended inconsistencies between the numerous, duplicative compliance framework documents.

More specifically, the proposed rule's inflexible requirement that certain policies and procedures exist for each trading unit will ultimately detract from banking entities' ability to maintain a coordinated, organization-wide compliance program for at least three reasons. First, our experience suggests that it is counterproductive to implement policies or procedures on such a granular level because it creates a false, and potentially hazardous, implication that the policies or procedures in question cover every possible scenario that may be encountered by a trading unit and therefore can be relied upon as an all-inclusive "checklist." Because no policy or procedure can anticipate or address every situation that may create an opportunity for misconduct, policies and procedures should be drafted with some level of generality to take account of the unexpected and ensure that traders consult with their internal compliance officers when fact-specific questions arise.

Second, the proposed rule's policy and procedure framework encourages box-checking for each trading unit, rather than internal compliance best practices that are refined and enhanced over time. If there is uniformity and consistency across trading units from a compliance perspective – as there will be among many closely-related trading units – those units would benefit from consolidated policies and procedures. This promotes, for example, trading units replicating lessons learned by one another in a developing compliance program. As long as they cover all employees in applicable trading units, the level at which these policies are implemented should be left to the discretion of the banking entity with those policies and procedures subject to ongoing review by the Board.

Finally, the proposed rule's requirement that policies and procedures be implemented on a trading unit level will broadly disrupt trading activities given the extensive work required of business management in documenting and maintaining policies that meaningfully reflect each trading unit's business and each trader's book. For this reason, the proposed rule's granular implementation and information requirements also threaten to conflate the distinct roles of business management and compliance in a manner that undermines the essential independence of the compliance function and detracts from the core mission of that function.

III. Funds and Asset Management Activities

J.P. Morgan Asset Management ("JPMAM"), with assets under supervision of approximately $1.9 trillion and assets under management of approximately $1.3 trillion (as of December 31, 2011), is a global leader in investment management. JPMAM's customers include institutions, retail investors and high-net worth individuals in every major market throughout the world. JPMAM offers investment management services globally, including in equities, fixed income, real assets, alternatives and liquidity products.

Below, we highlight three significant concerns with the proposed rule: (1) the impact on our asset management business of the definitions of "covered fund" and "banking entity" as they relate to JPMAM and other U.S. institutions' foreign funds and asset management activities outside the United States;[42] (2) the potential negative impact on corporate bonds held by our customers; and (3) limitations on the ability of banking entities, like JPMorgan, to continue to make investments through funds that are designed to promote the public welfare both in and outside the United States.[43]

A. Foreign Funds

The Volcker Rule prohibits banking entities from acquiring or retaining an ownership interest in, or sponsoring, hedge funds or private equity funds. The Volcker Rule generally defines "hedge funds" and "private equity funds" as issuers that would be investment companies, as defined in the Investment Company Act of 1940 (the "Investment Company Act"),[44] but for Section 3(c)(1) or 3(c)(7) of the Investment Company Act. The Volcker Rule on its face also permits the agencies, in their discretion, to designate as "covered funds" additional funds that are "similar" to "hedge funds" and "private equity funds" such that they would be covered by the Volcker Rule's limitations.[45] Pursuant to this authority, the agencies have expanded the definition of covered fund in the proposed rule to include "[a]ny issuer, as defined in section 2(a)(22) of the [Investment Company Act], that is organized or offered outside of the United States that would be a covered fund as defined in [Section __.10(b)(1)(i), (ii) or (iv) of the proposed rule], were it organized or offered under the laws, or offered to one or more residents, of the United States or of one or more States . . . ." (such provision, the "Foreign Funds Designation").[46]

1. Foreign Funds as "Covered Funds"

As currently drafted, the Foreign Funds Designation could be read to require banking entities to engage in two inquiries: first, were the foreign fund hypothetically organized in the United States, would it need to rely on Section 3(c)(1) or 3(c)(7) and second, were the foreign fund

---

[42] This section of our letter specifically addresses (i) Questions 224 and 225 in the preamble to the proposed rule requesting comment on whether entities are captured by the proposed definition of covered fund that do not appear to be appropriate and whether the designation of certain foreign funds under Section __.10(b)(1)(iii) of the proposed rule correctly describes entities that should be "covered funds" and (ii) Question 8 in the preamble requesting comment on whether an express exclusion from the definition of "banking entity" should be made for mutual funds and other registered investment companies that are not structured as affiliates of banking entities for BHC Act purposes.

[43] This section of our letter specifically addresses Question 276 in the preamble to the proposed rule requesting comment on whether the proposed rule effectively implements the public welfare investment exemption under the Volcker Rule.

[44] 15 U.S.C. § 80a-1 et seq.

[45] 12 U.S.C. § 1851(h)(2).

[46] Section __.10(b)(1)(iii) of the proposed rule.

hypothetically offered to U.S. residents, would it need to rely on Section 3(c)(1) or 3(c)(7). Under one plausible reading, an affirmative answer to either of these inquiries would result in the foreign fund being a "covered fund." The first inquiry is problematic because it requires banking entities to analyze their foreign funds through the lens of the Investment Company Act. This is a potentially impossible inquiry because foreign funds, even regulated and publicly offered foreign funds, such as E.U.-based UCITS,[47] are structured to comply with their own home-country regulatory schemes that may not be consistent with the requirements of the Investment Company Act that would permit such funds to satisfy either the registration requirement under the Investment Company Act or a Investment Company Act registration exemption, other than Section 3(c)(1) or 3(c)(7). Even if a foreign fund theoretically were able to conclude that, if it were organized in the United States, it would not need to rely on Section 3(c)(1) or 3(c)(7), the second inquiry could be read to capture virtually all regulated and publicly offered foreign funds because the Investment Company Act prohibits a foreign-organized fund from making a public offering in the United States without the SEC's approval.[48] Such a foreign fund, by administrative interpretation, is permitted to use the jurisdictional means of the United States to make an offering to U.S. residents only if it complies with the limitations set forth in Section 3(c)(1) or 3(c)(7), as if it were organized in the United States. Consequently, as currently drafted, the Foreign Funds Designation could be read to designate virtually all foreign funds, even regulated and publicly offered foreign funds, as covered funds.

2. Application to JPMAM; Statutory Definition; Intent of Congress; Intent of the Agencies

JPMAM offers registered mutual funds and other fund products in the United States as well as analogous funds outside the United States (such as UCITS). Indeed, JPMAM offers nearly 800 funds in Europe, Latin America and Asia, with nearly $300 billion in assets under management, the great majority of which are funds that are similar to U.S. mutual funds. For example, JPMAM is the largest sponsor of Luxembourg-based UCITS, with approximately 300 funds and $240 billion of assets under management, and the largest sponsor of U.K. investment trusts, with more than 22 funds and approximately $10 billion of assets under management. Those two categories (UCITS and UK Investment Trusts) account for more than 80% of JPMAM's assets under management in foreign funds. Revenues associated with those foreign fund operations are significant contributors to JPMAM's overall success.

Under the Volcker Rule and the proposed rule, JPMAM's U.S. mutual fund complex would not be covered by the Volcker Rule because those funds are registered pursuant to the Investment Company Act and, thus, are not within the definition of covered fund. However, as discussed above, virtually all of JPMAM's publicly offered foreign funds that are subject to a non-U.S. regulatory scheme, including UCITS, are at risk of being deemed to be covered

[47] Undertaking for Collective Investment in Transferable Securities.

[48] 15 U.S.C. § 80a-7(d).

funds under one plausible reading of the proposed rule, notwithstanding that those foreign funds are, in many cases, mirror images of their counterparts in the United States, and are neither "similar" to funds that must rely on either Section 3(c)(1) or 3(c)(7) nor resemble traditional hedge funds or private equity funds. In light of this potential result and other considerations, JPMAM believes that, unless clarified, the proposed rule's treatment of foreign funds is not consistent with the statute, Congressional intent[49] or the recommendations made by the FSOC on the Volcker Rule.[50]

It is clear from the statute that the agencies are authorized to expand the statutory definition of covered fund only to capture funds that are "similar" to hedge funds or private equity funds of the type described in Section __.10(b)(1)(i) (*i.e.*, funds that, among other things, must rely on Section 3(c)(1) or 3(c)(7) of the Investment Company Act, and, therefore, by definition, cannot engage in a public offering). A similar fund, therefore, should be a fund that, at the very least, is both unregulated and privately placed. Hedge funds and private equity funds as commonly understood also typically do not provide frequent liquidity for investors (redemptions are often subject to lock-up periods and lengthy notice periods prior to redemption). Funds that provide for regular liquidity to investors, in our view, are not similar to traditional hedge funds and private equity funds. Given the nature of the statutory direction to cover only similar funds, we believe that the current treatment of foreign funds may not have been the result intended by the agencies in drafting the Foreign Funds Designation.

We believe that the agencies intended the Foreign Funds Designation to capture traditional hedge funds and private equity funds that are organized or offered outside the United States (and thus do not need to rely on Section 3(c)(1) or 3(c)(7) of the Investment Company Act).[51] Indeed, the preamble to the proposed rule states that the Foreign Funds Designation was "proposed to include as 'similar funds' . . . the foreign equivalent of any entity identified as a 'covered fund' . . . [because] they are generally managed and structured similar to a covered

---

[49] Congress intended to restrict banking entities from retaining ownership interests in traditional hedge funds and private equity funds (see Himes-Frank Colloquy, 111 Cong. Rec. H5226 (daily ed. June 30, 2010) (statements of Reps. Himes and Frank)).

[50] The FSOC recommended that the agencies expand the coverage of the Volcker Rule to funds that "engage in the activities or have the characteristics of a traditional private equity fund or hedge fund." See FSOC Study at 62 (emphasis added).

[51] Because the statutory text of the Volcker Rule relies on the Section 3(c)(1) and 3(c)(7) exemptions in the Investment Company Act to define "hedge funds" and "private equity funds," funds that are not required (or able) to register under the Investment Company Act, because, for example, they are organized and offered outside the United States and do not use U.S. jurisdictional means, would appear not to be covered by the Volcker Rule even if those funds were the foreign equivalents of traditional hedge funds and private equity funds. Coverage of the Volcker Rule, in fact, should apply comparably to equivalent U.S. hedge funds and private equity funds and non-U.S. hedge funds and private equity funds. As discussed infra, we believe that in order to apply this principle of equivalent treatment, however, the definition of covered fund in the proposed rule needs to be modified.

fund . . . ."[52] Although we agree that the definition of covered fund should include traditional hedge funds and private equity funds organized or offered outside the United States, the Foreign Funds Designation, as currently drafted, could be read to capture foreign funds that are not the "'foreign equivalent' of covered funds" and are not "managed and structured similar to a covered fund." The Foreign Funds Designation should set forth clear and objective criteria that investment management firms, like JPMAM, can apply to their range of foreign funds to determine, with efficiency and certainty, whether any of their foreign funds are covered funds.

3. Recommendation

Capturing the foreign equivalents of hedge funds and private equity funds as commonly understood does not require the Foreign Funds Designation to be structured in the manner proposed.[53] The proposed draft of the Foreign Funds Designation could be corrected most simply by exempting from the definition of covered fund any foreign fund that is publicly offered because, as noted above, a publicly offered fund is not similar to a traditional hedge fund or private equity fund and could not, by definition, rely on Section 3(c)(1) or 3(c)(7) of the Investment Company Act if it were offered in the United States. In the event the agencies do not find this simple solution acceptable, JPMAM recommends that the agencies adopt a more tailored approach to the Foreign Funds Designation designed to capture hedge funds and private equity funds as commonly understood and to treat analogous U.S. and foreign funds similarly. Such an approach should allow JPMAM and other U.S. financial institutions to continue to offer regulated and publicly offered funds outside the United States, as they currently do, and to compete in this business with other international U.S. and non-U.S. asset management firms. Below, we have proposed a revision of the Foreign Funds Designation that, we believe, accomplishes this goal.

In order to implement the clear statutory language of the Volcker Rule and the intent of Congress, we believe Section __.10(b)(1)(iii) of the proposed rule should be modified to read as follows:

> "(iii) Any issuer, as defined in section 2(a)(22) of the Investment Company Act of 1940 (15 U.S.C. 80a-2(a)(22)), that satisfies each of the following conditions:

---

[52] See proposed rule at page 68897.

[53] As the agencies noted in the preamble to the proposed rule, Section II.A: "[A]ny rule must also preserve the ability of a banking entity...to effectively deliver its clients the types of financial services that section 13 expressly protects and permits. These client-oriented financial services, which include...traditional asset management services, are important to the U.S. financial markets and participants in those markets, and the agencies have endeavored to develop a proposed rule that does not unduly constrain banking entities in their efforts to safely provide such services" See proposed rule at page 68849.

(A) The issuer is an investment company, as defined in the Investment Company Act of 1940 (15 U.S.C. 80a-3);

(B) The issuer is organized outside the United States and ownership interests in the issuer are offered outside the United States;

(C) If the issuer were organized in the United States but not registered under the Investment Company Act of 1940 (15 U.S.C. 80a-1 et seq.), and ownership interests in the issuer were offered in the United States, the issuer would not be able to rely on any exemption from registration other than Section 3(c)(1) or 3(c)(7) of the Investment Company Act of 1940 (15 U.S.C. 80a-3(c)(1) or (7));

(D) The issuer cannot satisfy each of the following criteria:

(1) The issuer is registered pursuant to, or regulated under, the laws of a qualified jurisdiction;[54]

(2) Ownership interests in the issuer were sold in a public offering or series of related public offerings[55] in one or more qualified jurisdictions, or the issuer is being organized for the purpose of selling its ownership interests in a public offering or a series of related public offerings in one or more qualified jurisdictions, provided that no offering will be considered a "public offering" pursuant to this clause (2) if: (i) such offering could be made pursuant to Section 4(2) of the Securities Act of 1933 (15 U.S.C. 77D(2)) if it were conducted in the United States; or (ii) the ownership interests sold in such offering or series of related offerings are listed on one or more securities

---

[54] Section __.2 of the proposed rule would be amended to include a new definition for "qualified jurisdiction," as follows:

(a) Qualified jurisdiction means:

(i) Any jurisdiction in which a designated offshore securities market, as defined in Regulation S, exists;

(ii) Any jurisdiction that has a securities commission that has entered into a bilateral Memorandum of Understanding directly with the SEC regarding enforcement cooperation;

(iii) Any jurisdiction that has a securities commission that is a signatory to the International Organization of Securities Commissions Multilateral Memorandum of Understanding; and

(iv) Any other jurisdiction designated as a "qualified jurisdiction" by the Board, in consultation with the other federal banking agencies, the SEC, and the CFTC.

[55] We believe it is appropriate to reference the standard for public offering in the jurisdiction of the offering, recognizing that the U.S. standard may not fit within the legal framework in some jurisdictions outside the United States. Our proposed rule does use the U.S. standard for a private offering under Section 4(2) of the Securities Act of 1933 in order to define what would not be a public offering. This, along with the requirement that the offering be conducted pursuant to the laws of a qualified jurisdiction, should allay any concerns the agencies may have regarding the offering standards for foreign funds that would not be covered funds.

exchanges and less than 50 percent of the ownership interests in the issuer were sold in such offerings;[56] and

(3) (i) The issuer provides at least weekly liquidity to its investors and calculates, at least weekly, a net asset value, or its equivalent, which is made available to current and potential investors; or (ii) ownership interests in the issuer are listed on a securities exchange regulated pursuant to the laws of a qualified jurisdiction;

; and

(E) Substantially all of the ownership interests in the issuer are not sold to another issuer that is not a covered fund."[57]

In addition, with respect to monitoring and enforcement, we have considered what compliance program and recordkeeping requirements could be implemented to ensure that the agencies have a view into banking entities' foreign fund activities in order to monitor compliance with our proposal. We propose that the agencies amend Appendix C, Section II of the proposed rule by adding a new Subsection C, which we set forth in Appendix A to this letter.

4. Advantages

Our recommendation has several advantages over the Foreign Funds Designation, as currently drafted. First, we believe that the set of characteristics described under subparagraph D are key features of regulated and publicly offered foreign funds that could not be satisfied by a traditional hedge fund or private equity fund – certainly a fund with those characteristics could not rely on Section 3(c)(1) or 3(c)(7) of the Investment Company Act if it were organized in the United States. This approach will give the proposed rule sufficient breadth to cover any foreign funds that are truly hedge funds or private equity funds, while allowing banking entities to continue to offer traditional asset management products to their customers outside the United States. As a result, for purposes of coverage under the Volcker Rule, analogous U.S. and foreign funds would be treated comparably.

Second, the modification is fully consistent with the discretion given to the agencies on the face of the statute to determine whether, and how, to designate "similar funds," and does not

[56] Our proposed requirement that at least 50 percent of the ownership interests in a listed fund be sold in a public offering or series of related offerings is designed to prevent a banking entity from using a nominal listing to satisfy the "listing requirement."

[57] Subsection E is intended to allow banking entities to continue to sponsor funds that are part of a fund of funds structure. Some JPMAM funds are organized to be sold almost exclusively to fund of funds. Because these funds typically could not meet the public offering criteria of Section __.10(b)(1)(iii)(D)(II) of our proposed definition, these funds would be "covered funds" even though they are being sold almost exclusively through a fund of funds that is not a covered fund.

require the agencies to rely on Section 13(d)(1)(J) of the BHC Act, which authorizes the agencies to exempt activities from the limitations of the Volcker Rule that would promote and protect the safety and soundness of the banking entity and the financial stability of the United States.[58] Rather than create exceptions to an overbroad definition, we believe the better approach is to craft a more tailored, yet still robust, definition of covered fund and to address any concerns regarding gaps if, and when, they are identified.[59] The agencies will retain the ability to amend the definition of covered fund and to designate additional "similar" funds as covered funds and, if necessary, could also pursue anti-evasion actions pursuant to the statute.

Finally, this approach ensures that funds that will not be covered by the Volcker Rule are subject to an acceptable level of regulation. To that end, our recommendation provides that a foreign issuer that is not covered by the Volcker Rule be regulated under the laws of a "qualified jurisdiction." Although the agencies could define qualified jurisdiction using any criteria they deem appropriate, we recommend that the agencies define qualified jurisdiction as follows: (1) any jurisdiction in which a designated offshore securities market, as defined in Regulation S, exists;[60] (2) any jurisdiction that has a securities commission that has entered into a bilateral Memorandum of Understanding directly with the SEC regarding enforcement cooperation; (3) any jurisdiction that has a securities commission that is a signatory to the International Organization of Securities Commissions Multilateral Memorandum of Understanding[61]; and (4) any other jurisdiction so designated by the Board, in consultation

[58] Although Question 223 in the preamble to the proposed rule suggests Section 13(d)(1)(J) might be used to address issues of overbreadth, and although we support the use of Section 13(d)(1)(J) where appropriate, use of this authority is not necessary or appropriate in this context.

[59] Question 223 also suggests defining a covered fund by determining whether a fund satisfies any one of a list of characteristics. Given the broad list of characteristics identified in the question and the fact that the agencies suggested that meeting one of the characteristics would make a fund a "covered fund," we believe that such an approach, as proposed, would have a similar overbroad effect of covering funds that are not similar to traditional hedge funds or private equity funds. For example, "sells securities and other assets short" was listed in Question 223 as one of the hedge fund and private equity fund characteristics. Many registered U.S. mutual funds, including several funds advised by JPMAM, engage in some shorting strategies as a component of the fund's overall strategy (e.g., long-short funds and 130/30 funds). Although registered mutual funds that employ shorting strategies do not meet many of the other characteristics listed and, of course, are not "traditional" hedge funds and private equity funds, Question 223 seems to suggest that they would be "covered funds."

[60] Rule 902(b) of Regulation S (17 C.F.R. § 230.902(b)). Attributes considered by the SEC in determining which foreign securities markets are designated include: organization under foreign law, association with a generally recognized community of brokers, dealers, banks, or other professional intermediaries with an established operating history, oversight by a governmental or self-regulatory body, oversight standards set by an existing body of law, reporting of securities transactions on a regular basis to a governmental or self-regulatory body, a system for exchange of price quotations through common communications media and an organized clearance and settlement system. Id.

[61] The International Organization of Securities Commissions ("IOSCO") is a multilateral international organization of securities regulators. IOSCO members have resolved to, among other things, (1) cooperate together to promote high standards of regulation in order to maintain just, efficient and sound markets; (2)

with the other federal banking agencies, the SEC, and the CFTC. Our recommended approach to the definition of qualified jurisdiction references existing, objective standards that would avoid the need to create new designations and would ensure the robustness of the regulatory scheme applicable to foreign funds that are not covered by the Volcker Rule.[62]

5. Consequences

If the Foreign Funds Designation were not modified, in order to engage in the asset management business internationally, JPMAM and other banking entities would need to conform their non-U.S. activities with respect to funds that are not commonly understood to be hedge funds or private equity funds to the limitations contained in the proposed rule. The limitations in Section __.11 (which include, among other things, limitations on name sharing, ownership of interests in funds and employee investments in funds) and Section __.16 (limitations on a banking entity's entering into covered transactions with covered funds) would impose significant costs on JPMAM and other banking entities, without any real regulatory benefit. For example, the prohibition that a covered fund not share the same name as the banking entity may, depending on the fund's legal structure and applicable regulation, require a shareholder vote and may, in fact, raise issues under applicable law in certain jurisdictions that require the fund name to be clear and not misleading.[63] The 3% per fund ownership limit would need to be monitored by banking entities on a continuous basis because many of the captured funds provide daily liquidity to investors. That requirement will force banking entities to sell interests in funds that may be the equivalent of U.S. mutual funds if, on a single day, the banking entity's position exceeds the 3% limit solely because other investors have redeemed. Furthermore, if the proposed rule were not modified, banking entities could be required to deduct the amount of their interest in foreign funds from the calculation of their Tier 1 capital.[64] The prohibitions contained in Section __.16 (the so-called "Super 23A" provision) would force large fund complexes, like ours, to cease having an

exchange information on their respective experiences in order to promote the development of domestic securities markets; (3) unite their efforts to establish standards and an effective surveillance of international securities transactions; and (4) provide mutual assistance to promote the integrity of the markets by a rigorous application of international standards and by effective enforcement against offenses. IOSCO's "Objectives and Principles of Securities Regulation" is the benchmark standard for securities regulators and one of the twelve key standards for financial stability as recognized by the Financial Stability Board (See U.S. Securities and Exchange Commission, "SEC Participation in International Organizations" http://www.sec.gov/about/offices/oia.shtml).

[62] We also believe that such an approach would not implicate foreign policy considerations that, although within the agencies' authority to undertake, may be time consuming.

[63] See, e.g., Regulation 15(9) of the U.K. Open End Investment Company Regulations. Among the factors that the U.K.'s Financial Services Authority considers in determining whether a fund name is "undesirable or misleading" is whether the fund name "might mislead investors into thinking that persons other than the authorized fund manager are responsible for the authorized fund."

[64] Section __.12(d) of the proposed rule.

affiliated entity serve as the fund's custodian or engage in principal trades on behalf of the fund, both of which services are permitted under non-U.S. law and, with respect to an affiliate providing custodial services to a fund, is also permitted under the Investment Company Act for JPMAM's U.S. mutual funds. The cumulative effect of those burdens and the long time period required to satisfy the Section _.11 and Section _.16 requirements could prevent JPMAM and other banking entities from launching new retail products in the existing fund families for a considerable time period after the Volcker Rule's effective date. Although banking entities have been on notice since July 2010 that traditional hedge funds and private equity funds would be subject to the Volcker Rule, it could not have been anticipated that regulated retail funds such as UCITS could become covered funds.

Even if it were possible to comply with the limitations and prohibitions mentioned above, those restrictions, and the additional costs associated with compliance, would place JPMAM at a competitive disadvantage to U.S. and non-U.S. asset managers that are not subject to the Volcker Rule and that are not required to modify their asset management businesses. We do not believe that this was the result intended by the agencies in formulating the Foreign Funds Designation and it was not the result intended by Congress.

6. Definition of "Banking Entity"

Under the Volcker Rule and the proposed rule, "banking entity" means, in relevant part, "any insured depository institution . . . and any affiliate or subsidiary of [an insured depository institution]."[65] The terms "affiliate" and subsidiary" are defined by reference to the very broad definitions of those terms under the BHC Act.

In the preamble to the proposed rule, the agencies noted that mutual funds, including registered investment companies, are structured such that they are not affiliates or subsidiaries of banking entities under the BHC Act and thus, would not themselves be banking entities under the Volcker Rule.[66] There is, however, no provision in the proposed rule that explicitly carves out mutual funds and other registered investment companies from the definition of banking entity. Question 8 inquires whether the agencies should make such an express exclusion from the definition of banking entity in the proposed rule.

Although we agree that, as a general matter, registered investment companies are not, and should not, be considered affiliates or subsidiaries of the banking entities that organize, sponsor, invest in, advise or manage them, we support the clarification of this point in the proposed rule. If such an approach were adopted, we recommend that the express exclusion be made broad enough to also exclude foreign funds that are analogous to registered investment companies. There is no regulatory reason that analogous U.S. and foreign funds

[65] Section 13(h)(1) of the BHC Act and Section __.2(e) of the proposed rule, respectively.

[66] See proposed rule at page 68856.

should be treated differently in this respect. We believe that the following modification to the definition of banking entity would be consistent with the agencies' proposition and would appropriately tailor the exclusion. Section __.2(e)(4) would read:

> "(4) Any affiliate or subsidiary described in paragraph (1), (2), or (3) of this section, other than an affiliate or subsidiary that is:
>
> (i) A covered fund that is organized, offered and held by a banking entity pursuant to § __.11 and in accordance with the provisions of subpart C of this part, including the provisions governing relationships between a covered fund and a banking entity;
>
> (ii) An entity that is controlled by a covered fund described in paragraph (e)(4)(i) of this section; or
>
> (iii) An issuer, as defined in section 2(a)(22) of the Investment Company Act of 1940 (15 U.S.C. 80a-2(a)(22)), that is
>
> (A) A registered investment company under the Investment Company Act of 1940 (15 U.S.C. 80a-8); or
>
> (B) Organized outside the United States and is not a covered fund pursuant to section __.10(b)(1)(iii)."[67]

We believe that this approach would address a concern we have raised throughout this letter regarding the equivalent treatment of U.S. and foreign funds. Our proposal is intended only to ensure that registered investment companies and foreign funds are not included in the definition of "banking entity" and does not discuss other concerns that the proposed definition of "banking entity" raises, which we expect other comment letters will address.

7. <u>Conclusion Regarding Foreign Funds and Banking Entities</u>

The foregoing is intended to bring attention to the effect that the Foreign Funds Designation and the proposed rule's definition of banking entity would have on the international asset management activities of U.S. banking entities, such as JPMAM. We know that other commenters, such as SIFMA of which we have been an active member, will raise similar concerns to those we have raised in this letter. SIFMA's approach to these concerns, which we generally support, may be broader than the tailored solutions we have recommended. To the extent that the agencies accept some or all of these broader recommendations, we believe such recommendations should apply to foreign funds to the extent appropriate. We also join in full support of SIFMA's positions on other aspects of the Volcker Rule that focus on the covered funds portion of the proposed rule.

[67] This refers to Section __.10(b)(1)(iii) of the proposed rule as revised pursuant to our recommendation above.

We firmly believe that any rulemaking by the agencies should reflect Congress' intent that the limitations of the Volcker Rule extend only to funds similar to traditional hedge funds and private equity funds because Congress would not have intended that analogous U.S. and foreign funds be treated differently. In addition to implementing that intent, we believe that the agencies should consider the economic and organizational impact of the proposed rule on both the U.S. and non-U.S. operations of banking entities and weigh that against discernible regulatory benefits. We believe that the aspects of the proposed rule discussed in this letter would have negative economic and organizational effects on the international asset management activities of U.S. banking entities, including JPMAM, with little regulatory benefit. We believe our tailored recommendations would minimize negative impacts while ensuring a robust regulatory scheme that is consistent with the statute and Congress' intent.

B. Corporate Bonds

JPMAM oversees more than $800 billion in fixed income assets on behalf of its customers. Given our active presence on behalf of our customers in the fixed income markets, we are concerned that the proposed rule, as currently drafted, could reduce the value of our customers' current investments in corporate bonds and inhibit our customers' ability to access the corporate bond market in the future. While we have described these concerns from the perspective of JPMorgan's market makers above, we believe it is important to highlight the serious concerns we have regarding the effect of the proposed rule from the perspective of our asset management business. We focus in particular on the impact on the corporate bond market.

1. <u>The Corporate Bond Market</u>

Corporate bonds are inherently less liquid than equities because corporate bonds are traded over the counter (that is, directly between two parties, rather than through an exchange). Moreover, issuers of corporate bonds often have multiple bond issues outstanding with smaller or older issues (which are often described as "off-the-run") having less liquidity than more recent or larger issues (which are often described as "on-the-run"), which have greater liquidity.

Liquidity in the corporate bond market has generally declined since 2007, with trading becoming increasingly concentrated in a smaller number of issuers over this time period.[68]

[68] From January 1, 2011 to September 30, 2011, approximately 5% of the total number of issuers in the U.S. investment grade corporate bond universe accounted for 50% of trading volume according to MarketAxess data. Trading has also increasingly focused on larger issues. In the first three quarters of 2011, turnover (on an annualized basis) in issues greater than $1 billion was approximately 1.1x versus only approximately 0.8x in 2006. By contrast, turnover (on an annualized basis) in issues between $250 and $500 million has declined from approximately 0.65x in 2006 to approximately 0.5x in the first three quarters of 2011. Similar trends were also observed in issue sizes of $500 - $750 million and $750 million to $1 billion (Barclays Capital, *U.S. Credit Alpha*, November 18, 2011, at 6, Figure 5). Trading volume in older securities has shown a similar pattern of decline (Id. at 7, Figure 7).

Our customers' portfolios include both on-the-run and off-the-run securities, and, as a result of decreased liquidity, our customers have experienced increased transaction costs associated with purchases or sales in all issues. Maturity restrictions, investor preferences and transaction costs make it impractical and often impossible for customers to concentrate their holdings only in on-the-run issues and simply holding the off-the-run investments to maturity may not be possible for some customers who may need to sell off-the-run issues based on, for example, cash flow requirements, pension obligations or asset allocation shifts.

As market makers, securities dealers facilitate trading in both on-the-run and off-the-run corporate bond issues, among other securities, by standing ready to buy and sell. In a very liquid market, such as equity securities, market makers are able to sell securities they buy, and buy securities they need to sell, quickly and easily. Corporate bond markets and fixed income markets in general are by their nature (e.g., multiple different issues from a single issuer) less liquid than other markets, and market makers therefore must buy and hold securities in their inventory longer than in other markets. Thus, the market for off-the-run issues has led market makers to hold securities in their inventory for longer time periods.

2. Restrictions on Market Making

Unless the final rule very clearly permits the type of inventory management activity that we describe above, market makers simply will not be able to provide the type of intermediation services that underpin certain sectors of the corporate bond market. A restrictive approach to inventory holding periods, in combination with the uncertainty associated with the phrase "reasonably expected near term demands" would, we believe, significantly decrease the liquidity of the corporate bond market because it would result in market makers being less willing to transact in securities that they are not confident they can dispose of quickly. The situation is only worsened by the requirement in the proposed rule that market making activities be "designed to generate revenues from fees, commissions, bid/ask spreads or other income not attributable to . . . [a]ppreciation in the value of covered financial positions it holds. . . . ."[69] Given the sometimes significant holding periods for less liquid issues in the corporate bond market, market makers often do generate revenues based on the appreciation in value of a security.

3. Restrictions in the Context of other Regulatory Developments

The effective date of the Volcker Rule coincides with the implementation of other regulatory measures that may also reduce liquidity in the corporate bond market. Specifically, Basel III risk-weighted asset calculations will change the economics of positioning corporate bond inventories. Additionally, for European banks which may be evaluating the risk weighted asset impact of selected capital markets activities in connection with meeting the European Bank Association's capital requirements based on "Basel II.5" calculations, the requirement to comply with the Volcker Rule when trading with U.S. counterparties outside of the United

[69] Section __.4(b)(2)(v) of the proposed rule.

States could be significant enough to support a decision to reduce their market making activities. Fewer active market makers will further pressure the pricing and liquidity of corporate bonds. In light of this, we think it is important that the proposed rule be modified so that it does not exacerbate the pressure on the liquidity of this market.

4. Effect on Our Customers

We believe that the proposed rule, if not modified, will result in significantly decreased liquidity in the corporate bond market for our customers and other institutional and individual investors. This markedly lower level of liquidity will result in an immediate negative impact to the value of securities currently held by investors, based on the liquidity premium, and will result in increased transaction costs for future transactions in these securities.[70] In revising the proposed rule, we urge the agencies to consider the impact of the proposed rule on investors in less liquid markets, such as corporate bonds, who rely on market makers to ensure an available, functioning market.

C. Public Welfare Investments Abroad

We believe it is important that the proposed rule treat analogous U.S. and non-U.S. activities and investments similarly. The proposed rule implements the statutory exemption[71] from the restrictions of the Volcker Rule with respect to investments in small business investment companies ("SBICs"), investments "designed primarily to promote the public welfare, of the type permitted under [12 U.S.C. § 24(Eleventh)], and certain investments that are qualified rehabilitation expenditures."[72]

We urge the agencies to clarify in the final rules that the exemption also extends to those investments "of the type permitted under [12 U.S.C. 24(Eleventh)]" made outside the United States, including through U.S. and non-U.S. funds.[73]

[70] A recent study by Oliver Wyman has estimated that investors could suffer a $90-315 billion mark-to-market loss caused by a repricing of the liquidity premium, as well as an additional $1-4 billion of higher transaction costs going forward (Oliver Wyman, Volcker Impact Analysis December 11, 2011).

[71] 12 U.S.C. 1851(d)(E).

[72] Section __13(a) of the proposed rule.

[73] Our letter addresses only this narrow concern regarding the proposed rule's implementation of the statutory exemption for SBICs and other public welfare investments. We expect other commenters will address additional concerns, including with respect to the proposed rule's application of "Super 23A" to SBICs despite their being exempted from the definition of "covered fund."

1. Impact Investing

Many banking entities, including J.P. Morgan, have developed investment strategies to assist in the market of impact investing— that is, investing with the intent to generate a reasonable rate of financial return, while also benefitting low- and moderate income communities both in the United States and around the world. Although the emergence and growth of the impact investment market is a worldwide trend, currently, a majority of the investable opportunities lie in the emerging markets. U.S. governmental agencies, including U.S. Agency for International Development and the Overseas Private Investment Corporation, support those efforts, recognizing that such oversees impact investments help advance U.S. foreign policy interests and promote international development.

2. Clarification Needed

We believe that the proper implementation of the statutory text, and indeed the proper interpretation of the proposed rule, requires that the exemption for public welfare investments extend to such investments made outside the United States. The statutory and regulatory phrasing, "of the type," conveys that this exemption should be interpreted broadly and that 12 U.S.C. § 24(Eleventh) merely provides an example of, but does not circumscribe, the type of investments permitted under this exemption. As Senator Merkley noted, the exemption "is flexible enough to permit the regulators to include other similar low-risk investments with a public welfare purpose."[74] A contrary reading would make the words "of the type" superfluous. We believe the agencies should confirm this interpretation in the final rules and make clear that the reference to 12 U.S.C. § 24 is not intended to limit permissible public welfare investments to investments in the United States.

A banking entity should be permitted to conduct impact investing outside the United States through funds, so long as the banking entity can demonstrate that such investments made by the fund advance a public welfare purpose "of the type" (*i.e.*, analogous to) investments permitted by 12 U.S.C. § 24(Eleventh). We believe this interpretation is required by the statutory text and is consistent with congressional intent, and we suggest the agencies make this clear in the final rules.

IV. Asset-Liability Management

A. Asset-Liability Management is a Foundation of Safety and Soundness

For large, complex banking institutions, asset-liability management ("ALM") is one of the foundations of bank safety and soundness and is integral to the stability of the U.S. and global financial systems.

[74] Merkley-Levin Colloquy, 156 CONG. REC. S5894 (daily ed. July 15, 2010) (statement of Sen. Merkley).

Indeed, the growing regulatory focus on stress tests for large banking institutions, including JPMorgan, such as the Comprehensive Capital Analysis and Review process, clearly demonstrates the central importance of a prudent and well-managed ALM function. If stress tests are designed to diagnose potential safety and soundness problems in the event of potential market or economic shocks, prompt ALM actions are required as the prescription for limiting the risks that stress testing identifies.

In its study on the Volcker Rule, the FSOC recognized the importance of these issues and clearly concluded that the Volcker Rule should not prohibit ALM activities. In its guidance, the FSOC stated: "All commercial banks, regardless of size, conduct ALM that helps the institution manage to a desired interest rate and liquidity risk profile. This study recognizes that ALM activities are clearly intended to be permitted activities, and are an important risk mitigation tool."[75]

The proposed rule, however, expands the scope of the Dodd-Frank Act and therefore brings within its prohibitions ALM activities that are important aids to safety and soundness. Oddly, while the FSOC study recommended an exemption that included both asset-liability and liquidity risk management, for much the same reasons, the proposed rule included only the latter. The result is that the proposed rule seems to have been written with traditional dealer and market-making trading activity in mind, and creates serious problems for legitimate ALM activity.

As currently structured, many ALM activities should be permissible under the proposed rule, because they pass the purpose test and would not be booked in a "market risk capital trading" book. Another group of ALM activities will be permissible to the extent they fall within the exclusion provided in the proposed rule for *bona fide* "liquidity management" activities—although, as discussed further below, liquidity management is only one small part of a banking institution's overall ALM activities, and the exclusion is so narrow in scope and restrictive in operation that it would not even permit many *bona fide* liquidity management activities, thus making the exclusion unworkable even for this narrow subset of ALM activities. Finally, while some ALM activities may be permitted by the proposed rule under its exception for "risk-mitigating hedging" activities, many legitimate, useful ALM activities will not, because that exception, as noted above, does not appear to have been drafted with ALM in mind, is subject to too many restrictive conditions, and is thus too narrow. Accordingly, while certain ALM activities will be permissible, equally valid ALM activities – although they are not speculative in nature, or entered into principally for "the purpose of near term resale or otherwise with the intent to resell in order to profit from short-term price movements"— could nonetheless be deemed, or even presumed to be, prohibited proprietary trading.

We believe that the final rule should provide for an explicit exclusion for ALM activities, which would be broad enough to include the proper range of liquidity management activities. Like the current exclusion for liquidity management activities, the exclusion for *bona fide*

[75] See FSOC Study at page 47.

ALM activities would be conditioned on appropriate requirements that ensure such activities will not be used to evade the statutory prohibition on proprietary trading.

B. Many ALM Activities Would be Captured by the Definition of Trading Account

While many securities utilized in asset-liability management are accounted for as available-for-sale ("AFS") securities, many other traditional and long-established ALM activities often involve the use of instruments that would be required to be accounted for in the market risk capital trading account of the entity, thereby meeting the market risk capital test of the proposed rule. In addition, some of these ALM activities may require, in order to manage the relevant risks effectively, the exiting of a position within 60 days, thereby falling within the purpose test of the proposed rule.

The need to exit positions quickly arises because the structural risks of the firm are constantly changing due to the dynamic nature of the asset and liability flows and the impact of changing interest rates. The change in market value sensitivity (or "drift") of certain assets and liabilities requires continuous hedging of the structural risk book, which is often best managed through the use of securities or derivatives accounted for in the market risk capital trading account, or by entering and exiting a position within 60 days. Thus, unless the banking entity were able to determine that the risk mitigating exemption or the liquidity management exclusion applied, these activities would be deemed—or even presumed to be – propriety trading. For example:

- One of the most traditional roles of the ALM function is to manage the banking entity's earnings at risk— that is, the risk that changes in interest rates will affect in different ways the value of the firm's liabilities and assets, such as its deposits and loan portfolio. Banking entities must also manage the mismatches in the maturity profiles of their assets and liabilities, and generally do so through use of their investment securities portfolio, thereby adding more assets to their balance sheets. Hedging strategies to protect the banking entity's resultant net interest income and interest rate margins from interest rate and yield curve changes, as well as foreign exchange fluctuations, include the use of options and derivatives that must be booked in the market risk capital trading account. Furthermore, because these derivatives are hedging the interest rate volatility arising from continuous balance sheet changes, they often settle within 60 days.

- A banking entity must manage the value of its mortgage servicing right asset, a right to service mortgages it originates or purchases, and one of the most volatile, and interest rate sensitive, assets on its balance sheet. In order to protect the value of the mortgage servicing right asset, the firm must manage the interest rate risk by using, among other instruments, interest rate swaps. These swaps would be booked in the market risk capital trading account and because of the volatility associated with this asset, such interest rate swaps are often settled within 60 days.

- Because the AFS investment securities portfolio of a banking entity is generally held for a long-term time horizon, it is often necessary manage the credit risk associated with these securities. To do so, the banking entity may buy protection in the credit default swap markets. The credit default swap is likely to be included in the entity's market risk capital trading account, and because of volatility in markets at any given point in time that is giving rise to the credit concerns of the underlying credit, these credit default swap positions may be settled within 60 days.

- Finally, a new type of volatility may be introduced to a firm's balance sheet as a result of the proposed capital rules under Basel III, which require capital to be held against certain positions in the Other Comprehensive Income ("OCI") Account (a component of stockholders equity).[76] In order to protect the banking entity's capital position from the excessive volatility that could arise in OCI from movements in interest rates or changes in the credit spreads, the firm may choose to hedge such volatility through the use of options, swaps, or other non-AFS instruments. Derivatives used as part of these hedging transactions will be booked in the market risk capital trading account and, because of the type of volatility they are hedging, may settle within 60 days.

In the above examples, derivatives trades that may be settled within 60 days are being used for prudent asset-liability management purposes. Under the statutory language, a "trading account" comprising the short-term derivatives described above and used to manage the banking entity's risks is not covered, as the purpose of each of the trades is to protect the firm from movements in interest rate, changes in credit conditions, or other market risks affecting the value of one of the firm's assets or liabilities; the purpose is not to profit from short-term price movements. Nonetheless, under the proposed rule, because of their short-term nature, these positions are presumed to be prohibited proprietary trading. This presumption is counterfactual, and the outcome under the proposed rule is inconsistent with the statute. Furthermore, as discussed below, the use of these strategies may not get the benefit of the risk mitigation exception or the liquidity management exclusion of the proposed rule because of the limited nature and restrictive conditions set forth in such exceptions. Thus, the ability of a banking entity to manage the structural risk of its balance sheet would be adversely and improperly affected.

We also note that while we believe the market risk capital test will cover some of these valid ALM strategies (and some hedging strategies employed in our investment bank), we actually do not know, because the market risk rules under Basel II.5 have not been finalized. In this regard, it is particularly difficult to determine the application of these market risk rules to the Volcker Rule proposed rule as: (1) many banking entities, including the Firm, are still very much in the process of analyzing the proposed market risk rules in order to determine which types of assets and liabilities would be deemed to be "trading positions" and what types of

---

[76] We strongly oppose this proposal for other reasons. See, Letter of The Clearing House Association, dated October 27, 2011. http://www.theclearinghouse.org/index.html?f=073030.

positions would be deemed to be "covered positions" under the proposed rules, and thus it is not possible at this time to determine how ALM activities will be impacted by the interplay of these two sets of proposed rules; (2) it is not certain when the proposed market risk rules will become final, and thus, under which set of "market risk capital" tests a banking entity will be subject at the time the Volcker Rule proposed rule become final; and (3) the types of documentation and compliance regimes necessary to establish compliance with the proposed rules may differ depending upon which set of proposed market risk capital tests is in effect at the time the Volcker Rule proposed rule becomes effective.

C. Deficiencies in the Risk Mitigation Hedging Exemption

The statute contains an exemption for risk-mitigating hedging activity, and some ALM activity would qualify for that exemption. However, the exemption appears to contemplate the type of hedging that occurs when a market intermediary enters into transactions to hedge its risk with customers or to meet anticipated demands of customers. In contrast, management of balance sheet and other risk requires extensive forecasting and stress tests so that the ALM function can position its portfolios to manage against anticipated risks. Thus, as currently drafted, the exemption would fail to protect—or, to much the same effect, leave in doubt the protection of—numerous legitimate ALM hedging activities. The same is true with respect to hedging done in our investment bank at a more micro level.

1. The conditions necessary to satisfy the exemption are too restrictive

As further illustrated below, the exemption for "risk mitigating hedging" is too restrictive and would not enable the broad range of actions that are required to manage the full complement of risks associated with a firm's balance sheet.

(i) *"actions in connection with and related to."* The proposed rule contains language indicating that a risk-mitigating hedge may only be used to mitigate risks to which the firm is already exposed. Anticipatory hedges are permissible only when the hedge is "established slightly before the banking entity becomes exposed to the underlying risk." But appropriate risk mitigation activities often require that hedges be placed when it is *likely* that the firm will be exposed to the risk. The purpose of stress tests is to inform the firm about risks to which it *may become* exposed, and it is prudent for the firm, based upon that information, to take risk-mitigating actions. Further, it is impossible for any firm to perfectly anticipate the market moves that may adversely affect the entity's assets and liabilities. Thus, no mater how sophisticated the stress tests or ALM analysis, flexibility is required with respect to the timing of the establishment of the hedges. In addition, depending on the size, scale and complexity of a particular institution's positions relative to the depth and liquidity of the underlying instruments' markets, safety and soundness considerations may require that the firm establish the positions over a period of time so that such transactions do not disrupt the markets.

(ii) *"reasonably correlated."* The proposed rule requires that a hedging transaction be "reasonably correlated" to the risk being hedged and provides that if the hedge and related position "would result in the banking entity earning appreciably more profits on the hedge than it stood to lose on the related position," the hedge would likely to be deemed a proprietary trade.

These requirements could disqualify numerous legitimate hedging activities, as there are several reasons why a banking entity may earn appreciably more on a hedge position than it stands to lose on the related position—and yet, not be engaged in prohibited proprietary trading.

First, ALM positions may create profits that would not be offset, at least in an immediate profit-and-loss context, by losses in the underlying risk position. For example, derivative hedge positions may be marked to market (thereby creating P&L impact through the income statement), while the underlying position, such as a loan, is booked using accrual accounting (and thus would not give rise to a contemporaneous, offsetting P&L effect).

Second, precise correlations amongst and across different asset classes used in asset-liability management are difficult to determine. For example, the excess structural liability sensitivity arising from customer deposits creates a need for asset sensitivity on the balance sheet. A traditional ALM strategy to hedge such liability sensitivity is to purchase AFS investment securities. In these instances, as the characteristics of the hedge instrument are somewhat different than those of the underlying position, the hedge will react somewhat differently than the underlying position to the same market conditions and hence, generally, but not necessarily precisely, correlate to the underlying risk.

Third, maintenance of correlations at both the initiation and at the close of a hedging strategy may not be possible due to the fluid and convex nature of the balance sheet, as well as the liquidity of the market. As noted above, depending on the size, scale and complexity of the positions being established or unwound, flexibility is needed so the hedge or its unwind does not adversely affect the safety and soundness of the banking institution nor disrupt the markets. During these periods, therefore, high correlations will be more difficult to maintain.

Once again, this condition for the hedging exception appears to have been drafted with trading desks in mind, where both sides of a hedge are marked to market. It is a poor fit with ALM.

(iii) "*significant exposures that were not already present.*" The proposed rule requires that the hedging transaction not give rise to "significant exposures that were not already present" in the underlying position.

The proposed rule gives over-hedging as an example of prohibited proprietary trading. But in the ALM context, the inability to accurately forecast future outcomes requires that there be adequate flexibility for the estimation of—and hedging in respect of –such estimated future structural risks. In addition, as the probability of certain market and economic outcomes changes over time, the over or under hedging measurement will change relative to the underlying risk position.

Separately, and as importantly, asset-liability management strategies may often use instruments that will expose the banking entity to a risk that is itself not present in the underlying position – and, thus give rise to an exposure "that was not already present." In the example noted above, the use of an investment securities portfolio to manage the structural risk arising from customer deposits gives rise to basis risk.

2. ALM activities that were crucial during the financial crisis would have been endangered by the proposed rule.

Below are several examples of asset-liability hedging strategies employed by JPMorgan during the crisis that enabled it to successfully deal with the market, credit, interest rate, and liquidity risks that arose during that period. Some of these activities could be deemed prohibited proprietary trading under the proposed rule, and would not seem to fall within the risk-mitigating hedging exception:

Hedging the volatility and interest rate risk of the mortgage servicing right asset: In the days preceding Lehman's Chapter 11 filing on September 15, 2008, a review of JPMorgan's mortgage servicing right asset indicated that it was at significant risk for loss of value under some of the Firm's risk scenarios. Because the mortgage servicing right is very interest rate sensitive, a spike in volatility from falling rates would have increased the convexity of the mortgage servicing right asset and resulted in the Firm ending up with a large open, unhedged, risk position. Also, a counterparty default, even taking into consideration the collateral held by the Firm to mitigate the counterparty risk, would have deprived the Firm of the benefit of option positions previously entered into as protection. Accordingly, in anticipation of a possible counterparty default, the Firm determined it would be prudent to purchase additional options, in excess of its then open risk positions, in order to protect the Firm against "wrong way" market and counterparty risk. After the events about which we were concerned actually occurred, the Firm sold the excess coverage, which resulted in gains for the Firm.

Under the proposed rule, this activity could likely have been deemed prohibited proprietary trading (as the derivatives involved in the hedging strategy were booked in the market risk capital trading book) and may not have qualified as hedging because (1) the actions taken were forward looking and anticipatory nature; (2) the purchase of additional hedges could have been deemed over-hedging; and (3) the gains realized upon the unwind of the hedges could have been deemed "appreciably more profits on the hedge than [we] stood to lose on the related position."

Managing credit risk by use of use of credit derivatives: Leading into and throughout the crisis, the Firm closely monitored its credit portfolio to assess how the market events that were unfolding might affect its balance sheet and structural risks. Analysis indicated early stress conditions in the credit markets, and we were therefore concerned that more serious and accelerated underlying credit deterioration was occurring in the short term than was generally reflected in market prices. (The general market view was reflected in the high-yield credit spread curve which was, at the beginning of the crisis, very steep, indicating that that the market believed that companies would likely not default in the short-term, but that severe credit losses were more likely to occur in the long term as the crisis continued in duration.)

To protect the Firm against credit losses that, based on its analysis, the Firm perceived were possible to occur in the near term, the Firm's ALM team used credit derivatives to purchase protection on high yield credit default swap indices with short term maturities and to sell protection on high yield credit default swap indices with longer-term maturities—in effect, taking a high yield curve flattening position in the credit derivatives market. This strategy resulted in the Firm recognizing some gains as near-term default risks increased. The gains recognized on these derivatives strategies offset in part the losses that occurred on credit assets held by the Firm.

Under the proposed rule, this activity could have been deemed prohibited proprietary trading. The derivatives used in the hedging strategy were booked in the market risk capital trading account and may not have qualified as hedging because: (1) the actions taken were forward-looking and anticipatory; (2) the Firm's purchases of the credit derivatives may not have been deemed "reasonably correlated" with the underlying risk, as different instruments were used to effect the hedging strategy than the assets giving rise to the risk; and (3) the gains realized upon the unwind of the hedges could have been determined to be larger than the countervailing risks.

Managing deposit inflows by purchasing highly liquid securities: As the crisis unfolded, JPMorgan experienced an unprecedented inflow of deposits (more than $100 billion) reflecting a flight to quality. The Firm was faced with determining how to invest this excess cash, and how to earn a sufficient rate of return on these deposits in an extremely low-rate environment, so that it could pay interest on these funds without losing money—or needing to turn its customers away, which not only would have been bad business for us but destabilizing for the system. The Firm took several actions: it lent the excess funds in the inter-bank market, thereby helping to recirculate available liquidity to other financial institutions. But it also invested in both long-term and short-term highly liquid investment grade securities in order to obtain a rate of return sufficient to protect the Firm from compressing margins on its deposit base. Although the preponderance of the securities purchased were booked as AFS securities, many of the shorter-term securities were booked in the Firm's market risk capital trading account. The purchase of shorter-term securities was necessary because the Firm was not sure how sticky (or long term in nature) some of these deposits would be, and wanted to avoid an asset-liability mismatch. And some AFS securities were purchased and sold within 60 days as a prudent hedging response to the dynamic nature of the cash flows, and in order to manage the fluidity of the cash flows and the interest rate volatility and sensitivities such cash flows were creating. Use of this strategy enabled the Firm to protect itself against losses, helped its clients earn interest on the funds they had deposited with the Firm and recycled funds back into the wholesale markets.

Under the proposed rule, some components of this strategy could have been considered (or presumed to be) prohibited proprietary trading. Some securities were booked in the market risk capital trading account (or purchased and sold within 60 days), and would not have qualified as hedging because (1) the Firm's purchases might have been deemed to be a hedge that gave rise to a "risk that was not already present" on the Firm's balance sheet; (2) the hedge securities may not have been deemed a hedge that "reasonably correlated" with the underlying risk (not only for the reason noted before, but also because the pace of the purchases or sales of hedge securities may not have matched precisely the pace of deposit inflows and outflows) and (3) the Firm's eventual sale of such securities resulted in gains that could have been considered outsized to the risk being hedged (in part because that risk could not be quantified).

Managing the value of the Firm's assets and liabilities by purchasing expanded types of investment securities: By early 2009, it had become apparent that additional ALM action was required. The credit environment had deteriorated further, and the Firm's management was forecasting a significant economic slowdown that was likely to lead to a lower interest rate environment. In addition to the significant influx of deposits the Firm was experiencing, the Firm's management was predicting lower loan demand, resulting in a significant structural balance sheet mismatch between assets and liabilities. In anticipation of these conditions, the Firm's ALM team undertook an evaluation of the Firm's investment securities portfolio and determined it would be prudent to increase the size and duration of the portfolio, as well as to increase diversification of the portfolio. Thus, in addition to agency MBS securities, which were the securities traditionally held by the investment securities portfolio, ALM activities expanded in scope to include other highly liquid securities. But, as the market dislocation associated with the crisis increased and credit spreads continued to widen, the portfolio was further expanded to include other top-of-the-capital structure securities and certain types of structured credit products to bring the asset-liability sensitivity of the Firm more in balance. This increased purchasing continued over several quarters of 2009. While the preponderance of the securities purchased were booked as AFS securities, the expanded strategy also involved the purchase of certain securities and derivatives that were booked in the Firm's market risk capital trading account and, as a prudent response to the volatility in the credit markets, sometimes necessitated the purchase and sale, within 60 days, of AFS securities. This active – and proactive – positioning of the Firm's ALM portfolio during the period enabled the Firm to manage successfully a balance sheet that was experiencing significant changes in volumes in its assets and liabilities with resulting interest rate volatility and sensitivity, and provided the Firm with a partial hedge against the changing market value of the Firm's balance sheet.

Under the proposed rule, some aspects of this strategy could have been prohibited, for basically the same reasons described with respect to other strategies. As these examples demonstrate, JPMorgan's ALM activities during the crisis involved pro-active management of the risks associated with its balance sheet. Many of these actions needed to be taken quickly, while many others required significant purchases or sales of securities over a period of time – as large purchases or sales needed to be managed in a way that was consistent with safety and soundness and without dislocating markets.

The actions taken by the Firm's ALM team led to significant changes over the two-year period in the size, maturity profile, and composition of the Firm's investment securities portfolio. All of these actions, irrespective of whether the securities and instruments purchased and sold were accounted for as AFS investment securities or booked in the market risk capital trading account, were effected in order to protect the value of the assets and liabilities on the Firm's balance sheet, and not for the purpose of earning profit from short-term price movements. Under the proposed rule, it is at best unclear whether we could take similar actions to protect ourselves in the future. Thus, many of the most prudent, useful and successful strategies utilized by the Firm during the crisis could have been prohibited under the proposed rule. As discussed below, we believe there are more appropriate ways to ensure a prudent and effective operation of an ALM function, while at the same time ensuring sufficient safeguards are in place so that the statutory prohibition on proprietary trading set forth in the Volcker Rule is not evaded.

D. Inapplicable Elements of the Risk Mitigation Hedging Exemption

1. <u>The Metrics Required to be Applied are Meaningless When Applied to Legitimate ALM Activities</u>

The proposed rule requires five metrics to be applied to "risk mitigating hedging activities;" accordingly, under the proposed rule, ALM transactions that are booked in the entity's market risk capital trading account would be subject to these metrics. These measures include VAR, Stress VAR, VAR Exceedence, Risk Factor Sensitivities, and Risk Position Limits. It is true that VAR and these other metrics are used by the Firm in respect of the portion of the ALM portfolio which is marked-to-market. However, the purpose for such tests is to enable the Firm to understand the potential loss that could be incurred by these positions as a result of immediate changes in market rates – but not to determine the efficacy of the ALM hedging activity. And, while asset-liability risk management does use risk factor sensitivities and risk position limits in managing the risks associated with the portfolio, these metrics likewise do not help distinguish ALM activities from prohibited proprietary trading activities. Accordingly, while these metrics are used in risk management, they are of no use in distinguishing valid risk mitigating hedging activities from prohibited proprietary trading.

Most significantly, the application of the VAR-based measures to assets held by an ALM function would be extremely misleading. This is because many of the liabilities being managed, such as deposits, are not marked to market but, rather, are accounted for on an accrual basis. This accounting asymmetry means that while the VAR-based metrics will capture the changes in value of the ALM position, these metrics will not reflect the offsetting risk in the underlying structural balance sheet of the company—in essence, the VAR-based metric will be measuring only one side of the equation, not both. Accordingly, VAR measures will not gauge the extent to which the ALM position is actually offsetting the risk it is hedging. This accounting asymmetry renders the application of these metrics to ALM activities meaningless for Volcker Rule purposes.

2. The "Simultaneous Documentation" Requirement Is Overly Onerous and Not Necessary to Distinguish Proprietary Trading from Legitimate ALM Activities

The heavy documentation requirements for risk mitigating hedging activities are unrealistic and the requirement for contemporaneous documentation is unworkable. The proposed rule requires that for any risk mitigation hedging transactions "established at a level of organization that is different than the level of organization" establishing the positions, the entity must document "at the time" of the transaction (1) the purpose of that hedge transaction; (2) the positions the hedge is designed to reduce; and (3) the level of the organization that is establishing the hedge.

The significant documentation requirement imposed on the ALM function—which, by definition, is carried out on a desk that is different from the market-making desks giving rise to the risk or the operating business that is giving rise to the underlying credit or structural liability risk—means that ALM functions will *de facto* be subject to the unworkable documentation requirements of the proposed rule. Because the ALM function looks at the balance sheet in a macro, holistic way, determinations as to hedging strategies are generally developed by an investment committee that determines what risks the entity is being exposed to, and how best and how much to hedge them. The person executing the hedging position on behalf of the ALM function may not know the precise origin of the risk being hedged at the time of hedge execution. The unworkability of the documentation requirement becomes even more extreme in the context of necessary anticipatory hedging. Because hedging is dynamic and needs to be responsive to market conditions, the requirements that such documentation be "contemporaneous with" the establishment of the hedge, and that there be detailed documentation identifying the exact positions – or even portfolios of positions – that are intended to be hedged could inadvertently delay managers from establishing the very hedges required to maintain safety and soundness. This tension will be particularly acute during volatile market conditions – precisely when safety and soundness and market stability argue for quick action.

Further, it is unclear what benefits these additional documentation requirements provide, and how they would differ from or be supplemental to the policies and procedures that are already employed by a firm's ALM function. It is not clear that the appropriate and already robust policies and procedures that are in place in a firm's ALM function do not suffice. Because ALM functions should be given the same deference and latitude that the proposed rule accords the liquidity management function (at least in respect of the documentation requirements applicable to both activities), there is no reason that the documentation conditions that the proposed rule deems sufficient for liquidity management should not likewise be deemed sufficient and appropriate for transactions executed in furtherance of *bona fide* ALM activities.

In summary, given the restrictive and unworkable conditions required to be met for the "risk mitigating hedging" exemption of the proposed rule, it will be impossible for risk managers to know at the outset what may be deemed exempted and what may not. This attendant uncertainty will chill the taking of appropriate actions and impair the exercise of this important function, thereby undermining a crucial safety and soundness function, often at times when it is most required.

E. The Liquidity Management Exclusion

While the proposed rule properly excludes liquidity management activities from the definition of trading account (thereby acknowledging that these activities are not for the purpose of selling in the near term or with the intent to resell in order to profit from short-term price movements), it nonetheless fails to fully implement the FSOC's finding that liquidity management activities must fall outside the Volcker Rule's definition of proprietary trading. That is because the proposed rule has so narrowly circumscribed the scope of excluded "bona fide liquidity management" activities that only a fraction of a firm's liquidity management activities will qualify for this treatment and, thus, the remainder could be prohibited by the Volcker Rule as impermissible proprietary trading. This result cannot be intended.

In particular, the following conditions that must be met in order to obtain the benefit of the exclusion present serious obstacles to effecting a legitimate and prudent liquidity management function:

(i) *"near-term" funding needs:* Prudent liquidity management is responsible for ensuring that the entity is able to meet its commitments not only over the "short term" -- but also over "medium-term" and "longer-time" horizons. In fact, the banking regulators' 2010 *Interagency Policy Statement on Funding and Liquidity Risk Management ("Liquidity Risk Policy")*[77], requires firms to "ensure that their vulnerabilities to changing liquidity needs and liquidity capacities are appropriately assessed within meaningful time horizons, including intra-day, day-to-day, short-term weekly and monthly horizons, medium-term horizons of up to one year, and longer-term liquidity needs of one year or more."[78]

The consequence—which we believe must be unintended—of this near term requirement is to label any liquidity cushion of liquid securities held by the firm in excess of its "near-term" funding needs as prohibited proprietary trading. That is because under the proposed rule only the portion of the liquidity cushion that would meet a firm's "near term" funding needs will qualify for the liquidity management exclusion; the balance of the securities held as part of the liquidity cushion (which generally would be securities held in a market risk capital trading account) could be deemed prohibited proprietary trading. The result will be to limit prudent liquidity management practices and likely result in making banking entities less safe and less sound and the U.S. and global financial systems more vulnerable to liquidity stresses.

---

[77] "Interagency Policy Statement on Funding and Liquidity Risk Management" Office of the Comptroller of the Currency; Board of Governors of the Federal Reserve System; Federal Deposit Insurance Corporation; Office of Thrift Supervision; and National Credit Union Administration, Fed Reg. Vol. 75, No. 54, 13656, March 22, 2010.

[78] Id. at 13663.

(ii) *positions be "highly" liquid:* It is imprudent for all of a firm's liquidity management positions to be invested only in highly liquid securities because prudent liquidity management requires appropriate asset allocation. Firms often invest their surplus funds in commercial paper, certificates of deposit, short-term loans, interbank deposits, Fed Funds and other similar instruments of creditworthy issuers, because these instruments, used in varying amounts at varying times, provide liquidity managers with the necessary flexibility to address the changing liquidity profile of the firm. Prohibiting the use of these types of instruments would be inappropriate for several reasons.

First, the liquidity of instruments changes from time to time in response to market conditions and thus, determining whether an instrument is highly liquid or merely liquid will be a facts and circumstances determination, depending on market conditions at any given point in time. Second, banking entities' investment in commercial paper, short-term loans, interbank deposits and other similar products is an important way to recirculate available liquidity to help provide funding to others. Thus, prohibiting banking entities from investing their excess liquidity into these instruments would be detrimental to the safety and soundness of the entire banking system. Third, liquidity is not indicative of whether the purpose of a trade is short-term profit – and thus, it is not clear why or how this requirement furthers the intended purpose of the Volcker Rule.

(iii) *positions not give rise to "appreciable profits":* The fact that a particular investment bears a higher rate of return than another does not convert the purpose of that investment from proper liquidity management to impermissible proprietary trading. In addition, concluding whether any particular liquidity management transaction creates impermissible "appreciable" profits is so subjective and uncertain a determination that it will only inhibit and impair the proper management of this important function.

(iv) *"specifically...authorize...the circumstances in which the particular instrument may or must be used."* Liquidity management is a dynamic process, never more so than during periods of stress. It is a process that, by definition, requires continuous measurement and monitoring—and being able to take steps quickly to address any funding gaps (that is, any gaps between the timing of liquidity sources and liquidity uses). Because of the on-going nature of the reviews routinely performed by the function, and the breadth of the instruments taken into consideration depending on market and economic conditions at any point in time, requiring that the liquidity plan specifically detail the circumstances in which a particular instrument is to be used is too constrictive a condition to permit the proper functioning of a *bona fide* liquidity management function.

In summary, many *bona fide* liquidity management activities would not be permitted under the proposed rule's exclusion. The restrictions will not permit the function to operate within a framework that is flexible enough to allow banking entities to manage their liquidity risks in prudent ways. As a result, the exclusion as currently set forth in the proposed rule could undermine banking entities' safety and soundness.

F. Alternative approach

The final rule should establish an exclusion from the definition of trading account for *bona fide* asset liability management, which would include and encompass *bona fide* liquidity management. Like the currently proposed exclusion for *bona fide* liquidity management, the ALM exclusion would be conditioned on meeting several criteria that are consistent, and in some instances go further than, those already included in the proposed rule. Such an exclusion is fully consistent with the language, purposes and history of the statute.

We therefore propose that there be an exclusion for any transaction effected for *bona fide* asset-liability management done in accordance with a firm's documented ALM policy that:

- Authorizes the particular instruments to be used for ALM and liquidity purposes, and describes the types circumstances under which such instruments would generally be expected to be used;
- Authorizes the hedging strategies for use in ALM activities or for addressing the liquidity needs of the firm as the macroeconomic and market environments change;
- Requires that any transaction contemplated and authorized by the plan be principally for the purpose of managing the balance sheet exposures and liquidity risks of the covered firm, and not principally for the purpose of short-term resale, benefitting from actual or expected short-term price movements, realizing short-term arbitrage profits, or hedging a position taken for such short-term purposes;
- Requires that the ALM and liquidity portfolios be managed within appropriate controls documented in the ALM policy;
- Limits any positions taken for ALM or liquidity purposes to amounts that are consistent with the firm's balance sheet management and liquidity needs as defined in the ALM policy;
- Is consistent with all applicable regulatory guidance regarding asset-liability and liquidity management;
- Is approved by the firm's board of directors;
- Requires that the compensation arrangements of persons performing the ALM and liquidity management activities be designed so as not to reward proprietary risk taking;
- Requires that the firm shall have established a compliance and audit regime designed to ensure compliance with the rule; and

- Requires that the management of the ALM and liquidity management function (including its employees and officers) be separate from the primary dealer and market-making trading functions.

Under this construct, the agencies would have considerable assurance that ALM functions were being properly conducted, but financial institutions would retain the crucially important flexibility to manage their risks in appropriate and prudent ways. That is because under a properly organized, managed and supervised ALM function it would be difficult—if not impossible—for a proprietary trading desk or function to be secreted or camouflaged within an ALM function.[79] First, and foremost, because the ALM function is grounded in managing the structural risks of the enterprise, the banking entity would need to be able to demonstrate that each of the ALM strategies it undertook was in response to the results of stress tests or internal analysis conducted by the firm of its balance sheet risks. Each desk effecting ALM hedging strategies would need to be able to demonstrate how its activities are supervised, and that its transactions were within the defined mandates and limits established by its managers–who likewise would need to be able to demonstrate that those mandates and limits were directed by and were part of the ALM strategy established by the firm's ALM management. ALM management would need to be able to demonstrate that the instruments and strategies utilized by the various hedging personnel were established by it and were part of the written ALM plan and procedures, and that all of the ALM activities were reported to and monitored by the entity's independent risk management function. The entity would need to be able to demonstrate that the written plan and procedures were authorized by the entity's board of directors, and that its internal risk, compliance and audit personnel, independent of the ALM function, had performed adequate monitoring and testing of such processes and procedures to establish that the activities were in fact in compliance with the plan. And, as a further disincentive to proprietary trading occurring within the ALM function, the persons effecting ALM transactions would not be compensated to do so. Lastly, and not insignificantly, the banking entity would also know that its ALM activities are subject to regulatory examination and review. Thus, we believe the exemption would require that there exist within the ALM function managerial and supervisory structures to ensure that the function is being properly performed and appropriately controlled.

By proposing this exclusion we do not suggest that ALM activities be exempt from examination on safety and soundness grounds. Rather, as stated above, we fully expect robust examination and supervision to continue in the future. As noted in the introduction, we also note that draconian capital requirements on all trading positions, including those held for ALM purposes, are already a potent safety and soundness guarantee, as well as unfortunately a disincentive to engage in the activity.

* * * * * * *

[79] We acknowledge it is always possible that a rogue trader situation can occur—but, as we note in the Overview, there appears no justification to promulgate a rule that presumes from the outset that covered entities would intentionally work to evade the rule.

We thank the agencies for their consideration of our comments. If you have any questions, please do not hesitate to call me at 212-270-0593.

Sincerely,

Barry L. Zubrow
Executive Vice President

Appendix A

Compliance Program for Foreign Funds

Appendix C, Section II of the proposed rule would be amended to add a new Subsection C, as follows:

C. Foreign Fund Activities or Investments

A covered banking entity must establish, maintain and enforce written policies and procedures that are reasonably designed to document, describe, and monitor the covered banking entity's sponsorship activities with respect to, or investments in, funds organized and offered outside the United States (such funds, "foreign funds"), as follows:

Analysis of Foreign Funds: The covered banking entity's policies and procedures must specify how each foreign fund that the covered banking entity sponsors, organizes and offers, or in which the covered banking entity invests, will be analyzed to determine whether such foreign fund is a covered fund pursuant to § __.10(b)(1). Such policies and procedures must provide that such analysis be appropriately documented and reported to management of the covered banking entity. To the extent that a foreign fund is determined not to be a covered fund, the following compliance program elements will apply.

Records Regarding Foreign Funds that are not Covered Funds: For foreign funds that are not covered funds and that the covered banking entity sponsors, organizes and offers, or in which the covered banking entity invests, the covered banking entity's written policies and procedures must specify that the covered banking entity maintain records that are sufficient to identify, as applicable:

- A description of each foreign fund (e.g., prospectus).
- For each foreign fund, a record that notes the basis upon which the covered banking entity has determined that the foreign fund is not a covered fund pursuant to § __.10(b)(1)(iii), including the following elements:
    - jurisdiction of organization;
    - jurisdiction of registration or regulation;
    - each jurisdiction in which a public offering of the foreign fund's ownership interests has been made, or is intended to be made, and, with respect to funds that are publicly offered and listed on a foreign securities exchange, the percent of the foreign fund's ownership interests represented by such listing, or that are intended to be represented by such listing;

- how frequently investors are permitted to redeem their ownership interests and how frequently a net asset value, or its equivalent, is calculated; and
- the securities exchange upon which the foreign fund's ownership interests are listed.

- The nature of the covered banking entity's sponsorship activities with respect to each foreign fund; and
- The date and amount of each investment by the covered banking entity in each foreign fund.

Ongoing Compliance of Investments in Foreign Funds that are not Covered Funds: The covered banking entity's policies and procedures must specify how each foreign fund in which a banking entity maintains an ownership interest will be reviewed regularly to determine whether such foreign fund has become a covered fund pursuant to § __.10(b)(1). With respect to foreign funds that are later determined to be covered funds, the covered banking entity's policies and procedures must also specify how the banking entity will ensure investments in such foreign funds will be brought into compliance with § __.11 and the other provisions of Part [ ], as applicable.

JPMORGAN CHASE & CO.

MINUTES

MEETING OF THE RISK POLICY COMMITTEE

March 20, 2012

Risk Policy Committee	**Others Present**	
James S. Crown, Chairman	Ashley Bacon	John J. Hogan
David M. Cote	Douglas L. Braunstein	Daniel McDonagh
Ellen V. Futter	Paul Compton	Patrick McKenna
	Donna Dellosso	Samuel T. Ramsey
	Robin Doyle	Donna Reino
	Ina Drew	Steinar Zinke
	Mary Ellen Egbert	Barry L. Zubrow
	Irvin J. Goldman	Gregory A. Baer, Secretary
	Margaret M. Hannum	

Mr. Crown convened the meeting at 7:30 am. The meeting commenced with Committee members, Ms. Doyle, Ms. Egbert and Ms. Hannum and Messrs. Braunstein, Hogan, McKenna, Ramsey, Zinke, Zubrow, and Baer in attendance. Mr. Hogan then introduced new members of the Risk Management Team: Donna Dellosso, Patrick McKenna and Steinar Zinke to the Committee.

The minutes of the meeting on January 17, 2012 were approved.

Redacted

Redacted

Redacted

Market Risk Limits

Mr. Bacon updated the Committee on Market Risk Limits. Redacted Redacted Redacted The CIO VaR limit was raised temporarily in anticipation of QR's approval of the mortgage prepayment model leveraged by the MSR and SPG's mortgage related portfolios. The CIO Risk Committee reviews Level 1 and Level 2 limits for each business on a monthly basis. He stated that the position changes in the second half of 2011 resulted in VaR diversification benefit trending lower (higher VaR) with limits unchanged and managed more tightly.

Redacted

Following discussion, Mr. Bacon left the meeting.

Redacted

CIO Review

Ms. Drew and Mr. Goldman provided a review on CIO. They discussed the structural risk summary noting that the structural risk net liability position projected by LOBs continues to grow driven by modest asset growth, continued deposit inflows, long term debt issuance and retained earnings. Ms. Drew noted that the structural investment portfolio allocation trending toward 50% rates, 50% senior credit. Subject to capital ratios, the CIO will continue a portfolio rotation into senior top of the capital structure credit. Ms. Drew described how rising or falling interest rates would affect the company, and how CIO manages that risk. In response to a question from Mr. Cote, she and Mr. Goldman described the behavior of core deposits and how they are managed.

Redacted

Adjournment

There being no further business, the meeting was adjourned.

Gregory A. Baer, Secretary

Risk Management

General Market Discussion

Directors Risk Policy Committee
March 20, 2012

JPMORGAN CHASE & CO.

Topics for Discussion **Confidential**

Wholesale – 30 Minutes

Investment Bank (IB)
- Executive Summary
- Euro Stress
- Underwriting Scorecards

Commercial Bank (CB)
- Executive Summary
- Underwriting Scorecards

Asset Management (AM)
- Executive Summary
- Key Risk Topic - Money Market Funds
- Underwriting Scorecard

Treasury & Securities Services (T&SS)
- Executive Summary

Chief Investment Office (CIO)
- Executive Summary

Consumer – 15 Minutes

Consumer
- Executive Summary
- 30-149 Day Non-Credit Impaired Delinquency
- Net Charge-Offs
- Underwriting Scorecards
  - Card Services
  - Auto Finance
  - Mortgage Banking
  - Business Banking

Exhibits
- ***Treasury & Securities Services***
  - *Selected Key Product Metrics*
  - *Operational Losses – Full Year 2011*
  - *Credit Risk Profile*
- *Consumer*
  - *Earnings Estimate*
  - *Card Services Overview*
  - *Auto Finance Overview*
  - *Mortgage Banking Overview*
  - *Business Banking Overview*

▬ = Redacted by the Permanent Subcommittee on Investigations

Chief Investment Office Risk:

Executive Summary

Confidential

Structural interest rate risk positioned for rising rates environment with an allocation to credit spreads to account for lack of loan origination on the balance sheet; remain sensitive to regulatory capital.

Financial Summary [Management View]

	2011 Actuals Full Year	2012 Forecast Full Year	2012 Plan Full Year
Revenue	[redacted]	[redacted]	[redacted]
Net MTM			
NII			
Memo: Structural Risk Liabilities			
Memo: Investment NII			
Securities Gains / (Losses)			
Other Revenue			
MSR (Hedging Revenues)			
BOLI (General Welfare Revenues)			
Total Revenues			
Expense			
Compensation			
Non-Comp & Allocations			
Total Expense			
Memo: Expense (excl. FX Hedging / IC / RP)			
Provisions			
Pre-tax Income			
Tax Expense			
Net Income			
Key Statistics			
Net Capital			
Financial ROE			
OCI (pre-tax) ($bn)			
Efficiency Ratio (excl. FX Hedging / IC / RP)			

Key Risk Topics

- Structural risk position remains short rates and long credit spreads
- Integration of AFS securities portfolio into firmwide stress framework (reflected in table below).
- VaR limit reductions are in the pipeline both for MSR (from [redacted] and CIO (reduction from $95mm under review)

Stress Testing (mm USD)	Credit Crisis (credit selloff / rates rally)	Drivers
CIO MTM	510	Positive benefit from tranche book offset by bank preferreds and CLOs
CIO SAA AFS	[redacted]	
CIO SAA Liabilities		
FX Capital Hedging		
CRP		
TOTAL		

Structural Risk	
Firm DoE (excludes credit spread)	(5.3)
Credit spread investments	2.9
Firm DoE (includes credit)	(2.4)

From: Bacon, Ashley
Sent: Sun, 06 May 2012 20:57:24 GMT
To: Venkatakrishnan, CS <cs.venkatakrishnan@jpmorgan.com>
Subject: Re: CIO Credit Collateral differences as of COB Thursday 3rd

---

Yes - would be a good addition

From: Venkatakrishnan, CS
Sent: Sunday, May 06, 2012 09:55 PM
To: Bacon, Ashley
Subject: Fw: CIO Credit Collateral differences as of COB Thursday 3rd

Shouldn't this be on daily risk report?

From: Bates, Paul T
Sent: Sunday, May 06, 2012 04:46 PM
To: Dimon, Jamie; Braunstein, Douglas; Hogan, John J.; Drew, Ina
Cc: O'Rahilly, Rob; Bacon, Ashley; Venkatakrishnan, CS; Vigneron, Olivier X; Macris, Achilles O; Martin-Artajo, Javier X; Wilmot, John
Subject: CIO Credit Collateral differences as of COB Thursday 3rd

CIO Credit Collateral differences as of COB Thursday 3rd

Total difference between CIO and the counterparties is now $194mm vs. $182mm prior day.

Largest Counterparty Difference: Morgan Stanley is now $57mm vs. $55mm prior day.

Largest Instrument Difference: Itraxx MN S09 10Y 22-100 is now $34mm vs. $38mm on the prior day.

From: Bates, Paul T <paul.t.bates@jpmchase.com>
Sent: Tue, 08 May 2012 18:18:01 GMT
To: Dimon, Jamie <jamie.dimon@jpmchase.com>; Braunstein, Douglas <Douglas.Braunstein@jpmorgan.com>; Hogan, John J. <John.J.Hogan@jpmorgan.com>; Drew, Ina <Ina.Drew@jpmorgan.com>
CC: O'Rahilly, Rob <Rob.ORahilly@jpmorgan.com>; Bacon, Ashley <Ashley.Bacon@jpmorgan.com>; Venkatakrishnan, CS <cs.venkatakrishnan@jpmorgan.com>; Vigneron, Olivier X <olivier.x.vigneron@jpmorgan.com>; Macris, Achilles O <achilles.o.macris@jpmorgan.com>; Martin-Artajo, Javier X <javier.x.martin-artajo@jpmorgan.com>; Wilmot, John <JOHN.WILMOT@jpmorgan.com>
Subject: CIO Credit Collateral differences as of COB Monday 7th

---

CIO Credit Collateral differences as of COB Monday 7th

Total difference between CIO and the counterparties is now $212mm vs. $203mm prior day.

Largest Counterparty Difference: Morgan Stanley is at $61mm – unchanged.

Largest Instrument Difference: Itraxx MN S09 10Y 22-100 is now $27mm vs. $24mm on the prior day.

Difference by counterparty:

Top ten differences by instrument:

From: Youngwood, Sarah M <sarah.m.youngwood@jpmorgan.com>
Sent: Thu, 10 May 2012 22:35:32 GMT
To: Dimon, Jamie <jamie.dimon@jpmchase.com>; Braunstein, Douglas <Douglas.Braunstein@jpmorgan.com>; Drew, Ina <Ina.Drew@jpmorgan.com>; Staley, Jes <jes.staley@jpmorgan.com>; Cutler, Stephen M <stephen.m.cutler@jpmorgan.com>; Evangelisti, Joseph <joseph.evangelisti@jpmchase.com>; Lemkau, Kristin C <Kristin.Lemkau@jpmorgan.com>; Miller, Judith B. <Judith.B.Miller@jpmorgan.com>
CC: Investor Relations <Investor_Relations@restricted.chase.com>
Subject: 10Q call - Buyside and sellside comments (1)

See below re first few calls.

Brennan Hawken – UBS – Sellside

- Matt O'Connor said it all on the call when he mentioned this is not really a huge number is it stays there
- Very commendable; the call was very transparent, above board, and something that you would expect JPM to do
- The market is reacting somewhat strongly
- You will work your way out of it

Keith Horowitz – Citi – Sellside

- Feedback – There's more going on here; "There are bad apples here." People are incented to make money and take risk"
- I think everyone appreciates you organizing a call

Mike Mayo – CLSA – Sellside

- What did Jamie mean when he said the loss "could be volatile?" Is it $1B more?
- Is AOCI recognized in equity? Is
- Any impact on your capital plans?
- What is the purpose of the investment portfolio?
- Big issue/question: who was watching the CIO? Doesn't internal audit monitor this? CIO size? Volcker? Asset Management
- Thank you for organizing the call

Matt O'Connor, Michael Carrier and David Ho – Deutsche Bank – Sellside

- How big is the synthetic credit book you are trying to unwind? Is the synthetic book included in the investment securities portfolio? How big overall is the CIO book? Are there numbers in the press that are reasonable?
- Where would the synthetic credit book show up on the consolidated balance sheet in trading assets? Is it under derivatives receivables?
- Is all of your goodwill in the Corporate segment?
- Pretty big confidence blow for the best risk manager; very puzzling
- We may have to amend our FICC forecasts. Movements in credit spreads don't seem material, so to get tripped up now is surprising
- Were there any accounting changes?
- When I speak to clients, and they ask, "What got worse since after the quarter?" I'd say Europe, but what else got worse? What basket did you have? Using broad indexes, it just doesn't add up
- "Scary thing" – I worry about if this could create a global issue
- How fast can you get out?

- You didn't do a call when you had a $2.5B litigation loss; ; I'm not worried about your earnings or book value, but I do worry about the message it sends

Beth Schulte – Capital – Buyside

- "Bravo, thank you for hosting the call"
- What exactly was the transaction that caused the problem?
- What event triggered the realization that the hedging was not working?
- When Jamie said you had a synthetic credit strategy to hedge your overall credit risk, what does that mean in laymen terms? Rather than sell-off the pieces, did you lay over additional strategy?
- Based on what Jamie said on the quarter, have you used up, as of 1Q12, any of the buybacks?

Sarah Youngwood | Managing Director | Head of Investor Relations | JPMorgan Chase Co. |
270 Park Avenue, New York, NY 10017 | T: 212 622 6153 | F: 212 270 1648|

From: Coombes, Hema S <hema.s.coombes@jpmchase.com>
Sent: Thu, 10 May 2012 18:03:05 GMT
To: Dimon, Jamie <jamie.dimon@jpmchase.com>; Braunstein, Douglas <Douglas.Braunstein@jpmorgan.com>; Hogan, John J. <John.J.Hogan@jpmorgan.com>; Drew, Ina <Ina.Drew@jpmorgan.com>
CC: O'Rahilly, Rob <Rob.ORahilly@jpmorgan.com>; Bacon, Ashley <Ashley.Bacon@jpmorgan.com>; Venkatakrishnan, CS <cs.venkatakrishnan@jpmorgan.com>; Vigneron, Olivier X <olivier.x.vigneron@jpmorgan.com>; Macris, Achilles O <achilles.o.macris@jpmorgan.com>; Martin-Artajo, Javier X <javier.x.martin-artajo@jpmorgan.com>; Wilmot, John <JOHN.WILMOT@jpmorgan.com>; Lewis, Phil <phil.lewis@jpmorgan.com>
Subject: CIO Credit Collateral differences as of COB Wednesday 9th May

---

CIO Credit Collateral differences as of COB Wednesday 9th May

Total difference between CIO and the counterparties is now $120mm vs. $144mm prior day

Largest Counterparty Difference: Morgan Stanley Capital Services is at $58mm – up from $54mm

Largest Instrument Difference: ITRAXX MN S09 10Y 22-100 is now $20mm vs. $23mm on the prior day

**Please note: Deutsche Bank AG is on a one day lag and showing the 8th May 2012*

Difference by counterparty:

From: Youngwood, Sarah M <sarah.m.youngwood@jpmorgan.com>
Sent: Fri, 11 May 2012 23:32:02 GMT
To: Dimon, Jamie <jamie.dimon@jpmchase.com>; Braunstein, Douglas <Douglas.Braunstein@jpmorgan.com>; Drew, Ina <Ina.Drew@jpmorgan.com>; Staley, Jes <jes.staley@jpmorgan.com>; Cutler, Stephen M <stephen.m.cutler@jpmorgan.com>, Cavanagh, Mike <mike.cavanagh@jpmchase.com>; Evangelisti, Joseph <joseph.evangelisti@jpmchase.com>; Lemkau, Kristin C <Kristin.Lemkau@jpmorgan.com>; Miller, Judith B. <Judith.B.Miller@jpmorgan.com>
CC: Investor Relations <Investor_Relations@restricted.chase.com>
Subject: 10-Q call - Buyside and sellside comments (6)

Last series of calls this afternoon. We will summarize the key themes/questions over the week-end and will send the updated analyst targets/consensus information.

Andrew Marquardt – Evercore Partners – Sellside

- What was the timeline?
- When did you change VaR model?
- What would have happened if we had not changed the VaR model?
- Would this change in strategy have happened had there not been a change in the new VaR model?
- Has the VaR model materially changed over the years? What is the process for the VaR model to change? Who is involved and how does it work?
- Have you already taken some action to help protect yourself from further loss (locked in loss)? It sounds like it's a little bit of action to lock in some potential losses and some market-to-market? Is that correct?
- How much additional collateral would you need to post if there was a downgrade? What is the other potential impact of downgrades?
- Jamie seems to be almost inviting/welcoming criticism/ additional scrutiny. Can we translate that in a high level of confidence that it is indeed an isolated issue? Is that a stretch? Am I reading into that too much?
- Can you comment on SEC/Fed/rating agency reactions?
- I was surprised at the reaction in the market today. Your goodwill is well earned. One incident should not raise the question of the risk management systemically because it is part of the business – it's a buying opportunity
- I have heard both sides today from investors

Chris Kowasaki – Alliance Bernstein – Buyside

- Can you tell me how large the trades are?
- Will we get that detail?
- Any formal investigations?

John Starkling – Prospector Partners – Buyside

- Please explain the impact of a rating downgrade
- What are the triggers and how much collateral would you have to post?

Alex Hesse

- It was obviously a big surprise
- S&P and FITCH reactions and comments – What is it going to do with the buyback? They are assuming 75% buyback in the 8-12 months – You are very close to edge. How much do you care about their rating?
- If you were downgraded by S&P you would lose your short-term rating

- I know you can't tell me the exact positions but I think it's important to get a sense for potential sizing/loss impact
- How confident do you feel that the losses are within the reasonable range of expectation going forward?
- I just hope you can put out something over time that convinces people that this isolated
- If this can happen to you it can happen to others
- One could make the case that all the other banks could be down
- My point is it is very hard to grasp, anything you can put out over time that shows that we aren't hiring any more people or we're getting rid of the bad apples
- The reaction yesterday was bifurcated: you didn't do a call for the litigation expense. It is either: "You have high ethical standards and you apologize profusely for it, but this is isolated and contained" or "There are real issues"
- If we are in limbo until earnings call – the worse thing is – people will always assume the worse – people will put you in the penalty box
- Executing on your buyback would be the strongest signal you can bring to the market at this time

---

Sarah Youngwood | Managing Director | Head of Investor Relations | JPMorgan Chase Co. |
270 Park Avenue, New York, NY 10017 | T: 212 622 6153 | F: 212 270 1648|

From: Youngwood, Sarah M <sarah.m.youngwood@jpmorgan.com>
Sent: Fri, 11 May 2012 20:12:07 GMT
To: Dimon, Jamie <jamie.dimon@jpmchase.com>; Braunstein, Douglas <Douglas.Braunstein@jpmorgan.com>; Drew, Ina <Ina.Drew@jpmorgan.com>; Staley, Jes <jes.staley@jpmorgan.com>; Cutler, Stephen M <stephen.m.cutler@jpmorgan.com>; Evangelisti, Joseph <joseph.evangelisti@jpmchase.com>; Lemkau, Kristin C <Kristin.Lemkau@jpmorgan.com>; Miller, Judith B. <Judith.B.Miller@jpmorgan.com>
CC: Investor Relations <Investor_Relations@restricted.chase.com>
Subject: 10-Q call - Buyside and sellside comments (5)

Tone has changed. See below.

John Coffey – Wellington – Buyside

- Why did you feel compelled to disclose this now?
- How do we get comfortable with the dollar around? Jamie said $1B a more
- How could the newspapers know about this before Jamie knew about this?
- What can you tell us differently at the end of this quarter that you told us yesterday? It will take some time I'm assuming to get out of these positions. How will you be able to give us any more details at the end of the quarter?
- The specialist believe they know what you have; why didn't you share more information with your shareholders
- How are the people in the office of the CIO compensated? There is some concern this is a prop trade as opposed to actual hedging
- Can buy back stock today?

Beth Schulte – Capital World – Buyside

- The general assumption by the Street is that you were net short CDS on these trades; if you say you were hedging credit tail risk, how can you be net short CDS? That is inconsistent. Was being short CDS an overlay on another position as you tried to lower the other position?
- The anger from shareholders is that how did this "Whale" guy get so large? Where was the supervision?
- We asked when we met with CIO team in November and asked VaR related questions. Is the VaR in the IB now going to increase as well?
- What changes are going to be made in risk management? What controls have been tightened specifically? (PM at Capital wrote to Beth that he was "interested in taking advantage in buying the stock" but needs to know the answer tq these questions)
- What has occurred in the credit market in the last 6 weeks that would make you change your hedge and result in such large losses?
- How do you come to us with a number when the whole world knows what trades you need to get out of? Can't this cause higher losses for you?
- There are people that are happy that the person who has done so well now has a black eye; people want to make money off of your mistakes
- Do you think at some point you will come out and describe the exact trade, the people who have been fired and specifically what happened?
- Does Jamie read the Zero Hedge Blog? Jamie should know this; Zero Hedge has outlined everything. He should have read it 6 weeks ago and walked over to Bruno and asked what is going on?
- When Jamie said he "should have been paying more attention" to the stories what does he mean?
- I know corrective action will be taken, but also know that you don't pay Ina $15mm a year to just hedge deposit risk. There are a lot of fancy things going on in CIO

- Would like to have a call with Doug

Alex Popa – Capital Research – Buyside

- Would like to try to have a call with Doug; have a very high opinion of JPM and would like it to stay like that
- Was the mistake how the reduction of the hedge was done?
- It sounds like you are saying, we have a big BS, we can hold onto these things but what I fail to understand is why not lock in the loss? Already marked it so why not take the loss and move on?
- What personal changes are being prompted as a result?
- Appreciate Jamie being transparent but to another extent $2B is not a big deal, the bigger deal is the VaR, risk model etc. But why have this call now? Why not wait?
- What was the difference between the two VaR models? Is this something the regulators will examine?
- The share price is now close to TBV, how should I think about that in terms of buybacks? What did Jamie mean when he said "I believe so"? Can they revisit the situation and change their views?
- Does the fact that you had to revise your Basel III ratio and this 20bps impact change your views on buybacks? Once you runoff this portfolio, does the 20bps come back?
- Would the regulators change the way they approach their RWA and VaR model as a result of this? Did they approve the current models?

Nikhil Uppal – BlackRock – Buyside

- Why did the VaR number go up so much around the model change?
- The new model was only something you put in place this year? Are these the same models you use for client-facing stuff or unique models for CIO?
- Do the CIO activities fall into your CRO office? Does your CRO office monitor these activities?
- Is the $2B a mark-to-market hit or a sold position hit?
- Did Jamie say the $1B impact is from the sale or from market fluctuations?
- In theory, shouldn't there be a gain somewhere else within the organization?
- Was the reduction of the hedge what was poorly monitored?
- Is CIO's revenue allocated across the businesses? Does any of the revenue or hedging activities affect the other LOBs? Do the hedging activities all stay within CIO?

Lansdowne – Pete Davies and Marc Rubinstein – Buyside

- Could you have disclosed this before? We were looking for updated information a week ago when we called you
- What was the timeline around this?
- Frustration is that this story was in the newspaper and all the hedge funds have been trading against you; seems slightly unfair that the shareholders are the last people to know about this
- You have the best information and are supposedly more competent and it seems as if those that had less information and are less competent knew more then you did and reached the right conclusions before you did; is JPMorgan an incompetent firm?
- We need an explanation of what happened and how the whole situation came about; it's one thing to say we did a bad job but we don't understand how the monitoring could have been so bad
- What is Jamie doing internally at the moment? Seems like we are being left with a clear admission of the mistake without anything really tangible
- Worried about managerial transmission in-terms of actions
- Do you get the impression internally what the loss number will be?
- Is there a sense of panic going on?
- Clearly a credibility setback yesterday. How are you planning to get the credibility back?
- What is the attitude of senior management right now?
- I would like to speak with Jamie or Doug for 5-10 minutes; just want to hear them sounding calm; would be very reassuring; in next week or two, when dust settles
- For what's it worth, we bought more stock this afternoon

Greg Anderson – UBS – Buyside

- Was it a hedge you put on for tail-risk that you were trying to reduce?
- When did this start?
- Why did you switch to the new model? What was the problem with the new model?
- What gives you comfort in terms of the $1B loss?
- From a practical stand point, the sooner this can be resolved, the better. Assuming you can't get out of the position in an economic way anytime soon, correct?
- Scared me when Jamie said poorly monitored. What does this mean and how can you change things to make sure this doesn't happen again?
- Was he referring to the Whale article when he said this was related to the Bloomberg article?
- Can you continue with buybacks?
- Surprised on how the stock has acted; guess stock is going to be cheaper for Jamie to buy it back

Craig Peskin – Highfields – Buyside

- Why the decision to host a call yesterday and disclose the loss? Could have offset the losses with your gains
- Not convinced that you had to give corporate guidance with a call; do you still think it is the right decision?
- Concern is that the damage to the intrinsic value of the business is small but the real risk is in regulatory change; you have seen Levin's statement and the Barney Frank e-mail; people in Washington are very worried about this and how Volcker may turn out now as a result
- Thought Jamie came across well and forthright but the problem is when you whip yourself on a public conference call, there are a lot of great one-liners that will be on the front page; no points for being forthright
- Buybacks – are you allowed to be in the market today? Do you need to get approval from the fed to confirm that you can? Is there a risk they can call you and say stop the stock buybacks?
- What would the disclosure requirements be if you received the call to stop the buybacks?
- What are you allowed to buy? 25% of the last average daily volume of the last 4 weeks?

Philip Nicosia & Virge Trotter – Manning & Napier – Buyside

- What was the reason for having the synthetic credit portfolio in place? Was this designed to decrease your credit exposure?
- Where you trying to synthetically increase you credit exposure to increase your margin?
- How do you decide how much to hedge? When do you decide to increase or decrease the hedge? Is one person making the decision? A committee making the decision?
- What has changed going forward to prevent this from happening again?
- How do we think about this going forward?
- Do you expect the firm to spin off or sell of any your businesses if Volcker comes out as it's currently written?

Vyas Bhagyashree – Credit Capital Research Technologies – Buyside

- Was this loss associated with a book in London? Why is the location of the book a sensitive matter?
- Is the CIO a global office and the book a global book?
- Does the regulators rules in NY apply to positions held overseas? There's no reason for us to think they were unaware of the size of this position correct?
- What did the CIO-related loss stem from? A hedge position or a prop trade?
- How would you define Jamie's statement on this being related to the bloomberg article "yes, in part"?
- Does the CIO report direcly to Jamie? So he is the ultimate sueprvisor? Was there someone in the middle of the chain? How big is the CIO office?
- Why is the newspapers saying that the trades were put on it London referencing US securities?

John McDonald – Sanford Bernstein – Sellside

- What is driving the loss and potential future losses? Have you sold the positions?
- What do you mean by reducing the hedge? Why did you want to reduce it if was fine for years?
- Did the reduction of the hedge drive the losses?
- Why even say $1B [additional losses] if it could be more?
- Should we be prepared for volatility in the Corporate and other sector only?

- Over the past couple years, were the successfull investments of CIO enhancing JPM's profitability, including in the LOBs? What is the potential impact of potential changes in CIO on JPM profitabilitiy and LOB profitability?
- Are there restrictions for what a bank CIO can invest in? Are there limits for what your CIO can buy and can't buy?
- Is synthetic credit used as a hedge for the usual investments or the loan book? Usual investments don't really have a lot of credit risk
- What is the connection with hedging credit across the company and loan losses? Don't loan loss reserves protect against credit exposure?
- Did the faulty process of reducing the hedge cause the losses?
- The possibility of having swings in volatility, is that due to repositioning?
- What are the ramifications in terms of people? How high up does this go?
- Does the CIO report into Jamie?
- Can you still do buybacks? Did you hear from the Fed? Any change in what you can do? If that changes, you should be transparent about it.
- Why did the Basel ratio change? Was the impact of VaR through RWA?

Andrew Marquardt – Evercore – Sellside

- Is there a way to ringfence how big the synthetic portfolio really is?
- How do people get comfertable externally that there aren't additional such exposures?
- When your review is completed, will you be able to share things with us?
- Are there now going to be new invistigations informal, or otherwise, by the Fed and SEC?
- How long has this strategy been going on? How meaningful has it been to net income?
- Are there benefits from CIO in other business lines?
- How much of the prior guidance was related to this activity?
- It could be an incremental $1B? What was meant?
- Is this a closed position or mark-to-market?
- Is the goal to be repositioned by the end of the year?
- Are you now going back to your old model?

Bill Rubin – Blackrock – Buyside (e-mail)

- The word "unanalyzable" is being used quite a bit over last night and this morning. Not good for stock valuation. Hope there's data and commentary forthcoming to remove this stigma

Bryn Jones – Rathbone Brothers – Fixed income buyside (e-mail)

- Oh dear! Now a big trading mistake. Brand damage from both should not be underestimated. Even if they are not or are related
- Confidentially, we pulled gbp15m from JPM gbp liquidity fund today. Just be aware that this is really damaging for what was a well respected brand in London. These two events so close together have meant we are retrenching from JPM for now
- We have left the FI execution credit line open for now but broker debit balances and limits with JPM/JPM Cazenove are being reviewed closely

---

Sarah Youngwood | Managing Director | Head of Investor Relations | JPMorgan Chase Co. |
270 Park Avenue, New York, NY 10017 | T: 212 622 6153 | F: 212 270 1648|

From: Julien G Grout <julien.g.grout@jpmchase.com>
Sent: Mon, 16 Apr 2012 19:07:20 GMT
To: LUIS BURAYA <LBURAYA@[redacted]; BRUNO IKSIL <BIKSIL2@[redacted]
BRUNO IKSIL <bruno.m.iksil@jpmorgan.com>
Subject: CIO Core Credit P&L Predict [16 Apr]: -$31,405k (dly) -$1,094,241k (ytd)

Daily P&L: -$31,404,839

YTD P&L: -$1,094,241,016

[redacted] Redacted by the Permanent Subcommittee on Investigations

Daily P&L($) YTD P&L($)

Europe Financials -5,628,778 -71,320,986

---------------------- ------------ ---------------

[redacted]

Redacted By

Permanent Subcommittee on Investigations

Europe High Grade -19,839,115 -274,986,812

---------------------- ------------ ---------------

[redacted]

Redacted By

Permanent Subcommittee on Investigations

Redacted By
Permanent Subcommittee on Investigations

[redacted] = Redacted by the Permanent Subcommittee on Investigations

US High Grade -44,314,724 -263,652,745

---------------------- ------------ --------------

Redacted By
Permanent Subcommittee on Investigations

US HY & LCDX -3,020,177 67,802,277

---------------------- ------------ --------------

Redacted By
Permanent Subcommittee on Investigations

Redacted By
Permanent Subcommittee on Investigations

— = Redacted by the Permanent Subcommittee on Investigations

US ABX / TABX -464 -28,492

Redacted By
Permanent Subcommittee on Investigations

New Investments 40,448,702 -508,400,670

Redacted By
Permanent Subcommittee on Investigations

Dead Books (Core) 95 2,344

Redacted By
Permanent Subcommittee on Investigations

Redacted By
Permanent Subcommittee on Investigations

— = Redacted by the Permanent Subcommittee on Investigations

Washbook/Costs 0 0

-------------------- ----------- -------------

ICE Washbook 0 0

Explanatory P&L (in $1000s):

Name Total Dirctnl Tranche Carry IR N/T Adjust FX

-------------- -------- -------- -------- -------- -------- -------- -------- --------

Redacted By
Permanent Subcommittee on Investigations

Close COD

--------- ---------

MAIN 142

XOVER 682 +2.0

FINSEN 248 +6.0

FINSUB 401 +9.0

SOVX 0

CDX IG 100.5 +1.0

CDX HY 95.8125 -0.125

LCDX 102.375

PnL Comment:

1/ Index curves: no change today in CDX.IG9 and iTraxx.Main S9 5/10 curves. No PnL impact.

1 bis/ CDX.HY index curves flattened - Rescap related - +8bp, loss -13M

2/ Compression: much smaller moves today. iTraxx.Xover decompressing a tad (+2bp, +6M); CDX.HY compressing -1.5bp (-11M)

3/ Directionality: CDX.IG is +1bp wider (-5M). FINSUB are widening +9bp (-6M).

Market Comment:
Positive signs start to appear since Jamie and Doug's comments on Friday :

The market has stopped going against our positions in an aggressive way . We have not seen the positions trading against us since Apr 10 and we have seen since Friday encouraging signs . The fair value of CDX IG 9 (5Yr) maturity versus its components has started to widen . This suggests that small hedge funds are unwinding profits on their positions and the IG 9 Index has stopped steepening. The adverse market moves have probably started to reverse but we need further evidence on this as we do not see yet the effect on the marks that we are getting. There are signs of unwinds going our way but only in small size. There is finally selling interest on IG 9 5Yr, though not significant to reverse our loss but significant for the first time since the beginning of April and specially since our loss on Apr 10 .

Unrelated to our overall strategy there is a small idiosyncratic small move in a position that is costing us a small loss related to Rescap .

Late Friday, Ally Financial announced they would not extend the unsecured credit facility to RESCAP past May the 14th. The markets implied that RESCAP would likely default in May . It is mostly noise around the likely default of Rescap on the High Yield single names and CIO is impacted mostly on the equity tranche and recover the loss on the rest of the capital structure : the 10-15 tranches lose as expected and the 15-25 and 25-35 balance the loss. However, the CDX.HY index market, containing RESCAP, outperformed marginally the

CDX.IG space (1.5bps), and flattened (8bps) causing a small idiosyncratic loss of 24M.

No trade today.

16-Apr-12

13-Apr-12

12-Apr-12

11-Apr-12

10-Apr-12

04-Apr-12

03-Apr-12

02-Apr-12

02-Apr-12

30-Mar-12

iTraxx.Main S17 Jun17

142

142

134

140.5

143

131

128

123

123.25

123.25

From: Evangelisti, Joseph <joseph.evangelisti@jpmchase.com>
Sent: Tue, 10 Apr 2012 14:47:14 GMT
To: Braunstein, Douglas <Douglas.Braunstein@jpmorgan.com>; Hogan, John J. <John.J.Hogan@jpmorgan.com>
CC: Zubrow, Barry L <barry.l.zubrow@jpmchase.com>; Alvelo, Alexandra X <alexandra.alvelo@jpmorgan.com>; Dimon, Jamie <jamie.dimon@jpmchase.com>
Subject: WSJ call

Doug and John –
We are scheduled for a backgrounder with the Wall Street Journal this morning at 11:30 am regarding the CIO. I'll join you, and we'll arrange a dial-in number. Participants may include:

Dan Fitzpatrick: covers JPMC
Greg Zuckerman: hedge fund reporter; wrote original story
Katie Burne: Dow Jones reporter, co-wrote original story
Francesco Guerrera: C Section Editor
Colin Barr: Finance editor

Thanks, Joe

From: Youngwood, Sarah M <sarah.m.youngwood@jpmorgan.com>

Sent: Fri, 11 May 2012 03:01:13 GMT

To: Dimon, Jamie <jamie.dimon@jpmchase.com>; Braunstein, Douglas <Douglas.Braunstein@jpmorgan.com>; Drew, Ina <Ina.Drew@jpmorgan.com>; Staley, Jes <jes.staley@jpmorgan.com>; Cutler, Stephen M <stephen.m.cutler@jpmorgan.com>; Evangelisti, Joseph <joseph.evangelisti@jpmchase.com>; Lemkau, Kristin C <Kristin.Lemkau@jpmorgan.com>; Miller, Judith B. <Judith.B.Miller@jpmorgan.com>

CC: Investor Relations <Investor_Relations@restricted.chase.com>

Subject: RE: 10-Q call - Buyside and sellside comments (3)

All,

Here are a few comments/themes regarding today's calls.

- Overall tone was constructive. Analysts and investors appreciated Jamie's comments and the follow-up conversations. A lot of warm and positive comments (a few questioned the need for a call but overwhelming majority thought that was the right thing to do)
- Our messages seem to be generally well understood
- Financial impact not perceived as an issue by the Street
- Major concern around the impact on Volcker
- Questions around broader risk management issues, regulatory impact, VaR changes and impact on our share repurchases
- A few people trying to precisely reconstruct what happened and to understand how losses in context of "generally benign" credit environment; I didn't go beyond Jamie's comments

Regards,

Sarah

Sarah Youngwood | Managing Director | Head of Investor Relations | JPMorgan Chase Co. |
270 Park Avenue, New York, NY 10017 | T: 212 622 6153 | F: 212 270 1648|

From: Youngwood, Sarah M <sarah.m.youngwood@jpmorgan.com>
Sent: Fri, 11 May 2012 15:03:07 GMT
To: Dimon, Jamie <jamie.dimon@jpmchase.com>; Braunstein, Douglas <Douglas.Braunstein@jpmorgan.com>; Drew, Ina <Ina.Drew@jpmorgan.com>; Staley, Jes <jes.staley@jpmorgan.com>; Cutler, Stephen M <stephen.m.cutler@jpmorgan.com>; Evangelisti, Joseph <joseph.evangelisti@jpmchase.com>; Lemkau, Kristin C <Kristin.Lemkau@jpmorgan.com>; Miller, Judith B. <Judith.B.Miller@jpmorgan.com>
CC: Investor Relations <Investor_Relations@restricted.chase.com>
Subject: 10-Q call - Buyside and sellside comments (4)

Continuing to connect with Investors this AM. Please see below.

David Hendler – Credit Sights – Sellside

- Was this an accounting change? Was this hedge ineffectiveness?
- What is the specific of the trades?
- My only criticism at earnings was that this type of activity was too large an exposure and if you had to alter it, it might change things
- Did you put out another hedge on because the exposure was too high?
- We didn't see a large market movement that would be correlated to your losses
- When Jamie said this violates the principles of the Dimon rule, what is that rule?
- Would you characterize any of this as an operational risk problem on how the supervision of risk by monitoring is being done?
- When you went to the new VaR did you go to a 5 year horizon from a 2 year horizon? How long was the 2012 model data tested?
- Has the trading side changed their VaR methodology?
- Looks like that VaR is the highest I have ever seen
- Appreciate the candidness of the call
- Is Ina Drew available for discussions? Interested in speaking with her; alternatively, call with Jamie or Doug would be great
- Supportive of your story because Jamie has done a great job overall, including in risk management; premier franchise, solid capital; this was a huge fumble because you promote yourself as the best risk managers out there
- There are people worried about other assets at JPMorgan but we are going to have your back and we know you are going to do the right thing

Doug Braunstein call with Dick Manuel and several PMs – Columbia Management Investment – Buyside

- "You've handled this well given it's a bad situation"
- Based on the call, I don't understand fundamentally the position and what happened
- How is a net notional of this size not scrutinized?
- Can you explain the investment grade versus high yield terms?
- Regarding the escalation of the issue, if you were using the old VaR model, do you think this would have hit the dashboard earlier?
- Between the close of the quarter and the 1Q12 conference call, were you working with the wrong information?
- How out of the woods do you feel? Any more color on how you'll get out of this?
- Are there natural termination dates on these contracts?
- What was the weighted average maturity on the original hedge in 2008 versus the opposite position?

- Any color on the macro environment that drives this portfolio up and down, and how can we watch this from the outside?
- Any implications to CCAR/share repurchases? Have you had conversations with the rating agencies?
- Have you asked regulators if they will change the rules?

Doug Braunstein call with Ben Hesse and several PMs – Fidelity – Buyside

- Why did you have a $100B notional trade on synthetic credit?
- Every hedge fund in the world now knows this. Will they make it hard for you to get out of the position? Can you mitigate this?
- If credit spreads get wider, will you lose money?
- How do we know you won't drop another $10B on this?
- ALM was excluded from Volcker; are you concerned that it will now be brought back into scope?
- What is the impact to NIM if you could only invest in US treasuries?
- What is the probability of this changing the outcome of Volcker?
- In CCAR the calculation of stress included a qualitative score for the quality of risk management. Will your qualitative score be affected?
- Any change in your ability to repurchase shares?

Tony Conaris – Harris Associates – Buyside

- What are the outcomes going to be?
- Is the $1B securities related to the $2B?
- As far as timing, when will you be out of this?
- Having trouble understanding the size of the hedges
- Repurchases not impacted, correct? Have you spoken to the Fed? They reserve the right to stop you from buying back stock
- We are disappointed; we aren't selling the stock because we think it's very cheap
- Would like to see some signal of conviction that this isn't a giant can of worms; buybacks are great but personal investment in the stock by Senior Management is a good idea

John Baldi – Clearbridge – Buyside

- Did you get confirmation from the regulator that you can do buybacks?
- What is the magnitude of the potential losses?
- What happened?

Al Savastano – Norges – Buyside

- The $1B of securities gains, was that related to the trading loss?
- You had several options on how to communicate this; I respect Jamie doing call, but that raised the profile, which has broad implications for JPM and others, including related to Volcker/regulation. Can you use unrealized gains to offset trading losses?
- Is it safe to assume the traders that were involved have been let go? Does it go higher than that?
- Who does the CIO report up to?

Sarah Youngwood | Managing Director | Head of Investor Relations | JPMorgan Chase Co. |
270 Park Avenue, New York, NY 10017 | T: 212 622 6153 | F: 212 270 1648|

From: Lewis, Phil <phil.lewis@jpmorgan.com>
Sent: Fri, 11 May 2012 18:22:07 GMT
To: Dimon, Jamie <jamie.dimon@jpmchase.com>; Braunstein, Douglas <Douglas.Braunstein@jpmorgan.com>; Hogan, John J. <John.J.Hogan@jpmorgan.com>; Drew, Ina <Ina.Drew@jpmorgan.com>
CC: O'Rahilly, Rob <Rob.ORahilly@jpmorgan.com>; Bacon, Ashley <Ashley.Bacon@jpmorgan.com>; Venkatakrishnan, CS <cs.venkatakrishnan@jpmorgan.com>; Vigneron, Olivier X <olivier.x.vigneron@jpmorgan.com>; Macris, Achilles O <achilles.o.macris@jpmorgan.com>; Martin-Artajo, Javier X <javier.x.martin-artajo@jpmorgan.com>; Wilmot, John <JOHN.WILMOT@jpmorgan.com>; Lewis, Phil <phil.lewis@jpmorgan.com>
Subject: CIO Credit Collateral differences as of COB Thursday 10th

---

CIO Credit Collateral differences as of COB Thursday 10th May

Total difference between CIO and the counterparties is now $66mm vs. $120mm prior day

Largest Counterparty Difference: Morgan Stanley Capital Services is at $46mm – down from $58mm

Largest Instrument Difference: ITRAXX MN S09 10Y 22-100 is now $22mm vs. $20mm on the prior day

**Please note: Deutsche Bank AG is as per the 9th May 2012*

Difference by counterparty:

J.P.MORGAN CHASE & CO.

JPMorgan Chase & Co.
Corporate Sector EMR - December

Full Year 2011 Actuals

JPMorgan Chase & Co.

Treasury Group

JPMORGAN CHASE & CO.

JPMORGAN CHASE & CO.
COMBINED TREASURY GROUP
STANDARD P&L VIEW
($ IN MILLIONS)

	Monthly Trend					Quarterly Trend					2011 Full Year		
	Oct Act	Nov Act	Dec Act	YTD Act	[illegible]	1Q11 Act	2Q11 Act	3Q11 Act	4Q11 Act	[illegible]	Actuals	Plan	[illegible]
Revenue:													
Securities Gains (Losses)													
Principal Transactions													
Other Income													
Asset Management, Administration & Commissions													
Mortgage Fees and Related Income													
All Other Revenue													
Subtotal Other Income													
Total Non-Interest Revenue													
Net Interest Income													
TOTAL NET REVENUE													
Provision													
Non Interest Expense:													
Total Salaries													
Net Employee Benefits													
Compensation Expense (Excluding Incentives)													
Total Cash IC													
Amortization of Restricted Stock Awards													
Cash Incentives, Restricted Stock & Options													
Total Compensation													
Occupancy Expense													
Technology and Communications Expense													
Professional & Outside Services													
Other Expense													
Dedicated Support													
Platform Ops													
Shared Services													
Inter/ Intra LOB Expense													
Amortization of Intangibles													
Total Non Compensation Expense													
TOTAL NON-INTEREST EXPENSE													
Operating Pretax Earnings													
Income Taxes													
Operating Net Income													
Employees													
Contractors													
Total Headcount													

Redacted
by
Permanent Subcommittee
on Investigations

JPMorgan Chase & Co.

JPMORGAN CHASE & CO.
TOTAL CHIEF INVESTMENT OFFICE
STANDARD P&L VIEW
($ IN MILLIONS)

	Monthly Trend				[illegible]			Quarterly Trend				[illegible]			2011 Full Year		[illegible]
	Oct Act	Nov Act	Dec Act	YTD Act	[illegible]	[illegible]	[illegible]	1Q11 Act	2Q11 Act	3Q11 Act	4Q11 Act	[illegible]	[illegible]	[illegible]	Actuals	Plan	[illegible]
Revenue:																	
Securities Gains (Losses)																	
Principal Transactions																	
Other Income																	
Asset Management, Administration & Commissions																	
All Other Revenue																	
Subtotal Other Income																	
Total Non-Interest Revenue																	
Net Interest Income																	
TOTAL NET REVENUE																	
Provision																	
Non Interest Expense:																	
Total Salaries																	
Net Employee Benefits																	
Compensation Expense (Excluding Incentives)																	
Total Cash IC																	
Amortization of Restricted Stock Awards																	
Cash Incentives, Restricted Stock & Options																	
Total Compensation																	
Occupancy Expense																	
Technology and Communications Expense																	
Professional & Outside Services																	
Other Expense																	
Dedicated Support																	
Platform Ops																	
Shared Services																	
Inter / Intra LOB Expense																	
Total Non Compensation Expense																	
TOTAL NON-INTEREST EXPENSE																	
Operating Pretax Earnings																	
Income Taxes																	
Operating Net Income																	
Employees																	
Contractors																	
Total Headcount	428	431	433	433	[illegible]	[illegible]	[illegible]	394	412	417	433	[illegible]	[illegible]	[illegible]	433	436	[illegible]

Redacted
by
Permanent Subcommittee
on Investigations

JPMORGAN CHASE & CO.

JPMORGAN CHASE & CO.
TOTAL TREASURY
STANDARD P&L VIEW
($ IN MILLIONS)

	Monthly Trend					Quarterly Trend					2011 Full Year		
	Oct Act	Nov Act	Dec Act	YTD Act	[illegible]	1Q11 Act	2Q11 Act	3Q11 Act	4Q11 Act	[illegible]	Actuals	Plan	[illegible]
Revenue:													
Principal Transactions													
Other Income													
Asset Management, Administration & Commissions													
All Other Revenue													
Subtotal Other Income													
Total Non-Interest Revenue													
Net Interest Income													
TOTAL NET REVENUE													
Provision													
Non Interest Expense:													
Total Compensation													
Technology and Communications Expense													
Professional & Outside Services													
Other Expense													
Dedicated Support													
Platform Ops													
Shared Services													
Inter/ Intra LOB Expense													
Total Non Compensation Expense													
TOTAL NON-INTEREST EXPENSE													
Operating Pretax Earnings													
Income Taxes													
Operating Net Income													
Employees													
Contractors													
Total Headcount													

Redacted by Permanent Subcommittee on Investigations

JPMORGAN CHASE & CO.

CIO Overview of Performance
Q4, 2011
(in Millions)

	1Q Actuals	2Q Actuals	3Q Actuals	4Q Actuals	FY 2011 Actuals
Economic Return:					
TAA	611	343	(132)	457	1,279
MSR Hedging					
Foreign Exchange Hedging					
Other					
Total					
Expenses (ex. Incentives)					
Cost of Economic Capital					
Pretax SVA					
Key Statistics: Economic Basis					
Economic Capital (after diversification)					
Annualized ROE - Pretax					
Aggregate VaRs (95%, 3 month average)					
Aggregate Stress (3 month average)					

Redacted by Permanent Subcommittee on Investigations

Commentary:
Q4, 2011
TAA Returns of $457 MM:

Credit: CDX HY positions were set up to take advantage of key bankruptcy credit related events which resulted in windfall gains for our credit book. ABS and CLO markets were relatively quiet during the wider market volatility period and we continue to benefit from significant amortizations and carry

Europe: Markets have remained volatile with overhanging concern around European debt issues and its political and economic impact on the region. We profited from the widening of US asset swaps, but incurred losses in the structural management book from widening on long positions and in the FX portfolio on managing down-side risk.

Asia: Gains driven by increase in NII from long securities positions mainly in HK, Singapore, Indonesia, Korea, India, and China. FX gains from cross-currency appreciation in Singapore and currency appreciation in China

North America: FX gains in long USD positions as EUR weakened vs USD. Fixed income CMBS spreads tightened on the quarter and Preferreds were marked higher as equity market rallied. Gains from long equity positions as S&P was up 11.15% for the quarter.

MSR: Loss of $174 MM primarily attributed to duration, offset by MBS Basis.

From: Dimon, Jamie <jamie.dimon@jpmchase.com>
Sent: Tue, 15 May 2012 09:42:19 GMT
To: Miller, Judith B. <Judith.B.Miller@jpmorgan.com>
Subject: Fw: 10-Q call - Buyside and sellside comments (10)

From: Youngwood, Sarah M
Sent: Monday, May 14, 2012 10:03 PM
To: Dimon, Jamie; Braunstein, Douglas; Staley, Jes; Cutler, Stephen M; Cavanagh, Mike; Zames, Matthew E; Evangelisti, Joseph; Lemkau, Kristin C; Miller, Judith B.
Cc: Investor Relations
Subject: 10-Q call - Buyside and sellside comments (10)

Please see below the balance of today's calls, including several calls placed by Doug Braunstein as follow-ups.

Doug Braunstein call with Beth Schulte – Capital – Buyside

- Given that the market is assuming a loss in the $8B-$10B range and $100B notional amount, how do you get comfortable with the estimated loss you have given?
- What happened to the original hedge? Has it been unwound?
- Are the mark-to-market numbers you have provided net (i.e. including all portions of the synthetic credit portfolio)?
- Why did you decide to reduce the hedge?
- Regarding VaR, do you use different models in CIO and IB?
- Concern is that the market now knows your position and they can push it up. Is the market over-penalizing you with the amount you have left?
- Is this just the tip of the iceberg? We worry that you can come out with a message but as people get fired, ex-employees can come out with another message and then the newspapers and blogs come out with other message; how do you relay your message and how do you get people comfortable with it?
- Are numbers for CIO net of what is booked by LOBs?
- On a go forward basis, could changes in CIO affect NII in LOBs?
- *WSJ* said that the CIO's role was to cover your cost of capital. Is that correct?
- The gross mark-to-market number is going to be important to the investment community, even if you have offsetting securities gains
- Well handled. You guys have done a great job with your crisis management. Glad your team is running this situation

Doug Braunstein call with Kevin Conn – MFS – Buyside

- How should we think about your exposure?
- What is size of max loss; what is potential timeframe?
- Was this is any way proprietary as opposed to hedging?
- What are the risks in the position? Basis risk? Time frame? Geographic? Asset Class?
- What went wrong? Is the issue a liquidity issue or a basis differential issue?
- How closely was Jamie involved with managing the positions?
- Did you have to disclose the losses on May 10?
- Does this threaten your capital return in any way?
- What should we expect for disclosure of this portfolio going forward?
- Are we going to be speaking about this in 2013?

Doug Braunstein call with Pete Davies – Lansdowne – Buyside

- What is your take on the situation?
- How is senior management feeling/working as a team?
- Has there been anything that surprised you in terms of market reaction?
- Is there anything preventing you from buying back stock?
- You moved rapidly on management changes? Any particular reason? Your management style?
- Think Jamie should be calm when speaking at the conference; important to convey that tone to shareholders
- Think the market is imagining a very large loss; hard to actually do the analysis on this
- Believe the market knows a lot about your positions and that incremental disclosure would be very helpful to shareholders
- Think you will get through it; time is your friend

Andre Messier – Fidelity (Fixed Income) – Buyside

- We got the impression that this was a moderation of your previous position; confused because would think you should be still net short
- Can you confirm that the CDX9 5 and 9 year are part of this?
- Historically you have been a good risk manger; assuming that, when you came out and disclosed the losses, you understood what the hedge fund reaction would be in the market. Can we assume that before the announcement, you took mitigating actions?
- Disclosure by WSJ that there was a mandate to the group to make more than the cover the cost of capital. Is that correct?
- Critical people announced today that are leaving the group; seems this exposes you to more downside risk not having the people around that knew this position. Wouldn't it have made sense to keep them to unwind the trades?
- How big is the CIO group? What types of connections does this group have to Treasury/CRO?
- Pg. 108 and 109 of 10-Q – In the financials, if I look at your derivatives exposure, it looks like your credit derivatives are a different story than what Jamie was laying out. It looks like you've added to your credit derivatives in 1Q12. Please help me understand the drivers.
- What other areas, besides CIO's synthetic credit portfolio and the IB, would be utilizing credit derivatives?
- Say you take a big corporate loan that you'd have for a long period of time and you wanted to put on one single-name hedge, where would that hedge be reported?
- VaR – "The number changed pretty radically." Please explain why?
- Was the 20bps reduction in the BIIIT1C related to VaR?
- Would like to meet with Sandie if possible in next few weeks; "a lot of people here would be appreciative"

Patrick Hughes – Olayan – Buyside

- Trying to size the exposure; have you said any more about it?
- Is the CIO in charge of hedging credit for the entire Corporate sector?
- It seems like Ina has been pretty low profile considering the growth in the portfolio; have I missed her being talked about? Had she been introduced to shareholders?
- Presume this is the top focus; I read that people from Jes Staley's group are involved
- Have you spoken with the regulators? Any updates to capital deployment and CCAR?
- I read that the board is behind Jamie

Catherine Murray – Waddell & Reed – Buyside

- If this continues to go against you, what will be the ultimate loss that JPM could realize? Can it be worse than $1B?
- My read of those *WSJ* articles 6 weeks ago was that you originally had a hedge to limit fat-tail credit risk. What gave rise to these problems?
- Instead of straight closing out the hedge that wasn't working, it sounds like you hedged a hedge, and the basis risk/lack of correlation backfired on you. Is that correct?

- Jamie said on the call that you will eventually disclose more on the 2Q12 call. What do you expect to say then? What gives you the confidence that you'll be able to be more transparent in July? Will you be out of the positions by then?
- From the point of view of running the business, what can you tell us about the strength of your "bench" given the recent management changes? Are you changing CIO strategy further given what has happened?
- Can you talk about what led to your doubling of VaR? How accurate is the new model? How quickly can VaR come down?
- Can you talk about the model approval process? What level of management is involved in these decisions?
- Buybacks – The $12B was well-publicized. Realistically, what is available to you now? Is there a limit in the terms of the agreement with the regulators for a per-quarter-basis limit? If there are any changes, is that something you would announce?
- Have you moderated any tech investment spending? If so, on what types of projects?
- Should we expect to see the VaR of all other books come down, all else being equal, because the Firm wants to take on less risk?
- Will Moody's review the bank again?

Doug Braunstein call with John McDonald – Sanford Bernstein – Sellside

- Can we have visibility on potential losses? Why couldn't it be $15B
- Is there any macro environment we can route for, given your positions?
- Is it fair to say that correlations broke down?
- Was there any analysis behind the $1B figure used on the call?
- What is the duration of the contracts? Do they all run-off by year-end?
- Is there a possibility to reclassify any of the positions as held to maturity?
- Can you walk through what happened in terms of the VaR models? Do you expect VaR to remain at elevated levels in the short term?
- Is there any additional that you plan on giving?
- Unrelated to CIO, you didn't update guidance on expense in your 10Q. When can we expect an update?

Doug Braunstein call with Betsy Graseck – MS – Sellside

- What is your level of confidence in the loss numbers you have given?
- Why did you want to put the uncertainty in the market by disclosing this rather than just closing out the position?
- What is your tipping point for losing credibility?
- Are you trying to work the portfolio down?
- Can anyone really get grasp and know what is going on with your position?
- *WSJ* said $150mm in loss position; market thought it would be worse so that's why not down as much
- Feels like 2008 all over again and need to start worrying about tranches of fixed income instruments
- Can regulators force you to take action on the position?
- For every hedge fund that wants to stop you, others might want alpha and have a bid ask
- Equity investors are un-nerved because they can't asses the basis risk

Betsy Graseck – MS – Sellside

- Page 104 suggest that none of the $126B of credit derivatives are designated as hedging; does it imply that credit derivatives are not for hedging purposes?
- Is Synthetic credit portfolio in part used to hedge Euro risk ($3B after-tax risk described by Senior Management)?
- Can you help separate out CIO from Corporate/PE disclosure; I am able to separate out PE and litigation expenses, but can't go further
- Can you delineate between Treasury and CIO in terms of interest rate hedging?

Brennan Hawken – UBS – Sellside

- In talking to folks on Friday, here was my thesis. I was advocating that this is a one-time event, which should last at most 3 quarters and which results in a terrific opportunity to buy JPM. I don't believe the event hurts the earnings power of the firm
- Investors were broadly split. Many (i.e., ~40-50%) agree with above thesis, but they are the ones who aren't in a position to buy at this point in time because they already have a full position in JPM
- The other investors were divided in their view. The most regular counter to my argument was from investors who don't know the full effect of the trading loss (magnitude/timeline) and therefore don't know fully how risky the stock is. Some of these investors also question how aggressive the CIO was in reaching for yield. Most skeptical investors refer to CIO returns being embedded in LOB profitability, in a way that cannot be entirely traced through Corporate.
- How has CIO profitability affected the franchise and LOB profitability?
- Jamie comments – "In 2008/2009, when there were several loans held in either the CB or IB, and Jamie said we're going to move them to the "corporate center" because we believe at these prices they are attractive as investments... I know there have been moments in the past that the CIO has been opportunistic"
- Around the time of the speculation around the "London Whale" press stories – there were a few folks that heard of some unusual hires in the CIO office
- Investors are frustrated because overnight JPM has gone from a safe investment to a "leap of faith" stock.

Paul Miller – FBR – Sellside

- When did you go to the new model?
- When you put out your 2011 10K, did you use the 2011 model for VaR? In April did you disclose that you changed models?
- As an analyst, you displayed a VaR under a model and didn't disclose the new model and would have loved to know what the difference was in the VaR using the two different models
- Big difference in VaR between the two models
- Is the increase in VaR all from the CIO office? Is it all related to the articles of the London Whale?

Jared (Gerard Cassidy's junior) – RBC Capital – Sellside

- Is the synthetic credit portfolio marked-to-market every day?
- The position was supposed to be a hedge, correct? Has that strategy changed at all?
- Is it fair to say that you added more complexity to hedge your original hedge?
- VaR model change – Were there mathematical errors in the model?
- Excluding Private Equity, is all revenue in Corporate from CIO? Is there any way of deriving CIO-only revenue?
- We look forward to getting more color going forward

Sarah Youngwood | Managing Director | Head of Investor Relations | JPMorgan Chase Co. |
270 Park Avenue, New York, NY 10017 | T: 212 622 6153 | F: 212 270 1648|

From: Lewis, Phil <phil.lewis@jpmorgan.com>
Sent: Tue, 15 May 2012 18:50:56 GMT
To: Dimon, Jamie <jamie.dimon@jpmchase.com>; Braunstein, Douglas <Douglas.Braunstein@jpmorgan.com>; Hogan, John J. <John.J.Hogan@jpmorgan.com>; Drew, Ina <Ina.Drew@jpmorgan.com>; Zames, Matthew E <matthew.e.zames@jpmorgan.com>
CC: O'Rahilly, Rob <Rob.ORahilly@jpmorgan.com>; Bacon, Ashley <Ashley.Bacon@jpmorgan.com>; Venkatakrishnan, CS <cs.venkatakrishnan@jpmorgan.com>; Vigneron, Olivier X <olivier.x.vigneron@jpmorgan.com>; Macris, Achilles O <achilles.o.macris@jpmorgan.com>; Wilmot, John <JOHN.WILMOT@jpmorgan.com>; Lewis, Phil <phil.lewis@jpmorgan.com>
Subject: FW: CIO Credit Collateral differences as of COB Monday 14th May

---

CIO Credit Collateral differences as of COB Monday 14th May

Total difference between CIO and the counterparties is now $156mm vs. $69mm prior day

Largest Counterparty Difference: Morgan Stanley Capital Services is at $46mm – up from $27mm

Largest Instrument Difference: ITRAXX MN S09 10Y 22-100 is now $42mm vs. $10mm on the prior day

Difference by counterparty:

From: Goldman, Irvin J
Sent: Mon, 30 Jan 2012 13:06:49 GMT
To: Bacon, Ashley <Ashley.Bacon@jpmorgan.com>
Subject: Re: CIO VaR heads up and update

Sounds fine. Pete as head of market risk and keith stephan in london are responsible. . Our priority is getting the model implemented today so we get the reduction the firm is anticipating. Thanks.

From: Bacon, Ashley
To: Goldman, Irvin J
Sent: Mon Jan 30 05:07:34 2012
Subject: RE: CIO VaR heads up and update

Irv, I talked with Mick Waring and with Model Review this morning. An full list of differences will be created which you and I can review, and figure out who else to pull in to help opine on which is better, and when differences are justified. Sound ok?

Ashley

From: Goldman, Irvin J
Sent: 28 January 2012 20:56
To: Bacon, Ashley; Hogan, John J.
Subject: RE: CIO VaR heads up and update

John, ashley,
Please find the below summary bulletin in mrg approval report. Ashley I will send you full report.

Consistency with firm-wide VaR calculation. The proposed approach is different from that used in IB. While the approach proposed by CIO is superior in that it is a full revaluation approach, it differs from that used in IB in that it does not use risk mapping to on-the-run tranches.

-----Original Message-----
From: Bacon, Ashley
Sent: Saturday, January 28, 2012 11:28 AM Eastern Standard Time
To: Hogan, John J.; Goldman, Irvin J
Subject: Re: CIO VaR heads up and update

Will do.

From: Hogan, John J.
Sent: Saturday, January 28, 2012 04:19 PM
To: Bacon, Ashley; Goldman, Irvin J
Subject: Re: CIO VaR heads up and update

Thx and can you guys compare notes on any methodology difference btwn IB and CIO and let me know what you find? Thx, John

---

From: Bacon, Ashley
To: Hogan, John J.; Goldman, Irvin J
Sent: Sat Jan 28 11:15:12 2012
Subject: Re: CIO VaR heads up and update

If this change is what I think it is (full reval credit p&l calculation for the shocks derived from the VaR days, instead of sensitivities times shocks); then the IB is already on the new methodology so no change for us.

I will confirm, and let you know if not.

From: Hogan, John J.
Sent: Saturday, January 28, 2012 03:43 PM
To: Goldman, Irvin J; Bacon, Ashley
Subject: Re: CIO VaR heads up and update

Is this change in methodology applicable to IB's VaR as well. What was the primary change that we made? Thx, John

---

From: Goldman, Irvin J
To: Hogan, John J.; Drew, Ina
Sent: Fri Jan 27 13:35:40 2012
Subject: CIO VaR heads up and update

From: Stephan, Keith
Sent: Friday, January 27, 2012 1:30 PM
To: Goldman, Irvin J; Weiland, Peter
Cc: Kalimtgis, Evan; Martin-Artajo, Javier X; Macris, Achilles O; Lee, Janet X; Chandna, Sameer X
Subject: Update on *old/current methodology VaR* increase for COB 27 Jan
Importance: High

Below please find an update on the increase in VaR for Core Credit from 103.8mm to 107.6mm. Final VaR vectors globally have not been processed yet for COB 26 Jan, however CIO is over its temporary limit, and could cause the Firm to do the same. As such I wanted to communicate this to you to ensure we are all on the same page about what is happening.

The ***old methodology*** currently in production: VaR has increased by +$3mm, to $107.6mm driven by increase in CDX IG S9 10Y index long risk (+1.8bio notional). This is consistent w/ the VaR increases of the last several days, under the old methodology, wherein the VaR increases approx 1mm per billion of notional in IG9 10y. I estimate this will put CIO Global over its temporary $110mm limit and probably closer to $115mm—note: not all vectors globally are loaded yet for the 26 Jan cob – so I'm estimating here. This means that the formal notification of limit excess will be generated and distributed to you for approval.

Importantly, for the same COB 26 January, the ***new / full revaluation methodology*** shows VaR decreased ($1.3MM) from 70.8mm to 69.5mm. I estimate that this would make CIO global VAR closer to $76MM vs. the currently reported number >$115.

We anticipate final approval on Monday, and that the ***new methodology *should* become the official firm submission from Monday, for 27 Jan COB.*** Limit issues should therefore cease beginning from Monday.

We have completed all technology changes to support the daily production of the VaR under new methodology beginning from Monday.

Thanks and please let me know if you have any questions.

Keith

Keith Stephan
Chief Investment Office
JPMorgan Chase
100 Wood Street, London, EC2V 7AN
Tel ☎: +44(0)[redacted]
Mob ☎: +44(0)[redacted]
Email ✉: keith.stephan@jpmorgan.com

— = **Redacted by the Permanent Subcommittee on Investigations**

CIO SYNTHETIC CREDIT UPDATE

March 2012

J.P.Morgan

Core Credit Book: Storyboard :

1- Starting point :

* keep shrinking the book on the largest legs : tranches, HY , Ig9, Main S9

2- Mission : balance the book. :

* switch the bias to long risk, flatten downside on defaults, reduce Var and Stress Var

3- Execution : it went all bad....

* sold protection on IG9 5yr, bought protection on HY on the run, built decompression trades
* S9 forward spreads lagged the IG rally

4- What Happened?

* The decompression hit us more than the gains that we recorded on the decompression trades

5- Plan

* plan A : put the whole book (tranches & Indices) to lightly managed status
* Plan B : keep the tranche book as an option on default lightly managed until expiry and collapse the index book.

Core Credit Book: Storyboard : starting point

1- Starting point :

* The tranche notional was reduced by 15%.

* The book started the year with a long risk in IG9 forwards (but upside on defaults in IG) and a short risk in HY (but with downside on some defaults like Kodak or Rescap) .

*The aim was to create some options on the book to reduce aggressively on opportunity.

* In order to shrink the book further, we aimed at reduce the upside on IG defaults and reduce the downside in HY defaults : selling protection in IG9 5yr and selling risk in HY on the run would have allowed to achieve that goal and reduce the sensitivity of the book to curve flatteners.

2- Mission : balance the book. :

* switch the bias to long risk, flatten downside on defaults, reduce Var and Stress Var

3- Execution : it went all bad....

* sold protection on IG9 5yr, bought protection on HY on the run, built decompression trades

4- What Happened?

* The decompression hit us more than the gains that we recorded on the decompression trades

5- Plan

* plan A : put the whole book (tranches & Indices) to lightly managed status

* Plan B : keep the tranche book as an option on default lightly managed until expiry and collapse the index book.

CIO SYNTHETIC CREDIT UPDATE

J.P.Morgan

Core Credit Book: Storyboard : starting point

1- Starting point :

* The tranche notional was reduced by 15%.

* The book started the year with a long risk in IG9 forwards (but upside on defaults in IG) and a short risk in HY (but with downside on some defaults like Kodak or Rescap).

*The aim was to create some options on the book to reduce aggressively on opportunity.

* In order to shrink the book further, we aimed at reduce the upside on IG defaults and reduce the downside in HY defaults : selling protection in IG9 5yr and selling risk in HY on the run would have allowed to achieve that goal and reduce the sensitivity of the book to curve flatteners.

2- Mission : balance the book. :

* the short risk in the book was covered starting the 15th of December : the bias became bullish the 15th if Jan

* the downside on defaults like Kodak and Rescap was covered in February

* A large decompression trade was put on in order to cover downside on forward default risk in IG and Main in order to reduce the Var and the Stress Var

3- Execution : it went all bad....

* sold protection on IG9 5yr, bought protection on HY on the run, built decompression trades

4- What Happened?

* The decompression hit us more than the gains that we recorded on the decompression trades

5- Plan

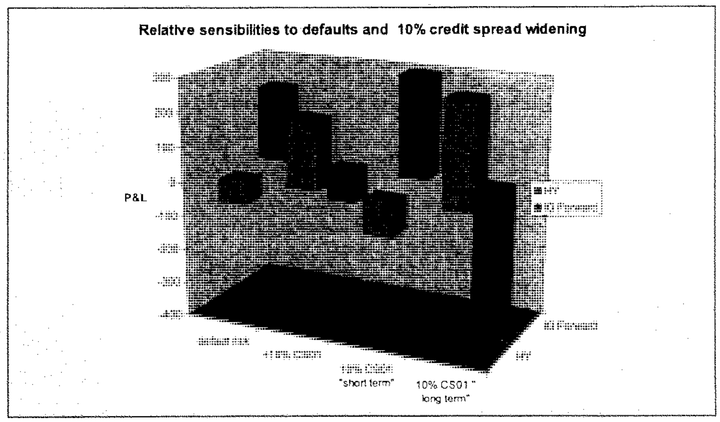
* plan A : put the whole book (tranches & Indices) to lightly managed status

* Plan B : keep the tranche book as an option on default lightly managed until expiry and collapse the index book.

CIO SYNTHETIC CREDIT UPDATE

J.P.Morgan

Core credit book : execution problem…



CIO SYNTHETIC CREDIT UPDATE

J.P.Morgan

Core Credit Book: Storyboard : starting point

1- Starting point :

* keep shrinking the book on the largest legs : tranches, HY , Ig9, Main S9

2- Mission : balance the book. :

* the short risk in the book was covered starting the 15th of December : the bias became bullish the 15th if Jan

* the downside on defaults like Kodak and Rescap was covered in February

* A large decompression trade was put on in order to cover downside on forward default risk in IG and Main in order to reduce the Var and the Stress Var

3- Execution : it went all bad….

* selling protection on IG9 and Main S9 5yr started to steepen a lot : the book became long risk

* selling risk in HY produced a gain due to the decompression (right call) but it weighed on the HY names held in IG9 index (MBIA, RADIAN, ISTAR, SPRINT)

* the under-perfomance of the forwards versus the IG on the run brought a long risk exposure that had to ba hedged in order to contain the Var-Stress Var- RWA increases ; most of the rally was thus missed….the P&L impact is estimated at 400M$

4- What Happened?

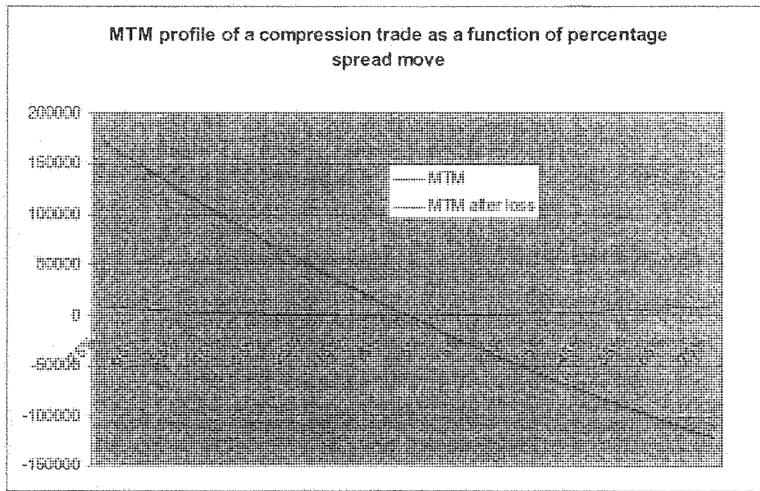
* The decompression hit us more than the gains that we recorded on the decompression trades

5- Plan

* plan A : put the whole book (tranches & Indices) to lightly managed status

* Plan B : keep the tranche book as an option on default lightly managed until expiry and collapse the index book.

Core credit book : execution problem...



J.P.Morgan

Core Credit Book: Storyboard : starting point

1- Starting point :

* keep shrinking the book on the largest legs : tranches, HY , Ig9, Main S9

2- Mission : balance the book. :

* switch the bias to long risk, flatten downside on defaults, reduce Var and Stress Var

3- Execution : it went all bad....

* selling protection on IG9 and Main S9 5yr started to steepen a lot : the book became long risk

* selling risk in HY produced a gein due to the decompression (right call) but it weighed on the HY names held in IG9 index (MBIA, RADIAN, ISTAR, SPRINT)

* the under-perfomance of the forwards versus the IG on the run brought a long risk exposure that had to be hedged in order to contain the Var-Stress Var- RWA increases : most of the rally was thus missed....the P&L impact is estimated at 400M$

4- What Happened?

* The duration extension plus the forward underperformance vs IG on the run were balanced in risk with the protection we bought in HY

* the HY names in IG9 were also in the HY indices we traded, and the gains on decompression did not balance the loss in the forward IG9

* we reported a loss of 130M in January, another loss of 90M in February despite increasing the position in the forwards. In march, the loss accelerated very fast and painfully. We opted to go long risk and stop trading next.

5- Plan

* plan A : put the whole book (tranches & Indices) to lightly managed status

* Plan B : keep the tranche book as an option on default lightly managed until expiry and collapse the index book.

CIO SYNTHETIC CREDIT UPDATE

J.P.Morgan

Core Credit Book: Storyboard : starting point

1- Starting point : * keep shrinking the book on the largest legs : tranches, HY , ig9, Main S9

2- Mission : balance the book. :* switch the bias to long risk, flatten downside on defaults, reduce Var and Stress Var

3- Execution : it went all bad....* selling protection on IG9 and Main S9 5yr started to steepen the curve a lot

4- What Happened? *The decompression hit us more than the gains that we recorded on the decompression trades

5- Plan

* plan A : put the whole book (tranches & Indices) to lightly managed status

* Plan B : keep the tranche book as an option on default lightly managed until expiry and collapse the index book.

CIO SYNTHETIC CREDIT UPDATE

J.P.Morgan

Core Credit Book: summary

1- the beta adjusted moves

- case of a 1x1 hy vs IG position : illusions with spreads and bp measure sensitivities
- the book remains neutral x% CS01 : implications
    1- If IG9 lags, the book becomes long risk, because we are long risk in IG9
    2- if HY decompresses, the book becomes short risk, because we are short risk in HY

2- the Method

- Look at beta adjusted moves on history : the whole story is about compression and decompression
- breakdown the risk from beta factors
    1- the book has a directional bias, but this is all about expected loss changes (mixing carry and MTM)
    2- the beta neutral book breaks into 3 parts:
        a- decompression trade ie HY vs IG on the run
        b- S9 vs IG on the run and hy off the run vs HY on the run
        c – equity tranche slope

3- the findings : target YTD at -750M

- the book is huge : 95Bln IG9 and 38Bln S9 fwds , decompression (8M bp in HY or 25Bln, 2.3M in Xover or 7Bln)
- Decompression worked very well and only starting : total gain ytd of 600M (60Bp Xover, 60bps in HY)
    we captured 12% decompression out of a move of 18%
- Series9 lag is overwhelming : total loss YTD is 1.5bln (22bps in IG9 fwds and main S9)
- directionality -60M and carry -40M (with no roll down) : total 100m
- defaults (Kodak and Rescap) cost are estimated at 100M total
- 0-3 equity slopes cost a total 170M :0M in itraxx (2pts) and 170M in CDX IG (5pts)
- New trades : gain 70M

Core Credit Book: Trading activity : positions and new trades

Rationale for the positions increase :

1- cover the HY downside on some defaults, prepare for IG tightening, stay market neutral to minimize RWA

2- started by selling IG9 5yr and S9 5yr : the curve steepened and the forwards moved up

3- sold S9 and IG9 5x10 to limit the P&L hit

4- defended the P&L at Month end while the decompression kept going and increased the underperformance of S9 series

Itraxx Block	All trades		Start Jan Book	Start Feb Book	Start March Book	Current Book
Main OTR Xover	3.700	-2,479,033,784	-3,756,756,757	-3,283,783,784	-4,884,371,622	-6,235,790,541
Main OTR IG	4.500	10,599,248,667	16,062,222,222	14,040,000,000	20,883,402,222	26,661,468,889
S9 Fwd	4.300	15,534,528,571	20,497,375,000	27,746,375,000	33,398,625,000	38,511,625,000
5yr IG OTR eq	4.500	14,844,105,079	19,586,380,556	26,513,202,778	31,914,241,667	36,799,997,222
Net 5yr OTR	4.500	22,472,525,079	-4,116,619.444	6,190,069,444	14,082,350,556	20,725,417,222
CDX block	**All trades**		**Start Jan Book**	**Start Feb Book**	**Start March Book**	**Current Book**
HY OTR	4.100	-12,027,013,171	-7,246,905,439	-7,695,056,537	-14,662,635,805	-19,273,918,610
IG OTR	5.000	52,269,399,240	31,495,051,036	33,442,715,708	63,723,815,208	83,764,450,278
Hyotr	4.100	-2,550,011,220	-8,555,429,927	-11,325,839,805	-11,224,162,976	-11,105,441,146
HY10-11	2.435	4,293,653,388	14,405,446,694	19,070,202,546	18,899,001,314	18,699,100,082
IG9 fwd	4.500	39,888,888,889	54,651,951,114	75,028,095,559	94,017,484,448	94,540,640,003
IG OTR	5.000	-35,899,820,000	-49,186,756.003	-67,526,186.003	-84,615,736.003	-85,066,576,003
Net IG OTR	5.000	12,061,510,760	-20,135,375,035	-5,227,009,705	-8,934,809,205	-8,073,864,275

J.P.Morgan

Core Credit Book: BP sensitivities and Directionality of the book

As spreads tightened the IG9 and S9 10yr saw their duration increase while all other legs had a shrinking duration

1- this created an increase on the expected loss of the long risk that was amplified with the forward exposure

2- the decompression created a long risk that was covered with a short risk in HY as the market rallied (Var minimization)

3- this long risk exposure should have been maintained : this would have triggered an increase in RWA and Var

4- the decompression trade in HY and Xover was never large enough due to the legacy because we had to increase the position to defend the P&L hit without being able to stay long risk (due to RWA & Var constraints)

5- the decompression in S9 (around 25%) have induced a natural increase of long risk circa 10Bln long risk in main and 25Bln long risk in IG

CS01	All trades	0 Start Jan Book	Start Feb Book	Start March Book	Current Book
Main OTR Xover	-917,243	-1,390,000	-1,215,000	-1,807,218	-2,307,243
Main OTR IG	4,769,661	7,228,000	6,318,000	9,397,531	11,997,661
0					
S9 Fwd	6,679,847	8,813,871	11,930,941	14,361,409	16,559,999
5yr IG OTR eq	6,679,847	8,813,871	11,930,941	14,361,409	16,559,999
0					
Net 5yr OTR	10,112,636	-1,852,479	2,765,531	6,337,056	9,326,438
0					
CDX block	**All trades**	**Start Jan Book**	**Start Feb Book**	**Start March Book**	**Current Book**
HY OTR	-4,931,075	-2,971,231	-3,154,973	-6,011,681	-7,902,307
IG OTR	26,134,700	15,747,526	16,721,358	31,861,908	41,882,225
0					
Hyotr	-1,045,505	-3,507,726	-4,643,594	-4,601,907	-4,553,231
HY10-11	1,045,505	3,507,726	4,643,594	4,601,907	4,553,231
0					
0					
IG9 fwd	17,949,910	24,593,378	33,763,093	42,307,868	42,543,288
IG OTR	-17,949,910	-24,593,378	-33,763,093	-42,307,868	-42,543,288
Net IG OTR	6,030,755	-10,067,688	-2,613,505	-4,467,405	-4,036,932

CIO SYNTHETIC CREDIT UPDATE

J.P.Morgan

Core Credit Book: P&L explain

Positives	**+980M USD**	**Negatives**	**-1770M USD**
Decompression	+560M USD	Steepening S9 and IG9	-1000M USD
HY off the run	+ 200M USD	Defaults	- 150M USD
Carry	+ 150M USD	Duration effect	- 450M USD
New trades	+ 70M USD	Equity tranche steepening	- -170M USD

Book	TOTALS	Feb	March	Current Book	TOTALS
		118,516,208	-12,239,142	-180,141,486	-73,864,420
Itraxx Block					0
Xover/main ratio		58,799,595	44,189,466	-57,852,908	180,841,968
S9fwd ratio		-52,805,736	-122,108,870	-242,054,127	-416,968,733
Tranche P&L		50,000,000	0	-50,000,000	0
New trades P&L		50,000,000	0	0	50,000,000
directional		12,522,349	65,680,263	54,059,733	132,262,345
	TOTALS				TOTALS
IG block		-141,512,028	-23,594,549	-526,556,569	-691,663,146
HY/IG ratio		89,015,888	120,496,700	199,004,093	408,516,681
HY off ther un vs on the run		181,036,597	56,597,893	-34,187,796	203,446,695
IG9 Fwd		-340,643,952	-69,926,692	-544,970,101	-955,540,745
Tranche P&L		-35,000,000	-70,000,000	-65,000,000	-170,000,000
New Trade P&L		0	20,000,000	0	20,000,000
directional		-35,920,561	-30,762,450	-31,402,766	-98,085,776
Defaults			-50,000,000	-50,000,000	-100,000,000

CIO SYNTHETIC CREDIT UPDATE

J.P.Morgan

Core Credit Book: Series 9 steepening explanation : the forwards have lagged the 40bps market rally by 22 bps....

CDX IG9	Spread compressio	spread 03/01/2012	spread 27/03/2012	Duration chge	Spread chge	Duration adjusted	Beta adjust	Dur1	Dur2
5yr	48%	132	68	-23.00%	64	90.90	92.3	0.97	0.74
7yr	37%	140	88	-14.00%	52	57.80	51.5	2.82	2.68
10yr	26%	149	111	2.000%	38	37.51	29.3	5.26	5.28
On the run 5yr	32%	121	82	-9.00%	39	40.98	41.0	4.65	4.56
S9 forward	22%	152	118	26.00%	34	26.06	19.6	4.29	4.55
IG15	35%	111	72	-12.00%	39	41.94	46.5	3.8	3.68

Main S9	Spread compressio	spread 03/01/2012	spread 27/03/2012	Duration chge	Spread chge	Duration adjusted	Beta adjust	Dur1	Dur2
5yr	48%	170	89	-21.00%	81	101.37	79.5	1.44	1.23
7yr	34%	189	124	-9.00%	65	69.42	45.0	3.23	3.14
10yr	26%	195	145	20.000%	50	43.97	26.3	5.54	5.74
On the run 5yr	34%	173	115	0.04	58	56.69	40.0	4.38	4.42
S9 forward	22%	206	160	36.00%	45	30.54	16.9	4.08	4.44

Component	Itraxx Main S9	CDX IG 9
10yr underperformance	8 Bp	1 Bp
Steepening	4 Bp	4 Bp
Duration effect	4Bp	10 Bp
Beta adjustment	8 Bp	7 Bp
Total	24 Bp	22 Bp

Core Credit Book: Analysis of the IG9 performance

IG9 can be proxied as a normal IG index of 117 names and 5 HY Names (MBIA, RADIAN, ISTAR, SPRINT, RR Donnelley) :

-The 5 names behaved like the whole HY market : they underperform the IG market and steepened a lot

- Their move relative to the rest of IG indices allows to explain most of the lag in IG9 curve but not all

- Yet 5yr IG9 outperformed by 3Bps, 7yr outperformed by 4 bps while 10yr underperformed by 2 Bps : the net **P&L impact is estimated -100M USD**

5yr	compression	spread 03/01/2012	spread 27/03/2012	Duration chge	Spread chge	Index eq bp	index based theo		
CDX IG9	61%	132	68	-23.00%	64	64.00	64.0	0.97	0.74
RDN	60%	31.00%	12.48%		18.5%	15.18	18.82% -	0.24	
MBIA	28%	16.00%	11.49%		4.5%	3.70	9.71% -	4.26	
SPRINT	63%	5.80%	2.17%	IG tightening	3.6%	2.98	3.52%	0.09	
RRD	59%	4.09%	1.68%	55.00%	2.4%	1.98	2.48% -	0.06	
SFI	73%	12.62%	3.40%	simul	9.2%	7.56	7.66%	1.28	
% Index loss	55%	44%	51%	55.04%	31.39		-	3.20	

7yr	compression	spread 03/01/2012	spread 27/03/2012	Duration chge	Spread chge	Index eq bp	index based theo		
CDX IG9	40%	140	88	-14.00%	52	52.00	52.0	2.82	2.68
RDN	34%	52.00%	34.50%		17.5%	14.34	20.94% -	2.82	
MBIA	14%	36.00%	31.00%		5.0%	4.10	14.49% -	7.78	
SPRINT	14%	21.00%	18.00%	IG tightening	3.0%	2.46	8.46% -	4.47	
RRD	20%	15.00%	12.00%	52.00%	3.0%	2.46	6.04% -	2.49	
SFI	12%	26.00%	23.00%	simul	3.0%	2.46	10.47% -	6.12	
% Index loss	21%	31%	41%	39.23%	23.36		-	23.68	

10yr	compression	spread 03/01/2012	spread 27/03/2012	Duration chge	Spread chge	Index eq bp	index based theo		
CDX IG9	24.5%	149	112	2.000%	37	36.50	28.3	5.26	5.28
RDN	26%	66.00%	49.00%		17.0%	13.93	16.20%	0.66	
MBIA	10%	51.00%	46.00%		5.0%	4.10	12.52% -	6.16	
SPRINT	1%	38.50%	36.00%	IG tightening	0.5%	0.41	8.96% -	8.93	
RRD	3%	30.00%	29.00%	30.00%	1.0%	0.82	7.36% -	5.22	
SFI	19%	38.50%	31.00%	simul	7.5%	6.15	9.45% -	1.60	
% Index loss	14%	23%	26%	25.75%	19.26		-	19.26	

CIO SYNTHETIC CREDIT UPDATE

J.P.Morgan

JPM-CIO-PSI 0021967

CIO SYNTHETIC CREDIT UPDATE

Core Credit Book: Analysis of the ITRAXX Main S9 performance

Main S9 can be proxied as a normal IG index of 120 names and 5 HY Names (OTE, ESPIRI,DIXONS,EDP,PORTEL) :

-The 5 names behaved like the whole Xo market : they underperform the IG market and steepened a lot

- Their move relative to the rest of Main indices allows to explain most of the lag in Main S9 curve but not all

- Yet 5yr IG9 outperformed by 3Bps, 7yr outperformed by 4 bps while 10yr underperformed by 2 Bps : the net **P&L impact is estimated -100M USD**

5yr	compression	spread 03/01/2012	spread 27/03/2012	Duration chge	Spread chge	Index eq bp	index based theo		
Main S9	56%	173	89	-21.00%	84	84.00	84.0	1.45	1.24
OTE	46%	30.00%	16.20%		13.8%	11.31	16.80% -	2.46	
ESPIRI	60%	17.50%	7.00%		10.5%	8.61	9.80%	0.57	
EDP	19%	8.00%	6.50%	IG tightening	1.5%	1.23	4.48% -	2.44	
DIXONS	54%	12.00%	5.50%	55.00%	6.5%	5.33	6.72% -	0.18	
PORTEL	44%	9.00%	5.06%	simul	3.9%	3.23	5.04% -	0.90	
% index loss	47%	25%	30%	52.72%	29.70		-	5.41	

7yr	compression	spread 03/01/2012	spread 27/03/2012	Duration chge	Spread chge	Index eq bp	index based theo		
Main S9	36%	188	123	-9.00%	65	65.00	65.0	3.23	3.14
OTE	29%	45.00%	31.90%		13.1%	10.74	16.38% -	2.69	
ESPIRI	32%	30.00%	20.50%		9.5%	7.79	10.92% -	1.16	
EDP	18%	22.00%	18.00%	IG tightening	4.0%	3.28	8.01% -	3.28	
DIXONS	40%	29.00%	17.50%	47.00%	11.5%	9.43	10.56%	0.77	
PORTEL	24%	23.00%	17.50%	simul	5.5%	4.51	8.37% -	2.35	
% index loss	29%	20%	22%	43.03%	31.23		-	8.71	

10yr	compression	spread 03/01/2012	spread 27/03/2012	Duration chge	Spread chge	Index eq bp	index based theo		
Main S9	25%	196	144	13.000%	52	48.06	0.3	5.54	5.67
OTE	17%	53.00%	44.00%		9.0%	7.38	13.15% -	3.40	
ESPIRI	35%	51.00%	33.00%		18.0%	14.75	12.65%	4.38	
EDP	15%	36.50%	31.00%	IG tightening	5.5%	4.51	9.05% -	2.91	
DIXONS	0%	30.00%	30.00%	29.00%	0.0%	-	7.44% -	6.10	
PORTEL	22%	38.50%	30.00%	simul	8.5%	6.97	9.55% -	0.86	
% index loss	20%	16%	17%	27.42%	26.64		-	8.89	

J.P.Morgan

Core Credit Book: The devil in the details …there is an overshoot of circa 385M USD due to over steepening of HY components and

The CDX IG9 index curve steepened marginally more than it should have been according to the on the run IG steepening **this results in an underperformance estimated at 110M USD**

IG9 CALCULATION	CS01	BP rel move	
-135,000,000,000	0.75	-4.1	41,310,000.00
35,000,000,000	2.5	-0.4	- 3,850,000.00
95,000,000,000	5.4	1.4	71,820,000.00
		Total	109,280,000.00

The Main S9 index curve steepened marginally more than it should have been according to the on the run Main On the Run steepening **this results in an underperformance estimated at 60M USD**

Main S9 CALCULATIO	CS01	BP rel move	
-35,270,000,000	1.3	-2.7	12,242,217.00
3,360,000,000	3.2	-4.9	- 5,289,984.00
26,447,000,000	5.6	3.6	53,317,152.00
		Total	60,269,385.00

The HY10 and Hy11 5&7yr have outperformed the on the HY indices but not as much as could have been expected : **this is an additional hit of 150M$**

	realised	theo	diff	Size	Eloss	P&L
HY 10yr	51%	56%	-5%	5	0.0714	- 17,850,000
HY10 7yr	25%	33%	-8%	2.3	0.15805	- 29,081,200
Hy11 5yr	42%	45%	-3%	9	0.0981	- 26,487,000
HY11 7yr	18%	28%	-10%	4.2	0.18016	- 75,667,200
					TOTAL	- 149,085,400

The tranches were hit here and there in unrelated ways edding **65M loss that can easily reverse**

1- 10Bln 10-30 IG tranches lost 0.2% vs delta (2 Bid/Ask) = 20M hit

2- 3Bln Hy 15-25 lost .5pts recently in an related way = 15M hit

3- 3Bln 0-3 ig9 5yr lost 1pt in overshoot = 30M hit

Core Credit Book: Summary

1- Ideally, the Book needed an extra 30M CS01 in IG : this is a cost opportunity of 1.2 Bln due to the 40 bps rally in IG

- this long risk shows naturally in the spread tightening and with the coming expiry of the short term S9 leg
- it triggers an increase in Var- stress Var- CRM- IRC-RWA across the board if we maintain the book balanced

2- the need to reduce VAR - RWA and stay within the CS01 limit prevented the book from being long risk enough

- as we bought protection on HY in the rally, we kept the 10%CS01 neutral to slightly bull
- the slight bullish bias was dwarfed by the exposure in the forwards that kept increasing to protect the P&L

3- Thus a decompression trade was put on in order to remain market neutral, but it increased the CS01 very fast

- as a result a decompression trade built up both in CDX and ITRAXX : it is a good trade that performed well
- yet, selling more protection in IG to balance the protection we bought in HY put us close to the CS01 limit

4- The long risk exposure would likely have missed the first 15 bps and the realistic P&L miss is rather 800M USD

- despite the conviction on the rally in IG spreads, we needed to sell 10Bln in main and 30Bln in IG ideally which is a significant bullish bet
- in early February and early March, when spreads widened back, the book would likely have suffered a weekly loss of up to 200M each time : this was not an acceptable P&L noise ....So the long would have been implemented slowly anyway

5- carrying this long risk exposure would have triggered some brutal P&L swings of 100-200 in early February and March.

- the book was aiming at fine tuning the P&L noise while reducing the risks and the notionals on opportunities
- the losses coming from the IG forwards were already wild, so we waited before being outright long risk for fear the noise would just increase more

CIO SYNTHETIC CREDIT UPDATE

Core Credit Book: Risk Management and execution mistakes

1- The reduction of the 5yr IG9 and S9 early in January turned out to be a bad move : forwards underperformed

- initially, sell 5 yr on a roll basis vs on the run IG indices allowed to reduce the short, improve the carry, reduce the sensitivity of the book towards flattening and pre-empt a tightening in IG spreads without increasing CS01.

- the market players quickly steepened the S9 curves starting the underperformance of the forwards : because the slight long risk bias was insufficient to cover the loss, we added back some flattaners to correct the hit.

2- The Kodak default triggered a second wrong move : the HY short risk added to the forward underperformance

- The loss was 50M and we started covering the risk in February by selling HY14-HY17 indices that contained MBIA, Radian, MGIC, ISTAR given that RESCAP risk to default was growing.

- However, by selling those series and targeting the "mortgage & insurance" related names, we aggravated the underperformance of the IG9 forwards because they contain MBIA, Radian and ISTAR

- As a result, those names underperformed the whole market. Thus the decompression trade worked but the IG9 forward especially underperformed in the rally and this is where the main long risk of the book is.

3- The Xover / Main decompression trade,...likewise it finally started a lag in Main Itraxx S9 forwards

- Due to the need to contain the RWA-Var complex, we sold protection on main while buying protection in Xover

- This was a way to profit from either a recovery in Europe IG space without increasing the CS01.

- The decompression in HY and Xover sped up in March and this put the book short risk and worsened the loss in the forwards

4- The carry was overestimated : the duration extension due to the low rates and the quick IG tightening created a long risk that should not have been hedged and that amounted to postpone the carry further in time.

What would have happened if none of these bad moves were initiated?

- The decompression would have happened anyway and the forward underperformance may have been twice smaller or down 750. All these mistakes induced an increase in the forward positions to contain the P&L hit

- If the book had gone long risk fully, the Var would have increased and the RWA as well : likely 20-25 Bln RWA

-The carry would have improved and the book would have had twice a weekly drawdown of 200M

Core Credit Book: Computation of the extra CS01 needed for the current book

1- the IG9 and S9 forward decompression and the duration extension created a 20% (10% duration increase, 10% spreads decompression) incresse in duration that should not have been hedged : 12M $ CS01

- from Main S9 forwards that amounts to 3.2M $ CS01
- from IG9 forwards this amounts to 8.8M $ CS01

2- The duration extension and decompression in HY and Xover legs should also have been anticipated as 20% (10% duration increase, 10% spread decompression) increase in the longs risk IG : 10.5M $ CS01

- In Itraxx Xover/Main, this amounts to 2M CS01
- In HY/IG, this sums up to 8.5M $ CS01

3- The tranche deltas increased on tha short term equity and decreased on long term super-seniors : 9M $ CS01

- in Itraxx, the deltas moved : 6M $ CS01
  * -10x in 0-3 S9 5yr (2Bln) or 10Bln on the run index : 5M CS01 $
  *- -0.1x over 20bln on the run index equiv. : 1M CS01 $
- in CDX IG the deltas moved : 3M $ CS01
  * -10x in 2bln 0-3 IG9 5yr or 4Bln on the run index : 2M $ CS01
  * -0.1x over 25bln on the run equiv : 1M $ CS01

4- target 10%CS01 : +250M in 10% CS01 tightening

- currently the book trades at **+ 133m$** on this scenario
- anticipating a further similar tightening and decompression, the book should carry today a extra long risk of **25M $ CS01**
- given that Main (25% at 125bps) and IG (75% at 90 bps) weighted spread for IG would be **100bps**, the book should run with e -10% CS01 of +250M $ P&L gain
- this amounts to another **20Bln Ig18 and 6bln Main S17 sale of protection**

CIO SYNTHETIC CREDIT UPDATE

J.P.Morgan

Core Credit Book: Management of the CS01 2012

1- The long risk exposure that resulted mostly from duration extension and decompression was covered with a short risk in HY

- This allowed to cover the downside on defaults in HY names
- this is not an irreversible loss as it would have been if we had covered the long with IG protection

2- The increase in Long risk coming from a longer average duration, the RWA and Var increased too even if the directionality was limited

- Instead of reducing the burgeoning we should have doubled it : this would have increased Var and RWA by 10% every month
- Using the HY as a way to reduce the directionality worsened the P&L issue with the forwards

3- We should be very long risk in IG going into the expiry of the IG9 5yr to offset the loss of carry

- we should do it before the expiry comes so that we mitigate the P&L loss
- we should be short risk in all IG equity tranches so that the transition is smoother through the expiry

Core Credit Book: The path to recovery....

1- The overshoots could reverse although this would not be necessarily stable. Yet, optically the YTD could easily improve with no change by up to 350M

2- The duration extension resulted in a long risk that has been covered and should actually stay in the future

3- The extra long risk exposure would overall set the book up 250M in a 10% CS01 tightening move : this will increase the RWA by another 5 Bln unless we use structured notes to offload part of the long risk. The tranche trades should help reduce the future RWA measures.

4- The P&L will face 100M temporary drawdowns for a net carry of 2-3.5 M USD per day.

5- We still need to buy 5Bln 0-3 IG9 10yr and 2.5Bln euro 0-3 S9 10yr. This will allow to us to freeze also the trading on tranches and help reduce the RWA forward measures without acting on the book other than rolling the long risk.

6- the advent of default will be a P&L positive all the way to the expiry of the book.

From: Grout, Julien G <julien.g.grout@jpmchase.com>
Sent: Tue, 10 Apr 2012 20:31:08 GMT
To: CIO CREDIT POSITIONS <CIO_CREDIT_POSITIONS@jpmchase.com>
CC: CIO P&L Team <CIO_P&L_Team@jpmchase.com>
Subject: CIO CORE Credit Positions: 10-Apr-12

Product	Notional	Hedge (Par)	Hedge (Amounts)	Price	Delta / Ref	Change	Proj Direct	Other	P&L ($)	YTD ($)
[illegible]										
ADJUSTMENT	0	0	0	[redacted]	[redacted]			-214,974	-214,974	-137,184,598
ITRAXX FINSEN S17 05Y	48,125,000	48,125,000	0	[redacted]	[redacted]	+21.5	-$27K / bp	[illegible]	-588,170	-4,389,512
ITRAXX FINSUB S07 05Y	-81,375,000	-81,375,000	0	[redacted]	[redacted]	+25.0	+$2.1K / bp	[illegible]	-13,827	958,204
ITRAXX FINSUB S09 05Y	-462,000,000	-462,000,000	0	[redacted]	[redacted]	+24.9	+$41K / bp	18,296	790,863	11,111,734
ITRAXX FINSUB S09 05Y	-1,480,500,000	-1,480,500,000	0	[redacted]	[redacted]	+24.8	+$227K / bp	13,289	4,751,604	12,863,339
ITRAXX FINSUB S10 05Y	-988,875,000	-988,875,000	0	[redacted]	[redacted]	+24.8	+$205K / bp	41,715	[illegible]	26,[illegible]
ITRAXX FINSUB S12 05Y	-679,000,000	-679,000,000	0	[redacted]	[redacted]	+24.7	+$216K / bp	112,964	5,074,177	61,554,635
ITRAXX FINSUB S13 05Y	1,141,875,000	1,141,875,000	0	[redacted]	[redacted]	+24.5	-$475K / bp	-309,195	-11,383,419	-143,745,078
ITRAXX FINSUB S15 05Y	-398,125,000	-398,125,000	0	[redacted]	[redacted]	+24.4	+$182K / bp	139,698	4,372,082	60,218,694
ITRAXX FINSUB S16 05Y	915,250,000	915,250,000	0	[redacted]	[redacted]	+24.7	-$511K / bp	153,583	-11,861,151	46,892,377
ITRAXX FINSUB S17 05Y	621,250,000	621,250,000	0	[redacted]	[redacted]	+24.7	-$381K / bp	133,143	-8,893,534	38,901,001
								77,142	-13,386,800	-24,101,299

Product	Notional	Hedge (Par)	Hedge (Amounts)	Price	Delta / Ref	Change	Proj Direct	Other	P&L ($)	YTD ($)
[illegible]										
ADJUSTMENT	0	0	0	[redacted]	[redacted]			219,897	219,897	140,306,333
ITRAXX FINSUB S06 10Y	0	0	0	[redacted]	[redacted]	+24.3		-387	-387	2,722
ITRAXX FINSUB S07 05Y	-11,625,000	-11,625,000	0	[redacted]	[redacted]	+25.0		[illegible]	-3,940	13,184,687
ITRAXX FINSUB S07 10Y	0	0	0	[redacted]	[redacted]	+24.2		[illegible]	1,534	12,266
ITRAXX FINSUB S08 05Y	-88,000,000	-88,000,000	0	[redacted]	[redacted]	+24.9	+$5.9K / bp	-14,143	96,509	-26,134,034
ITRAXX FINSUB S08 10Y	0	0	0	[redacted]	[redacted]	+24.3		[illegible]	-8,450	53,062
ITRAXX FINSUB S09 05Y	-211,500,000	-211,500,000	0	[redacted]	[redacted]	+24.8	+$32K / bp	-10,535	666,367	-66,660,040
ITRAXX FINSUB S09 10Y	0	0	0	[redacted]	[redacted]	+24.4		-10,635	-10,635	82,734
ITRAXX FINSUB S10 05Y	-138,125,000	-138,125,000	0	[redacted]	[redacted]	+24.8	+$20K / bp	-30,887	614,521	-29,753,668

ITRAXX FINSUB S10 10Y	0	0	0	[redacted]	+24.3		[illegible]	183	-1,320
ITRAXX FINSUB S11 05Y	0	0	0		+24.8		[illegible]	-1,721	[illegible]3,513
ITRAXX FINSUB S12 05Y	-97,000,000	-97,000,000	0		+24.7	+$31K / bp	-78,516	830,229	-98,495,855
ITRAXX FINSUB S13 05Y	0	0	0		+24.6		89,674	89,674	-781,057
ITRAXX FINSUB S14 05Y	163,125,000	163,125,000	0		+24.5	-$88K / bp	83,219	[illegible]	214,[illegible]
ITRAXX FINSUB S15 05Y	-56,875,000	-56,875,000	0		+24.4	+$28K / bp	-30,073	674,581	-83,0[illegible]
ITRAXX FINSUB S16 05Y	130,750,000	130,750,000	0		+24.7	-$73K / bp	-143,671	-1,860,056	-14,881,840
ITRAXX FINSUB S17 05Y	90,625,000	90,625,000	0		+24.7	-$56K / bp	-120,257	-1,437,026	-79,209,777
ITRAXX [illegible] 10Y	0	0	0		+11.5		[illegible]	-818	12,773
ITRAXX GN S[illegible] 10Y	0	0	0		+11.5		[illegible]	-3	154
ITRAXX GN S[illegible] 05Y	0	0	0		+8.2		1,164	1,164	1,148
ITRAXX GN S11 05Y	0	0	0		+11.7		182	182	-211
ITRAXX GN S16 05Y	18,750,000	18,750,000	0		+11.3	-$11K / bp	1,891	-115,810	749,594
							-72,399	-2,058,094	-46,006,291

[illegible]									
ADJUSTMENT	0	0	0	[redacted]	[illegible]		[illegible]	215,041	[illegible]37,207,036
ITRAXX GN S[illegible] 10Y	735,753,836	735,753,836	0		+11.5	-$400K / bp	-123,927	-4,545,953	-60,343,834
ITRAXX GN S07 10Y	9,237,152	9,237,152	0		+11.5	-$5.4K / bp	-1,[illegible]	-62,154	-721,099
[illegible]RAXX GN S[illegible] 05Y	-281,851	-281,851	0		+11.7		[illegible]	283	1,077
[illegible]RAXX GN S[illegible] 10Y	72,283,247	72,283,247	0		+11.5	-$47K / bp	-13,411	-536,183	-4,933,717
ITRAXX GN S[illegible] 05Y	-42,553,801,554	-42,553,801,554	0		+8.2	+$8,887K / bp	-750,862	46,102,885	-418,012,333
ITRAXX GN S[illegible] 07Y	-40,157,174	-40,157,174	0		+15.1	+$18K / bp	-1,509	236,535	[illegible]
ITRAXX GN S09 10Y	22,867,197,959	22,867,197,959	0		+16.9	-$18,862K / bp	1,876,739	-282,033,948	180,758,076
ITRAXX GN S13 05Y	17,500,000	17,500,000	0		+11.8	-$8.0K / bp	-552	-89,850	-321,112
ITRAXX GN S15 05Y	-3,218,344,319	-3,218,344,319	0		+15.6	+$910K / bp	[illegible]	13,638,718	13,476,817
ITRAXX GN S15 05Y	2,405,325,462	2,405,325,462	0		+10.6	-$1,242K / bp	[illegible]	-12,725,984	[illegible]48,867,891
ITRAXX GN S15 07Y	-537,384,916	-537,384,916	0		+11.5	+$385K / bp	58,856	4,374,368	22,836,120
ITRAXX GN S15 10Y	-1,426,175,000	-1,426,175,000	0		+18.7	+$1,374K / bp	338,136	23,231,576	105,930,988
ITRAXX GN S16 05Y	12,382,437,500	12,382,437,500	0		+11.3	-$7,075K / bp	-550,841	-78,022,589	-278,33[illegible]
ITRAXX GN S16 10Y	-1,159,375,000	-1,159,375,000	0		+14.0	+$1,176K / bp	280,410	16,672,941	78,200,867
ITRAXX GN S17 05Y	5,105,125,000	5,105,125,000	0		+11.5	-$3,193K / bp	-269,246	-36,082,098	-123,474,642
							448,248	-309,828,835	-406,819,842

[illegible]									
ADJUSTMENT	0	0	0	[redacted]			-269,815	-269,815	-172,155,977
ITRAXX XO S11 05Y	-4,375,000	-4,375,000	0		+58.2	+$1.7K / bp	83	95,252	118,460
ITRAXX XO S15 05Y	-1,163,218,750	-1,163,218,750	0		+59.1	+$509K / bp	67,130	20,[illegible]	[illegible]

ITRAXX XO S16 05Y	-4,589,250,000	-4,589,250,000	0	[redacted]	+58.5	+$2,061K / bp	371,319	119,070,060	333,831,759
ITRAXX XO S17 05Y	-78,750,000	-78,750,000	0	[redacted]	+57.9	+$37K / bp	[illegible]	2,121,891	7,613,824
							383,717	160,586,724	224,896,895
SOVX WE USD									
ADJUSTMENT	0	0	0	[redacted]			0	0	2,121,818
SOVX WE S06 05Y	43,750,000	43,750,000	0	[redacted]	+5.9	-$18K / bp	-4,901	-98,806	-2,230,372
							-4,901	-98,806	-108,764
Strategy 02 EUR									
ITRAXX XO S07 05Y	0	0	0	[redacted]	+59.0		0	0	878
							0	0	878
Strategy 03 EUR									
ADJUSTMENT	0	0	0	[redacted]			-75,888	-75,666	-48,278,743
ITRAXX MN S09 10Y	-702,617,455	-268,867,455	205,354,480		+11.5	+$35K / bp	547	382,761	56,287,545
ITRAXX MN S09 10Y 00-03	-115,000,000	345,000,000	0		+0.375	+$256K / .25 pct	[illegible]	371,957	-1,807,876
ITRAXX MN S09 10Y 03-06	150,000,000	-693,750,000	-148,801,787		+0.64	-$375K / .25 pct	-94,587	-893,018	25,081,984
ITRAXX MN S09 10Y 06-09	20,000,000	-85,000,000	-8,505,929		+0.714	-$50K / .25 pct	-28,424	-165,045	2,522,582
ITRAXX MN S09 10Y 09-12	0	0	-7,322,696		-11.2	-$1.1K / bp	33,673	[illegible]	[illegible]
ITRAXX MN S09 10Y 12-22	0	0	-35,368,100		-0.5	-$11K / bp	71,434	86,905	1,580,904
ITRAXX MN S09 10Y 22-100	0	0	-7,355,771		+3.4	-$9.9K / bp	93,030	61,718	22,860
ITRAXX MN S07 10Y	-3,034,152	-3,034,152	4,409,073		+11.5		-285	-9,254	245,389
ITRAXX MN S07 10Y 00-03	0	0	0		[illegible]		[illegible]	0	0
ITRAXX MN S07 10Y 03-06	0	0	0				0	0	0
ITRAXX MN S07 10Y 06-09	0	0	-422,584		[illegible]		[illegible]	-32	18,860
ITRAXX MN S07 10Y 09-12	0	0	-4,662,714		-12.4		-132,815	-21,878	510,881
ITRAXX MN S07 10Y 12-22	0	0	-777,889		-2.8		-74,816	-23,951	838,947
ITRAXX MN S07 10Y 22-100	0	0	1,454,116		+3.8	+$2.0K / bp	-84,647	-77,877	416,218
ITRAXX MN S08 05Y	287	287	976		+11.7		0	[illegible]	[illegible]
ITRAXX MN S08 05Y 00-03	0	0	0				0	0	0
ITRAXX MN S08 05Y 03-06	0	0	0				0	0	0
ITRAXX MN S08 05Y 06-09	0	0	-976		[illegible]		[illegible]	-2	40
ITRAXX MN S08 05Y 09-12	0	0	0		+4.2		[illegible]	0	0
ITRAXX MN S08 05Y 12-22	0	0	0		-1.9		0	0	0
ITRAXX MN S08 05Y 22-100	0	0	0		-1.0		0	0	0
ITRAXX MN S08 10Y	-72,122,505	-72,122,505	83,822,526		+11.5	-$7.0K / bp	5,814	-378,626	-24,828,367

ITRAXX MN S[illegible] 10Y 00-03	0	0	0	[redacted]			23,265	23,265	105,796
ITRAXX MN S[illegible] 10Y 03-06	0	0	-6,192,097				[illegible]	-27,520	890,937
ITRAXX MN S[illegible] 10Y 06-09	0	0	-15,477,757				39,958	40,004	418,236
ITRAXX MN S[illegible] 10Y 09-12	0	0	-22,090,306		+10.4	-$4.0K / bp	13,686	64,157	769,092
ITRAXX MN S[illegible] 10Y 12-22	0	0	-17,548,265		-2.2	-$8.0K / bp	11,101	[illegible]	[illegible]
ITRAXX MN S[illegible] 10Y 22-100	0	0	-23,514,086		+2.8	-$33K / bp	-81,390	-167,714	-2,281,892
ITRAXX MN S09 10Y	-60,311,080	-60,311,080	57,238,464		+16.9	+$2.3K / bp	15,416	53,331	-435,211
ITRAXX MN S09 10Y 00-03	0	0	0				-670	-670	-42,339
ITRAXX MN S09 10Y 03-06	0	0	-2,413,720				[illegible]	-64,866	599,320
ITRAXX MN S09 10Y 06-09	0	0	-65,253,314				35,241	30,124	4,396,476
ITRAXX MN S09 10Y 09-12	0	0	-15,818,519		-9.3	-$3.2K / bp	41,349	78,804	589,954
ITRAXX MN S09 10Y 12-22	0	0	28,870,093		-2.6	+$11K / bp	-134,554	-175,918	-1,078,380
ITRAXX MN S09 10Y 22-100	0	0	17,178,996		+1.8	+$25K / bp	-161,010	-123,825	-868,213
							-452,484	-702,903	50,756,287

Strategy 07 EUR [illegible]									
ADJUSTMENT	0	0	0	[redacted]			[illegible]	3,877	2,345,981
ITRAXX MN S[illegible] 10Y	47,113,619	47,113,619	-779,171		+11.5	-$25K / bp	-9,709	-288,195	-3,198,161
ITRAXX MN S[illegible] 10Y 00-03	0	0	0				26,548	26,548	-182,940
ITRAXX MN S[illegible] 10Y 03-06	0	0	194,789,532				-61,101	57,306	6,033,676
ITRAXX MN S[illegible] 10Y 06-09	0	0	-193,990,381				414,769	186,566	5,170,486
ITRAXX MN S[illegible] 10Y 09-12	0	0	0		-11.2		0	0	0
ITRAXX MN S[illegible] 10Y 12-22	0	0	0		-0.6		0	0	0
ITRAXX MN S[illegible] 10Y 22-100	0	0	0		+3.4		0	0	0
ITRAXX MN S07 10Y	-6,203,000	-6,203,000	6,195,315		+11.5		695	748	464,736
ITRAXX MN S07 10Y 00-03	0	0	0				-2,516	-2,616	8,146
ITRAXX MN S07 10Y 03-06	0	0	0				[illegible]	0	0
ITRAXX MN S07 10Y 06-09	0	0	-6,195,315				32,795	30,902	-51,411
ITRAXX MN S07 10Y 09-12	0	0	0		-12.4		0	0	0
ITRAXX MN S07 10Y 12-22	0	0	0		-2.8		0	[illegible]	0
ITRAXX MN S07 10Y 22-100	0	0	0		+3.6		0	0	0
							405,126	14,021	-3,457,228

Strategy [illegible]									
ADJUSTMENT	0	0	0	[redacted]			[illegible]	8,137	3,915,817
ITRAXX MN S[illegible] 05Y	281,564	281,564	3,327,070		+11.7		[illegible]	-3,353	-1,078
ITRAXX MN S[illegible] 05Y 00-03	0	0	0				-3,128	-3,128	-8,008
ITRAXX MN S[illegible] 05Y 03-06	0	0	-2,643,952				-5,335	13,813	[illegible]

ITRAXX MN S08 05Y 06-09	0	0	-89,353	[redacted]			1,011	928	8,091
ITRAXX MN S08 05Y 09-12	0	0	-211,816	[redacted]	+4.2		[illegible]	329	-269
ITRAXX MN S08 05Y 12-22	0	0	-381,949	[redacted]	-1.9		596	710	8,487
ITRAXX MN S08 05Y 22-100	0	0	0	[redacted]	-1.0		0	0	0
ITRAXX MN S07 05Y	-41,654,956	-41,654,956	65,844,366	[redacted]	+8.2	-$3.8K / bp	-701	-427,334	[illegible]
ITRAXX MN S07 05Y 00-03	0	0	0	[redacted]			-1,636	1,636	[illegible]
ITRAXX MN S07 05Y 03-06	0	0	-70,341,151	[redacted]			18,615	39,516	1,481,738
ITRAXX MN S07 05Y 06-09	0	0	5,086,151	[redacted]			-1,217	-8,881	-186,619
ITRAXX MN S07 05Y 09-12	0	0	0	[redacted]	+4.5		[illegible]	0	0
ITRAXX MN S07 05Y 12-22	0	0	-536,336	[redacted]	+4.0		1,020	1,392	4,604
ITRAXX MN S07 05Y 22-100	0	0	-53,028	[redacted]	+1.0		[illegible]	1,426	-5,894
ITRAXX MN S09 10Y	12,500,000	12,500,000	0	[redacted]	+18.9	-$9.2K / bp	-2,892	-157,140	1,737,286
ITRAXX MN S10 05Y	0	0	0	[redacted]	+11.7		33	33	3
ITRAXX MN S16 05Y	-16,000,000	-16,000,000	0	[redacted]	+11.3	+$9.2K / bp	-1,735	98,532	-1,686,922
							13,627	-63,881	1,228,606

Strategic [illegible]									
ADJUSTMENT	0	0	0	[redacted]			418,000	418,000	263,302,725
FO ADJUSTMENT	0	0	0	[redacted]			4,600,000	4,600,000	4,600,000
RAXX MN S08 05Y	0	0	0	[redacted]	+11.7		296	296	-3,849
RAXX MN S08 10Y	0	0	0	[redacted]	+11.5		62	62	[illegible]
ITRAXX MN S09 05Y	17,136,947,770	3,690,357,770	133,178,248	[redacted]	+8.2	-$601K / bp	245,763	-3,904,113	207,475,699
ITRAXX MN S09 05Y 00-03	-650,000,000	14,025,000,000	0	[redacted]	+0.747	+$2,125K / .25 pct	82,763	5,878,836	-46,284,648
ITRAXX MN S09 05Y 03-06	-400,000,000	2,800,000,000	-67,394,885	[redacted]	-0.167	+$1,000K / .25 pct	24,912	-425,938	-12,591,525
ITRAXX MN S09 05Y 06-09	340,000,000	-765,000,000	-70,605,506	[redacted]	-0.257	-$850K / .25 pct	-955	802,596	21,671,159
ITRAXX MN S09 05Y 09-12	315,000,000	-441,000,000	-5,978,642	[redacted]	-4.5	-$50K / bp	[illegible]	178,263	6,964,367
ITRAXX MN S09 05Y 12-22	475,000,000	-451,250,000	7,295,613	[redacted]	-4.0	-$74K / bp	[illegible]	238,152	[illegible]
ITRAXX MN S09 05Y 22-100	12,294,000,000	-1,721,160,000	3,505,173	[redacted]	-1.0	-$1,943K / bp	-2,937	1,607,925	13,753,212
ITRAXX MN S09 07Y	-3,739,841,723	265,058,277	0	[redacted]	+15.1	-$106K / bp	-118,127	-1,689,341	-123,290,439
ITRAXX MN S09 07Y 00-03	406,000,000	-2,131,500,000	0	[redacted]	+0.595	-$1,015K / .25 pct	-223,500	-2,248,138	[illegible]
ITRAXX MN S09 07Y 03-06	-180,000,000	980,000,000	0	[redacted]	+0.232	+$400K / .25 pct	81,401	457,743	[illegible]
ITRAXX MN S09 07Y 06-09	-25,000,000	135,000,000	0	[redacted]	-0.52	+$63K / .25 pct	9,623	-118,516	1,132,235
ITRAXX MN S09 07Y 09-12	180,000,000	-594,000,000	0	[redacted]	-7.7	-$70K / bp	-412,313	507,001	14,336,021
ITRAXX MN S09 07Y 12-22	-450,000,000	787,500,000	0	[redacted]	[illegible]	+$184K / bp	20,586	-141,876	30,678,916
ITRAXX MN S09 07Y 22-100	9,850,000,000	-3,152,000,000	0	[redacted]	+1.2	-$4,134K / bp	-84,440	-5,526,963	58,304,522
ITRAXX MN S09 10Y	-13,612,418,871	3,611,091,129	0	[redacted]	+18.9	-$2,667K / bp	[illegible]	-44,844,028	[illegible]
ITRAXX MN S09 10Y 00-03	-1,013,000,000	2,279,250,000	0	[redacted]	+0.437	+$2,633K / .25 pct	[illegible]	5,406,046	[illegible]
ITRAXX MN S09 10Y 03-06	55,000,000	-206,250,000	0	[redacted]	+0.043	+$138K / .25 pct	-175,061	-184,124	-5,317,438
ITRAXX MN S09 10Y 06-09	866,000,000	-3,038,000,000	0	[redacted]	+0.18	-$2,170K / .25 pct	-449,256	-1,912,928	[illegible]

ITRAXX [illegible] S9 10Y 09-12	1,373,000,000	-4,050,350,000	0	[redacted]	+9.3	-$840K / bp	[illegible]	7,755,516	[illegible]
ITRAXX [illegible] S9 10Y 12-22	3,730,000,000	-7,087,000,000	0		[illegible]	-$2,647K / bp	[illegible]	[illegible]	[illegible]
ITRAXX [illegible] S9 10Y 22-100	9,854,000,000	-5,321,160,000	0		+1.8	-$7,660K / bp	-862,560	-14,520,288	-7,278,495
ITRAXX [illegible] S11 5Y	0	0	0		+11.7		-3,681	-3,681	4,263
ITRAXX [illegible] S12 5Y	0	0	0		+11.8	[illegible]	-60	-60	[illegible]
ITRAXX [illegible] S13 5Y	0	0	0		+11.8	[illegible]	218	218	[illegible]
ITRAXX [illegible] S14 5Y	0	0	0		+11.8		-521	-521	-6,027
ITRAXX [illegible] S15 5Y	72,750,000	72,750,000	0		+10.6	-$38K / bp	6,441	-375,671	[illegible]
ITRAXX [illegible] S15 10Y	-38,400,000	-38,400,000	0		[illegible]	+$37K / bp	[illegible]	600,643	[illegible]
ITRAXX [illegible] S16 5Y	1,268,437,500	1,268,437,500	0		+11.3	-$725K / bp	126,456	-7,607,956	130,313,456
ITRAXX [illegible] S16 10Y	-165,625,000	-165,625,000	0		+11.0	+$168K / bp	[illegible]	2,287,960	-113,264,169
ITRAXX [illegible] S17 5Y	832,000,000	832,000,000	0		+11.6	-$395K / bp	[illegible]	-4,347,233	[illegible]
ITRAXX XO S15 5Y	-169,031,250	-169,031,250	0		+59.1	+$73K / bp	-9,376	4,205,254	-103,826,903
ITRAXX XO S16 5Y	-652,750,000	-652,750,000	0		+58.5	+$294K / bp	-167,405	15,740,987	[illegible]
ITRAXX XO S17 5Y	-11,250,000	-11,250,000	0		+57.9	[illegible]	-4,363	[illegible]	[illegible]
RESERVE	0	0	0				0	0	-4,800,000
							2,730,282	-29,581,960	-66,648,661

ADJUSTMENT	0	0	0	[redacted]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible] S9 5Y	-149,029	-149,029	43,810		+6.2	[illegible]	[illegible]	[illegible]	[illegible]
[illegible] S9 5Y 00-03	0	0	0		[illegible]	[illegible]	0	0	0
ITRAXX [illegible] S9 5Y 03-06	0	0	0		[illegible]	[illegible]	0	[illegible]	[illegible]
ITRAXX [illegible] S9 5Y 06-09	0	0	0		[illegible]	[illegible]	0	0	0
ITRAXX [illegible] S9 5Y 09-12	0	0	0		-4.5	[illegible]	0	0	0
ITRAXX [illegible] S9 5Y 12-22	0	0	0		[illegible]	[illegible]	[illegible]	[illegible]	0
ITRAXX [illegible] S9 5Y 22-100	0	0	-43,810		[illegible]	[illegible]	[illegible]	1,872	[illegible]
							1,712	1,888	-6,565

[redacted]

— = Redacted by the Permanent Subcommittee on Investigations

[redacted]

CDX IG USD	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
ADJUSTMENT	[redacted]	0	0	0	[redacted]			0	[illegible]	1,391,789,978
CDX IG S07 [illegible]	[redacted]	-343,876,767	-343,876,767	0	[redacted]	+8.9	+$38K / bp	500	452,320	[illegible]
CDX IG [illegible]	[redacted]	207,868,818	207,868,818	0	[redacted]	[illegible]	+$43K / bp	[illegible]	[illegible]	[illegible]
CDX IG [illegible]	[redacted]	-132,338,348,351	-132,338,348,351	0	[redacted]	+6.5	+$8,978K / bp	[illegible]	36,040,168	132,327,394
CDX IG [illegible]	[redacted]	16,207,493,894	16,207,493,894	0	[redacted]	+6.4	-$4,154K / bp	[illegible]	-24,910,232	[illegible]
CDX IG [illegible]	[redacted]	78,718,824,801	78,718,824,801	0	[redacted]	[illegible]	-$59,039K / bp	[illegible]	-418,396,267	[illegible]
CDX IG S10 [illegible]	[redacted]	-2,582,277	-2,582,277	0	[redacted]	+9.0	[illegible]	[illegible]	[illegible]	[illegible]
CDX IG [illegible]	[redacted]	-8,899,875,000	-8,899,875,000	0	[redacted]	+8.9	+$2,125K / bp	-54,531	18,301,233	-45,005,912
CDX IG [illegible]	[redacted]	224,875,000	224,875,000	0	[redacted]	+8.8	[illegible]	-7,457	[illegible]	[illegible]
CDX IG [illegible]	[redacted]	-18,912,324,274	-18,912,324,274	0	[redacted]	+9.4	[illegible]	-180,991	[illegible]	[illegible]
CDX IG [illegible]	[redacted]	-47,250,000	-47,250,000	0	[redacted]	+8.8	+$36K / bp	2,844	318,706	722,634
CDX IG [illegible]	[redacted]	-18,188,908,250	-18,188,908,250	0	[redacted]	+9.4	+$6,612K / bp	[illegible]	60,348,227	[illegible]
CDX IG [illegible]	[redacted]	284,250,000	284,250,000	0	[redacted]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
CDX IG S17 [illegible]	[redacted]	10,055,937,500	10,055,937,500	0	[redacted]	+8.7	-$4,568K / bp	-117,232	-38,348,555	18,715,227
CDX IG [illegible]	[redacted]	13,854,825,000	13,854,825,000	0	[redacted]	+8.9	-$6,660K / bp	[illegible]	-59,527,316	[illegible]
								########	-373,310,807	-568,864,492

Strategy 06 USD	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
ADJUSTMENT	[redacted]	0	0	0	[redacted]			0	0	[illegible]
CDX IG S07 [illegible]	[redacted]	-388,123,233	-100,123,233	-5,861,744	[redacted]	+8.9	+$17K / bp	[illegible]	[illegible]	[illegible]
CDX IG S07 [illegible]	[redacted]	0	0	0	[redacted]	[illegible]	[illegible]	[illegible]	[illegible]	0
CDX IG S07 [illegible]	[redacted]	0	0	0	[redacted]	[illegible]	[illegible]	[illegible]	[illegible]	0
CDX IG S07 [illegible]	[redacted]	110,000,000	-288,000,000	8,495,586	[redacted]	+0.028	-$275K / .25 pct	-17,403	-61,063	[illegible]
CDX IG S07 [illegible]	[redacted]	0	0	0	[redacted]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
CDX IG S07 [illegible]	[redacted]	0	0	722,894	[redacted]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
CDX IG S07 [illegible]	[redacted]	0	0	-1,358,748	[redacted]	[illegible]	[illegible]	-4,426	-18,902	-1,173,467
CDX IG [illegible]	[redacted]	240,333,384	86,583,384	-9,965,330	[redacted]	+8.9	[illegible]	[illegible]	[illegible]	[illegible]
CDX IG [illegible]	[redacted]	0	0	0	[redacted]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
CDX IG [illegible]	[redacted]	0	0	2,431,466	[redacted]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
CDX IG [illegible]	[redacted]	0	0	11,959,439	[redacted]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
CDX IG [illegible]	[redacted]	0	0	-2,415,191	[redacted]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
CDX IG [illegible]	[redacted]	-375,000,000	153,750,000	-854,485	[redacted]	+0.051	[illegible] / .25 pct	[illegible]	[illegible]	[illegible]
CDX IG [illegible]	[redacted]	0	0	-1,055,880	[redacted]	[illegible]	[illegible]	[illegible]	[illegible]	230,881
CDX IG [illegible]	[redacted]	357,212,429	-169,287,571	246,049,785	[redacted]	+6.4	[illegible]	-3,071	[illegible]	[illegible]

CDX IG S09 07Y 00-03	0	0	0	[redacted]			-15,551	-15,551	137,547
CDX IG S09 07Y 03-07	0	0	-217,812,380	[redacted]			[illegible]	-1,277	3,673,986
CDX IG S09 07Y 07-10	-135,000,000	526,500,000	-21,708,374	[redacted]	-0.319	+$338K / 25 pct	7,179	-408,752	-10,609,774
CDX IG S09 07Y 10-15	0	0	24,210	[redacted]			-0	-15	4,732
CDX IG S09 07Y 15-30	0	0	-5,737,141	[redacted]			-838	[illegible]	[illegible]
CDX IG S09 07Y 30-100	0	0	-816,072	[redacted]			-19,058	-24,969	348,986
CDX IG S09 10Y 30-100	0	0	0	[redacted]			2,331	2,331	-4,313
							-21,336	-474,413	-673,796

Strategy 12 USD									
ADJUSTMENT	0	0	0	[redacted]			0	0	77
CDX IG S09 05Y	-2,041,122	-2,041,122	18,176,893	[redacted]	+5.5	-81.1K / bp	-388	-4,783	8,375
CDX IG S09 05Y 00-03	0	0	0	[redacted]			-2,021	-2,021	[illegible]
CDX IG S09 05Y 03-07	0	0	-16,804,875	[redacted]			-17,824	[illegible]	[illegible]
CDX IG S09 05Y 07-10	0	0	-797,748	[redacted]			2,539	-609	28,269
CDX IG S09 05Y 10-15	0	0	-315,218	[redacted]			-417	-72	533,636
CDX IG S09 05Y 15-30	0	0	-280,851	[redacted]			[illegible]	-2,414	136,013
CDX IG S09 05Y 30-100	0	0	0	[redacted]			0	0	0
CDX IG S09 07Y	-226,537	-226,537	368,115	[redacted]	+6.4		-0	-218	1,531
CDX IG S09 07Y 00-03	0	0	0	[redacted]			0	0	0
CDX IG S09 07Y 03-07	0	0	0	[redacted]			0	-0	[illegible]
CDX IG S09 07Y 07-10	0	0	0	[redacted]			0	0	0
CDX IG S09 07Y 10-15	0	0	0	[redacted]			0	0	[illegible]
CDX IG S09 07Y 15-30	0	0	-368,115	[redacted]			-1,615	-1,135	6,149
CDX IG S09 07Y 30-100	0	0	0	[redacted]			0	0	0
							-22,582	-24,364	1,021,900

Strategy 14 USD									
ADJUSTMENT	0	0	0	[redacted]			0	0	-80,656
CDX IG S09 05Y	-7,557,807	-7,557,807	13,716,347	[redacted]	+5.5		113	-1,565	5,721
CDX IG S09 05Y 00-03	0	0	0	[redacted]			797	797	[illegible]
CDX IG S09 05Y 03-07	0	0	-8,905,587	[redacted]			-10,256	-7,481	178,399
CDX IG S09 05Y 07-10	0	0	-3,787,278	[redacted]			10,908	-3,961	120,074
CDX IG S09 05Y 10-15	0	0	0	[redacted]			226	226	226
CDX IG S09 05Y 15-30	0	0	202,087	[redacted]			[illegible]	5,598	597,534
CDX IG S09 05Y 30-100	0	0	-245,670	[redacted]			-6,790	-4,777	-1,007,285
CDX IG S09 07Y	0	0	0	[redacted]	+6.4		1,608	1,608	-18,490
CDX IG S09 07Y 00-03	0	0	0	[redacted]			5,711	5,711	[illegible]

CDX IG S09 07Y 03-07	0	0	0	[redacted]			-2,570	-2,570	31,540
CDX IG S09 07Y 07-10	0	0	0				[illegible]	596	20,858
CDX IG S09 07Y 15-30	0	0	0				3,665	3,695	24,168
CDX IG S10 05Y	2,582,277	2,582,277	-4,469,286		+9.0		1	1,806	25,236
CDX IG S10 05Y 00-03	0	0	0				15,182	16,182	[illegible]
CDX IG S10 05Y 03-07	0	0	5,762,804				1,919	1,538	[illegible]
CDX IG S10 05Y 07-10	0	0	-1,273,519				-2,552	-3,031	273
CDX IG S10 05Y 10-15	0	0	0				0	0	0
CDX IG S10 05Y 15-30	0	0	0				[illegible]	0	0
CDX IG S10 05Y 30-100	0	0	0				0	0	0
CDX IG S10 10Y	0	0	0		+8.9		-2,187	-2,187	5,812
CDX IG S12 05Y	0	0	0		+9.0		-3,214	-3,214	4,355
CDX IG S13 05Y	0	0	0		+8.9		3,952	3,952	-12,908
							22,869	8,640	-1,121,726

Strategy 16 USD									
ADJUSTMENT	0	0	0	[redacted]			[illegible]	0	-178
CDX IG S09 05Y	-405,545	-405,545	15,672		+5.5		[illegible]	106	406
CDX IG S09 05Y 00-03	0	0	0				0	0	0
CDX IG S09 05Y 03-07	0	0	0				0	0	0
CDX IG S09 05Y 07-10	0	0	0				0	0	0
CDX IG S09 05Y 10-15	0	0	0				0	0	0
CDX IG S09 05Y 15-30	0	0	0				0	0	0
CDX IG S09 05Y 30-100	0	0	-15,672				-1,104	-980	-81,028
							-1,108	-874	-80,796

Strategy 18 USD									
ADJUSTMENT	0	0	0	[redacted]			0	0	-873,455,718
CDX HY S35 05Y	0	0	0				0	0	[illegible]
CDX HY S37 05Y	0	0	0				0	0	-29,003
CDX IG S09 05Y	35,289,937,718	-4,847,862,282	4,130,063		+5.5	+$329K / bp	-5,807	1,313,398	-90,708,788
CDX IG S09 05Y 00-03	-1,164,000,000	35,502,000,000	0		-0.95	+$2,217K / .25 pct	-113,151	-4,918,605	-88,548,448
CDX IG S09 05Y 03-07	-1,395,000,000	3,208,500,000	0		-0.058	+$3,488K / .25 pct	-1,785	-879,780	-78,706,998
CDX IG S09 05Y 07-10	-1,856,000,000	566,500,000	-4,114,562		+0.128	+$4,688K / .25 pct	30,415	2,444,735	-14,886,368
CDX IG S09 05Y 10-15	-2,405,000,000	240,500,000	0		-0.006	+$6,013K / .25 pct	[illegible]	-148,238	[illegible]11,483
CDX IG S09 05Y 15-30	-9,615,000,000	566,900,000	4,728		-0.005	+$24,538K / .25 pct	10,889	-654,228	-4,077,820
CDX IG S09 05Y 30-100	-570,000,000	11,400,000	-20,227		-0.014	+$1,374K / .25 pct	-417	-78,403	238,140
CDX IG S09 07Y	3,849,732,135	3,558,232,135	253,798,276		+5.4	-$978K / bp	-1,779	[illegible]	376,1[illegible]

CDX IG S09 07Y 00-03	785,000,000	-8,949,000,000	0	[redacted]	-0.374	-$1,495K / .25 pct	-162,881	2,179,881	60,749,710
CDX IG S09 07Y 03-07	-215,000,000	1,978,000,000	0		+0.382	+$538K / .25 pct	[illegible]	799,036	6,674,128
CDX IG S09 07Y 07-10	-85,000,000	331,500,000	-255,953,409		-0.076	+$213K / .25 pct	-109,952	71,078	363,266
CDX IG S09 07Y 10-15	-1,970,000,000	3,349,000,000	0		-0.085	+$4,925K / .25 pct	-46,907	-1,611,340	-21,375,319
CDX IG S09 07Y 15-30	-8,985,000,000	4,179,000,000	2,785,318		-0.068	+$17,413K / .25 pct	-41,835	-4,845,608	-58,368,078
CDX IG S09 07Y 30-100	5,500,000,000	-495,000,000	-810,185		+0.072	-$13,262K / .25 pct	64,324	-3,296,228	12,947,452
CDX IG S09 10Y	3,413,024,577	8,895,984,577	0		+10.6	-$3,499K / bp	-187,832	-36,438,059	1,195,050,703
CDX IG S09 10Y 00-03	-560,000,000	2,464,000,000	0		-1.368	+$1,066K / .25 pct	1,084,183	-4,982,784	14,158,230
CDX IG S09 10Y 03-07	137,000,000	-959,000,000	0		-0.365	-$349K / .25 pct	[illegible]	357,252	3,849,411
CDX IG S09 10Y 07-10	2,006,000,000	-10,642,400,000	0		-0.17	+$5,020K / .25 pct	1,008,919	4,456,184	124,382,484
CDX IG S09 10Y 10-15	-1,301,000,000	3,903,000,000	0		-0.448	+$3,253K / .25 pct	[illegible]	-6,352,885	-4,294,631
CDX IG S09 10Y 15-30	-2,881,000,000	3,458,300,000	0		-0.149	+$8,853K / .25 pct	-674,800	-4,862,855	16,710,830
CDX IG S09 10Y 30-100	7,116,000,000	-1,707,840,000	0		+0.179	-$17,158K / .25 pct	1,337,926	-10,814,695	53,049,567
CDX IG S10 05Y	0	0	0		+9.0		0	0	[illegible]
CDX IG S12 05Y	0	0	0		+8.0		-8,381	-8,381	[illegible]
CDX IG S13 05Y	0	0	0		+8.8		2,882	2,882	-9,447
CDX IG S11 05Y	-957,125,000	-957,125,000	0		+8.9	+$304K / bp	-28,849	2,593,403	-12,127,752
CDX IG S14 10Y	32,125,000	32,125,000	0		+8.8	-$24K / bp	[illegible]	-170,863	-1,266,566
CDX IG S15 05Y	-2,268,562,500	-2,268,562,500	0		+9.4	+$829K / bp	[illegible]	7,517,456	28,907,889
CDX IG S15 10Y	-8,750,000	-8,750,000	0		+8.8	+$5.2K / bp	406	45,244	-1,980,642
CDX IG S16 05Y	-273,187,500	-273,187,500	0		+9.4	+$112K / bp	31,596	1,054,000	-107,610,180
CDX IG S16 10Y	37,750,000	37,750,000	0		+8.8	-$30K / bp	39,151	-221,402	-9,108,067
CDX IG S17 05Y	1,127,812,500	1,127,812,500	0		+8.7	-$512K / bp	-72,334	-4,386,198	-108,648,724
CDX IG S18 05Y	1,867,625,000	1,867,625,000	0		+8.9	-$927K / bp	28,307	-8,813,227	-89,317,401
							1,914,541	-76,673,382	252,233,481

ADJUSTMENT	0	0	0	[redacted]			0	0	-235,853,915
CDX HY S07 07Y	53,288,249	53,288,249	0		-0.882	+$112K / .25 pct	117	-427,382	312,838
CDX HY S08 05Y	-11,175,078,791	-11,175,078,791	0		-0.083	-$23,488K / .25 pct	117	[illegible]	[illegible]
CDX HY S08 07Y	1,310,281,933	1,310,281,933	0		-0.498	+$2,752K / .25 pct	0	-5,082,724	3,653,475
CDX HY S09 05Y	-743,644,158	-743,644,158	0		-0.187	-$1,543K / .25 pct	101	835,834	-8,815,017
CDX HY S10 05Y	2,714,500,673	2,714,500,673	0		-0.342	+$8,700K / .25 pct	-2,741	-8,968,348	63,873,368
CDX HY S10 07Y	2,812,540,226	2,812,540,226	0		-1.23	+$6,466K / .25 pct	54,326	-25,909,218	42,379,824
CDX HY S11 05Y	7,795,221,173	7,795,221,173	0		-0.477	+$16,370K / .25 pct	32,343	-28,190,456	175,556,256
CDX HY S11 07Y	3,860,098,738	3,860,098,738	0		-0.968	+$8,106K / .25 pct	[illegible]	-30,174,796	42,569,632
CDX HY S12 05Y	-65,625,000	-65,625,000	0		-0.948	+$169K / .25 pct	[illegible]	184,486	1,487,960
CDX HY S14 05Y	-10,891,125,000	-10,891,125,000	0		-1.236	-$26,411K / .25 pct	-78,713	124,720,711	7,323,003
CDX HY S15 05Y	-8,588,125,000	-8,588,125,000	0		-1.299	-$20,826K / .25 pct	6,214	103,852,360	-89,084,966

CDX HY S16 5Y	-6,050,625,000	-6,050,625,000	0	[redacted]	-1.483	-$14,673K / .25 pct	97,672	83,958,724	128,613,674
CDX HY S17 5Y	-7,036,687,500	-7,036,687,500	0	[redacted]	-1.804	-$17,064K / .25 pct	[illegible]	106,214,263	[illegible]
CDX LCDX S10 5Y	-780,251,015	-780,251,015	0	[redacted]	+0.026	-$1,346K / .25 pct	-535	-243,165	-13,856,109
							815,637	325,938,481	550,784,263

[redacted]									
CDX HY S08 5Y	0	0	37,822	[redacted]			[illegible]	[illegible]	4,066,439
CDX HY S08 5Y 0-10	0	0	0	[redacted]			[illegible]	0	0
CDX HY S08 5Y 10-15	0	0	0	[redacted]			-736	-736	3,173,893
CDX HY S08 5Y 15-25	0	0	0	[redacted]			[illegible]	11	815,063
CDX HY S08 5Y 25-35	0	0	-37,822	[redacted]			-265	-271	-689,330
CDX HY S08 5Y 35-100	0	0	0	[redacted]			0	0	-94,649
CDX HY S08 7Y	0	0	0	[redacted]			1,395	1,395	[illegible]
CDX HY S08 7Y 25-35	0	0	0	[redacted]			-635	-635	[illegible]
							-250	-238	-364,902

[redacted]									
CDX HY S08 7Y	0	0	0	[redacted]			[illegible]	13,409	-182,337
							13,409	13,409	-182,337

[redacted]									
ADJUSTMENT	0	0	0	[redacted]			0	0	3,707,714
CDX HY S07 7Y	-53,286,249	-53,286,249	65,998,860	[redacted]	-0.962	+$77K / .25 pct	408	-101,584	-317,266
CDX HY S07 7Y 0-10	0	0	0	[redacted]			[illegible]	0	0
CDX HY S07 7Y 10-15	0	0	0	[redacted]			0	0	0
CDX HY S07 7Y 15-25	0	0	-63,741,374	[redacted]			[illegible]	34,155	[illegible]
CDX HY S07 7Y 25-35	0	0	-490,600	[redacted]			737	339	[illegible]
CDX HY S07 7Y 35-100	0	0	-1,766,887	[redacted]			-11,474	-9,449	238,113
CDX HY S08 5Y 10-15	0	0	0	[redacted]			-147	-147	-147
CDX HY S08 5Y 15-25	0	0	0	[redacted]			77	77	[illegible]
CDX HY S09 7Y	-1,293,682,035	152,537,965	137,381,644	[redacted]	-0.498	+$609K / .25 pct	-1,269	-1,125,906	-12,886,632
CDX HY S09 7Y 0-10	0	0	0	[redacted]			0	0	0
CDX HY S09 7Y 10-15	-10,000,000	30,000,000	0	[redacted]	-0.191	-$13K / .25 pct	[illegible]	-5,955	[illegible]
CDX HY S09 7Y 15-25	225,000,000	-467,500,000	-129,295,950	[redacted]	-0.014	+$563K / .25 pct	[illegible]	41,609	53,986,636
CDX HY S09 7Y 25-35	282,000,000	-451,200,000	-8,274,006	[redacted]	-0.179	+$705K / .25 pct	17,580	-516,420	31,906,697
CDX HY S09 7Y 35-100	115,000,000	-57,500,000	188,315	[redacted]	+0.088	+$272K / .25 pct	-6,637	-65,022	2,063,069
CDX HY S16 5Y	0	0	0	[redacted]			0	[illegible]	[illegible]

							11,544	-1,600,366	81,607,230
ADJUSTMENT	0	0	0	[redacted]	[illegible]	[illegible]	0	[illegible]	[illegible]
CDX HY S08 05Y	28,151,616,808	-229,583,182	427,930		-0.062	-$481K / .25 pct	2	70,850	81,610,371
CDX HY S08 05Y 00-10	0	0	0				0	0	0
CDX HY S08 05Y 10-15	-1,485,000,000	27,175,500,000	0		-0.217	-$1,927K / .25 pct	-11,822	1,983,216	17,066,440
CDX HY S08 05Y 15-25	-1,410,000,000	1,269,000,000	-239,370		+0.031	-$3,525K / .25 pct	[illegible]	-571,878	60,330,603
CDX HY S08 05Y 25-35	683,000,000	-86,300,000	-9,478		+0.005	+$1,658K / .25 pct	417,931	439,477	1,864,184
CDX HY S08 05Y 35-100	-100,000,000	3,000,000	-179,091		+0.002	-$236K / .25 pct	[illegible]	-86,717	883,115
CDX HY S08 07Y	-3,281,187	-3,281,187	5,933,696		-0.498	+$55.8K / .25 pct	-2,139	+12,429	38,493
CDX HY S08 07Y 00-10	0	0	0				0	0	0
CDX HY S08 07Y 10-15	0	0	0				12,409	12,409	-102,758
CDX HY S08 07Y 15-25	0	0	0				0	[illegible]	[illegible]
CDX HY S08 07Y 25-35	0	0	-5,933,695				2,755	-2,975	458,987
CDX HY S08 07Y 35-100	0	0	0				0	0	0
CDX HY S10 05Y 10-15	0	0	0				[illegible]	1,819	[illegible]
							366,547	1,834,073	-23,257,205
ADJUSTMENT	0	0	0	[redacted]			0	[illegible]	[illegible]
CDX HY S10 05Y	492,552	492,552	-674,161		-0.342	-$0.4K / .25 pct	92	558	[illegible]
CDX HY S10 05Y 00-10	0	0	0				0	0	0
CDX HY S10 05Y 10-15	0	0	0				0	0	0
CDX HY S10 05Y 15-25	0	0	674,161				[illegible]	2,482	97,500
CDX HY S10 05Y 25-35	0	0	0				0	1	0
CDX HY S10 05Y 35-100	0	0	0				0	0	0
							2,565	3,040	-100,440
ADJUSTMENT	0	0	0	[redacted]			0	0	-42,601,565
CDX HY S06 07Y	0	0	0				3,003	3,003	-41,190
CDX HY S06 07Y 10-15	0	0	0				[illegible]	-1,712	25,296
CDX HY S06 07Y 15-25	0	0	0				-3,281	-3,281	56,464
CDX HY S09 05Y	0	0	0				0	0	113,391
CDX HY S09 05Y 10-15	0	0	0				0	0	3,010
CDX HY S10 05Y	-13,326,679,016	1,650,620,984	145,575,664		-0.342	+$3,772K / .25 pct	1,614	-43,919,178	[illegible]

CDX HY S10 05Y 00-10	0	0	0	[redacted]			0	0	0
CDX HY S10 05Y 10-15	565,000,000	-1,508,000,000	0		-0.29	+$475K / .25 pct	[illegible]	-520,716	-37,461,920
CDX HY S10 05Y 15-25	2,083,000,000	-11,456,500,000	-134,503,474		-0.089	+$5,206K / .25 pct	149,088	-2,476,043	332,873,866
CDX HY S10 05Y 25-35	855,000,000	-720,500,000	-4,945,129		-0.273	+$1,638K / .25 pct	2,458	-1,611,435	30,321,703
CDX HY S10 05Y 35-100	3,970,000,000	-992,500,000	-6,127,281		-0.002	+$9,516K / .25 pct	-86,171	[illegible]	[illegible]
CDX HY S10 07Y	-2,093,103,856	-678,803,658	191,133,941		-1.23	-$1,024K / .25 pct	-252,376	-4,584,106	-106,619,788
CDX HY S10 07Y 00-10	0	0	0				0	0	0
CDX HY S10 07Y 10-15	890,000,000	-534,000,000	0		-0.433	+$746K / .25 pct	42,703	-1,836,298	-81,178,904
CDX HY S10 07Y 15-25	747,000,000	-2,614,500,000	-183,467,873		-0.966	+$1,868K / .25 pct	332,228	-7,764,268	65,205,786
CDX HY S10 07Y 25-35	265,000,000	-583,000,000	-38,002,575		-0.414	+$863K / .25 pct	215,496	-972,356	27,477,454
CDX HY S10 07Y 35-100	-3,862,000,000	2,317,200,000	10,336,307		+0.049	-$9,257K / .25 pct	-350,25[illegible]	-2,176,991	-110,963,042
CDX HY S11 05Y	0	0	0				0	0	786,870
CDX HY S11 05Y 10-15	0	0	0				996	996	1,005,363
CDX HY S11 05Y 25-35	0	0	0				456	456	-15,937
CDX HY S11 07Y	0	0	0				3,637	3,637	[illegible]
							-85,994	-17,780,114	-133,846,215

ADJUSTMENT	0	0	0	[redacted]			0	0	-13,250,809
CDX HY S11 05Y	0	0	0				0	0	466,296
CDX LCDX S10 05Y	-908,148,985	1,084,851,015	63,000,818		+0.026	+$1,980K / .25 pct	-4,077	359,307	-401,774
CDX LCDX S10 05Y 00-05	0	0	0				0	0	0
CDX LCDX S10 05Y 05-08	0	0	0				427	427	[illegible]
CDX LCDX S10 05Y 08-12	0	0	0				0	0	0
CDX LCDX S10 05Y 12-15	110,000,000	-407,000,000	-37,589,254		-0.015	+$275K / .25 pct	-5,661	-60,662	5,801,897
CDX LCDX S10 05Y 15-100	3,965,000,000	-1,588,000,000	-30,431,985		-0.01	+$7,130K / .25 pct	1,994,048	1,491,096	27,023,819
							1,989,808	1,796,245	19,430,735

ADJUSTMENT	0	0	0	[redacted]			0	0	243,774,536
CDX HY S09 05Y	0	0	0				0	0	[illegible]
CDX HY S09 07Y	0	0	0				-3,321	-3,321	33,649
CDX HY S09 05Y	0	0	0				0	0	35,063
CDX HY S09 05Y 10-15	0	0	0				-1,287	-1,287	-1,287
CDX HY S10 05Y	0	0	0				0	0	-1,550,622
CDX HY S10 05Y 10-15	0	0	0				-15,465	-15,465	3,209,906
CDX HY S10 05Y 15-25	0	0	0				4,272	4,272	534,751
CDX HY S10 07Y	0	0	0				-32,510	-32,510	[illegible]

CDX HY S10 07Y 10-15	0	0	0	[redacted]			51,758	51,758	2,177,961
CDX HY S10 07Y 15-25	0	0	0				[illegible]	24,853	123,380
CDX HY S11 05Y	-4,850,456,191	980,243,808	6,650,886		-0.477	+$2,072K / .25 pct	4,095	-3,568,963	-40,736,698
CDX HY S11 05Y 00-10	0	0	0				0	0	0
CDX HY S11 05Y 10-15	323,000,000	-516,800,000	0		+0.092	+$272K / .25 pct	86,103	[illegible]378,540	[illegible]
CDX HY S11 05Y 15-25	985,000,000	-5,273,500,000	0		-0.081	+$2,468K / .25 pct	96,597	1,128,684	-80,548,778
CDX HY S11 05Y 25-35	250,000,000	-375,000,000	-6,650,886		-0.16	+$625K / .25 pct	9,471	-506,621	9,470,645
CDX HY S11 05Y 35-100	-956,000,000	334,600,000	0		-0.182	-$2,291K / .25 pct	-18,295	1,712,714	-9,493,993
CDX HY S11 07Y	547,903,262	538,903,262	0		-0.968	+$5,132K / .25 pct	[illegible]	-4,009,963	63,291,218
CDX HY S11 07Y 00-10	0	0	0				0	0	0
CDX HY S11 07Y 10-15	50,000,000	-20,000,000	0		-0.41	+$42K / .25 pct	[illegible]	-79,366	-2,426,187
CDX HY S11 07Y 15-25	-30,000,000	99,000,000	0		+0.193	-$75K / .25 pct	-856	-38,817	[illegible]
CDX HY S11 07Y 25-35	0	0	0				0	0	0
CDX HY S11 07Y 35-100	100,000,000	-70,000,000	0		+0.005	+$240K / .25 pct	11,083	105,375	2,340,180
CDX HY S1[illegible] 03Y	-9,375,000	-9,375,000	0		-0.348	-$23K / .25 pct	-43	[illegible]27,748	[illegible]
CDX HY S1[illegible] 05Y	-409,625,000	-409,625,000	0		-1.236	-$983K / .25 pct	-12,621	4,681,197	-67,026,891
CDX HY S15 05Y	-827,375,000	-827,375,000	0		-1.299	-$2,008K / .25 pct	588	9,878,175	-188,957,455
CDX HY S16 05Y	-926,875,000	-926,875,000	0		-1.463	-$2,248K / .25 pct	[illegible]	12,853,716	[illegible]7,220,335
CDX HY S17 05Y	-1,033,812,500	-1,033,812,500	0		-1.604	-$2,507K / .25 pct	[illegible]	15,614,673	[illegible]75,292,107
							474,700	35,861,584	-276,521,081

Strategy 05B USD									
ABX HE 7 1 BBB- 00-05	10,000,000	0	0	[redacted]			0	0	0
							0	0	0

Strategy 09 USD									
ABX HE 6 2 BBB	-4,000,000	0	0	[redacted]			0	-37	-813
ABX HE 6 2 BBB-	239,500,000	0	0				0	4,025	86,017
ABX HE 7 1 BBB	111,000,000	0	0				0	0	[illegible]
ABX HE 7 1 BBB 35-100	-165,000,000	0	0				0	-450	-10,978
ABX HE 7 1 BBB-	464,000,000	0	0				0	0	0
ABX HE 7 1 BBB- 05-10	25,000,000	0	0				0	0	0
ABX HE 7 1 BBB- 10-15	85,000,000	0	0				0	0	0
ABX HE 7 1 BBB- 15-25	25,000,000	0	0				0	0	0
ABX HE 7 1 BBB- 25-40	45,000,000	0	0				0	0	0
ABX HE 7 1 BBB- 40-100	-1,035,000,000	0	0				0	-4,313	-100,538
							0	-774	-26,312

Strategy 27A USD

ADJUSTMENT	0	0	0	[redacted]			0	0	19,881,710
CDX HY S8 05Y	0	0	0		[illegible]		0	0	[illegible]
CDX HY S9 05Y	7,516,416,477	584,116,477	0		-0.167	+$1,212K / .25 pct	-79	-656,530	145,805,551
CDX HY S9 05Y 0-10	0	0	0				0	0	0
CDX HY S9 05Y 10-15	-220,000,000	1,498,000,000	0		-0.406	-$177K / .25 pct	6,263	272,919	27,812,249
CDX HY S9 05Y 15-25	-1,035,000,000	8,003,000,000	0		+0.167	-$2,588K / .25 pct	-28,450	-1,303,545	-146,449,872
CDX HY S9 05Y 25-35	875,000,000	-437,500,000	0		+0.089	+$2,188K / .25 pct	805,291	1,098,655	23,080,641
CDX HY S9 05Y 35-100	3,230,000,000	-129,200,000	0		+0.006	+$7,827K / .25 pct	1,954,312	2,108,601	8,170,443
CDX HY S10 05Y	0	0	0				0	0	1,996,563
CDX HY S10 05Y 10-15	0	0	0				2,729	2,729	619,473
CDX HY S10 05Y 15-25	0	0	0				1,709	[illegible]	[illegible]
CDX HY S10 07Y	0	0	0				-22,080	-22,080	-4,260,839
CDX HY S10 07Y 10-15	0	0	0				35,347	35,347	3,712,856
CDX HY S11 05Y	0	0	0				0	0	-285,471
CDX HY S11 05Y 10-15	0	0	0			0	[illegible]	4,979	296,840
CDX HY S14 05Y	-119,000,000	-119,000,000	0		-1.236	-$289K / .25 pct	-5,864	1,357,716	-28,849,347
CDX HY S15 05Y	0	0	0				5,992	5,992	20,994
							2,560,084	2,902,913	8,091,143

Strategy 27B EUR

ADJUSTMENT	0	0	0	[redacted]			-260,495	-260,495	-186,208,804
ITRAXX MN S9 05Y	39,447,498,898	8,442,838,898	0		+8.2	-$1,013K / bp	440,385	-8,653,455	453,078,626
ITRAXX MN S9 05Y 00-03	-1,940,000,000	32,010,000,000	0		+0.747	+$4,850K / .25 pct	[illegible]	12,880,822	[illegible]
ITRAXX MN S9 05Y 03-06	40,000,000	-280,000,000	0		-0.171	-$100K / .25 pct	269	48,703	5,743,094
ITRAXX MN S12 05Y 06-09	0	0	0				0	0	0
ITRAXX MN S9 05Y 09-12	-35,000,000	48,000,000	0		-4.5	+$5.5K / bp	148	-19,952	41,272,242
ITRAXX MN S9 05Y 12-22	-560,000,000	551,000,000	0		-4.0	+$92K / bp	495	297,988	6,925,298
ITRAXX MN S9 05Y 22-100	-4,819,000,000	874,860,000	0		-1.0	+$763K / bp	-1,243	834,541	-3,753,169
ITRAXX MN S9 07Y	8,887,851,407	3,879,501,407	0		+15.1	-$1,880K / bp	-6,601	-25,004,125	190,488,240
ITRAXX MN S9 07Y 0-03	-1,021,000,000	5,380,250,000	0		+0.595	+$2,553K / .25 pct	419,980	6,009,417	-78,685,000
ITRAXX MN S12 07Y 03-06	0	0	0				0	0	0
ITRAXX MN S9 07Y 06-09	0	0	0				0	0	0
ITRAXX MN S9 07Y 09-12	0	0	0				0	0	0
ITRAXX MN S9 07Y 12-22	0	0	0		-1.1		0	0	0
ITRAXX MN S9 07Y 22-100	1,100,000,000	-352,000,000	0		+1.2	-$462K / bp	-8,947	-614,742	10,365,348
ITRAXX MN S9 10Y	3,647,656,578	188,548,578	0		+16.9	-$139K / bp	-248,203	[illegible]	189,637,280

CONFIDENTIAL TREATMENT REQUESTED BY
J.P. MORGAN CHASE & CO.

ITRAXX MN S9 10Y 00-03	2,083,000,000	-4,888,750,000	0	[redacted]	+0.437	-$5,208K / .25 pct	-1,864,01[illegible]	-11,071,870	15,621,262
ITRAXX MN S9 10Y 03-06	-30,000,000	112,500,000	0	[redacted]	+0.043	+$75K / .25 pct	[illegible]	24,313	-2,523,808
ITRAXX MN S9 10Y 06-09	-456,000,000	1,803,000,000	0	[redacted]	+0.18	+$1,145K / .25 pct	228,824	1,000,930	-41,845,077
ITRAXX MN S9 10Y 09-12	-1,068,000,000	3,150,600,000	0	[redacted]	-0.3	+$853K / bp	462,600	-5,987,336	-63,836,934
ITRAXX MN S9 10Y 12-22	-3,355,000,000	6,374,500,000	0	[redacted]	-2.6	+$2,417K / bp	584,189	-6,486,395	-117,2[illegible]
ITRAXX MN S9 10Y 22-100	5,731,000,000	-3,084,740,000	0	[redacted]	+1.8	-$4,455K / bp	-236,176	-8,161,389	-27,061,081
ITRAXX MN S15 05Y	-161,250,000	-161,250,000	0	[redacted]	+10.6	+$83K / bp	-16,522	830,426	-50,520,782
							-467,844	-44,896,931	-43,163,994
Strategy 27C USD									
ADJUSTMENT	0	0	0	[redacted]			0	0	-509,592,685
CDX IG S09 05Y	59,158,340,468	-8,624,659,532	0	[redacted]	+5.5	+$585K / bp	-2,312	2,348,640	-337,030,790
CDX IG S09 05Y 00-03	-2,218,000,000	87,568,000,000	0	[redacted]	-0.55	+$4,220K / .25 pct	-21,883	-9,170,411	-348,5[illegible]
CDX IG S09 05Y 03-07	0	0	0	[redacted]		[illegible]	0	[illegible]	[illegible]
CDX IG S09 05Y 07-10	-90,000,000	27,000,000	0	[redacted]	+0.124	+$225K / .25 pct	931	112,823	-892,264
CDX IG S09 05Y 10-15	-500,000,000	50,000,000	0	[redacted]	-0.008	+$1,250K / .25 pct	1,031	-30,457	23,511
CDX IG S09 05Y 15-30	-2,300,000,000	138,000,000	0	[redacted]	-0.005	+$5,750K / .25 pct	[illegible]	-127,836	[illegible]68,590
CDX IG S09 05Y 30-100	1,000,000,000	-20,000,000	0	[redacted]	-0.014	-$2,411K / .25 pct	-1,984	136,678	-561,170
CDX IG S09 07Y	12,764,034,708	-208,785,292	0	[redacted]	+6.4	+$53K / bp	1,815	318,916	148,264,776
CDX IG S09 07Y 00-03	-1,135,000,000	12,939,000,000	0	[redacted]	-0.374	+$2,161K / .25 pct	-153,263	-3,233,466	-112,504,595
CDX IG S09 07Y 03-07	0	0	0	[redacted]		[illegible]	0	[illegible]	[illegible]
CDX IG S09 07Y 07-10	-145,000,000	565,500,000	0	[redacted]	-0.332	+$363K / .25 pct	-7,466	-475,668	-12,137,748
CDX IG S09 07Y 10-15	0	0	0	[redacted]		[illegible]	0	[illegible]	[illegible]
CDX IG S09 07Y 15-30	0	0	0	[redacted]			0	0	0
CDX IG S09 07Y 30-100	5,930,000,000	-533,700,000	0	[redacted]	+0.072	-$14,299K / .25 pct	50,265	-4,107,347	14,804,790
CDX IG S09 10Y	-1,374,502,583	4,529,057,417	0	[redacted]	+10.6	-$2,298K / bp	[illegible]	-24,085,907	[illegible]1,089,771,323
CDX IG S09 10Y 00-03	3,036,000,000	-13,354,000,000	0	[redacted]	[illegible]	-$5,779K / .25 pct	[illegible]	30,894,943	[illegible]
CDX IG S09 10Y 03-07	-57,000,000	399,000,000	0	[redacted]	-0.366	+$143K / .25 pct	88,420	-102,641	-5,310,230
CDX IG S09 10Y 07-10	-1,123,000,000	5,951,000,000	0	[redacted]	-0.17	+$2,808K / .25 pct	-382,221	-2,310,139	-103,814,214
CDX IG S09 10Y 10-15	-624,000,000	1,872,000,000	0	[redacted]	-0.448	+$1,580K / .25 pct	21,872	[illegible]	[illegible]
CDX IG S09 10Y 15-30	-1,089,000,000	1,389,700,000	0	[redacted]	-0.149	+$2,673K / .25 pct	-135,119	-1,777,488	-13,492,420
CDX IG S09 10Y 30-100	9,008,000,000	-2,162,180,000	0	[redacted]	+0.179	-$21,723K / .25 pct	1,498,115	-14,013,950	86,749,335
CDX IG S15 05Y	-96,625,000	-96,625,000	0	[redacted]	+9.4	+$35K / bp	[illegible]	320,191	-6,277,982
CDX IG S16 05Y	-1,920,625,000	-1,920,625,000	0	[redacted]	+9.4	+$785K / bp	-20,498	7,167,424	-178,017,120
							-876,574	-20,938,194	-237,727,976
Strategy 27D USD									
ADJUSTMENT	0	0	0	[redacted]		[illegible]	0	[illegible]	166,9[illegible]

CDX HY S[illegible] 05Y	1,397,061,983	-71,938,017	0	[redacted]	-0.082	-$161K / .25 pct	[illegible]	22,242	3,426,656
CDX HY S[illegible] 05Y 0-10	0	0	0				[illegible]	0	0
CDX HY S[illegible] 05Y 10-15	-80,000,000	1,464,000,000	0		-0.217	-$104K / .25 pct	[illegible]	108,381	-852,247
CDX HY S[illegible] 05Y 15-25	0	0	0				0	0	0
CDX HY S[illegible] 05Y 25-35	0	0	0				0	0	0
CDX HY S[illegible] 05Y 35-100	0	0	0				0	0	0
CDX HY S[illegible] 07Y	-227,318,711	72,681,289	0		-0.498	+$153K / .25 pct	0	-281,943	7,734,062
CDX HY S[illegible] 07Y 0-10	0	0	0				0	0	0
CDX HY S[illegible] 07Y 10-15	100,000,000	-300,000,000	0		-0.131	+$130K / .25 pct	[illegible]	-69,875	[illegible]44,927
CDX HY S[illegible] 07Y 15-25	0	0	0				0	0	0
CDX HY S[illegible] 07Y 25-35	0	0	0				0	0	0
CDX HY S[illegible] 07Y 35-100	0	0	0				0	0	0
CDX HY S9 05Y	77,227,681	-38,772,319	0		-0.167	-$40K / .25 pct	5	43,579	-1,050,281
CDX HY S9 05Y 0-10	0	0	0				0	0	0
CDX HY S9 05Y 10-15	0	0	0				0	0	0
CDX HY S9 05Y 15-25	-20,000,000	116,000,000	0		+0.187	-$60K / .25 pct	-494	-26,133	-3,069,705
CDX HY S9 05Y 25-35	0	0	0				0	0	0
CDX HY S9 05Y 35-100	0	0	0				0	0	0
CDX HY S10 05Y	-381,864,209	18,135,791	0		-0.342	+$58K / .25 pct	[illegible]	-46,543	-8,962,781
CDX HY S10 05Y 0-10	0	0	0				0	0	0
CDX HY S10 05Y 10-15	125,000,000	-400,000,000	0		-0.79	+$105K / .25 pct	367	-127,920	7,854,278
CDX HY S10 05Y 15-25	0	0	0				0	0	0
CDX HY S10 05Y 25-35	0	0	0				0	0	0
CDX HY S10 05Y 35-100	0	0	0				0	0	0
CDX HY S10 07Y	-2,788,643,713	830,356,287	0		-1.23	+$1,744K / .25 pct	-93,144	-8,345,263	34,090,913
CDX HY S10 07Y 0-10	0	0	0				0	0	0
CDX HY S10 07Y 10-15	2,970,500,000	-1,782,500,000	0		-0.433	+$2,499K / .25 pct	-260,798	-6,537,234	-172,856,815
CDX HY S10 07Y 15-25	-337,000,000	1,179,500,000	0		[illegible]	-$843K / .25 pct	[illegible]	3,532,553	[illegible]
CDX HY S10 07Y 25-35	0	0	0				0	0	0
CDX HY S10 07Y 35-100	5,027,000,000	-3,018,200,000	0		+0.049	+$12,049K / .25 pct	460,737	2,822,887	143,771,195
CDX HY S11 05Y	-1,823,387,369	262,932,631	0		-0.477	+$584K / .25 pct	1,174	-1,023,191	[illegible]
CDX HY S11 05Y 0-10	0	0	0				0	0	0
CDX HY S11 05Y 10-15	822,000,000	-1,315,200,000	0		+0.082	+$882K / .25 pct	-12,105	274,034	-44,533,841
CDX HY S11 05Y 15-25	20,000,000	-106,000,000	0		-0.061	+$50K / .25 pct	2,770	-21,758	3,867,460
CDX HY S11 05Y 25-35	0	0	0				[illegible]	0	0
CDX HY S11 05Y 35-100	1,386,000,000	-485,100,000	0		-0.182	+$3,322K / .25 pct	15,470	-2,494,131	13,971,015
CDX HY S1[illegible] 05Y	-1,027,250,000	-1,027,250,000	0		-1.236	-$2,491K / .25 pct	[illegible]	11,763,647	-267,155,182
CDX HY S15 05Y	-173,250,000	-173,250,000	0		+1.299	-$420K / .25 pct	125	2,086,983	-56,950,523
CDX HY S16 05Y	62,500,000	62,500,000	0		-1.483	+$152K / .25 pct	-656	-687,263	27,203,712

—— = Redacted by the Permanent Subcommittee on Investigations

						233,717	815,863	-320,147,710
Management EUR								
ITRAXX XO S07 05Y	0	0	0	[redacted]	[illegible]	-62	-62	[illegible]
						-62	-62	-62
Strategy 01 EUR								
ITRAXX XO S03 05Y	0	0	0	[redacted]	[illegible]	[illegible]	[illegible]	90
						-9	-9	90
Strategy 01 USD								
CDX XO S09 05Y	0	0	0	[redacted]	[illegible]	-13	-13	234
						-13	-13	234
Strategy 17 EUR								
ITRAXX FINSUB S09 05Y	0	0	0	[redacted]	[illegible]	[illegible]	[illegible]	842
ITRAXX FINSUB S10 05Y	0	0	0	[redacted]	+24.8	-141	-141	365
						-284	-284	1,207
Swaptions Mgmt EUR								
[redacted]								
ADJUSTMENT	0	0	0	[redacted]	[illegible]	[illegible]	[illegible]	[illegible]
CDX HY [illegible] 05Y	[redacted]	0	0	[redacted]	[illegible]	[illegible]	[illegible]	[illegible]
CDX HY S10 05Y	[redacted]	0	0	[redacted]	[illegible]	0	0	1,237,031
CDX HY S11 05Y	[redacted]	0	0	[redacted]	[illegible]	[illegible]	[illegible]	[illegible]
CDX HY S14 05Y	[redacted]	0	0	[redacted]	[illegible]	[illegible]	[illegible]	[illegible]
CDX HY S15 05Y	[redacted]	0	0	[redacted]	[illegible]	0	0	[illegible]
CDX HY S16 05Y	[redacted]	0	0	[redacted]	[illegible]	[redacted]	0	816,863
CDX HY [illegible]	[redacted]	0	0	[redacted]	[illegible]	[redacted]	[illegible]	[illegible]
CDX IG [illegible]	[redacted]	0	0	[redacted]	[illegible]	[illegible]	0	[illegible]
CDX IG [illegible]	[redacted]	0	0	[redacted]	+6.4	0	0	84,294
CDX IG S09 10Y	[redacted]	0	0	[redacted]	[illegible]	0	[illegible]	[illegible]

CDX IG S15 10Y	0	0	0	[redacted]	+8.8	0	0	-103
FO ADJUSTMENT	0	0	0	[redacted]	[illegible]	0	0	-486,236
ITRAXX MN S15 05Y	0	0	0	[redacted]	+8.2	0	0	-37
ITRAXX MN S15 05Y	0	0	0	[redacted]	+10.6	0	0	-897,290
						0	0	0

From: Lewis, Phil <phil.lewis@jpmorgan.com>
Sent: Mon, 14 May 2012 17:32:44 GMT
To: Dimon, Jamie <jamie.dimon@jpmchase.com>; Braunstein, Douglas <Douglas.Braunstein@jpmorgan.com>; Hogan, John J. <John.J.Hogan@jpmorgan.com>; Drew, Ina <Ina.Drew@jpmorgan.com>; Zames, Matthew E <matthew.e.zames@jpmorgan.com>
CC: O'Rahilly, Rob <Rob.ORahilly@jpmorgan.com>; Bacon, Ashley <Ashley.Bacon@jpmorgan.com>; Venkatakrishnan, CS <cs.venkatakrishnan@jpmorgan.com>; Vigneron, Olivier X <olivier.x.vigneron@jpmorgan.com>; Macris, Achilles O <achilles.o.macris@jpmorgan.com>; Martin-Artajo, Javier X <javier.x.martin-artajo@jpmorgan.com>; Wilmot, John <JOHN.WILMOT@jpmorgan.com>; Lewis, Phil <phil.lewis@jpmorgan.com>
Subject: CIO Credit Collateral differences as of COB Friday 11th May

---

CIO Credit Collateral differences as of COB Friday 11th May

Total difference between CIO and the counterparties is now $69mm vs. $66mm prior day

Largest Counterparty Difference: Morgan Stanley Capital Services is at $27mm – down from $46mm

Largest Instrument Difference: CDX IG S09 10Y 00-03 is now $29mm vs. $17mm on the prior day

**Please note: Deutsche Bank AG is as per the 10th May 2012*

Difference by counterparty:

From: Grout, Julien G <julien.g.grout@jpmchase.com>
Sent: Tue, 10 Apr 2012 19:02:23 GMT
To: CIO CREDIT POSITIONS <CIO_CREDIT_POSITIONS@jpmchase.com>
CC: CIO P&L Team <CIO_P&L_Team@jpmchase.com>
Subject: CIO CORE Credit Positions: 10-Apr-12

Product	Notional	Hedge (Par)	Hedge (Annuity)	Price	Delta / Ref	Change	Pr'g CV01	Other	P&L ($)	YTD ($)
[illegible]										
ADJUSTMENT	0	0	0	[redacted]	[redacted]			-214,974	-214,974	-137,164,596
ITRAXX FINSEN S17 05Y	48,125,000	48,125,000	0	[redacted]	[redacted]	+21.5	-$27K / bp	-10,880	-586,170	-4,389,512
ITRAXX FINSUB S07 05Y	-81,375,000	-81,375,000	0	[redacted]	[redacted]	+25.0	+$2.1K / bp	-1,572	-13,827	956,204
ITRAXX FINSUB S[illegible] 05Y	-462,000,000	-462,000,000	0	[redacted]	[redacted]	+24.9	+$41K / bp	-16,298	790,863	41,114,734
ITRAXX FINSUB S[illegible]	-1,480,500,000	-1,480,500,000	0	[redacted]	[redacted]	+24.8	+$227K / bp	-13,289	4,751,604	42,863,339
ITRAXX FINSUB S[illegible] 05Y	-988,875,000	-988,875,000	0	[redacted]	[redacted]	+24.8	+$205K / bp	-41,715	4,559,568	28,699,805
ITRAXX FINSUB S12 [illegible]	-679,000,000	-679,000,000	0	[redacted]	[redacted]	+24.7	+$218K / bp	112,964	5,074,177	61,554,635
ITRAXX FINSUB S14 [illegible]	1,141,875,000	1,141,875,000	0	[redacted]	[redacted]	+24.5	-$475K / bp	-309,195	-11,363,419	-143,746,078
ITRAXX FINSUB S15 [illegible]	-398,125,000	-398,125,000	0	[redacted]	[redacted]	+24.4	+$182K / bp	139,698	4,372,062	60,216,894
ITRAXX FINSUB S16 05Y	915,250,000	915,250,000	0	[redacted]	[redacted]	+24.7	-$511K / bp	153,563	-11,661,151	46,892,677
ITRAXX FINSUB S17 05Y	621,250,000	621,250,000	0	[redacted]	[redacted]	+24.7	-$381K / bp	135,143	-8,903,534	58,901,001
								77,142	-13,388,800	-24,101,299
[illegible]										
ADJUSTMENT	0	0	0	[redacted]	[redacted]			219,897	219,897	-140,305,833
ITRAXX FINSUB S[illegible] 10Y	0	0	0	[redacted]	[redacted]	+24.3		-387	-387	2,722
ITRAXX FINSUB S07 05Y	-11,625,000	-11,625,000	0	[redacted]	[redacted]	+25.0		-1,747	-3,940	-3,164,687
ITRAXX FINSUB S[illegible] 10Y	0	0	0	[redacted]	[redacted]	+24.2		1,534	-1,534	-12,066
ITRAXX FINSUB S[illegible]	-86,000,000	-86,000,000	0	[redacted]	[redacted]	+24.9	+$5.9K / bp	-14,143	96,506	-26,134,034
ITRAXX FINSUB S[illegible] 10Y	0	0	0	[redacted]	[redacted]	+24.3		-6,450	-6,450	-55,062
ITRAXX FINSUB S[illegible]	-211,500,000	-211,500,000	0	[redacted]	[redacted]	+24.8	+$32K / bp	-10,536	669,367	-66,660,040
ITRAXX FINSUB S[illegible] 10Y	0	0	0	[redacted]	[redacted]	+24.4		-10,635	-10,636	62,734
ITRAXX FINSUB S[illegible] 05Y	-136,125,000	-136,125,000	0	[redacted]	[redacted]	+24.8	+$29K / bp	-30,887	614,521	-29,733,666

ITRAXX FINSUB S10 10Y	0	0	0	[redacted]	+24.3		183	183	-1,920
ITRAXX FINSUB S11 05Y	0	0	0		+24.8		-1,721	-1,721	18,513
ITRAXX FINSUB S12 05Y	-97,000,000	-97,000,000	0		+24.7	+$31K / bp	-78,518	630,229	-98,496,655
ITRAXX FINSUB S13 05Y	0	0	0		+24.6		89,674	89,674	-761,057
ITRAXX FINSUB S14 05Y	163,125,000	163,125,000	0		+24.5	-$68K / bp	163,219	-1,515,956	214,956,579
ITRAXX FINSUB S15 05Y	-58,875,000	-58,875,000	0		+24.4	+$26K / bp	-30,073	574,551	-83,067,650
ITRAXX FINSUB S16 05Y	130,750,000	130,750,000	0		+24.7	-$73K / bp	143,871	-1,660,059	14,881,840
ITRAXX FINSUB S17 05Y	90,625,000	90,625,000	0		+24.7	-$56K / bp	-120,257	-1,437,026	-78,209,777
ITRAXX MAIN S05 10Y	0	0	0		+11.7		-860	-860	12,805
ITRAXX MAIN S08 10Y	0	0	0		+11.7		-3	-3	154
ITRAXX MAIN S09 05Y	0	0	0		+14.9		1,280	1,280	-1,042
ITRAXX MAIN S11 05Y	0	0	0		+11.9		183	183	210
ITRAXX MAIN S16 05Y	18,750,000	18,750,000	0		+11.5	-$11K / bp	1,876	-118,462	746,943
							-72,282	-2,060,618	-48,007,813
ITRAXX MAIN EUR									
ADJUSTMENT	0	0	0				215,041	215,041	187,207,036
ITRAXX MAIN S05 10Y	735,753,836	735,753,836	0		+11.7	-$400K / bp	-123,627	-4,644,207	-60,441,887
ITRAXX MAIN S07 10Y	9,237,152	9,237,152	0		+11.7	-$5.4K / bp	-1,906	-63,491	-772,435
ITRAXX MAIN S08 05Y	-281,851	-281,851	0		+12.0		1	269	3,083
ITRAXX MAIN S08 10Y	72,263,247	72,263,247	0		+11.7	-$47K / bp	113,411	-547,720	-4,845,244
ITRAXX MAIN S09 05Y	-42,553,601,554	-42,553,601,554	0		+14.9	+$6,678K / bp	-750,882	90,933,425	373,181,573
ITRAXX MAIN S09 07Y	-40,157,174	-40,157,174	0		+13.4	+$16K / bp	3,509	208,234	-496,870
ITRAXX MAIN S09 10Y	22,987,197,959	22,987,197,959	0		+13.8	-$17,016K / bp	1,378,739	-227,859,930	214,832,094
ITRAXX MAIN S11 05Y	17,500,000	17,500,000	0		+11.8	-$8.0K / bp	552	-91,831	-323,083
ITRAXX MAIN S15 05Y	-3,218,344,319	-3,218,344,319	0		+15.9	+$909K / bp	254	13,864,009	13,703,908
ITRAXX MAIN S15 05Y	2,405,325,462	2,405,325,462	0		+10.8	-$1,242K / bp	382,250	-13,031,893	-48,873,819
ITRAXX MAIN S15 07Y	-537,364,916	-537,364,916	0		+11.7	+$385K / bp	-59,558	4,468,787	22,930,539
ITRAXX MAIN S15 10Y	-1,428,175,000	-1,428,175,000	0		+17.0	+$1,373K / bp	338,336	23,565,741	104,265,133
ITRAXX MAIN S16 05Y	12,382,437,500	12,382,437,500	0		+11.5	-$7,073K / bp	-550,841	-79,762,680	-280,077,303
ITRAXX MAIN S16 10Y	-1,159,375,000	-1,159,375,000	0		+14.3	+$1,178K / bp	260,410	16,958,862	78,469,309
ITRAXX MAIN S17 05Y	5,105,125,000	5,105,125,000	0		+11.8	-$3,192K / bp	-369,296	-36,866,422	-124,208,167
							446,196	-212,863,783	-309,846,990
ITRAXX XO EUR									
ADJUSTMENT	0	0	0				-269,815	-269,815	-172,156,977
ITRAXX XO S11 05Y	-4,375,000	-4,375,000	0		+56.8	+$1.7K / bp	83	91,121	119,329
ITRAXX XO S15 05Y	-1,183,218,750	-1,183,218,750	0		+56.7	+$509K / bp	67,330	28,315,648	94,435,041

ITRAXX XO S16 05Y	-4,569,250,000	-4,569,250,000	0	[redacted]	+66.0	+$2,084K / bp	-371,319	119,996,707	328,758,406
ITRAXX XO S17 05Y	-78,750,000	-78,750,000	0	[redacted]	-55.4	+$37K / bp	-16,021	2,030,863	7,422,996
							383,717	144,164,523	218,673,694

SOVX WE 15Y									
ADJUSTMENT	0	0	0	[redacted]			0	0	2,121,818
SOVX WE S06 05Y	43,750,000	43,750,000	0	[redacted]	+5.9	-$18K / bp	-4,901	-98,806	-2,330,372
							-4,901	-98,806	-108,754

Strategy 102 EUR									
ITRAXX XO S07 05Y	0	0	0	[redacted]	+56.5		0	0	878
							0	0	878

Strategy 106 EUR									
ADJUSTMENT	0	0	0	[redacted]			-75,666	-75,666	-46,278,743
ITRAXX MN S09 10Y	-702,617,455	-268,867,455	205,384,797	[redacted]	+11.7	+$34K / bp	-520	389,510	54,360,306
ITRAXX MN S09 10Y 00-03	-115,000,000	345,000,000	0	[redacted]	+0.07	+$259K / .25 pct	46,802	32,465	-2,101,299
ITRAXX MN S09 10Y 03-06	150,000,000	-693,750,000	-146,840,690	[redacted]	+0.839	-$375K / .25 pct	128,089	926,285	25,935,341
ITRAXX MN S09 10Y 06-09	20,000,000	-65,000,000	-6,507,224	[redacted]	+0.713	-$50K / .25 pct	29,058	185,673	2,509,727
ITRAXX MN S09 10Y 09-12	0	0	-7,323,981	[redacted]	-11.2	-$1.1K / bp	33,414	48,031	12,515
ITRAXX MN S09 10Y 12-22	0	0	-35,359,780	[redacted]	-2.5	-$11K / bp	67,205	105,342	1,601,869
ITRAXX MN S09 10Y 22-100	0	0	-7,353,142	[redacted]	+2.0	-$8.9K / bp	74,990	58,264	0,438
ITRAXX MN S07 10Y	-3,034,152	-3,034,152	4,410,253	[redacted]	+11.7		-263	-8,439	245,830
ITRAXX MN S07 10Y 00-03	0	0	0	[redacted]			0	0	0
ITRAXX MN S07 10Y 03-06	0	0	0	[redacted]			0	0	0
ITRAXX MN S07 10Y 06-09	0	0	-422,666	[redacted]			42	-65	18,775
ITRAXX MN S07 10Y 09-12	0	0	-4,663,442	[redacted]	-12.4		33,329	-22,387	509,833
ITRAXX MN S07 10Y 12-22	0	0	-777,666	[redacted]	-4.7		76,993	-89,650	843,176
ITRAXX MN S07 10Y 22-100	0	0	1,453,543	[redacted]	+2.1	+$2.0K / bp	-72,247	-66,448	423,854
ITRAXX MN S09 05Y	287	287	978	[redacted]	+12.0		0	-1	-0
ITRAXX MN S09 05Y 00-03	0	0	0	[redacted]			0	0	-0
ITRAXX MN S09 05Y 03-06	0	0	0	[redacted]			0	0	0
ITRAXX MN S09 05Y 06-09	0	0	-978	[redacted]			1	-2	40
ITRAXX MN S09 05Y 09-12	0	0	0	[redacted]	+4.2		0	0	0
ITRAXX MN S09 05Y 12-22	0	0	0	[redacted]	-1.9		0	0	0
ITRAXX MN S09 05Y 22-100	0	0	0	[redacted]	-1.0		0	0	0
ITRAXX MN S09 10Y	-72,122,505	-72,122,505	83,815,993	[redacted]	+11.7	-$7.8K / bp	6,818	-80,842	4,836,896

ITRAXX MN S08 10Y 00-03	0	0	0	[redacted]			-22,416	22,416	104,949
ITRAXX MN S08 10Y 03-06	0	0	-5,193,518				-30,382	-26,338	669,282
ITRAXX MN S08 10Y 06-09	0	0	-15,481,083				-37,967	38,035	413,774
ITRAXX MN S08 10Y 09-12	0	0	-22,094,006		-10.4	-$4.0K / bp	-12,283	62,561	763,944
ITRAXX MN S08 10Y 12-22	0	0	-17,543,316		-4.1	-$9.0K / bp	-12,776	43,754	996,156
ITRAXX MN S08 10Y 22-100	0	0	-23,504,087		+1.4	-$33K / bp	-84,579	-122,019	2,303,711
ITRAXX MN S09 10Y	-60,311,080	-60,311,080	57,003,357		+13.8	+$2.5K / bp	-12,739	45,754	-560,139
ITRAXX MN S09 10Y 00-03	0	0	0				7,242	7,242	138,527
ITRAXX MN S09 10Y 03-06	0	0	-2,404,501				-89,666	-66,670	821,304
ITRAXX MN S09 10Y 06-09	0	0	-84,998,324				157,096	-65,060	4,508,922
ITRAXX MN S09 10Y 09-12	0	0	-15,581,759		-8.2	-$3.3K / bp	-22,477	59,522	807,877
ITRAXX MN S09 10Y 12-22	0	0	28,822,331		-4.5	+$11K / bp	-100,369	-182,846	-1,133,840
ITRAXX MN S09 10Y 22-100	0	0	17,158,896		+0.4	+$25K / bp	-99,280	-96,288	-861,359
							-496,382	-1,060,379	50,407,812

Strategy [illegible]									
ADJUSTMENT	0	0	0	[redacted]			3,677	3,677	2,345,991
ITRAXX MN S05 10Y	47,113,619	47,113,619	-791,460		+11.7	-$25K / bp	-9,845	-294,242	-3,204,369
ITRAXX MN S05 10Y 00-03	0	0	0				-75,927	75,927	-169,561
ITRAXX MN S05 10Y 03-06	0	0	194,820,457				14,539	103,558	-7,980,997
ITRAXX MN S05 10Y 06-09	0	0	-194,028,997				392,901	183,923	5,122,707
ITRAXX MN S05 10Y 09-12	0	0	0		-11.2		0	0	0
ITRAXX MN S05 10Y 12-22	0	0	0		-2.5		0	0	0
ITRAXX MN S05 10Y 22-100	0	0	0		+2.0		0	0	0
ITRAXX MN S07 10Y	-6,203,000	-6,203,000	6,196,521		+11.7		595	738	465,135
ITRAXX MN S07 10Y 00-03	0	0	0				-2,536	-2,536	3,327
ITRAXX MN S07 10Y 03-06	0	0	0				0	0	0
ITRAXX MN S07 10Y 06-09	0	0	-6,196,521				31,873	30,017	-53,200
ITRAXX MN S07 10Y 09-12	0	0	0		-12.4		0	0	0
ITRAXX MN S07 10Y 12-22	0	0	0		-4.7		0	0	0
ITRAXX MN S07 10Y 22-100	0	0	0		+2.1		0	0	0
							429,353	31,062	-3,440,187

Strategy [illegible]									
ADJUSTMENT	0	0	0	[redacted]			6,137	6,137	3,915,817
ITRAXX MN [illegible] 05Y	281,564	281,564	3,328,196		+12.0		[illegible]	-3,436	3,062
ITRAXX MN S08 05Y 00-03	0	0	0				3,190	-3,190	3,010
ITRAXX MN S08 05Y 03-06	0	0	-2,846,074				-4,869	-14,579	63,311

ITRAXX MN S09 05Y 06-09	0	0	-89,355	[redacted]			1,006	925	8,086
ITRAXX MN S09 05Y 09-12	0	0	-211,817		+4.2		408	332	-272
ITRAXX MN S09 05Y 12-22	0	0	-381,950		-1.9		596	708	8,478
ITRAXX MN S09 05Y 22-100	0	0	0		-1.0		0	0	0
ITRAXX MN S09 05Y	-41,654,956	-41,654,956	66,004,728		+14.9	-$3.8K / bp	-701	-53,163	-365,300
ITRAXX MN S09 05Y 00-03	0	0	0				-862	-862	-38,263
ITRAXX MN S09 05Y 03-06	0	0	-70,504,397				-43,947	47,680	1,415,425
ITRAXX MN S09 05Y 06-09	0	0	5,089,173				-3,133	-8,602	-163,175
ITRAXX MN S09 05Y 09-12	0	0	0		-4.5		0	0	0
ITRAXX MN S09 05Y 12-22	0	0	-536,473		-3.9		1,345	1,718	3,364
ITRAXX MN S09 05Y 22-100	0	0	-53,031		-0.9		1,046	1,120	-8,256
ITRAXX MN S09 10Y	12,500,000	12,500,000	0		+13.6	-$9.3K / bp	-2,892	-127,655	-1,707,801
ITRAXX MN S10 05Y	0	0	0		+11.8		33	33	[illegible]
ITRAXX MN S16 05Y	-16,000,000	-16,000,000	0		+11.5	+$9.2K / bp	-1,735	100,764	-1,869,820
							37,363	-82,070	1,240,418

Strategy									
ADJUSTMENT	0	0	0	[redacted]			418,000	418,000	263,302,725
FO ADJUSTMENT	0	0	0				4,800,000	4,800,000	4,800,000
ITRAXX MN S02 05Y	0	0	0		+12.0		302	302	-3,543
ITRAXX MN S05 10Y	0	0	0		+11.7		51	51	-2,390
ITRAXX MN S09 05Y	17,136,947,770	3,690,357,770	133,378,785		+14.8	-$600K / bp	245,978	-7,992,471	-189,421,921
ITRAXX MN S09 05Y 00-03	-850,000,000	14,025,000,000	0		-0.84	+$2,125K / .25 pct	99,845	7,085,898	82,061,872
ITRAXX MN S09 05Y 03-06	-400,000,000	2,800,000,000	-67,551,268		-0.011	+$1,000K / .25 pct	38,992	226,833	-8,000,298
ITRAXX MN S09 05Y 06-09	340,000,000	-765,000,000	-70,647,440		-0.255	-$850K / .25 pct	28,542	830,184	20,018,314
ITRAXX MN S09 05Y 09-12	315,000,000	-441,000,000	-5,980,891		-4.5	-$50K / bp	2,581	181,261	6,408,381
ITRAXX MN S09 05Y 12-22	475,000,000	-451,250,000	7,297,464		-3.9	-$74K / bp	-4,367	234,494	-498,365
ITRAXX MN S09 05Y 22-100	12,294,000,000	-1,721,160,000	3,505,380		-0.9	-$1,942K / bp	-10,001	1,620,474	31,068,501
ITRAXX MN S09 07Y	-3,739,941,723	265,058,277	0		+13.4	-$108K / bp	-103,022	-1,485,436	-125,809,050
ITRAXX MN S09 07Y 00-03	408,000,000	-2,131,500,000	0		+0.92	-$1,015K / .25 pct	-227,187	-3,777,812	56,062,857
ITRAXX MN S09 07Y 03-06	-160,000,000	960,000,000	0		+0.241	+$400K / .25 pct	70,382	446,706	1,663,021
ITRAXX MN S09 07Y 06-09	-25,000,000	125,000,000	0		-0.517	+$63K / .25 pct	8,355	119,984	1,042,123
ITRAXX MN S09 07Y 09-12	180,000,000	-594,000,000	0		-7.7	-$70K / bp	-13,236	-506,073	14,756,715
ITRAXX MN S09 07Y 12-22	-480,000,000	787,500,000	0		-7.8	+$185K / bp	-17,196	-1,418,995	-32,409,026
ITRAXX MN S09 07Y 22-100	9,850,000,000	-3,152,000,000	0		-1.2	-$4,141K / bp	-36,857	-4,736,903	71,786,780
ITRAXX MN S09 10Y	-13,812,418,871	3,611,091,129	0		+13.6	-$2,875K / bp	-384,680	-36,427,028	-250,391,985
ITRAXX MN S09 10Y 00-03	-1,013,000,000	2,279,250,000	0		+0.178	+$2,933K / .25 pct	966,905	2,101,499	-344,616
ITRAXX MN S09 10Y 03-06	55,000,000	-206,250,000	0		+0.073	-$138K / .25 pct	-144,628	-153,889	-4,800,509
ITRAXX MN S09 10Y 06-09	868,000,000	-3,038,000,000	0		+0.2	-$2,170K / .25 pct	-445,966	-1,809,658	73,045,807

ITRAXX FIN S9 10Y 09-12	1,373,000,000	-4,050,350,000	0	[redacted]	-9.2	-$846K / bp	-671,135	7,746,493	93,935,983
ITRAXX FIN S9 10Y 12-22	3,730,000,000	-7,087,000,000	0	[redacted]	-4.5	-$2,701K / bp	-914,741	12,218,228	-180,261,215
ITRAXX FIN S9 10Y 22-100	9,854,000,000	-6,321,160,000	0	[redacted]	+0.4	-$7,684K / bp	-889,842	-3,073,669	18,721,417
ITRAXX FIN S11 05Y	0	0	0	[redacted]	+11.9		-3,896	-3,896	4,248
ITRAXX FIN S12 05Y	0	0	0	[redacted]	+11.9		-65	-65	-221
ITRAXX FIN S13 05Y	0	0	0	[redacted]	+11.8		245	245	2,763
ITRAXX FIN S14 05Y	0	0	0	[redacted]	+11.8		-566	-566	-6,972
ITRAXX FIN S15 05Y	72,750,000	72,750,000	0	[redacted]	+10.8	-$38K / bp	8,365	-384,979	-83,598,429
ITRAXX FIN S15 10Y	-38,400,000	-38,400,000	0	[redacted]	+17.0	+$37K / bp	14,904	609,628	90,175,420
ITRAXX FIN S16 05Y	1,268,437,500	1,268,437,500	-0	[redacted]	+11.5	-$725K / bp	126,127	-7,986,541	130,134,871
ITRAXX FIN S16 10Y	-165,625,000	-165,625,000	0	[redacted]	+14.3	+$168K / bp	58,896	2,326,796	133,243,360
ITRAXX FIN S17 05Y	632,000,000	632,000,000	0	[redacted]	+11.8	-$385K / bp	80,296	-4,444,324	14,723,428
ITRAXX XO S15 05Y	-168,031,250	-169,031,250	0	[redacted]	+56.7	+$73K / bp	-9,375	4,026,127	104,008,027
ITRAXX XO S16 05Y	-852,750,000	-852,750,000	0	[redacted]	+56.0	+$295K / bp	-187,711	18,015,918	408,755,315
ITRAXX XO S17 05Y	-11,250,000	-11,250,000	0	[redacted]	+55.4	+$5.3K / bp	3,454	283,524	-6,440,817
RESERVE	0	0	0	[redacted]			0	0	-1,800,000
							3,134,561	-2,780,933	-39,847,524
Strategy [illegible] EUR									
ADJUSTMENT	0	0	0	[redacted]			3	3	1,813
ITRAXX FIN S9 05Y	-149,079	-149,079	43,812	[redacted]	+14.9		3	226	3,307
ITRAXX FIN S9 05Y 00-03	0	0	0	[redacted]			0	0	0
ITRAXX FIN S9 05Y 03-06	0	0	0	[redacted]			0	0	0
ITRAXX FIN S9 05Y 06-09	0	0	0	[redacted]			0	0	0
ITRAXX FIN S9 05Y 09-12	0	0	0	[redacted]	-4.5		0	0	0
ITRAXX FIN S9 05Y 12-22	0	0	0	[redacted]	-3.9		0	0	0
ITRAXX FIN S9 05Y 22-100	0	0	-43,812	[redacted]	-0.9		1,404	1,464	-8,268
							1,406	1,691	-6,782
[illegible]									
OE02H	0	0	0	[redacted]			0	0	-11,431,027
OE02[illegible]	-18,928	0	0	[redacted]			########	-13,887,548	-29,071,859
							########	-13,887,548	-40,502,886
[illegible]									
BROKERAGE	0	0	0	[redacted]			0	0	-37,000
FV03H	0	0	0	[redacted]			0	0	-8,328,000

FV0201	-14,334	0	0	[redacted]			########	-10,414,547	-1,047,089
							########	-10,414,547	-7,400,705
CDX IG USD									
ADJUSTMENT	0	0	0	[redacted]			0	0	1,301,769,970
CDX IG S07 07Y	-343,876,787	-343,876,787	0		+8.9	+$56K / bp	500	462,320	3,211,858
CDX IG S08 07Y	207,668,616	207,668,616	0		+8.9	-$43K / bp	-1,420	-345,229	-4,367,322
CDX IG S09 05Y	-132,338,348,351	-132,338,348,351	0		+7.0	+$8,977K / bp	-2,047	49,469,560	-145,756,825
CDX IG S09 07Y	16,207,493,894	16,207,493,894	0		+6.0	-$4,155K / bp	-53,991	-22,847,967	-107,640,058
CDX IG S09 10Y	78,718,824,801	78,718,824,801	0		+8.4	-$40,023K / bp	-4,584,631	-329,571,692	-1,728,026,209
CDX IG S10 05Y	-2,582,277	-2,582,277	0		+9.0		1	2,445	-28,996
CDX IG S11 05Y	-6,898,875,000	-6,898,875,000	0		+8.9	+$2,125K / bp	-64,631	18,301,233	-45,006,912
CDX IG S11 10Y	224,875,000	224,875,000	0		+8.8	-$165K / bp	-7,457	-1,439,190	-2,562,709
CDX IG S15 05Y	-16,912,324,274	-16,912,324,274	0		+9.4	+$6,147K / bp	-160,991	56,043,268	-77,196,306
CDX IG S15 10Y	-47,250,000	-47,250,000	0		+8.8	+$36K / bp	2,844	316,706	722,634
CDX IG S16 05Y	-16,168,906,250	-16,168,906,250	0		+9.4	+$6,612K / bp	-163,754	60,348,227	-42,597,181
CDX IG S16 10Y	264,250,000	264,250,000	0		+8.8	-$210K / bp	-24,290	-1,648,184	-5,086,740
CDX IG S17 05Y	10,055,937,500	10,055,937,500	0		+8.7	-$4,568K / bp	117,232	-38,348,555	19,715,227
CDX IG S18 05Y	13,854,625,000	13,854,625,000	0		+8.9	-$6,880K / bp	127,093	-59,527,518	13,238,924
							########	-268,992,756	-464,348,441
Strategy DB:USD									
ADJUSTMENT	0	0	0	[redacted]			0	0	-1,765,231
CDX IG S07 07Y	-388,123,233	-100,123,233	-5,864,412		+8.9	+$17K / bp	-4,993	134,264	-11,277,438
CDX IG S07 07Y 00-03	0	0	0				0	0	0
CDX IG S07 07Y 03-07	0	0	0				0	0	0
CDX IG S07 07Y 07-10	110,000,000	-298,000,000	6,487,880		+0.126	-$275K / .25 pct	-19,902	-171,088	7,253,672
CDX IG S07 07Y 10-15	0	0	0				0	0	0
CDX IG S07 07Y 15-30	0	0	723,133				-4,495	-2,368	19,641
CDX IG S07 07Y 30-100	0	0	-1,356,381				-9,980	-15,091	-1,169,856
CDX IG S08 07Y	240,333,384	88,583,384	-9,868,511		+8.9	-$16K / bp	-524	-127,368	6,430,882
CDX IG S08 07Y 00-03	0	0	0				0	0	0
CDX IG S08 07Y 03-07	0	0	2,431,460				3,105	81	17,946
CDX IG S08 07Y 07-10	0	0	11,983,293				33,278	27,588	107,849
CDX IG S08 07Y 10-15	0	0	-2,415,842				8,718	3,802	41,064
CDX IG S08 07Y 15-30	-375,000,000	153,750,000	-964,800		+0.15	+$938K / .25 pct	3,054	578,900	1,548,018
CDX IG S08 07Y 30-100	0	0	-1,055,808				10,302	-11,854	233,920
CDX IG S09 07Y	357,212,429	-189,287,571	245,962,710		+6.0	-$20K / bp	-2,902	-110,737	7,829,544

CDX IG S09 07Y 00-03	0	0	0	[redacted]			-14,140	-14,140	138,958
CDX IG S09 07Y 03-07	0	0	-217,720,383	[redacted]			-47,741	-25,232	3,677,675
CDX IG S09 07Y 07-10	-135,000,000	526,500,000	-21,711,810	[redacted]	-0.225	+$338K / .25 pcr	6,418	-281,074	-10,546,531
CDX IG S09 07Y 10-15	0	0	24,215	[redacted]			-187	-190	4,553
CDX IG S09 07Y 15-30	0	0	-6,738,863	[redacted]			7,942	5,252	195,007
CDX IG S09 07Y 30-100	0	0	-815,849	[redacted]			-38,617	-40,357	333,703
CDX IG S09 10Y 30-100	0	0	0	[redacted]			2,317	2,317	-4,326
							-68,014	-102,463	-301,846

Strategy 12USD									
ADJUSTMENT	0	0	0	[redacted]			0	0	-77
CDX IG S09 05Y	-2,041,122	-2,041,122	16,180,105	[redacted]	+7.0	-31.1K / bp	-468	-8,501	8,602
CDX IG S09 05Y 00-03	0	0	0	[redacted]			-2,402	-2,402	-2,402
CDX IG S09 05Y 03-07	0	0	-18,806,148	[redacted]			-13,772	-9,060	312,371
CDX IG S09 05Y 07-10	0	0	-797,885	[redacted]			3,950	-528	28,989
CDX IG S09 05Y 10-15	0	0	-315,220	[redacted]			-385	-40	533,836
CDX IG S09 05Y 15-30	0	0	-260,852	[redacted]			-2,831	-2,368	136,013
CDX IG S09 05Y 30-100	0	0	0	[redacted]			0	0	0
CDX IG S09 07Y	-226,537	-226,537	368,227	[redacted]	+6.0		0	-200	1,502
CDX IG S09 07Y 00-03	0	0	0	[redacted]			0	0	0
CDX IG S09 07Y 03-07	0	0	0	[redacted]			0	0	0
CDX IG S09 07Y 07-10	0	0	0	[redacted]			0	0	0
CDX IG S09 07Y 10-15	0	0	0	[redacted]			0	0	0
CDX IG S09 07Y 15-30	0	0	-368,227	[redacted]			415	281	7,811
CDX IG S09 07Y 30-100	0	0	0	[redacted]			0	0	0
							-15,494	-20,839	1,025,425

Strategy 14USD									
ADJUSTMENT	0	0	0	[redacted]			0	0	-30,056
CDX IG S09 05Y	-7,557,807	-7,557,807	13,717,750	[redacted]	+7.0		-136	-2,167	8,511
CDX IG S09 05Y 00-03	0	0	0	[redacted]			946	946	946
CDX IG S09 05Y 03-07	0	0	-9,908,348	[redacted]			-7,764	-4,966	179,889
CDX IG S09 05Y 07-10	0	0	-3,787,926	[redacted]			17,570	-3,576	120,074
CDX IG S09 05Y 10-15	0	0	0	[redacted]			226	226	226
CDX IG S09 05Y 15-30	0	0	202,096	[redacted]			5,922	5,579	187,552
CDX IG S09 05Y 30-100	0	0	-245,570	[redacted]			-7,982	-5,469	-1,008,002
CDX IG S09 07Y	0	0	0	[redacted]	+6.0		3,512	1,512	19,347
CDX IG S09 07Y 00-03	0	0	0	[redacted]			5,196	5,196	250,456

CDX IG S09 07Y 03-07	0	0	0	[redacted]			-2,953	-2,353	31,756
CDX IG S09 07Y 07-10	0	0	0	[redacted]			313	313	20,765
CDX IG S09 07Y 15-30	0	0	0	[redacted]			-785	-785	19,706
CDX IG S10 05Y	2,582,277	2,582,277	-4,489,063	[redacted]	+9.0		1	-1,807	25,236
CDX IG S10 05Y 00-03	0	0	0	[redacted]			15,725	15,725	-257,852
CDX IG S10 05Y 03-07	0	0	5,762,804	[redacted]			1,821	-1,837	-64,673
CDX IG S10 05Y 07-10	0	0	-1,273,721	[redacted]			-2,355	-3,306	-4
CDX IG S10 05Y 10-15	0	0	0	[redacted]			0	0	0
CDX IG S10 05Y 15-30	0	0	0	[redacted]			0	0	0
CDX IG S10 05Y 30-100	0	0	0	[redacted]			0	0	0
CDX IG S10 10Y	0	0	0	[redacted]	+8.9		-2,387	-2,187	3,812
CDX IG S12 05Y	0	0	0	[redacted]	+9.0		-3,214	-3,214	3,355
CDX IG S13 05Y	0	0	0	[redacted]	+8.9		3,952	3,952	12,906
							27,204	5,696	-1,124,769

Strategy 16 USD									
ADJUSTMENT	0	0	0	[redacted]			0	0	116
CDX IG S09 05Y	-405,545	-405,545	15,672	[redacted]	+7.0		0	148	447
CDX IG S09 05Y 00-03	0	0	0	[redacted]			0	0	0
CDX IG S09 05Y 03-07	0	0	0	[redacted]			0	0	0
CDX IG S09 05Y 07-10	0	0	0	[redacted]			0	0	0
CDX IG S09 05Y 10-15	0	0	0	[redacted]			0	0	0
CDX IG S09 05Y 15-30	0	0	0	[redacted]			0	0	0
CDX IG S09 05Y 30-100	0	0	-15,672	[redacted]			-1,152	-1,024	-61,074
							-1,152	-876	-60,803

Strategy 18 USD									
ADJUSTMENT	0	0	0	[redacted]			0	0	-873,435,716
CDX HY S16 05Y	0	0	0	[redacted]			0	0	20,773
CDX HY S17 05Y	0	0	0	[redacted]			0	0	29,003
CDX IG S09 05Y	35,289,937,718	-4,647,862,282	4,130,773	[redacted]	+7.0	+$329K / bp	-6,991	1,903,754	34,286,178
CDX IG S09 05Y 00-03	-1,164,000,000	35,502,000,000	0	[redacted]	-0.432	+$2,217K / .25 pct	-133,989	-3,931,053	93,858,386
CDX IG S09 05Y 03-07	-1,385,000,000	3,208,500,000	0	[redacted]	-0.058	+$3,488K / .25 pct	306	678,327	78,379,939
CDX IG S09 05Y 07-10	-1,955,000,000	586,500,000	-4,115,272	[redacted]	+0.173	+$4,886K / .25 pct	37,091	3,422,653	13,651,350
CDX IG S09 05Y 10-15	-2,405,000,000	240,500,000	0	[redacted]	-0.008	+$8,013K / .25 pct	3,365	-148,237	135,898
CDX IG S09 05Y 15-30	-8,815,000,000	588,900,000	4,726	[redacted]	-0.005	+$24,538K / .25 pct	10,701	654,228	4,137,383
CDX IG S09 05Y 30-100	-570,000,000	11,400,000	-20,226	[redacted]	-0.014	+$1,374K / .25 pct	-473	-78,458	237,236
CDX IG S09 07Y	3,949,732,135	3,556,232,135	253,837,718	[redacted]	+6.0	-$977K / bp	-2,434	-6,380,863	376,648,007

CDX IG S09 07Y 00-03	765,000,000	-8,948,000,000	0	[redacted]	-0.387	-$1,495K / .25 pct	-156,758	2,185,598	61,894,298
CDX IG S09 07Y 03-07	-215,000,000	1,979,000,000	0	[redacted]	+0.363	+$538K / .25 pct	-48,193	803,174	-6,426,687
CDX IG S09 07Y 07-10	-85,000,000	331,500,000	-255,993,856	[redacted]	-0.053	+$213K / .25 pct	100,119	80,868	-383,343
CDX IG S09 07Y 10-15	-1,870,000,000	3,349,000,000	0	[redacted]	-0.005	+$4,925K / .25 pct	-56,117	-43,549	-20,233,855
CDX IG S09 07Y 15-30	-8,965,000,000	4,179,000,000	2,786,156	[redacted]	+0.032	+$17,413K / .25 pct	-109,682	2,256,250	-51,998,304
CDX IG S09 07Y 30-100	5,500,000,000	-495,000,000	-610,018	[redacted]	+0.022	-$13,262K / .25 pct	47,777	-1,157,139	15,619,610
CDX IG S09 10Y	3,413,024,577	6,895,984,577	0	[redacted]	+8.4	-$3,506K / bp	-224,706	-20,693,521	-196,880,088
CDX IG S09 10Y 00-03	-580,000,000	2,464,000,000	0	[redacted]	-1.224	+$1,066K / .25 pct	978,172	-4,535,618	31,803,017
CDX IG S09 10Y 03-07	137,000,000	-959,000,000	0	[redacted]	-0.344	-$349K / .25 pct	-104,020	381,656	6,996,950
CDX IG S09 10Y 07-10	2,008,000,000	-10,642,400,000	0	[redacted]	-0.041	-$5,020K / .25 pct	949,163	1,886,441	133,801,853
CDX IG S09 10Y 10-15	-1,301,000,000	3,903,000,000	0	[redacted]	-0.079	+$3,253K / .25 pct	-415,416	-1,465,075	-3,810,988
CDX IG S09 10Y 15-30	-2,881,000,000	3,458,300,000	0	[redacted]	-0.051	+$8,653K / .25 pct	-537,782	-1,965,040	-7,819,382
CDX IG S09 10Y 30-100	7,118,000,000	-1,707,840,000	0	[redacted]	+0.079	-$17,156K / .25 pct	1,120,526	-4,268,710	61,622,989
CDX IG S11 05Y	0	0	0	[redacted]	+8.0		0	0	27
CDX IG S12 05Y	0	0	0	[redacted]	+8.0		-8,391	-6,391	3,862
CDX IG S13 05Y	0	0	0	[redacted]	+8.9		2,892	2,892	-9,247
CDX IG S14 05Y	-957,125,000	-957,125,000	0	[redacted]	+8.9	+$304K / bp	-28,849	2,593,400	-12,127,752
CDX IG S14 10Y	32,125,000	32,125,000	0	[redacted]	+8.8	-$24K / bp	33,671	-170,863	-1,266,588
CDX IG S15 05Y	-2,268,562,500	-2,268,562,500	0	[redacted]	+9.4	+$825K / bp	-21,595	7,517,456	-126,907,848
CDX IG S15 10Y	-8,750,000	-8,750,000	0	[redacted]	+8.8	+$5.2K / bp	405	45,244	-1,960,642
CDX IG S16 05Y	-273,187,500	-273,187,500	0	[redacted]	+9.4	+$112K / bp	31,598	1,054,000	-107,610,382
CDX IG S16 10Y	37,750,000	37,750,000	0	[redacted]	+8.8	-$30K / bp	-39,151	-221,402	8,116,067
CDX IG S17 05Y	1,127,812,500	1,127,812,500	0	[redacted]	+8.7	-$512K / bp	-72,334	-4,386,198	-108,848,724
CDX IG S18 05Y	1,867,625,000	1,867,625,000	0	[redacted]	+8.9	-$927K / bp	-28,307	-8,013,227	-89,317,401
							1,458,823	-41,645,707	288,261,156

[redacted]									
ADJUSTMENT	0	0	0	[redacted]			0	0	235,853,915
CDX HY S07 07Y	53,288,249	53,288,249	0	[redacted]	-0.982	+$112K / .25 pct	117	-427,392	312,898
CDX HY S08 05Y	-11,175,078,791	-11,175,078,791	0	[redacted]	-0.082	-$23,488K / .25 pct	317	3,455,107	27,508,249
CDX HY S08 07Y	1,310,261,933	1,310,261,933	0	[redacted]	-0.498	+$2,752K / .25 pct	0	-6,082,724	-3,653,425
CDX HY S09 05Y	-743,644,158	-743,644,158	0	[redacted]	-0.187	-$1,543K / .25 pct	101	835,834	-8,815,017
CDX HY S10 05Y	2,714,500,873	2,714,500,873	0	[redacted]	-0.405	+$5,700K / .25 pct	2,741	-8,391,461	62,548,256
CDX HY S10 07Y	2,612,540,228	2,612,540,228	0	[redacted]	-1.107	+$5,488K / .25 pct	-54,324	-23,166,055	45,122,989
CDX HY S11 05Y	7,795,221,173	7,795,221,173	0	[redacted]	-0.801	+$16,370K / .25 pct	-32,343	-36,375,436	-167,373,275
CDX HY S11 07Y	3,860,098,738	3,860,098,738	0	[redacted]	-0.742	+$8,106K / .25 pct	-78,284	-22,068,593	60,465,837
CDX HY S13 07Y	-65,625,000	-65,625,000	0	[redacted]	-0.348	-$159K / .25 pct	-43	184,485	-1,467,840
CDX HY S14 05Y	-10,891,125,000	-10,891,125,000	0	[redacted]	+1.358	-$26,411K / .25 pct	-78,713	137,928,211	20,528,803
CDX HY S15 05Y	-8,588,125,000	-8,588,125,000	0	[redacted]	-1.665	-$20,626K / .25 pct	8,314	134,791,864	-120,304,880

CDX HY S16 05Y	-4,050,625,000	-4,050,625,000	0	[redacted]	-1.361	-$14,673K / .25 pct	-92,572	78,623,331	-121,477,281
CDX HY S17 05Y	-7,036,687,500	-7,036,687,500	0	[redacted]	-1.725	-$17,084K / .25 pct	430,670	114,748,976	298,689,722
CDX LCDX S10 05Y	-780,251,015	-780,251,015	0	[redacted]	+0.026	-$1,346K / .25 pct	-635	-243,185	-13,858,109
							618,170	372,820,764	697,668,556
CDX HY S13 05Y	0	0	37,822	[redacted]			0	0	-4,096,436
CDX HY S03 05Y 05-10	0	0	0	[redacted]			0	0	0
CDX HY S03 05Y 10-15	0	0	0	[redacted]			-736	-736	3,179,893
CDX HY S03 05Y 15-25	0	0	0	[redacted]			11	11	1,315,083
CDX HY S03 05Y 25-35	0	0	-37,822	[redacted]			-285	-271	-669,330
CDX HY S03 05Y 35-100	0	0	0	[redacted]			0	0	-64,646
CDX HY S08 07Y	0	0	0	[redacted]			1,395	1,395	-19,437
CDX HY S08 07Y 25-35	0	0	0	[redacted]			-635	-635	-27,987
							-250	-236	-364,902
CDX HY S08 07Y	0	0	0	[redacted]			13,409	13,409	-182,337
							13,409	13,409	-182,337
ADJUSTMENT	0	0	0	[redacted]			0	0	3,707,714
CDX HY S07 07Y	-53,288,249	-53,288,249	65,996,860	[redacted]	-0.982	+$27K / .25 pct	406	-101,584	-317,268
CDX HY S07 07Y 03-10	0	0	0	[redacted]			0	0	0
CDX HY S07 07Y 10-15	0	0	0	[redacted]			0	0	0
CDX HY S07 07Y 15-25	0	0	-63,741,374	[redacted]			-2,214	34,158	4,439,084
CDX HY S07 07Y 25-35	0	0	-490,600	[redacted]			737	333	-35,548
CDX HY S07 07Y 35-100	0	0	-1,766,887	[redacted]			-11,474	-6,449	238,113
CDX HY S03 05Y 10-15	0	0	0	[redacted]			-147	-147	-147
CDX HY S03 05Y 15-25	0	0	0	[redacted]			77	77	77
CDX HY S09 07Y	-1,293,662,035	152,537,985	137,381,644	[redacted]	-0.498	+$609K / .25 pct	-4,256	-4,125,906	-42,686,832
CDX HY S09 07Y 03-10	0	0	0	[redacted]			0	0	0
CDX HY S09 07Y 10-15	-10,000,000	30,000,000	0	[redacted]	-0.131	-$13K / .25 pct	-12,121	-5,956	176,252
CDX HY S09 07Y 15-25	229,000,000	-987,500,000	-129,295,950	[redacted]	-0.014	+$563K / .25 pct	-27,796	41,506	53,366,636
CDX HY S09 07Y 25-35	282,000,000	-451,200,000	-8,274,006	[redacted]	-0.179	+$705K / .25 pct	-17,680	-518,420	21,906,687
CDX HY S09 07Y 35-100	115,000,000	-57,500,000	188,315	[redacted]	+0.068	+$272K / .25 pct	-5,837	65,022	2,083,080
CDX HY S06 05Y	0	0	0	[redacted]			0	0	-1,146,126

							11,544	-1,600,365	81,607,230
ADJUSTMENT	0	0	0	[redacted]			0	0	34,833,864
CDX HY S03 05Y	26,151,616,808	-229,583,192	427,936		-0.062	+$481K / .25 pct	2	70,850	91,610,371
CDX HY S03 05Y 00-10	0	0	0				0	0	0
CDX HY S03 05Y 10-15	-1,485,000,000	27,175,500,000	0		-0.217	-$1,927K / .25 pct	-11,822	1,863,216	-17,086,440
CDX HY S03 05Y 15-25	-1,410,000,000	1,269,000,000	-239,370		+0.031	-$3,525K / .25 pct	242	-671,578	-80,330,803
CDX HY S03 05Y 25-35	663,000,000	-88,300,000	-9,478		+0.005	+$1,656K / .25 pct	417,831	439,477	1,864,184
CDX HY S03 05Y 35-100	-100,000,000	3,000,000	-179,081		+0.002	-$238K / .25 pct	-65,651	-66,717	-969,415
CDX HY S03 07Y	-3,281,187	-3,281,187	5,933,686		-0.498	+$5.6K / .25 pct	-2,130	-12,429	38,493
CDX HY S03 07Y 00-10	0	0	0				0	0	0
CDX HY S03 07Y 10-15	0	0	0				-12,409	12,409	-192,759
CDX HY S03 07Y 15-25	0	0	0				0	0	0
CDX HY S03 07Y 25-35	0	0	-5,933,696				2,755	-2,976	458,967
CDX HY S03 07Y 35-100	0	0	0				0	0	0
CDX HY S10 05Y 10-15	0	0	0				1,725	-1,725	-22,713
							366,453	1,833,979	-23,257,299

ADJUSTMENT	0	0	0	[redacted]			0	0	-12,987
CDX HY S10 05Y	492,552	492,552	-673,341		-0.406	-$0.4K / .25 pct	293	852	10,008
CDX HY S10 05Y 00-10	0	0	0				0	0	0
CDX HY S10 05Y 10-15	0	0	0				0	0	0
CDX HY S10 05Y 15-25	0	0	673,341				4,799	1,044	-98,686
CDX HY S10 05Y 25-35	0	0	0				0	0	0
CDX HY S10 05Y 35-100	0	0	0				0	0	0
							2,092	1,896	-101,684

ADJUSTMENT	0	0	0	[redacted]			0	0	-42,504,665
CDX HY S03 07Y	0	0	0				3,003	-3,003	-41,190
CDX HY S03 07Y 10-15	0	0	0				-1,712	-1,712	-26,299
CDX HY S03 07Y 15-25	0	0	0				-3,281	-3,281	-56,464
CDX HY S03 05Y	0	0	0				0	0	113,891
CDX HY S03 05Y 10-15	0	0	0				0	0	-0,010
CDX HY S10 05Y	-13,326,679,016	1,650,820,984	145,405,104		-0.406	+$3,772K / .25 pct	1,813	-6,852,758	-263,695,976

CDX HY S10 05Y 00-10	0	0	0	[redacted]			0	0	0
CDX HY S10 05Y 10-15	565,000,000	-1,808,000,000	0	[redacted]	+0.432	+$475K / .25 pct	-53,870	802,143	-36,968,261
CDX HY S10 05Y 15-25	2,063,000,000	-11,456,500,000	-134,340,272	[redacted]	+0.565	+$5,208K / .25 pct	101,728	-10,648,638	339,918,777
CDX HY S10 05Y 25-35	855,000,000	-720,500,000	-4,942,084	[redacted]	+0.027	+$1,638K / .25 pct	1,801	38,638	31,588,928
CDX HY S10 05Y 35-100	3,970,000,000	-992,500,000	-6,122,737	[redacted]	+0.18	+$9,515K / .25 pct	865,798	7,503,045	28,765,604
CDX HY S10 07Y	-2,093,103,656	-678,803,656	190,315,139	[redacted]	-1.107	-$1,026K / .25 pct	-222,406	4,119,300	-110,787,568
CDX HY S10 07Y 00-10	0	0	0	[redacted]			0	0	0
CDX HY S10 07Y 10-15	690,000,000	-534,000,000	0	[redacted]	-0.16	+$749K / .25 pct	25,563	-731,869	49,509,775
CDX HY S10 07Y 15-25	747,000,000	-2,614,500,000	-162,770,415	[redacted]	-0.606	+$1,868K / .25 pct	395,518	-6,022,550	70,870,529
CDX HY S10 07Y 25-35	265,000,000	-583,000,000	-37,857,068	[redacted]	+0.494	+$663K / .25 pct	130,818	1,411,209	30,518,356
CDX HY S10 07Y 35-100	-3,882,000,000	2,317,200,000	10,312,344	[redacted]	+0.55	-$9,257K / .25 pct	-365,818	-20,787,707	-132,017,880
CDX HY S11 05Y	0	0	0	[redacted]			0	0	788,370
CDX HY S11 05Y 10-15	0	0	0	[redacted]			975	975	1,005,342
CDX HY S11 05Y 25-35	0	0	0	[redacted]			127	127	17,286
CDX HY S11 07Y	0	0	0	[redacted]			2,628	2,628	-41,304
							489,056	-7,472,176	-123,638,276
[illegible]									
ADJUSTMENT	0	0	0	[redacted]			0	0	13,230,909
CDX HY S11 05Y	0	0	0	[redacted]			0	0	465,299
CDX LCDX S10 5Y	-906,148,985	1,084,851,015	63,000,618	[redacted]	+0.028	+$1,980K / .25 pct	-4,077	358,307	-601,774
CDX LCDX S10 05Y 00-05	0	0	0	[redacted]			0	0	0
CDX LCDX S10 05Y 05-08	0	0	0	[redacted]			427	427	-8,898
CDX LCDX S10 05Y 08-12	0	0	0	[redacted]			0	0	0
CDX LCDX S10 05Y 12-15	110,000,000	-407,000,000	-32,580,254	[redacted]	-0.015	+$275K / .25 pct	-5,361	-60,662	5,803,897
CDX LCDX S10 05Y 15-100	3,965,000,000	-1,586,000,000	-30,431,365	[redacted]	-0.01	+$7,130K / .25 pct	1,993,045	1,491,098	27,023,319
							1,989,808	1,796,246	19,430,736
[illegible]									
ADJUSTMENT	0	0	0	[redacted]			0	0	243,774,536
CDX HY S08 05Y	0	0	0	[redacted]			0	0	-302
CDX HY S08 07Y	0	0	0	[redacted]			-3,321	-3,321	33,849
CDX HY S09 05Y	0	0	0	[redacted]			0	0	35,063
CDX HY S09 05Y 10-15	0	0	0	[redacted]			-1,287	-1,287	-1,287
CDX HY S10 05Y	0	0	0	[redacted]			0	0	1,550,822
CDX HY S10 05Y 10-15	0	0	0	[redacted]			-13,568	-14,068	3,210,706
CDX HY S10 05Y 15-25	0	0	0	[redacted]			3,513	3,513	533,582
CDX HY S10 07Y	0	0	0	[redacted]			-28,490	-28,490	461,297

CDX HY S10 07Y 10-15	0	0	0	[redacted]			46,494	46,494	2,172,696
CDX HY S10 07Y 15-25	0	0	0	[redacted]			20,966	20,966	-127,247
CDX HY S11 05Y	-4,850,456,191	960,243,809	6,643,594	[redacted]	-0.801	+$2,072K / .25 pct	4,095	-4,605,158	-35,642,720
CDX HY S11 05Y 00-10	0	0	0	[redacted]			0	0	0
CDX HY S11 05Y 10-15	323,000,000	-516,600,000	0	[redacted]	+0.383	+$272K / .25 pct	64,581	448,742	-17,500,081
CDX HY S11 05Y 15-25	895,000,000	-5,273,500,000	0	[redacted]	+0.415	+$2,488K / .25 pct	98,101	3,850,820	78,987,104
CDX HY S11 05Y 25-35	250,000,000	-375,000,000	-6,643,594	[redacted]	+0.326	+$625K / .25 pct	5,557	762,593	10,339,180
CDX HY S11 05Y 35-100	-858,000,000	334,600,000	0	[redacted]	+0.129	-$2,281K / .25 pct	-24,828	-1,156,129	-12,013,508
CDX HY S11 07Y	547,903,262	536,903,262	0	[redacted]	-0.742	+$1,132K / .25 pct	155,563	-2,998,335	34,383,184
CDX HY S11 07Y 00-10	0	0	0	[redacted]			0	0	0
CDX HY S11 07Y 10-15	50,000,000	-20,000,000	0	[redacted]	-0.435	+$42K / .25 pct	-4,305	-80,728	-2,385,548
CDX HY S11 07Y 15-25	-30,000,000	69,000,000	0	[redacted]	-0.003	-$75K / .25 pct	2,578	2,117	-4,036,318
CDX HY S11 07Y 25-35	0	0	0	[redacted]			0	0	0
CDX HY S11 07Y 35-100	100,000,000	-70,000,000	0	[redacted]	+0.097	+$240K / .25 pct	8,560	102,852	2,464,857
CDX HY S14 03Y	-9,375,000	-9,375,000	0	[redacted]	-0.348	-$23K / .25 pct	-43	27,749	1,528,492
CDX HY S14 05Y	-409,625,000	-409,625,000	0	[redacted]	-1.358	-$993K / .25 pct	-13,842	5,176,848	-64,533,241
CDX HY S15 05Y	-827,375,000	-827,375,000	0	[redacted]	-1.665	-$2,006K / .25 pct	596	12,985,750	-185,947,840
CDX HY S16 05Y	-926,875,000	-926,875,000	0	[redacted]	-1.361	-$2,248K / .25 pct	7,005	11,730,496	-198,343,556
CDX HY S17 05Y	-1,033,812,500	-1,033,812,500	0	[redacted]	-1.725	-$2,507K / .25 pct	-73,856	16,869,218	-174,037,564
							399,806	43,200,030	-269,172,636

Strategy 05B USD

ABX HE 7.1 BBB- 00-05	10,000,000	0	0	[redacted]			0	0	0
							0	0	0

Strategy 09 USD

ABX HE 6.2 BBB	-4,000,000	0	0	[redacted]			0	-37	-813
ABX HE 6.2 BBB-	239,500,000	0	0	[redacted]			0	4,025	86,017
ABX HE 7.1 BBB	111,000,000	0	0	[redacted]			0	0	0
ABX HE 7.1 BBB 35-100	-165,000,000	0	0	[redacted]			0	-450	-10,978
ABX HE 7.1 BBB-	464,000,000	0	0	[redacted]			0	0	0
ABX HE 7.1 BBB- 00-10	25,000,000	0	0	[redacted]			0	0	0
ABX HE 7.1 BBB- 10-15	85,000,000	0	0	[redacted]			0	0	0
ABX HE 7.1 BBB- 15-25	25,000,000	0	0	[redacted]			0	0	0
ABX HE 7.1 BBB- 25-40	45,000,000	0	0	[redacted]			0	0	0
ABX HE 7.1 BBB- 40-100	-1,035,000,000	0	0	[redacted]			0	-4,313	-100,538
							0	-774	-26,312

Strategy 27A USD									
ADJUSTMENT	0	0	0	[redacted]			0	0	18,881,710
CDX HY S[illegible] 05Y	0	0	0				0	0	118,565
CDX HY S[illegible] 05Y	7,516,416,477	584,116,477	0		-0.187	+$1,212K / .25 pct	-79	-656,530	145,805,351
CDX HY S[illegible] 05Y [illegible]	0	0	0				0	0	0
CDX HY S[illegible] 05Y 10-15	-220,000,000	1,486,000,000	0		-0.406	-$177K / .25 pct	8,263	272,319	27,812,249
CDX HY S[illegible] 05Y 15-25	-1,035,000,000	6,003,000,000	0		+0.187	-$2,588K / .25 pct	28,480	1,303,545	148,449,872
CDX HY S[illegible] 05Y 25-35	875,000,000	-437,500,000	0		+0.089	+$2,188K / .25 pct	805,251	1,086,655	23,080,841
CDX HY S[illegible] 05Y [illegible]	3,230,000,000	-129,200,000	0		+0.006	+$7,827K / .25 pct	1,954,317	2,105,601	8,170,443
CDX HY S10 05Y	0	0	0				0	0	-1,986,543
CDX HY S10 05Y 10-15	0	0	0				2,588	2,588	819,332
CDX HY S10 05Y 15-25	0	0	0				1,405	1,405	1,759,344
CDX HY S10 07Y	0	0	0				-19,357	-19,357	-4,257,136
CDX HY S10 07Y 10-15	0	0	0				31,752	31,752	3,709,063
CDX HY S11 05Y	0	0	0				0	0	-286,471
CDX HY S11 05Y 10-15	0	0	0				4,877	4,877	398,737
CDX HY S[illegible] 05Y	-119,000,000	-119,000,000	0		+1.358	-$289K / .25 pct	-8,414	1,501,473	-28,706,690
CDX HY S15 05Y	0	0	0				7,689	7,689	-19,297
							2,559,812	3,046,928	8,236,158

Strategy 27B EUR									
ADJUSTMENT	0	0	0	[redacted]			-260,495	260,495	-186,208,804
ITRAXX [illegible] S9 05Y	39,447,498,698	6,442,838,698	0		+14.9	-$1,011K / bp	440,324	-13,441,128	-411,518,427
ITRAXX [illegible] S9 05Y [illegible]	-1,940,000,000	32,010,000,000	0		+0.84	+$4,850K / .25 pct	110,386	16,065,027	-364,536,854
ITRAXX [illegible] S9 05Y [illegible]	40,000,000	-280,000,000	0		-0.011	-$100K / .25 pct	-382	-18,796	6,382,817
ITRAXX [illegible] S9 05Y [illegible]	0	0	0				0	0	0
ITRAXX [illegible] S9 05Y [illegible]	-36,000,000	49,000,000	0		-4.5	+$5.5K / bp	-180	-19,340	-1,220,606
ITRAXX [illegible] S9 05Y 12-22	-580,000,000	551,000,000	0		-3.9	+$92K / bp	681	-297,923	-8,344,746
ITRAXX [illegible] S9 05Y 22-100	-4,819,000,000	674,660,000	0		-0.9	+$763K / bp	-1,984	-634,567	-3,042,431
ITRAXX [illegible] S9 07Y	8,667,851,407	3,679,501,407	0		+13.4	-$1,582K / bp	-4,464	-20,267,838	-196,719,091
ITRAXX [illegible] S9 07Y [illegible]	-1,021,000,000	5,380,250,000	0		-0.92	+$2,553K / .25 pct	419,731	9,348,867	-80,131,187
ITRAXX [illegible] S9 07Y [illegible]	0	0	0				0	0	0
ITRAXX [illegible] S9 07Y [illegible]	0	0	0				0	0	0
ITRAXX [illegible] S9 07Y [illegible]	0	0	0		-7.7		0	0	0
ITRAXX [illegible] S9 07Y 12-22	0	0	0		-7.9		0	0	0
ITRAXX [illegible] S9 07Y 22-100	1,100,000,000	-352,000,000	0		-1.2	-$482K / bp	-3,031	529,946	11,758,107
ITRAXX [illegible] S9 10Y	3,647,858,578	188,548,578	0		+13.8	-$140K / bp	248,846	-2,130,756	198,240,574

ITRAXX MN S09 10Y 00-03	2,083,000,000	-4,686,750,000	0	[redacted]	+0.178	-$5,208K / .25 pct	-1,959,552	-4,253,707	33,884,125
ITRAXX MN S09 10Y 03-06	-30,000,000	112,500,000	0		+0.073	+$75K / .25 pct	18,798	23,742	-2,789,641
ITRAXX MN S09 10Y 06-09	-458,000,000	1,603,000,000	0		+0.2	+$1,145K / .25 pct	228,627	1,000,931	-45,826,182
ITRAXX MN S09 10Y 09-12	-1,088,000,000	3,150,600,000	0		-8.2	+$858K / bp	883,504	-6,987,336	-71,288,431
ITRAXX MN S09 10Y 12-22	-3,348,000,000	8,374,500,000	0		-4.5	+$2,429K / bp	584,191	-11,228,437	-197,075,649
ITRAXX MN S09 10Y 22-100	5,731,000,000	-3,094,740,000	0		+0.4	-$4,469K / bp	-211,406	-1,597,833	90,934,374
ITRAXX MN S15 05Y	-161,250,000	-161,250,000	0		+10.6	+$63K / bp	116,522	850,935	-50,500,273
							-420,559	-32,328,706	-30,496,769

Strategy 27C USD				[redacted]					
ADJUSTMENT	0	0	0				0	0	-609,592,645
CDX IG S09 05Y	58,158,340,468	-8,824,659,532	0		+7.0	+$585K / bp	-2,762	3,221,417	-363,834,601
CDX IG S09 05Y 00-03	-2,216,000,000	67,569,000,000	0		-0.432	+$4,220K / .25 pct	-26,578	-7,064,004	-339,581,838
CDX IG S09 05Y 03-07	0	0	0				0	0	0
CDX IG S09 05Y 07-10	-90,000,000	27,000,000	0		+0.174	+$225K / .25 pct	931	157,823	-844,544
CDX IG S09 05Y 10-15	-500,000,000	50,000,000	0		-0.006	+$1,250K / .25 pct	1,031	-80,487	28,585
CDX IG S09 05Y 15-30	-2,300,000,000	138,000,000	0		-0.005	+$5,750K / .25 pct	4,744	-137,637	872,585
CDX IG S09 05Y 30-100	1,000,000,000	-20,000,000	0		-0.014	-$2,411K / .25 pct	-1,963	136,678	-563,189
CDX IG S09 07Y	12,784,034,708	-206,785,292	0		+6.0	+$53K / bp	3,748	292,536	118,889,309
CDX IG S09 07Y 00-03	-1,135,000,000	12,939,000,000	0		-0.387	+$2,181K / .25 pct	152,255	3,234,461	114,155,951
CDX IG S09 07Y 03-07	0	0	0				0	0	0
CDX IG S09 07Y 07-10	-145,000,000	565,500,000	0		-0.233	+$363K / .25 pct	-7,763	330,985	12,065,019
CDX IG S09 07Y 10-15	0	0	0				0	0	0
CDX IG S09 07Y 15-30	0	0	0				0	0	0
CDX IG S09 07Y 30-100	5,930,000,000	-533,700,000	0		0.022	-$14,299K / .25 pct	22,894	-1,275,178	37,704,363
CDX IG S09 10Y	-1,374,502,583	4,529,057,417	0		+8.4	-$2,303K / bp	-258,465	-18,955,927	1,084,219,317
CDX IG S09 10Y 00-03	3,036,000,000	-13,354,000,000	0		-1.224	-$5,779K / .25 pct	-1,917,546	27,985,222	314,829,526
CDX IG S09 10Y 03-07	-57,000,000	399,000,000	0		-0.344	+$143K / .25 pct	79,356	-123,110	-5,180,830
CDX IG S09 10Y 07-10	-1,179,000,000	5,951,900,000	0		-0.041	+$2,806K / .25 pct	-368,208	-812,393	-109,132,586
CDX IG S09 10Y 10-15	-624,000,000	1,872,000,000	0		-0.079	+$1,580K / .25 pct	21,872	-481,478	34,880,417
CDX IG S09 10Y 15-30	-1,089,000,000	1,389,700,000	0		-0.051	+$2,673K / .25 pct	-131,841	-705,311	33,968,361
CDX IG S09 10Y 30-100	9,009,000,000	-2,162,160,000	0		+0.079	-$21,723K / .25 pct	1,462,422	-6,380,469	71,842,808
CDX IG S15 05Y	-98,625,000	-98,625,000	0		+9.4	+$35K / bp	920	320,191	-4,277,862
CDX IG S16 05Y	-1,920,625,000	-1,920,625,000	0		+9.4	+$786K / bp	-20,499	7,187,424	-178,017,120
							########	680,468	-216,129,313

Strategy 27D USD				[redacted]					
ADJUSTMENT	0	0	0				0	0	106,987,240

CDX HY S8 05Y	1,382,081,983	-71,938,017	0	[redacted]	-0.082	-$151K / .25 pct	1	22,242	3,428,859
CDX HY S8 05Y 00-10	0	0	0				0	0	0
CDX HY S8 05Y 10-15	-80,000,000	1,454,000,000	0		-0.217	-$104K / .25 pct	-8	106,381	-852,247
CDX HY S8 05Y 15-25	0	0	0				0	0	0
CDX HY S8 05Y 25-35	0	0	0				0	0	0
CDX HY S8 05Y 35-100	0	0	0				0	0	0
CDX HY S8 07Y	-227,316,711	72,681,289	0		-0.498	+$153K / .25 pct	0	-281,845	7,734,062
CDX HY S8 07Y 00-10	0	0	0				0	0	0
CDX HY S8 07Y 10-15	100,000,000	-300,000,000	0		-0.131	+$130K / .25 pct	-7,221	-66,875	144,927
CDX HY S8 07Y 15-25	0	0	0				0	0	0
CDX HY S8 07Y 25-35	0	0	0				0	0	0
CDX HY S8 07Y 35-100	0	0	0				0	0	0
CDX HY S9 05Y	77,227,881	-38,772,319	0		-0.187	-$80K / .25 pct	5	43,579	-1,050,261
CDX HY S9 05Y 00-10	0	0	0				0	0	0
CDX HY S9 05Y 10-15	0	0	0				0	0	0
CDX HY S9 05Y 15-25	-20,000,000	116,000,000	0		+0.187	-$50K / .25 pct	-494	-25,133	-3,069,705
CDX HY S9 05Y 25-35	0	0	0				0	0	0
CDX HY S9 05Y 35-100	0	0	0				0	0	0
CDX HY S10 05Y	-381,864,209	18,135,791	0		-0.405	+$38K / .25 pct	18	-66,064	-4,162,303
CDX HY S10 05Y 00-10	0	0	0				0	0	0
CDX HY S10 05Y 10-15	125,000,000	-400,000,000	0		+0.432	+$105K / .25 pct	320	188,102	7,748,857
CDX HY S10 05Y 15-25	0	0	0				0	0	0
CDX HY S10 05Y 25-35	0	0	0				0	0	0
CDX HY S10 05Y 35-100	0	0	0				0	0	0
CDX HY S10 07Y	-2,788,643,713	830,356,287	0		-1.107	+$1,744K / .25 pct	-79,442	-7,459,387	-8,944,984
CDX HY S10 07Y 00-10	0	0	0				0	0	0
CDX HY S10 07Y 10-15	2,970,500,000	-1,782,300,000	0		-0.16	+$2,499K / .25 pct	-276,443	-2,603,478	-167,253,640
CDX HY S10 07Y 15-25	-337,000,000	1,179,500,000	0		-0.572	-$843K / .25 pct	130,985	2,263,967	-66,808,567
CDX HY S10 07Y 25-35	0	0	0				0	0	0
CDX HY S10 07Y 35-100	5,027,000,000	-3,016,200,000	0		+0.947	+$12,049K / .25 pct	436,119	26,895,971	-171,011,275
CDX HY S11 05Y	-1,623,367,369	282,932,631	0		-0.801	+$594K / .25 pct	1,174	-1,320,270	-28,719,566
CDX HY S11 05Y 00-10	0	0	0				0	0	0
CDX HY S11 05Y 10-15	822,000,000	-1,315,200,000	0		+0.383	+$882K / .25 pct	12,281	965,306	45,223,269
CDX HY S11 05Y 15-25	20,000,000	-108,000,000	0		+0.415	+$50K / .25 pct	2,757	76,229	3,640,148
CDX HY S11 05Y 25-35	0	0	0				0	0	0
CDX HY S11 05Y 35-100	1,386,000,000	-485,100,000	0		+0.129	+$3,322K / .25 pct	15,989	1,658,373	17,614,564
CDX HY S14 05Y	-1,027,250,000	-1,027,250,000	0		-1.358	-$2,491K / .25 pct	-7,424	13,009,189	285,909,821
CDX HY S15 05Y	-173,250,000	-173,250,000	0		-1.665	-$420K / .25 pct	325	2,716,180	54,530,324
CDX HY S16 05Y	82,500,000	82,500,000	0		-1.381	+$152K / .25 pct	-958	-791,462	27,279,499

						203,383	38,143,948	-290,819,418
Management EUR								
ITRAXX XO S07 05Y	0	0	0	[redacted]	+36.5	-58	-58	-58
						-58	-58	-58
Strategy 01 EUR								
ITRAXX XO S08 05Y	0	0	0	[redacted]	+56.3	-10	-10	90
						-10	-10	90
Strategy 01 USD								
CDX XO S03 05Y	0	0	0	[redacted]		-13	-13	234
						-13	-13	234
Strategy 17 EUR								
ITRAXX FINSUB S09 05Y	0	0	0	[redacted]	+24.8	-143	-143	842
ITRAXX FINSUB S10 05Y	0	0	0	[redacted]	+24.8	-141	-141	365
						-284	-284	1,207
Swaptions Mgmt EUR								
ITRAXX FIN S10 05Y	0	0	0	[redacted]	+11.8	28	28	317
						28	28	317
[illegible]								
ADJUSTMENT	0	0	0	[redacted]		0	0	-1,237,000
CDX HY S09 05Y	0	0	0	[redacted]		0	0	70,880
CDX HY S10 05Y	0	0	0	[redacted]		0	0	1,237,031
CDX HY S11 05Y	0	0	0	[redacted]		0	0	300,243
CDX HY S14 05Y	0	0	0	[redacted]		0	0	83
CDX HY S15 05Y	0	0	0	[redacted]		0	0	39
CDX HY S16 05Y	0	0	0	[redacted]		0	0	-918,963
CDX HY S17 05Y	0	0	0	[redacted]		0	0	18,340
CDX IG S09 05Y	0	0	0	[redacted]	+7.0	0	0	28,081
CDX IG S09 07Y	0	0	0	[redacted]	+6.0	0	0	64,284
CDX IG S09 10Y	0	0	0	[redacted]	+8.4	0	0	27,231

CDX IG S15 10Y	0	0	0	[redacted]	+8.8	0	0	-103
FO ADJUSTMENT	0	0	0	[redacted]		0	0	1,488,238
ITRAXX MN S03 05Y	0	0	0	[redacted]	+14.9	0	0	37
ITRAXX MN S15 05Y	0	0	0	[redacted]	+10.8	0	0	-897,290
						0	0	0

From: Venkatakrishnan, CS <cs.venkatakrishnan@jpmorgan.com>
Sent: Thu, 22 Mar 2012 13:47:36 GMT
To: Broder, Bruce <bruce.broder@jpmorgan.com>
Subject: RE: Privileged and Confidential

Yes, please, on the last question. Thanks, Venkat

From: Broder, Bruce
Sent: Thursday, March 22, 2012 9:46 AM
To: Venkatakrishnan, CS
Subject: RE: Privileged and Confidential

We can't explain their Var movement under the old model as we don't see any info about their (risk) positions, eg we don't get sensitivities. We had asked Pete's team to explain the movements in the old model, but they were never able to and then they had no reason to as they already knew they were changing models. It took them a while, but they finally agreed their old model was crap.

Do you want me to inquire as to why their VAR/Svar declined in the new model? We might be able to get an answer ourselves or through Pete on that one.

From: Venkatakrishnan, CS
Sent: Thursday, March 22, 2012 9:27 AM
To: Broder, Bruce
Subject: RE: Privileged and Confidential

Having said that, why did Var (and SVar) go up from Jan to Feb in the old model but decline in the new model?

From: Broder, Bruce
Sent: Thursday, March 22, 2012 9:01 AM
To: Venkatakrishnan, CS
Subject: RE: Privileged and Confidential

Here are the results and differences with the old Var model. I'm not sure this really makes it apples to apples. I think it's now apples to pears instead of apples to oranges. Apples to apples would be to just drop the Var/StressVar and focus on IRC and CRM only. CIO had no choice but to do the VAR model change. They were using a disapproved VAR model and one which would have prevented the regulators from approving CRM for CIO's correlation trading portfolio for if it had been kept (even though CRM does not depend on VAR).

From: Venkatakrishnan, CS
Sent: Wednesday, March 21, 2012 1:44 PM
To: Broder, Bruce
Subject: Re: Privileged and Confidential

Got it. Elsewhere but returning.

From: Broder, Bruce
Sent: Wednesday, March 21, 2012 01:40 PM
To: Venkatakrishnan, CS
Subject: RE: Privileged and Confidential

The factor is .08 = 1/12.5.

"On January 18th, CRM capital was $3.2". This is correct, the CRM Capital was 3.154B, or $39.425B RWA.

In the Jan column, you see 31,100 RWA which was the reported CRM RWA. It represents the Jan average. Jan 18 was the last and highest of the 3 CRM measurements for CIO in Jan.

(26B is the Q4 reported average result).

Are you in your office or elsewhere?

From: Venkatakrishnan, CS
Sent: Wednesday, March 21, 2012 1:26 PM
To: Broder, Bruce
Subject: Re: Privileged and Confidential

Then what was the $3.2bb? 78bb*0.085 is 6.3 approx but 26bb*0.085 is not 3.2bb

---

From: Broder, Bruce
Sent: Wednesday, March 21, 2012 01:21 PM
To: Venkatakrishnan, CS
Subject: RE: Privileged and Confidential

6.3 is the standalone amount. Corresponds to 78,763 in the table below under pre-split.

From: Venkatakrishnan, CS
Sent: Wednesday, March 21, 2012 1:16 PM
To: Broder, Bruce
Subject: Fw: Privileged and Confidential

In my own memo from yday, there is an inconsistency between two pre-split measured of capital: $6.3bb from Anil two weeks ago and $5.4bb from the table below. Do you know why?

From: Venkatakrishnan, CS
Sent: Wednesday, March 21, 2012 07:51 AM
To: Venkatakrishnan, CS
Subject: Privileged and Confidential

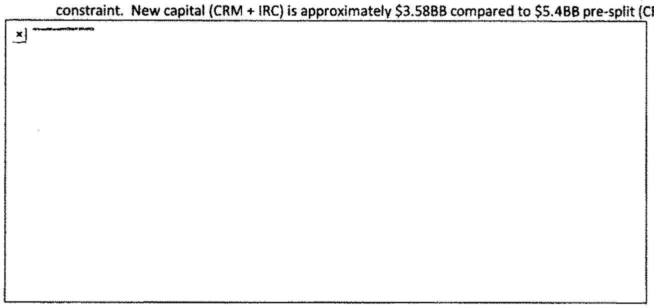
<u>CIO CRM — The Highlights</u>

<u>Background</u>

- Comprehensive Risk Measure (CRM) allows for internal modeling of Correlation Trading positions *__and their associated hedges__*
    - These exist at JPM within the IB and the CIO
    - The regulations also calculate a "Floor" to this capital
- Other non-securitization positions use Incremental Risk Charge (IRC) as the method of calculation
- Both CRM and IRC are based on a 99.9% confidence interval and a one year horizon BUT
    - IRC assumes a three month holding period with rebalancing quarterly to compute an annual number
    - CRM assumes a one year holding period with no rebalancing
    - A 30 year bond hedged with a 3month CDS will be fully hedged from a default risk perspective in the IRC calculation for one year but will be unhedged for nine months in the CRM calculation

__The Issue at CIO__

- On January 18th, CRM capital was $3.2BB but was recomputed to be $6.3BB on Feb 22nd
- The primary reason for this was the net addition of $33BB notional in index CDS between Jan and Feb.
- The Model Risk group assigned a team to work with CIO to explain the CRM model and to understand the impact of these new positions on their capital.
- The team came to the conclusion that many of these trades did not constitute "optimal" hedges to the correlation book (from a tail risk perspective) and that they should be given IRC treatment not CRM treatment.
- Hence, for modeling purposes, we split the CIO's Correlation book into two parts: Correlation Trades plus related hedges in one part, and remaining index positions in another part.
- As a result, the CRM capital dropped greatly and, in fact, the floor for the firm was now the operating constraint. New capital (CRM + IRC) is approximately $3.58BB compared to $5.4BB pre-split (CRM only).



- The decline in capital when positions were moved to IRC was rather greater than we expected. An important reason was a $125BB curve trade in indices (long risk maturing in 2014 – 2017) and short risk maturing in Dec 2012. Given the CRM approach of not replenishing maturing trades, the model calculated capital based on one leg of this trade ($125BB of long risk) remaining unhedged for three months (Dec 2012 to Mar 2013). IRC, on the other hand, assumes it was hedged.

__Rationale and Next Steps__

- We think that the rationale of splitting the books is well-founded: The correlation book contains tranche trades and hedges which work well in tail scenarios; the index book (under IRC) contains the rest.
- This logic should be used going forward and index trades which hedge tranches booked in the correlation book and the others in the index book.
- The question is whether we re-calculate capital in this way from (a) the start of the quarter; (b) some point mid-quarter; or (c) the date on which they are re-booked.

Credit Derivatives Terminology

- Credit Default Swap
- Notional Amount
- Credit Default Indices
- CDX and iTraxx
- On-the-Run and Off-the-Run
- Traded Maturities/Duration
- Tranches
- Spread
- Carry
- Curve
- Shape of Credit Curve
- Bear Steepener/Flattener
- Bull Steepener/Flattener
- Forward Trade
- Skew
- Convexity
- Tail Risk
- CS10% or CSW 10%
- RWA

1835

CDX Indices

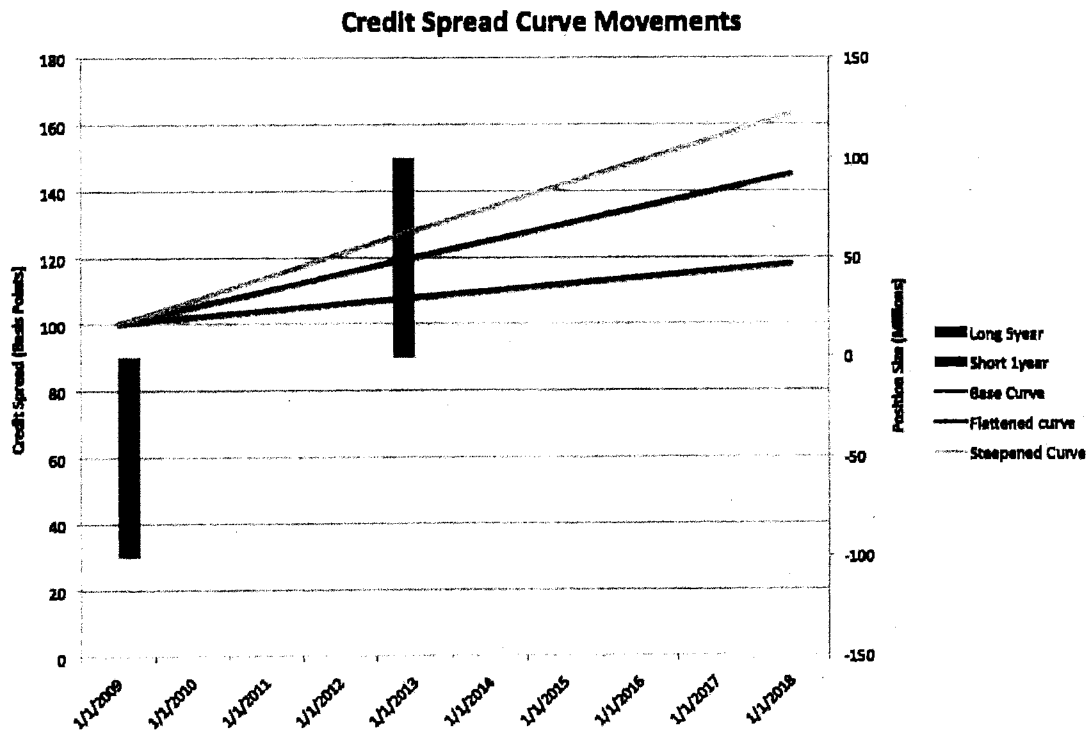
Index Name	Number of entities	On-the-Run Series	Traded Maturities	Tranches	Description
CDX.NA.IG	125	18	1, 2, 3, 5, 7, 10	0-3, 3-7, 7-15, 15-100	Investment grade CDSs
CDX.NA.IG.HVOL	30	18	1, 2, 3, 5, 7, 10	n/a	High Volatility investment grade CDSs
CDX.NA.HY	100	18	3, 5, 7, 10	0-10, 10-15, 15-25, 25-35, 35-100	High Yield CDSs
CDX.NA.XO	35	11	3, 5, 7, 10	n/a	CDSs that are at the crossover point between investment grade and junk
CDX.EM	14	17	5	n/a	Emerging market CDSs

1836

iTraxx Indices

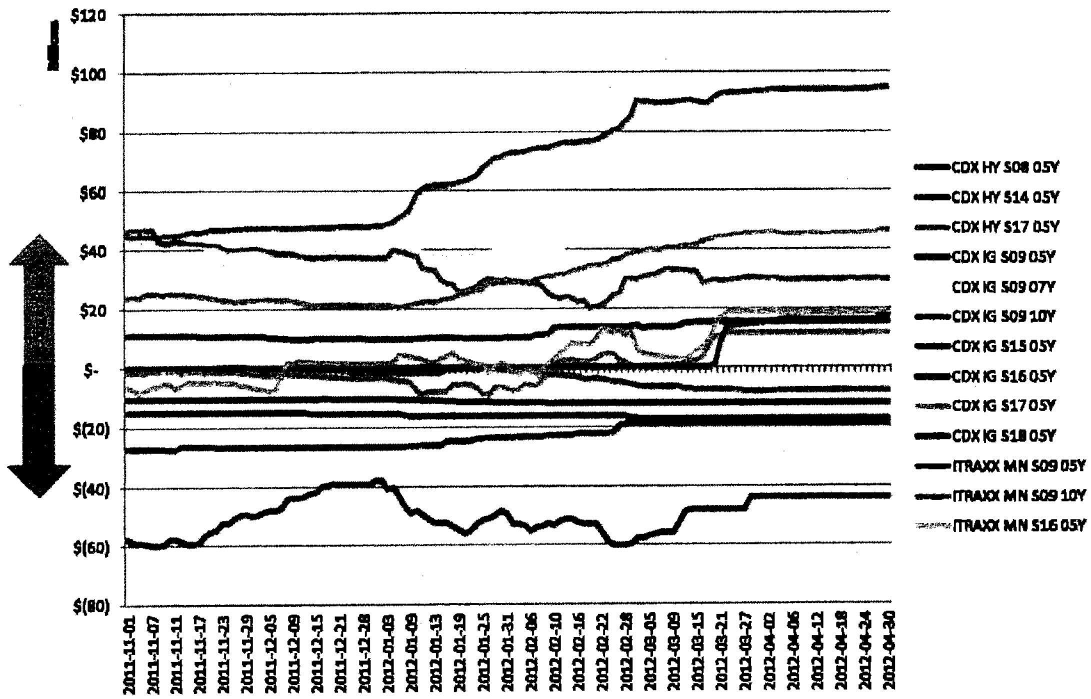
Index Name	Number of entities	On-the-Run Series	Traded Maturities	Tranches	Description
iTraxx Europe	125	17	3, 5, 7, 10	0-3, 3-6, 6-9, 9-12, 12-22, 22-100	Most actively traded names in the six months prior to the index roll
iTraxx Europe HiVol	30	17	3, 5, 7, 10	n/a	Highest spread (riskiest) non-financial names from iTraxx Europe index
iTraxx Europe Crossover	40	17	3, 5, 7, 10	0-10, 10-15, 15-25, 25-35, 35-100	Sub-investment grade names

1837

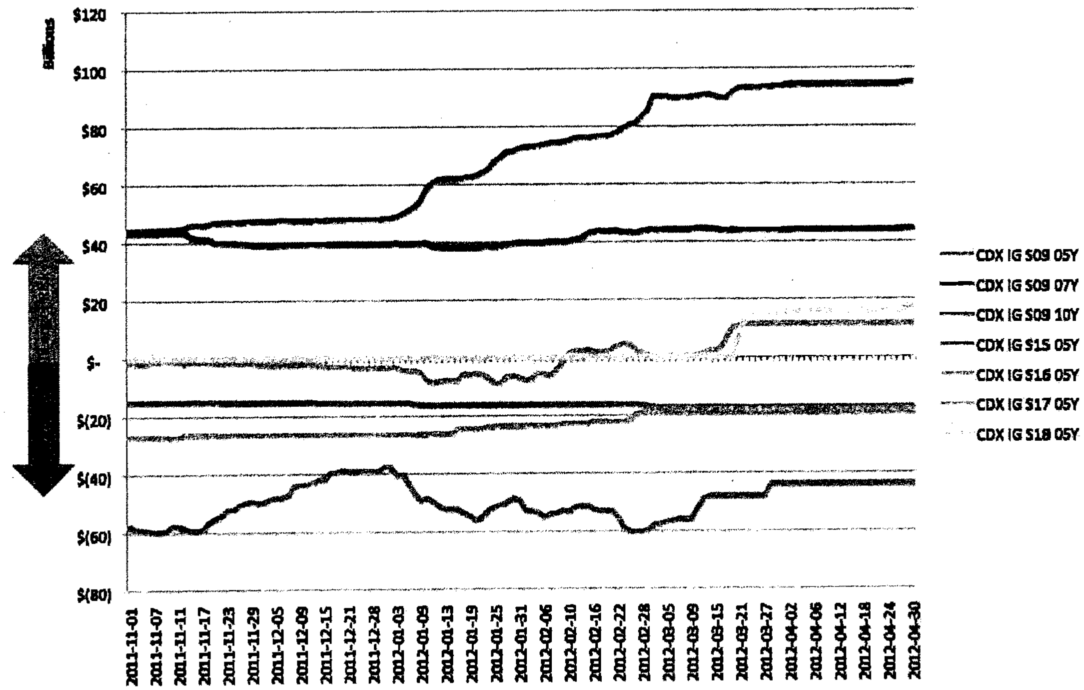

Credit Spread Curve Movements
180
160
140
120
100
80
60
40
20
0
150
100
50
0
-50
-100
-150
Long 5year
Short 1year
Base Curve
Flattened curve
Steepened Curve
1/1/2009
1/1/2010
1/1/2011
1/1/2012
1/1/2013
1/1/2014
1/1/2015
1/1/2016
1/1/2017
1/1/2018

1838

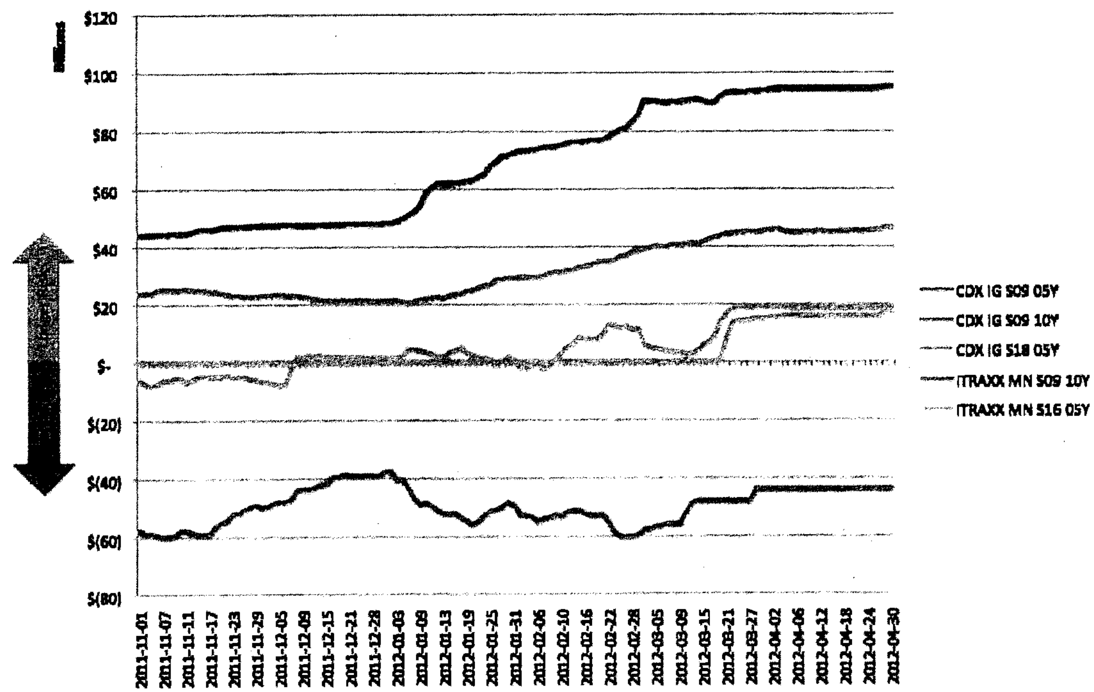
Daily Notional Positions in Key Instruments



Daily Notional Positions in Key Instruments - CDX IG

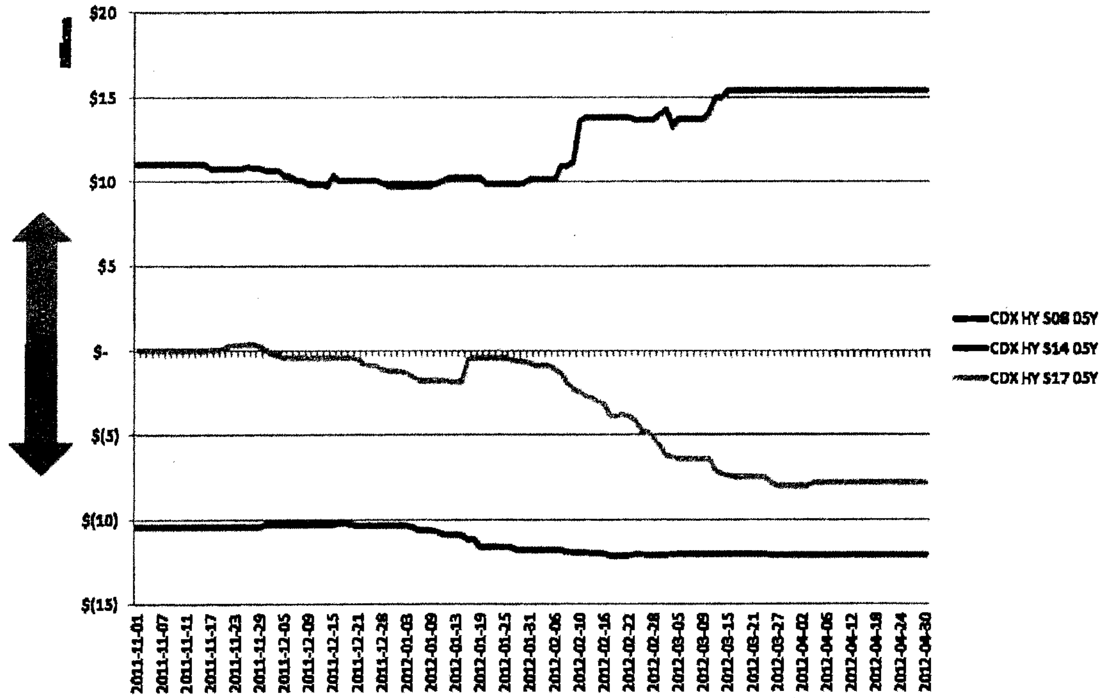


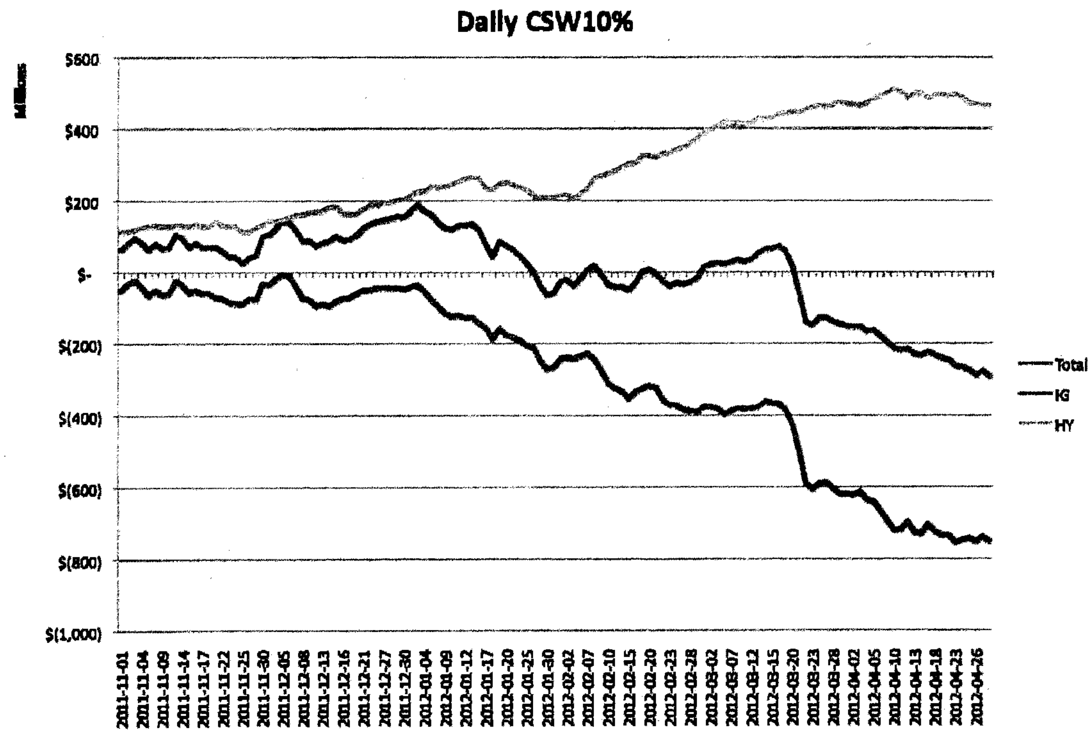
Daily Notional Positions in Key Instruments



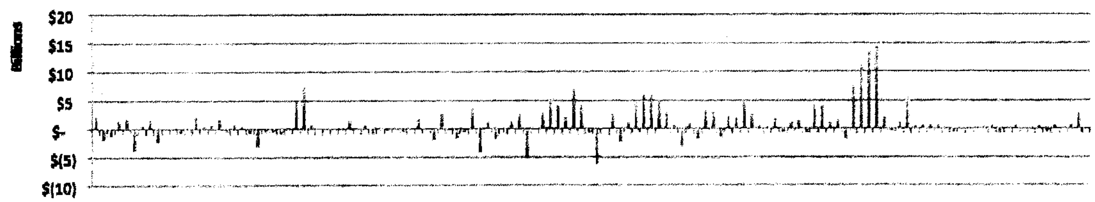
1841

Daily Notional Positions In Key Instruments - CDX HY

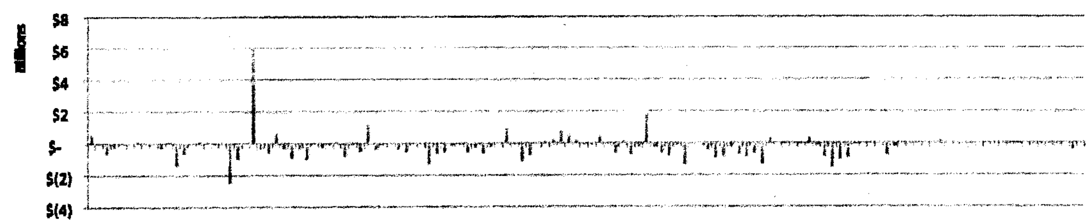



Daily CSW10%
Millions
$600
$400
$200
$-
$(200)
$(400)
$(600)
$(800)
$(1,000)
2011-11-01
2011-11-04
2011-11-09
2011-11-14
2011-11-17
2011-11-22
2011-11-25
2011-11-30
2011-12-05
2011-12-08
2011-12-13
2011-12-16
2011-12-21
2011-12-27
2011-12-30
2012-01-04
2012-01-09
2012-01-12
2012-01-17
2012-01-20
2012-01-25
2012-01-30
2012-02-02
2012-02-07
2012-02-10
2012-02-15
2012-02-20
2012-02-23
2012-02-28
2012-03-02
2012-03-07
2012-03-12
2012-03-15
2012-03-20
2012-03-23
2012-03-28
2012-04-02
2012-04-05
2012-04-10
2012-04-13
2012-04-18
2012-04-23
2012-04-26
Total
IG
HY

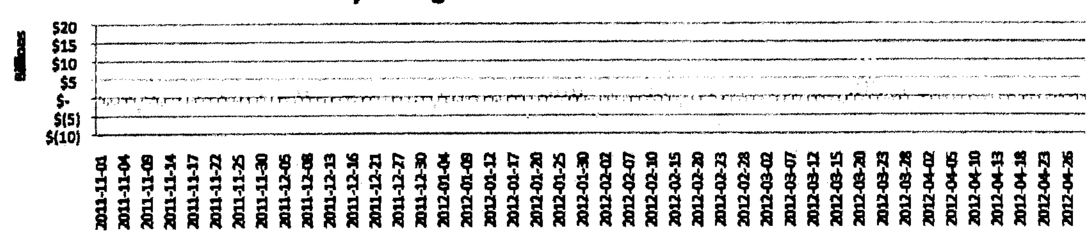
Daily Change in Investment Grade Notional Positions

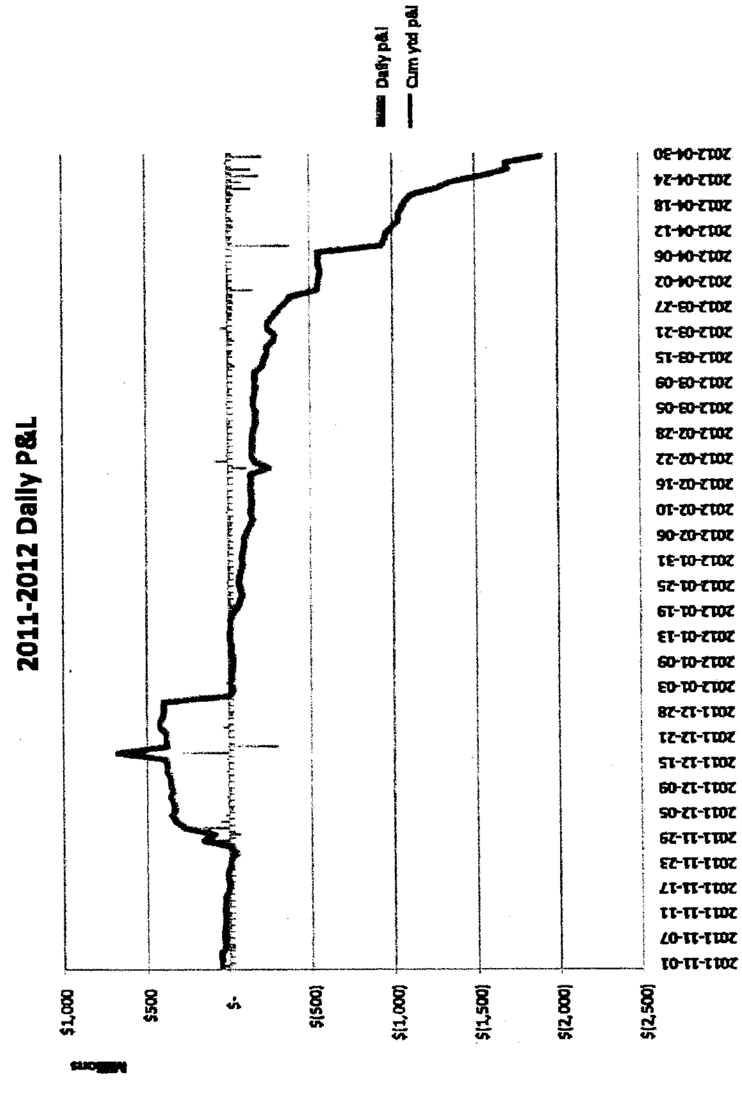


Daily Change in High Yield Notional Positions



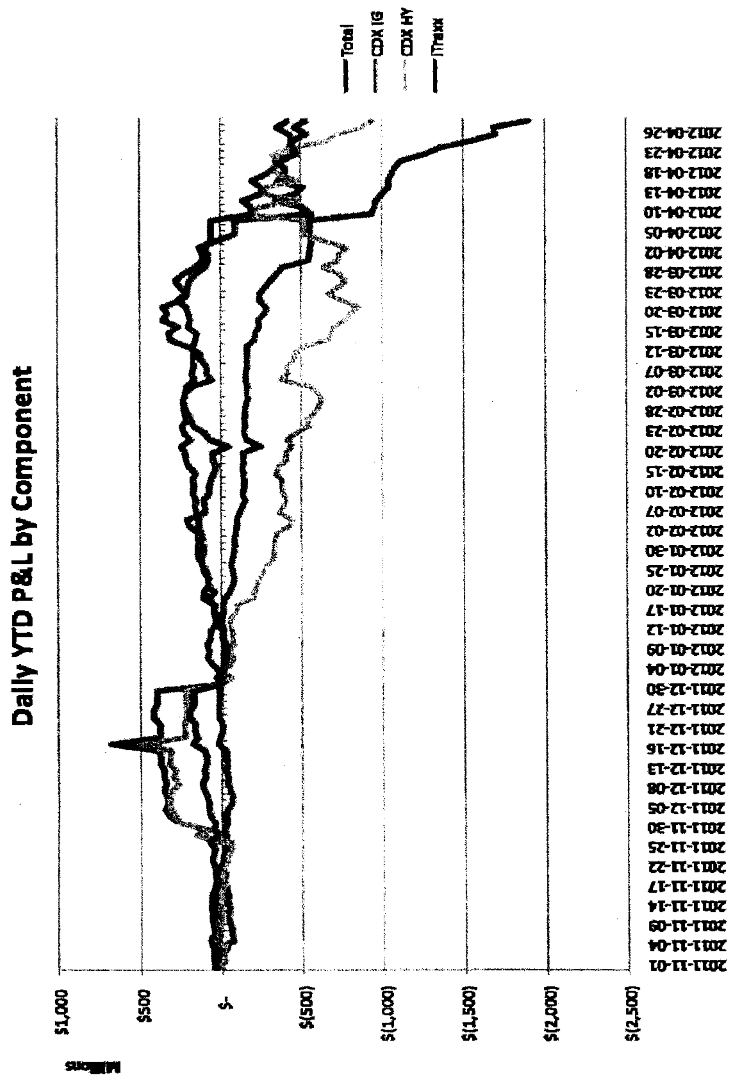
Daily Change in Total Notional Positions





JPM-CIO-PSI-0002060

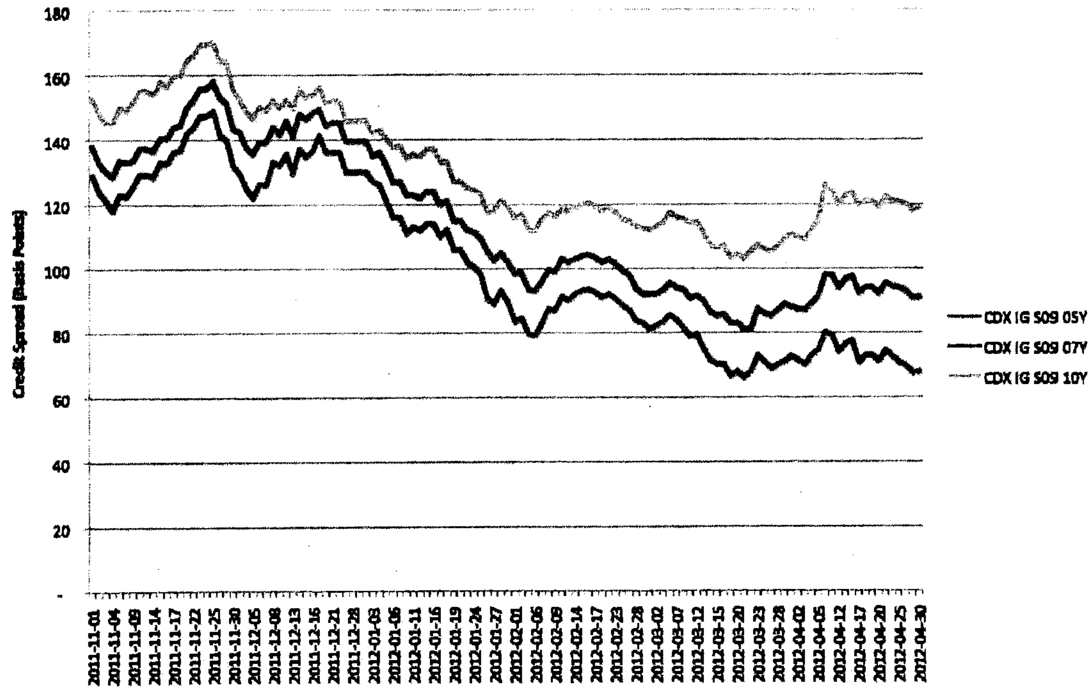
Confidential Treatment Requested by J.P. Morgan Chase & Co.



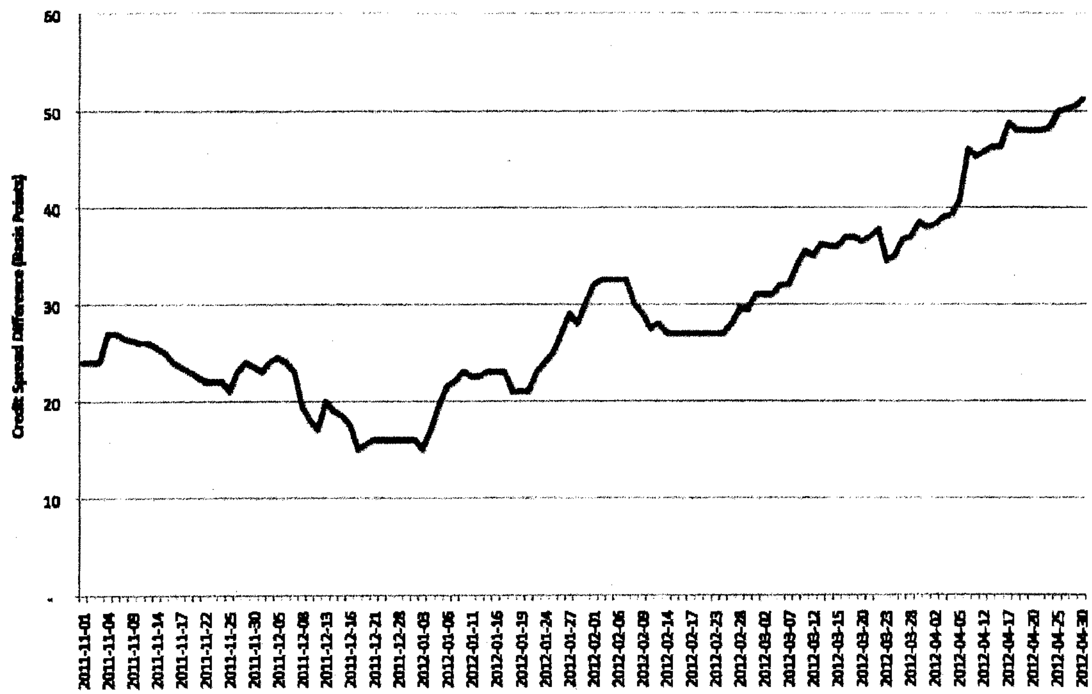
Confidential Treatment Requested by J.P. Morgan Chase & Co.

JPM-CIO-PSI-0002061

Credit Spreads on IG9 Index



Credit Curve Steepness IG9 10Y vs 5Y



TRANSCRIPT OF AUDIO RECORDING PRODUCED TO THE PERMANENT SUBCOMMITTEE ON INVESTIGATIONS

Date: April 20, 2012 Telephone Call
Parties: Achilles Macris, Daniel Pinto, Javier Martin-Artajo
Identifier: OCC_Box_07\Disc 14\20120711_JPM-CIO-A\NATIVE_DATA\JPM-CIO-PSI-A 0000140

Mr. Macris: Hey man.

Mr. Pinto: Yeah, so what's up?

Mr. Macris: No, it's not like that. You know, what is going on here is that this has taken, like, in a life by itself. So we are acting after Ina's instruction, you know, who, you know, wants to talk to Hogan about it. And, I don't know if she did already or not, or, you know, whatever.

Mr. Pinto: Who, Ashley?

Mr. Macris: Huh?

Mr. Pinto: Who wants to...

Mr. Macris: Ina, Ina, Ina, Ina.

Mr. Pinto: About this issue?

Mr. Macris: Mmm.

Mr. Pinto: Ok, well then, I need to talk to Hogan too.

Mr. Macris: You know, I don't know, listen, I mean, to me –

Mr. Pinto: So ah, this one. I, I, we don't have any collateral, significant collateral disputes with anyone. I will, I'm trying to get Jean Francois to really check on all of the valuations of the positions. So how, how many millions of dollars are we talking about? So I, I just don't understand, why, why could someone in March, strange as that might sound –

Mr. Macris: No, like you're not, listen. In a, the way that, you know –

Mr. Pinto: And how does it go to Ina? Because Ina is not the most stable person in the bank, so –

Mr. Macris: Yeah, that's what I'm saying. You know it's gotten away from me here, this one. You know, because, you know, you know, the story is like, you know, that, you know, Javier has, like, you know, sort of, some, you know, feedback and, you know, issues, you know, with the dealers.

Mr. Pinto: But Achilles, Achilles.

Mr. Macris: Hmm?

JPM-CIO-PSI-A 0000140

Mr. Pinto: I should say that it's a situation where I need to do a formal investigation. And, really, if Javier is fantasizing about this, he's going to really, he will, he will have a bad, a hard time here. I mean, if he's right, I need to fire a lot of people. So –

Mr. Macris: Yeah, exactly, you know, I mean, I'm not on that page so much. Like, I don't disagree with you. You know, this elevation is not my style, right? But you know the story here has to do much more like, you know, the way that this was put, like, you know, forward, you know, today. All of this happened like, you know, kind of life, like in the last, you know, sort of two hours. You know, I've been told exactly how to do this. You know, so the issue that has been described is, you know, sort of in the morning call, you know, that's like, you know, two hours ago. So do you understand how rapidly this has developed? You know, Javier goes and mentions, you know, listen, we are making a mockery of JP Morgan, you know, in the street. Because, you know, we are long investment grade and the IB is like, you know, short investment grade, and we are battling it in a visible way that is, you know, creating, like, you know, a lot of question marks. And then, you know, what do you mean by that? And, you know, the issue goes like, you know, ok, what happened, like, you know, with the disclosure of the position, with the knowledge of the methodology, the capital –

Mr. Pinto: But what I understand,

Mr. Macris: Mmm, mmm.

Mr. Pinto: From what I understand, how we got here, honestly, I don't care. What I see is that it is an accusation that the investment bank, with someone leaking the position of CIO, is acting against CIO on mismarking the books to damage CIO. And the second thing is that –

Mr. Macris: No, it's not, that is not to my understanding. My understanding is, listen, I, yeah, I don't know. These are very aggressive comments. I mean, the way I said, like, you know, to Ashley, is like I don't know, you know, whose fault this is, or anybody's, you know from my side, or any other side. Like, you know, do you understand? Like I'm not, this isn't like, I don't know how, you know this has become, like you know, an issue of disciplinary action. You know, the call was more like, you know, to say, that you know, that there's a behavior from the dealer, you know, that is consistent with like in a nondeposit.

Mr. Pinto: Yeah, but whoever, if it's you or Javier, or someone, picked the way that you picked in order to escalate this one, so that may have been intentional. It's not that it wasn't intentional. It's not intentional anymore. So now that we go so far up with it, we need to, so one thing is that you tell me, I think, that this trader is doing something incorrect. I go and check. And the other one is it goes all the way to Hogan to come back to me. Then, yeah, that may have been intention, but unfortunately, that train left the station.

Mr. Macris: Well, it is what it may. It is what it may, but I'm not going to play broken phone with anybody either. You know what I mean? You know, you know, so, yeah, you know.

Mr. Pinto: Yeah, if that's what it is, then we need to investigate what it is and that's it.

JPM-CIO-PSI-A 0000140

Mr. Macris: This issue, like you know, the issue that, you know, we'll have subsequently, and that is, like, something that I agree with, you know, that I don't think that it is appropriate that JP Morgan battles this in the market. And, you know –

Mr. Pinto: But Achilles, you are working on the assumption, that the guys in my, someone gave them the positions that you have. Which, I honestly, don't think that is the case.

Mr. Macris: Javier can prove this.

Mr. Pinto: He can prove it?

Mr. Macris: Mmm hum.

Mr. Pinto: Yeah, well, then, that's fine.

Mr. Macris: But all I'm saying is that's not the gravity here. You know, you, you're giving it this disciplinary spin to this that is not, like, you know, the central gravity the way I'm thinking about it. The way I'm thinking about it is, like, you know, when like, you know, basically, you know at CIO we [Indecipherable] with Boaz and Deutche, that was like in JP Morgan by Deutche. You know what I mean? You know, I think, you know, the current, like, you know escalation, that we have, like you know, between, you know, you know, let's say, you know, two different positions in the same firm. Even if that becomes like, you know, sort of elev -- you know, I'm led to believe that this is not a public, you know, thing, you know. And we're battling it out in the open.

Mr. Pinto: Ok. What, what, what are my guys doing? Just tell me. What have they done? They mismarked the books or they trade against your books, or what? What is it?

Mr. Macris: Ok, you want me to like, you know? Hold on a second. Let me, let's be very accurate because like, you know, this was, you know, they ... Let me see if I can get you here on the speaker. Ahhh, man. This is not about "the guys done." I have not gotten to what I think is the substance of it, but if you are amused by this conflict, we can have that conversation now. My point is, like, you know, I think that Bruno will need –

Mr. Pinto: Achilles, you need to understand that this is a very, very, very , very serious accusation.

Mr. Macris: Ok, hold on a second. Let's deal with that then and then I'll get to my view of the substance afterwards, ok? One second. [Switch to speaker phone.]

You there?

Mr. Pinto: Yes, I'm here.

Mr. Macris: Yeah, Javier? [Achilles talking to Javier] I have Daniel with me, and he's telling me what do you think that his guys done wrong. And I mean, obviously, we have a great relationship so he says, and he says, why are you going, like, you know, to, that route? I explain that this is what we've been asked to do by Ina. But there is something, that you have a grievance, yeah? In terms of, you know paying and you collecting this thing. So can you explain it, tactfully?

JPM-CIO-PSI-A 0000140

Mr. Martin-Artajo: Yeah, Daniel, hi. Yeah, what I wanted, I reflected to Achilles is that I think that is, is something that we should discuss internally at JP Morgan, really. I mean, I think that –

Mr. Pinto: Yeah but, Achilles, Javier, can we specific? What have they done wrong?

Mr. Martin-Artajo: Yeah, no, it's got to do with, with, with the quotes that we're getting and the behavior of our dealer in regards to the investment grade position that we have. I mean, it's –

Mr. Pinto: So the, sorry, hold on. The quote that you are getting from who?

Mr. Martin-Artajo: With, I forgot the name of the traders. I'll give you the names. It's called Roman something. Roman, I'm, I, what I don't –

Mr. Pinto: Roman in New York?

Mr. Martin-Artajo: Yes.

Mr. Pinto: The index trader in the, the, the flow index trader in New York?

Mr. Martin-Artajo: Yes.

Mr. Pinto: So on the quotes, I mean, what? There is someone <laughs> that has no fricking clue on what you guys have.

Mr. Martin-Artajo: I know. I know.

Mr. Pinto: In New York so –

Mr. Martin-Artajo: I know. The only question, the only problem, Daniel, and maybe this is a longer conversation is that, we, we are hearing from, from counterparties in the market that they are talking about some of the positions that we have. And, and I am concerned about that, right? I don't want –

Mr. Macris: [Interrupting.] That's not the issue. The issue is not [indecipherable]. Say it exact what you mean.

Mr. Pinto: But, so, I've very bothered. So what you think is that Sanjay, or Olivier or someone. So clearly, the only one who knows who the positions are, are, is Olivier, and that's it. So do you think that Oliver went and talked to some of your counterparts or our counterparts of all of the positions that you guys have in the market?

Mr. Martin-Artajo: No, I, I don't think it's that. I think that, what I'm trying to see is that, what I'm trying to say is that, there is an issue here with our IB in terms of the positions that we are trying to –

Mr. Pinto: But, but, Javier? Just to be, so, in the way that this was portrayed to me, is a very, very serious accusation. So, then, there are two things that I want to know. So if there are any, One, could be that you are concerned about something that may happen. And that is very valid, but if it didn't happen, it didn't happen. So my question is, there is something that DID happen, that in any shape or form, you

JPM-CIO-PSI-A 0000140

think that our investment bank is trading against your position, because the position was leaked in some weird form to them.

Mr. Martin-Artajo: Ok, I don't think that there is anything here that has happened that is of, of a serious nature. What I think is happening here, that is of a serious nature, is that what can happen with the marks that we get from the investment bank. Ok?

Mr. Pinto: <Laughs> Have you got any? Well, that's it. So now we go to the marks. Have you got any, we don't have any collateral disputes, so, or very little ones. Have you, have you, can you see, any of the marks, that they are deliberately un-, mismarked to hurt your position?

Mr. Martin-Artajo: I have, I have to, I have to show them, I have to show them to you. I mean, I think that this got to do with, with the knowledge of our position and the way that the investment bank is trying to, to position around that with the customers. I do think that that's the whole issue that we have. And then, that is the issue that I'd like to make sure that we keep it inside the company, right? It's something that I –

Mr. Pinto: Yes, but, so I'm asking you, is there any of the marks, that we have put in our books, that they are incorrect? Or malicious, to hurt your position? Yes or no?

Mr. Martin-Artajo: [indecipherable] I'm going to send you that, so that you can judge that, Daniel. I need to send them to you.

Mr. Macris: [Yelling.] Say the examples. What does he put, this is the time, the god damn words, please.

Mr. Martin-Artajo: Ok, what happens is that, every time we put a trade on, I get, you know, I get, sort of like an immediate ask from, from the dealer into the position that we just traded, right? So, I get evidence that they have access either to ICE or to some other way to look at what we do, and you know, I am concerned about that. I am, yeah?

Mr. Pinto: Honestly, I don't, I, I don't know. Is that the case? That someone is accessing your, your position? Because Olivier gave it to them or someone? So I need to fire that person.

Mr. Martin-Artajo: Ok.

Mr. Pinto: So we need to be extremely careful.

Mr. Martin-Artajo: That's right. We need to be, I mean, I. This came through, through a very different angle, Daniel. I mean, I, I need to explain you how is it that we are raising this issue through Ina. Well, it came from a very different point of view. It came through, having to reconcile the capital that we using in the business with the actual models that we use that are developed by the investment bank too, with QR, ok?

Mr. Pinto: Yeah.

Mr. Martin-Artajo: So we, we came up with, you know, a system, a way to look at all the risk is. You know we look at the VaRs, we look at the stress VaRs, we look at the same thing that you do, ok?

JPM-CIO-PSI-A 0000140

Mr. Pinto: Yeah.

Mr. Martin-Artajo: So what happens is that we ended up with something that ended up with, you know, with a dialup that we have with Ashley, with Venkat, with, with a lot of people, ok? At the same time, you know, we are, risk management knows that we have large, large concentrations, ok? Now, I, I, I am hearing in the market that, you know, some of the guys in the company are talking to them and wondering what we are going to do with the positions. Now, I, I just want to stop that, yeah?

Mr. Pinto: But Javier, Javier, Javier, Javier, my friend. You know that over these days, because of the difference in performance, everyone is stating that. So that, it's very likely, I'm not saying that this is true, it may be that you are 100 percent right and I have to fire 10 people here. I don't know.

Mr. Martin-Artajo: Yeah.

Mr. Pinto: But it is very likely that they are kind of warming you up.

Mr. Martin-Artajo: Yes. <Laughs.>

Mr. Pinto: It's very likely.

Mr. Martin-Artajo: I know.

Mr. Pinto: It happens all the time.

Mr. Martin-Artajo: All the time, man. That's exactly what I, but I want it to be inside the company. I don't want it to be known out there. And I don't want it be getting, getting –

Mr. Pinto: But what, what the market knows, doesn't know. So, I don't know what it is. But obviously, you bought those positions in the market so it is very likely that some of the market people can put two and two together. But, let's assume that that's not the case.

Mr. Martin-Artajo: Yeah.

Mr. Pinto: So for me, what is important is someone from my group, or Olivier, or Venkat, or Ashley, or someone else, leaked these positions to put you in a position that it will hurt the bank. Really? I, I, it is hard for me to believe that that is happening, but –

Mr. Martin-Artajo: Ok, well, then, help me with something, Daniel, because this is all I need, I need from you. What we need to do is look at what is the real issue here. Are we fighting something that is, that is, that is not the same on the other side of the investment bank and, therefore, is just something that is just dealers trying to do their normal work, trying to see what we were doing, Or are we discussing something that is substantially a mirror image of what the investment bank has. And that's what I told Achilles. Is that we need to, we need to discuss with the investment bank which of the two cases it is. Is it that we have an issue with, yeah?

Mr. Pinto: The position that you have, so, I don't know what it is. I suppose that it has to because we have some diversification benefit, by definition you have to put on a position that is the other way around.

JPM-CIO-PSI-A 0000140

Mr. Martin-Artajo: That's right.

Mr. Pinto: That's, that's, that's quite obvious. But, but that, from there, from there, which is a fact. Obviously, is a fact.

Mr. Martin-Artajo: Yeah.

Mr. Pinto: And these guys know, that we, as you know, both know, that we are getting some diversification benefit.

Mr. Martin-Artajo: That's right, yeah.

Mr. Pinto: From there, from there, from there, to go and accuse that someone is putting you in a position that is harming JP Morgan, by leaking your positions to the market, or by, or by trading against you, or by mismarking the books, it's a very different story.

Mr. Martin-Artajo: That's right. So I want to –

Mr. Pinto: So what I point out is to prove these three factors have not happening or are happening. And if they are happening, I need to fire a lot of people.

Mr. Martin-Artajo: And if they're not happening, we need to stop that they talk outside the market.

Mr. Pinto: But, you have <laughs> my friend, you don't know if they are talking outside the market. So what do you got? You get it from Deutche? You get it from Barclays? So where are you getting from? These people, I, I don't know. But we will see. We will check everything; we always do.

Mr. Martin-Artajo: Yes, please. That's what I'm asking you. I am on your side. Try to, try to, try to see what we can do about this, because –

Mr. Pinto: Friends, I think that this has, unfortunately, this has took a turn and now it's Hogan and Ina and the whole world involved –

Mr. Martin-Artajo: Yeah.

Mr. Pinto: Out of something that you suspect, but you don't know, because a Deutche guy or someone told him.

Mr. Martin-Artajo: No, no, no, no, no. That's not, that's not the point. The point is, is that I am working with, with you guys in trying to disclose information on what we are doing, ok? We are trying to be transparent here, with, you know, we are learning how the risk management and the QR interacts with our books. We are learning what that means for us in terms of capital. I'm trying to optimize capital. I'm trying to get a lot of that done. And I think that –

Mr. Pinto: You know, absolutely, but that, that Olivier, is that Olivier is working on that. Olivier is not part of the business anymore. Olivier, I guaranty you, there is, there is no, he is a very honest person. He has no incentive at all to leaking that into anyone, because he doesn't work there anymore.

Mr. Martin-Artajo: Ok.

JPM-CIO-PSI-A 0000140

Mr. Pinto: And in any case, and in any case, that someone mismarked the books in March? It just doesn't make sense.

Mr. Martin-Artajo: Ok, alright, I, I, I, ok, I'm just going to give you some, some, some facts. I, I, I –

Mr. Pinto: No, what I'm going to do, I would prefer that, that we get, jump inside this thing to really look into the positions, and see if we have anything that was incorrectly marked.

Mr. Martin-Artajo: Ok.

Mr. Pinto: And then we will internal audit the whole trading operations. Auditing and we will do whatever it makes you feel more comfortable.

Mr. Martin-Artajo: Ok, let's do that.

Mr. Pinto: Yeah, obviously, this is, I would have preferred to deal with this in a different way, but we are where we are, and next time we will be extremely more careful. And, in fact –

Mr. Martin-Artajo: How would you want to do it then? So that it's not, I mean, I, I'm, you know, I think what we need to do, I mean, for us, really, what I really wanted to understand is that we are in a, in a position where we need to understand very well what the next step is for our book, because, it is, you know the, the, the capital issues –

Mr. Pinto: But Javier, so these are two very different things. One is that you are accusing people of wrongdoing. That's one thing.

Mr. Martin-Artajo: Yeah.

Mr. Pinto: The other one is the externalization thing that we discussed the other day. And that may or may not go ahead.

Mr. Martin-Artajo: That's right.

Mr. Pinto: And it's nothing to do with this thing.

Mr. Martin-Artajo: Ok.

Mr. Pinto: And if you don't want to be a part of it, just don't be.

Mr. Martin-Artajo: Ok, no, no, we do want. But I, I just want to make sure that we don't have a big, I just want to clarify, that, that we don't have a risk management issue. That's all, Daniel, that we are –

Mr. Pinto: Yeah, that's fine. But that, at the moment what it is, is a real accusation. It's not that a concern that you may have for the future. And the way that the people think, over this side, is someone in my group, did something wrong. Either mismarked the books or used information that they should have not used to trade against your position and acted against the benefit of the, to harm the bank. So that is what is floating around.

Mr. Macris: Hold on a second. Daniel, let me just say to that. Like, you know, this issue, you know, came about, like you know, less than, you know two and a half hours ago. Ok? Let me just say that I talked to you about this. Like you know, so, the meeting was not, like, you know, you concentrate this meeting on disciplinary actions and things like that. I don't know where that's coming from, and I don't know what your conversation was with Ashley. You know, I believe that like Javier has shown me here, enough evidence, that like you know, the people, you know, on the desk know our positions or what we are doing in the market place. You can forward to your staff but you can see it. I don't much care about it, to be honest with you. So there is like, you know, a grievance like, you know, here, about, like you know, the knowledge, you know, of our position on the desk. I'll leave it, like you know, it to that. I don't care so much about it. The purpose of the call with, like, Ashley, that we were instructed to do with Irv. Do you understand that? "Instructed," "Irv," these are the two significant words here. You know, the issue revolved about an administrative solution in what has been perceived "a battle," you know, whether it has, like you know, disciplinary, or doesn't have, it was not like, you know, I don't know. It did not enter my mind. But there is definitely a battle. You know, that, you know, you know they work it out that they –

Mr. Pinto: A battle? Where, where, where do you see the battle?

Mr. Macris: [Talking to Mr. Martin-Artajo.] Can you explain? [Talking to Mr. Pinto.] Because the, I don't know Javier's sort of words, [talking over Mr. Pinto who says, "But Achilles, that's my point."], but you know, you know you find [indecipherable]. Can you find something that explains to people what it is?

Mr. Martin-Artajo: Yeah.

Mr. Macris: Because I don't want to care about the disciplinary thing. I want to care, like you know, that in my opinion, if there is a short, you know, that needs to be covered by the IB, and we got the long, let's find, like you know, some solutions here. You know, I don't want to get, like you know –

Mr. Pinto: There is no, I, I, I don't think so. So the last big position that we have against you where we lost money is American Airlines. We hedged you at the end of last year. We lost the money and we were wrong. So, I, I, I don't know. I don't know. It may be another one. I really don't know. You know who are you trading with. But –

Mr. Martin-Artajo: Ok. So then, then what happens is that then we need to settle this inside JP Morgan. If you're right about what you're saying, I have, I have reasons to think that, that, that, you know, I think you need to do a little more work on that. But it doesn't, the issue is, is that we should keep it inside the company, whatever that is. And if there is a trade to be done, we do it internally and we don't force it outside. And if there is no trade to be done in the market, then so be it. But at least I'm clear that –

Mr. Macris: Our guys are trading in the market day in and day out.

Mr. Martin-Artajo: Yeah.

Mr. Pinto: My, my, I don't know. I, I really need to, someone to dig into this one.

Mr. Martin-Artajo: That's right.

Mr. Pinto: What is concern for the future, you know, what someone may do and what has happened.

Mr. Martin-Artajo: Ok, let's –

Mr. Pinto: Clearly, the thing that concerns me the most, at the moment, is to see if someone has done something wrong, already. Not that you're concerned that they may do something wrong in the future, because, that, that, that hasn't happened. So –

Mr. Martin-Artajo: Ok, I'll send you, I'll send you through, through Ashley, the, the, you know, the, the, you know, some of the things that we observe on our side for you to be aware of –

Mr. Pinto: But those are valuations or they are comments?

Mr. Martin-Artajo: Well, they are, they are comments. They are chats. They are marks. They, they are quite a lot of things really. I mean, I, I don't think there's any, like Achilles said, I don't think this is a disciplinary thing. I, I'm just, I just don't want it to be, in the market. We're seeing as we're doing something here that is, that is, that we have a problem in our desk and at the end of the day what we're trying to do here is actually try to optimize the book for RWA purposes. And, and I'm going to, and since we coordinating this with the investment bank, I want to coordinate whatever we need to do in the book also with the investment bank and not do it outside. Because I have a feeling that we have, you know, something to do here. And that's what I, I want to make sure that the traders know. That we cannot, I don't want to battle it outside when we have something at the end of the day. It, it should be done inside the company.

Mr. Pinto: Yeah but that, that, Javier, I, I don't understand how that one, that, from either of two things. The, the externalization is something that we, we decide that we will do together.

Mr. Martin-Artajo: Yeah.

Mr. Pinto: And that is happening. The day to day trading, which it looks to be your concern.

Mr. Martin-Artajo: Yeah.

Mr. Pinto: That someone is trading against you, knowing your position, is something that I will be extremely surprised that is going on, but we'll take a look and see if that is coming up and that's it.

Mr. Martin-Artajo: Ok, thank you. Thank you for that, Daniel. Thank you for that.

Mr. Pinto: And if you could, so how much do you think is damage?

Mr. Martin-Artajo: It's a few basis points, but it's in a large position so that's the issue.

Mr. Pinto: So it's not many millions of dollars?

Mr. Martin-Artajo: I don't know like, maybe 250?

JPM-CIO-PSI-A 0000140

Mr. Pinto: Two hundred and fifty million dollars?

Mr. Martin-Artajo: Yeah.

Mr. Pinto: Ok. And you think that the fact that we marked the book that way, so we are benefitting with that amount and you are having a loss of that amount?

Mr. Martin-Artajo: Well, I, I just, I'm just concerned that the bid/offer spread is wide, and I don't know where the, the, the prices are when we trade. That's basically what it is, really.

Mr. Pinto: Ok, so then, then, I think that we need to get Jean Francois to take a look of the marks and see if there is anything that is being done inappropriate. What I was telling Achilles is that we haven't, we haven't had recently, any substantial, how do you call, actually I forgot the name, discrepancies in the valuations with clients, or my market disputes.

Mr. Martin-Artajo: Ok.

Mr. Pinto: So if we would have something of that nature, we would have substantial market disputes. But in any case, so I'll take a look, and then we'll take it from there.

Mr. Macris: Can I, just, I want to, like, you know, comment, you know, Daniel, like on a couple of things. Like you know, just to put, like, you know, here, like, in retrospective, you know on these things. On the externalization that's like a long-term thing, you know, we are working together, nothing is going to change. This is not of the moment, right? We are on board. Second, on the issue like, you know, like you know, coordinating our activities to optimize, like you know, our individual RWA and capital and overall the firm, that is also something, that you know, like the externalization, I want to, like you know, use, you know, Ashley and company and I've been, like you know, completely open, you know, in all aspects, you know with the guys that I want to work, you know to that solution and that is like a second point. What, like, has erupted, like you know, today, you know, is, like, you know, an issue of, like, you know, disfunctionality in the way that we making the market. You know, I personally do not know, or am saying or claiming or mentioned, like you know, to Ashley, that, like you know, this disfunctionality is, like you know, our fault, you know, the IB's fault, or somebody else's fault. I don't know. Do you understand? I know there is tension. Right? It can be only in our head. Now, if, yeah?

Mr. Pinto: One of the things, one of the things that I will do without mentioning anything that we have [indecipherable]. I will check with [indecipherable] to see if any CIO activities in mark, with some, let's see if they, if this is something that they even notice.

Mr. Macris: Right. So, like you know, what, all I'm saying is like you know, here. So the nature, like you know, of the call that I was asked to do, had to do, like you know with the issue, you know, let's not, like you know, escalate. You know, this, you know, tension and needs, like, you know, complementary positions that we can settle administratively. Right? You know, let's do that as opposed to, you know, continuing, like you know, being visible JP by JP into the street. Like you know, doing things dysfunctional. Dysfunctional, I think, doesn't mean, like, inappropriate.

things or, like, in the subject to disciplinary action. I don't know. I think that, like you know, Javier seems to be a little bit more convinced, like you know, the positions that, you know, that he has, like you know, they are known to the IB. And, like you know, the positions. [Speaking to Mr. Martin-Artajo] What is the system that you were telling me called?

Mr. Martin-Artajo: ICE.

Mr. Macris: [Speaking to Mr. Pinto] ICE. That the, the thing that goes into ICE. You know, the dealers, you know, see. I don't know. You know what I'm saying? I have not investigated. I don't know. My thought it was not about the disciplinary things or punishing anybody. What I'm not saying, like you know –

Mr. Pinto: No, Achilles, Achilles, Achilles? Sorry. That's, that's not right. Someone is acting wrong. So, I'm not going to accept any of the persons that work for me that don't, that don't operate with 100 percent integrity.

Mr. Macris: Ok.

Daniels: So, there is, there is an accusation. This is what it is. You may have, it may be right or wrong. Alright? Let's investigate and, and, and come to a conclusion.

Mr. Macris: Good.

Mr. Pinto: If someone did something wrong, so there, there will be a consequence of it. Of course.

Mr. Macris: All I'm saying to you is, like you know, that is not where my thought is, like you know, I'm happy that, like you know, that I opened to you what, like you know, Javier presents to me. Same thing, together from the same time, like you know, as I do, because I asked him to compile it and to put it down, because I understand the seriousness of this thing. It's not where my head is. Do you understand? Like, ok, we'll look at it, but, I understand, you know, that your approach is like, you know, on the up and up. I much appreciate it. You know, the, the point of this call that I was asked to do here, you know, and you people involved like Irv does not know the book, and, you know, whatever, Ashley, on the outside of the airplane, obviously I don't operate this way, as you know, for many years. You know, it is, like you know, the issue, there is, like, you know, something that will play in the public arena. Right? You know, for whatever reason, you know, let's sort it out. So I think that it's not –

Mr. Pinto: But, but, ah, yeah but to think, to think, that someone from us, or Olivier, or anyone else went and openly in the market, talked about your positions, really? I would be extremely surprised.

Mr. Macris: Ok.

Mr. Pinto: That the market knows that, what your positions are, that may be, because you bought tons of it.

Mr. Macris: Yeah.

Mr. Pinto: So then, so then, [indecipherable] for now. I mean, if you sold them back, there are only three players in this space. So, it is very likely that people know what you have. But in any case, I think that we'll take a look and see what it is. If we did something wrong –

Mr. Macris: Again, I, all, all I want to tell you, like, I think that is, that is great that you are doing it, and I appreciate it. It is not, like you know, for me here, you know, I don't want to, like you know, represent to anybody, and I certainly did not represent this, you know, on the quid quo, where at, like with Irv and Ashley, that like you know, there is, like you know, something here with, you know, disciplinary, you know, actions. You know, we're talking, like you know, if there is –

Mr. Pinto: Yeah, but Achilles, Achilles, you know that when –

Mr. Macris: Ok, but I choose to, to, have like what is important to me. I'm just stating it to you. Right? You know, you –

Mr. Pinto: Yeah, I, I understand but, but, as I told you, things that that, when Ina goes and talks to Hogan and the whole company, this, this is, it was really it, probably.

Mr. Macris: Yeah.

Mr. Pinto: Ok, thank you.

Mr. Macris: Alright, man. Take care. Ciao.

###

From: Drew, Ina <Ina.Drew@jpmorgan.com>
Sent: Mon, 23 Apr 2012 11:04:41 GMT
To: Goldman, Irvin J <irvin.j.goldman@jpmchase.com>
Subject: Fw: Largest OTC Collateral Call Dispute Report plus Update on Collateral Disputes Reported to Supervisors

---

From: Macris, Achilles O
Sent: Monday, April 23, 2012 03:32 AM
To: Drew, Ina
Cc: Wilmot, John
Subject: FW: Largest OTC Collateral Call Dispute Report plus Update on Collateral Disputes Reported to Supervisors

FYI

From: Bates, Paul T
Sent: 22 April 2012 13:32
To: Stephan, Keith; Macris, Achilles O; Martin-Artajo, Javier X
Cc: Lewis, Phil; Enfield, Keith
Subject: Fw: Largest OTC Collateral Call Dispute Report plus Update on Collateral Disputes Reported to Supervisors

Below is Fridays mail from the collateral team that raised the issue. It breaks out the overall disputes as at 18 April of $515mm per cp (ABS mtm of these positions is approx. $39bn difference is only 1.5% of this). Morgan stanley is the biggest dispute at $117mm this is what triggered the collateral review. This is mostly tranches as it is on our bilateral trades and the majority of the index trades are facing ICE. The biggest difference by instrument is the Itraxx Series 9 10year 22-100 tranche which is approx $95mm. Collateral disputes are not uncommon at the firm level. We do occasionally get collateral disputes, the bau process is for MO to check the bookings and tie out positions and for VCG to confirm the mark. MO have confirmed with the collateral team that the positions have been fully tied out with the counterparty other than a very small number of trades with an immaterial variance that have parameter breaks.

Currently VCG are working on validating that the book is marked with in thresholds (focusing on the top 19 instrument differences which is about 90% of the total) and are looking to completing this tomorrow morning. The desk were given the break down on Friday as well. VCG will also look at any findings from their work as well.

The collateral team also provided a time series which shows the overall difference growing through March to a approx. $500mm at March month end. March month end was tested as satisfactory by VCG.

Thanks

Paul

From: Lewis, Phil
Sent: Friday, April 20, 2012 03:16 PM
To: Bates, Paul T
Subject: FW: Largest OTC Collateral Call Dispute Report plus Update on Collateral Disputes Reported to Supervisors

---

From: Wilmot, John

Sent: Friday, April 20, 2012 9:04 AM
To: Lewis, Phil
Subject: FW: Largest OTC Collateral Call Dispute Report plus Update on Collateral Disputes Reported to Supervisors

Phil – fyi. Rory seems to be working on this with the FO. I have alerted Ed as well.

John C. Wilmot | Chief Investment Office | ✉ john.wilmot@jpmorgan.com | ☎ Work: (212) 834-5452 | ☎ Cell: (917) 664-1690

From: Demo, Mark
Sent: Friday, April 20, 2012 9:01 AM
To: Wilmot, John
Cc: Morris, Andrew X; Miller, Charles R; Bjarnason, David; Hughes, Jason LDN
Subject: FW: Largest OTC Collateral Call Dispute Report plus Update on Collateral Disputes Reported to Supervisors

John – I wanted to bring something to your attention. This is a weekly report that we in IB Collateral produce that reflects the 10 largest collateral disputes for the week. You should know that in our top 10 this week we have quite a few disputes that are largely driven by mtm differences on CIO London trades. If I look at the total mtm differences across the CIO book facing the G-15 – the mtm difference totals over $500MM.

I have included a break out of yesterday's mtm differences by G-15 firm for only the CIO London credit book. The numbers in the own column show our trade count facing the counterparty. The numbers in the Diff MTM column show the total mtm difference across the CIO London trades facing the counterparty indicated.

— = Redacted by the Permanent Subcommittee on Investigations

We are in correspondence with your middle office (Rory O'Neil) who has taken our questions regarding these differences to your Front Office. We are awaiting a response. We are also doing mtm difference based on product type and underlier which we will have a little later today.

I am working from home today – I can be reached at [redacted] if you want to talk.

Mark Demo | IB Collateral | **J.P. Morgan** | 383 Madison Avenue, 11th Floor, New York, NY 10179 | T: 212 622 5485 | mark.demo@jpmorgan.com

JPMC INTERNAL USE ONLY

From: Demo, Mark
Sent: Thursday, April 19, 2012 6:33 PM
To: Staley, Jes
Cc: Zinke, Steinar X; Sankey, Brian; Eichenberger, Stephen; Cox, Andrew UK; Christ, Michael; Eckstein, Peter C; Waller, Lawrence;

Ambrecht, Mary R; Hanrahan, Kieran; Brough, Richard; Magnus, Arthur; Keating, Karen R.; Bessin, Jean-Francois X; King, Ian A; Bishop, Elizabeth W; Compton, Paul H; Zames, Matthew E; Masters, Blythe; Pinto, Daniel; Hernandez, Carlos M.; Ricci, Paul A.; IB Credit Risk Reporting; Scott, Nicola R; Robbins, Nigel; O'Rourke, Erin; PS Europe Collateral; Sims, Mark; Bruce, James A; Moores, Christopher D; Morris, Andrew X; Magalhaes, Augusto P; Miller, Charles R; Moffitt, Albert J; Cisz, Mark M; Poz, Thomas I; Rallan, Luke X; Lee, Louis TH; Winkelman, Amanda D; McDonagh, Daniel; Diaks, Marc X; Morzaria, Tushar R; Beneski, Beverly J; Gaunekar, Siddhi P; Thomey, William D; Robinson, Scott A; Willcox, Christopher P; Jhamna, Sanjay X; Vigneron, Olivier X; Munro Directs; Munro, Graeme; Rubenstein, Stuart; Leach, Mark; Rokkos, Angela; Nuttall, Kenneth E; Nandanar, Preeti H; Bogle, Andre A; Warnier, Daniel P; Boi, Simona; Dewson, Thomas X; Kane, Karoline; Healey, Gareth; Hurley, Jonathan X; Eichenberger, Stephen; Miller, Charles R
Subject: Largest OTC Collateral Call Dispute Report plus Update on Collateral Disputes Reported to Supervisors

Attached is this week's report detailing the 10 largest collateral call disputes on the OTC derivatives book. In order to reflect ongoing issues with some of the larger broker dealers, this report lists counterparts with which we are seeing consistent differences regardless of whether it is JPMC or the counterpart that is showing exposure.

The report also reflects updates on collateral disputes previously reported to Supervisors as well as those disputes tracking to be reported to Supervisors for April month end.

The RAG ratings in col O are defined as follows:
Red = a dispute meets the age, size and risk rating criteria set out in the grid below.
Amber = the dispute does not meet all the criteria on the grid
Green = either the dispute has been resolved since the date of the data cut for this report, or resolution is imminent.

cid:image003.jpg@01C9C8D7.D841BB00

Mark Demo
212-622-5485

Mark Demo | IB Collateral | **J.P. Morgan** | 383 Madison Avenue, 11th Floor, New York, NY 10179 | T: 212 622 5485 | mark.demo@jpmorgan.com

10 Largest OTC Collateral Disputes over 7 days old

JPMC O/S Days	Total O/S Days	Legal Name	Bank Branch	Contract #	Trade Count	JPMC MTM	JPMC Collateral Call	Counterparty Call	Agreed Amount	Total Disputed Amount	Primary Credit Officer	MD Credit Exec
5	21	MORGAN STANLEY CAPITAL SERVICES LLC	JPMC BANK NA	718252	61,542	78,748,882	111,930,000	43,290,000	0	155,220,000	Hall,Kyle Kenneth	Christ, Michael
2	13	CITIBANK NA	JPMC BANK NA	34803	50,785	3,717,283,969	116,180,000	10,220,000	0	126,400,000	Grossman,Catherine S	Christ, Michael
2	20	BANK OF AMERICA, N.A.	JPMC BANK NA	10910872	50,867	(2,577,147,008)	157,300,000	0	34,088,167	123,211,833	Mc Kesson,John A	Christ, Michael
2	16	GOLDMAN SACHS INTERNATIONAL	JPMC BANK NA	10012495	48,338	1,969,244,028	119,750,000	0	24,232,230	95,517,770	Poz,Thomas I	Christ, Michael
2	8	CREDIT SUISSE AG	JPMC BANK NA	14862	5,947	(113,610,047)	163,500,000	0	79,322,419	84,177,581	Mangan,Barry	Bishop, Elizabeth
8	13	NOMURA INTERNATIONAL PLC	JPMC BANK NA	10242	16,121	101,837,222	0	79,290,000	18,760,000	60,530,000	Aiyohara,Keiko	Eckstein, Peter
2	7	CREDIT SUISSE INTERNATIONAL	JPMC BANK NA	10005169	29,450	(1,394,065,463)	40,000,000	20,000,000	0	60,000,000	Mangan,Barry	Bishop, Elizabeth
2	9	GOLDMAN SACHS BANK USA	JPMC BANK NA	10011481	14,911	(876,504,805)	0	114,840,000	57,309,999	57,530,001	Poz,Thomas I	Christ, Michael
8	8	CREDIT SUISSE INTERNATIONAL	JPMC & CO	809585	11	1,857,774,218	58,200,000	0	18,000,000	40,200,000	Mangan,Barry	Bishop, Elizabeth

27	29	DEPFA ACS BANK	JPMC BANK NA	10466372	47	686,404,330	41,562,244	0	2,639,934	38,942,310	Bewa, Gurminder Singh	Bishop, Elizabeth

▬ = Redacted by the Permanent Subcommittee on Investigations

Comments	R/A/G	Dispute Type	Escalation Point
Range for week - $98mm - $156mm Top 5 matched CDS trades (iTraxx Europe Series 5, 6 & 7 underliers) with USD 75mm mtm difference. Confirming booking with JPM and CP MO (CH London). [redacted]	Red	Booking	Waller
Range for week - $88mm - $128mm 281 matched CDS trades (CDX.NA.IG.9 0%-3%) with USD 34mm mtm difference. Known historical issue regarding timing difference on trade pricing. Confirming booking on with JPM MO on trades with Top differences. (CIO London) 68 matched CDS trades (iTraxx Europe S9 22%-100%) with USD 8mm mtm difference. Top 4 trades have notionals over EUR 1bn and ~ 18m mtm difference. (CIO London) [redacted]	Amber	Booking/ Discounting	Waller/ O. Wilcox
Range for week - $35mm - $123mm 84mm mtm difference across 444 matched CIO London CDS trades. Known historical issue regarding timing difference on trade pricing. Checking booking with JPM MO on trades with top differences (CIO London) [redacted]	Amber	Booking/ Discounting	Waller/ O. Wilcox
Range for week - $39mm - $96mm [redacted] 59 Matched CDS trades totaling USD 16 mm with CDX.NA.HY.10 10%-15% underlier. 55 Matched CDS trades totaling USD 14 mm with CDX.NA.HY.10 15%-25% underlier. Known historical issue regarding timing difference on trade pricing. Confirming booking on with JPM MO on trades with Top differences. (CIO London)	Amber	Booking	Waller
[redacted]	Amber	Booking	Waller
[redacted]	Red	Booking	Waller
[redacted]	Amber	Discounting/ Booking	Waller/ C. Wilcox
[redacted]	Amber	Booking	Waller
[redacted]	Amber	Discounting	C. Wilcox

From: Goldman, Irvin J <irvin.j.goldman@jpmchase.com>
Sent: Thu, 03 May 2012 00:22:41 GMT
To: Braunstein, Douglas <Douglas.Braunstein@jpmorgan.com>
CC: Hogan, John J. <John.J.Hogan@jpmorgan.com>; Bacon, Ashley <Ashley.Bacon@jpmorgan.com>
Subject: CSW 10%

Doug,
On page four of the materials is a graph of csw 10% since beg. 2011 Please let me know if this satisfies your request.
Irv

From: Goldman, Irvin J
Sent: Tuesday, May 01, 2012 01:49 PM
To: Hogan, John J.; Zubrow, Barry L
Subject: CIO Risk Material- As requested

John, Barry
Enclosed is the background material you requested for the audit committee meeting. Let me know if you need anything more.

Irv

CIO SYNTHETIC CREDIT

Risk background information for upcoming meetings

May 2012

J.P.Morgan

STRICTLY PRIVATE AND CONFIDENTIAL

Executive summary

- Limit structure for synthetic credit book is incorporated within the overall CIO MTM credit limits.
- Synthetic Credit VaR is large percentage of overall CIO VaR.
- Existing risk metrics and risk appetite were consistent with historical experience .
  - Recent experience more consistent with extreme tail scenario.
- Large stress loss reduction actions taken during Q1 increased substantially complex risks not captured by the current limit structure.
- Substantial notional and risk changes occurred within a very condensed time period in late Q1.
- Risk management initiated overall review of all CIO limits and governance policy in February 2012.

1870

Background

CIO Synthetic Credit in the context of the portfolio:

- Historically intended to provide positive P&L protection to large credit events.
- Partial offset to long credit exposures in the AFS portfolio.
- Risk protection strategy changes in 2012 from historical profile.

Risk profile evolution:

- **Pre Q4 2011**
  - The portfolio was net short risk to credit spreads, with upside on HY defaults, positive spread convexity to a sell-off / widening.
  - In preparation for large expiry of HY short risk positions in Dec '11, and contemporaneous with increased long risk positions in Q3, the HY short risk position is increased,.
- **Q4 2011**
  - 30 Dec CSW10% sensitivity is maximum short at +$152MM, HY default of AMR in Nov' 2011, with emerging default risk among other names (e.g. Kodak Rescap). High yield indices become less liquid.
- **Q1 2012**
  - To neutralize the net short risk position emanating from HY short risk positions, yet to retain upside on defaults, Investment Grade long risk positions are increased (this increases the concentration risk to series 9 instruments in CDX and iTraxx, and increases sensitivity to the 'Compression' risk of relative value between IG and HY positions.
  - Portfolio net CSW10% moves from +$152MM to -$152MM as at 30 March.
  - Short Risk neutralization strategy creates substantially higher complex risk profiles.
    - Directional credit spreads
    - Compression (investment grade vs. high yield, US and Europe)
    - On-the-run/off-the-run basis
    - Curve
    - Tranche/Correlation
    - Interest rates

1871

Position Evolution 2012

- Management decides to reduce short risk position:
  - 1. Spread +10%, spread +50% position turns from long protection to long risk
  - 2. Significant increase in net notional position (not indicative of risk position)
  - 3. Decreasing index equivalent during 1Q '12, but increase in spread +50% tells a different story

Management decides to neutralize credit protection

Change in risk profile

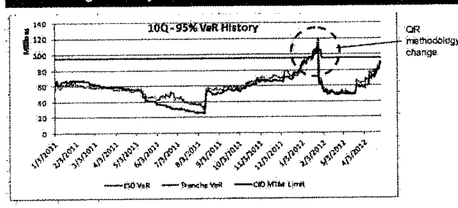
Risk Summary	30-Sep-11	31-Oct-11	30-Nov-11	30-Dec-11	31-Jan-12	29-Feb-12	30-Mar-12	19-Apr-12	27-Apr-12
P&L									
YTD	95	124	349	447	(100)	(169)	(719)	(1,299)	
MTD	16	29	224	100	(100)	(69)	(550)	(598)	
Notional ($) Factored	42,698	38,813	42,181	50,997	87,784	94,611	158,944	158,130	162,021
Notional ($) Idx Eqv	(56,042)	(62,907)	(91,154)	(78,717)	(74,171)	(82,786)	(41,075)	(27,012)	(30,851)
Spread +10%	42	82	94	156	(59)	(20)	(153)	(242)	(287)
Spread +50%	165	325	369	634	(313)	(180)	(545)	(1,320)	(1,339)
Credit Stress (LFS)	650	1,049	1,283	1,449	867	1,905	576	(140)	(282)
VaR 95	56	66	70	61	62	50	55	53	66

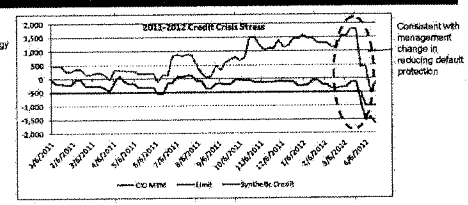
Market Data	30-Sep-11	31-Oct-11	30-Nov-11	30-Dec-11	31-Jan-12	29-Feb-12	30-Mar-12	19-Apr-12	27-Apr-12
ITRAXX MN OTR 05Y	203	162	185	173	143	129	125	146	137
CDX IG OTR 05Y	145	122	128	120	102	94	91	100	94
CDX HY OTR 05Y	850	660	733	689	568	552	579	633	583
ITRAXX XO OTR 05Y	838	659	756	755	618	569	613	686	643
ITRAXX MN S09 05Y	196	142	176	171	128	109	99	118	107
ITRAXX MN S09 07Y	220	170	196	189	149	135	132	155	145
ITRAXX MN S09 10Y	228	182	209	196	160	149	151	178	168.25
ITRAXX MN S09 5/10	32	40	33	25	32	40	52	61	62
CDX IG S09 05Y	150	121	129	132	91	83	71	72	67
CDX IG S09 07Y	162	131	138	142	105	94	91	98	91
CDX IG S09 10Y	175	150	150	151	120	114	113	124	118.39
CDX IG S09 5/10	25	29	21	19	29	31	42	51	52
EUR FX	1.34	1.39	1.35	1.29	1.31	1.34	1.33	1.31	1.33

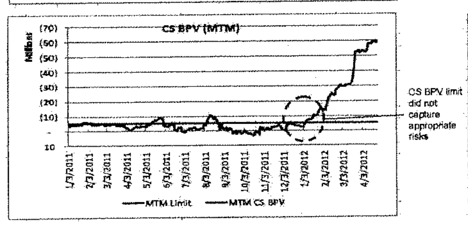
Risk metrics and limits: CIO limits structure

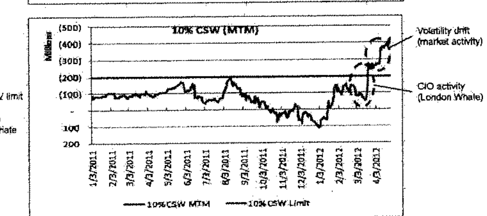
- For MTM instruments, limits encompassed both the accounting designated investment portfolios, as well as hedge activity
  - Limits were not set at the specific level of the Synthetic Credit Portfolio
- Limits in place include:
  - CIO VaR
  - CIO stress
  - Credit spread sensitivity (CS01)
  - Exposure to 10% wider spreads (CSW10%)
- Limit excess during 1Q in CS BPV was approved with a plan to revise the limit as cs01 comingled hy and IG cs01(not beta)
- Review of all CIO limits and governance initiated in February 2012

Limits usage history









Corporate risk appetite

- Corporate Risk Appetite: *"No quarterly loss greater than ($2.2B) – ($1.5B) Corp. ex PE; ($750mm) PE; $0 CIO"*
- CIO contribution to corporate:
  - CIO stress limit on MTM set at $500mm, consistent with historically delivered performance
    - Recent change in MTM stress limit to $1.0B *driven only by inclusion of preferred stock investments*
    - Stress performance of MTM activities not expected to breach risk appetite
    - Actual P/L driven by a series of idiosyncratic tail risks
  - VaR, stress, P/L experience did not foretell relative value dislocations
  - Focus of risk metrics was performance of synthetic credit in credit deterioration scenario

CIO MTM revenues in the context of the overall corporate disclosed revenues

	1Q12	4Q11	3Q11	2Q11	1Q11	4Q10	3Q10	2Q10	1Q10	4Q09	3Q09	2Q09	1Q09
As reported in the EPR Supplement ($mm)													
Principal transactions	$ 113	$ 324	$ (933)	$ 745	$ 1,298	$ 587	$ 1,143	$ (69)	$ 547	$ 715	$ 1,109	$ 1,243	$(1,493)
Total private equity gains/(losses)	328	(149)	(440)	616	727	387	750	75	136	273	155	(20)	(462)
Securities gains	449	54	607	837	102	1,199	99	990	610	378	181	366	214
Net interest income	16	245	8	218	34	(131)	371	747	1,076	978	1,031	865	989
MTM VaR 95%	67	69	48	51	60	49	53	72	70	78	99	111	121
MTM Revenues for CIO & CRP ($mm)													
CIO	(255)	329	(582)	130	376	192	236	(207)	329	456	985	1,321	(292)
CRP	47	4	(27)	(33)	85	30	93	49	28	139	41	87	(520)
Total CIO & CRP	(208)	333	(609)	98	461	221	329	(158)	356	595	1,026	1,408	(811)
Synthetic Credit	(532)	367	56	17	28	74	7	4	134	218	537	390	(187)

3Q11 financials scare drove unrealized losses in preferred

Synthetic Credit historical experience

CIO risk appetite

DRPC January 2012

Financial	Status
Earnings	
▪ Positive NII relative to structural risk transfer	Baseline Lowest NI (qtr) $114.6mm Q1 2012
▪ MTM Overlay stress no more than two quarters budgeted MTM revenues	Highly Adv Lowest NI (qtr) $ 2.4mm Q1 2012
ROE	
▪ Budgeted total revenues 2012 $1.77B	Baseline Lowest ROE (qtr) 3.2% Q1 2012
▪ Target ROE of at least 15% based on capital of $6.5B	Highly Adverse Lowest ROE (qtr) 0.1% Q1 2012

Portfolio Strategy

Credit Risk

- Single name exposure subject to firmwide Single Name Risk policy
- Country Risk subject to firmwide Country Risk limits

Market Risk

- VaR : One day, 95% unexpected loss in normal market conditions measured against a one year unweighted look-back period. Limits for MTM activity
- Stress: FSI LOB Worst Case (stress loss); applied to MTM, AFS and structural risk swap
- Largest broad exposure categories are interest rate risk and credit spread risk which are subject to asset allocation from the SAA Investment Committee

AFS Portfolio Considerations

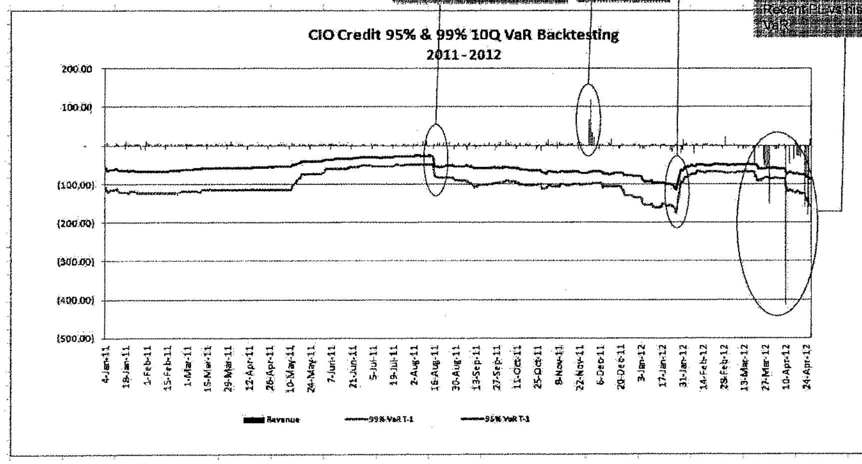
- Duration of Equity limit on overall structural interest rate risk position
- Currently analyzing impact of inclusion of OCI in regulatory capital under Basel III capital rules
- Pre-tax OCI volatility per quarter $2B

Operational Risk

- Ongoing technology initiative to increase capability and streamline operating environment on track
- Increased focus on key operating and reputational risks
- Targeted turnover in key finance and front office personnel during Q1 2011; replacements and additions possess significant finance and control related backgrounds
- Focusing significant attention on ensuring compliance with regulatory reform requirements including the Volcker Rule and derivatives clearing
- Continue to optimize straight through processing rates and apply rigorous controls over cash and securities movements
- No errors with material financial impact in 2011

CIO Synthetic Credit and risk appetite

- Synthetic Credit is a significant part of CIO's MTM activity
- Generally very benign P/L experience relative to VaR
- PL experienced in March and April 2012 represents a tail event of relative market moves
- Synthetic Credit VaR has generally overstated actual P/L and did not capture potential for recent moves

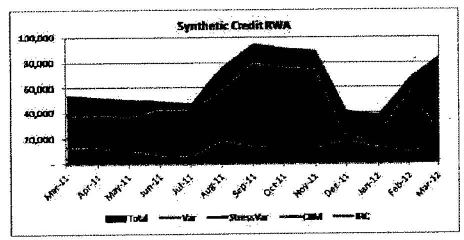


Capital Metrics History

- RWA measurement model for credit derivatives under development for implementation with Basel III
- Firm is managing to Basel III measures, though regulators do not yet require it
- Managing to the model and model developments showed promise as total RWA reduced during December and January
- From late January through February model output was halted due to technology issues
  - Portfolio managers attempted to estimate capital based on VaR output
  - VaR however tied to much more "normal" (1 in 20 day) part of the distribution
  - Capital was increasing but QR could not provide information for 5 weeks.

Synthetic Credit RWA	Var	StressVar	CRM	IRC	Total
March '11	4,256	12,384	37,967	n/a	54,608
May '11	3,737	10,836	36,515	n/a	51,087
June '11	2,119	5,917	41,909	n/a	49,945
July '11	1,173	5,376	41,515	n/a	48,063
August '11	2,070	17,364	57,428	n/a	76,863
September '11	4,277	12,275	78,301	n/a	94,853
October '11	4,498	10,458	76,353	n/a	91,308
November '11	4,392	11,487	73,485	n/a	89,365
December '11	5,431	17,558	18,274	n/a	41,263
January '12	4,435	11,898	22,007	n/a	38,340
February '12	2,372	8,812	55,921	n/a	67,105
March '12	2,942	12,059	25,600	43,700	84,301

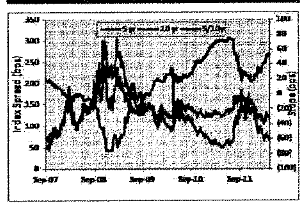
QR based methodology changes



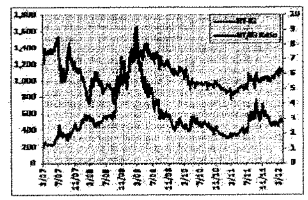
J.P.Morgan

Historical Market Volatility

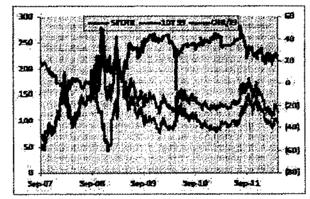
US curve: CDX IG S09 05Y vs CDX IG S09 10Y and Basis



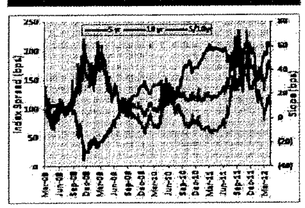
US Compression: CDX IG OTR 05Y vs CDX HY OTR 05Y - Basis and Ratio



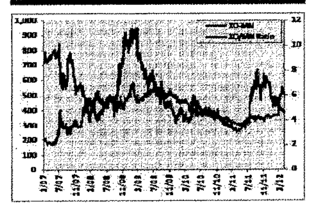
Off The Run Index Basis: CDX IG OTR 5Y vs CDX IG S9 10Y and basis



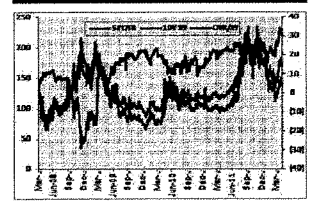
EU Curve: ITRAXX MN S09 05Y vs ITRAXX MN S09 10Y and Basis



EU Compression: ITRAXX MN OTR 05Y vs ITRAXX XO OTR 05Y Basis and Ratio



Off The Run Index Basis: ITRAXX MN OTR 05Y vs ITRAXX MN S09 05Y Basis



JPMorgan Chase & Co. **Risk Policy**

New Business Initiative Approval
Chief Investment Office

Updated 07/17/2006

Contents

Rationale

This policy was originally approved by Chief Investment Office's Risk Committee on May 5, 2005 and was effective as of that date. It has been developed in accordance with the Firm-wide policy New Business Initiative Approval (NBIA), which requires each line of business to establish an NBIA policy following certain guiding principles for risk control, and approval of that policy by the LOB's Risk Committee.

Changes from Previous Version

- The Firm-wide oversight process has been discontinued. As a result, the new Firm-wide NBIA policy shifts responsibility for determining the appropriate level of due diligence and sign-off required for all new products or initiatives to the lines of business.
- For CIO, the role of oversight, formerly performed by the Firm-wide new product group, will shift to the CIO Risk Committee. Individual regions or business lines will continue to sponsor new initiatives and manage the NBIA process, including co-ordination with all groups requiring sign-off.
- All NBIAs should be submitted to the CIO Risk Committee for concurrence prior to commencing the formal sign-off process.

Key Points

- This policy establishes guidelines for CIO New Business Initiative Activity (NBIA) approval, replacing New Product Approval (NPA) guidelines.
- Establishes minimum requirements for sponsorship of NBIA and the required approval process.
- Mandates Regional Business Head sponsorship of NBIA and documentation of all new business initiatives prior to inclusion in CIO authorized instrument listing.
- Shifts oversight role for new initiatives to CIO Risk Committee from centralized corporate group (now disbanded). Requires submission of NBIA to CIO Risk Committee prior to its launch.

Policy Statements

1. Definition

A New Business Initiative Approval (NBIA) is the introduction of a new or changed product, service or activity. The materiality of a change is a determining factor in identifying the appropriate risk control procedure to be followed. In a broad sense, new initiatives include the following:

- A new product to a region or business line with CIO.
- A significant change to an existing product or business activity that significantly alters the risk managed by CIO.
- Introduction of a product or activity in a new location.
- A new product or activity requiring significant change to systems, operations or middle office infrastructure to process.
- Revival of an existing product or activity that has been dormant for a significant period of time.

2. Sponsorship

Each NBI should be sponsored by a regional or business head (direct reports). The sponsor is responsible for proposing an NBI to the CIO Risk Committee prior to its launch. The proposal should be in the form of a business case analysis and include, where appropriate, the following information:

- Purpose (e.g. required to hedge incremental risk).
- Cost estimate for systems or processing.
- Incremental return or financial P&L estimate.
- Person responsible for managing process (e.g. business management/CFO representative).
- Associated infrastructure (systems, legal entities, etc.).
- Market risk, credit risk, finance, technology, etc.

3. Process

The NBIA approval process should include at a minimum:

- Regional or business unit head (direct report).
- Market Risk Management.
- Middle Office.
- Operations and technology representative responsible for processing.
- Regional CIO CFO/BM representative.
- Audit.
- Credit risk, finance, etc.

The sponsor and/or associated Business Manager is responsible for hosting an introductory presentation to all designated signatories at initiation of an NBIA proposal. It should comprise a clear business rationale, overview of the product, proposed support infrastructure and outline any known issues. The forum should also offer signatories a chance to pitch initial questions or raise concerns/issues that may need resolution prior to launch.

4. Due Diligence

The specific level of due diligence required for each new product or initiative will be determined by the product sponsor and reviewed, where appropriate with the CIO Risk Committee. In addition to the minimum requirements, the review should include, as appropriate, other risk control areas such as legal, compliance, credit, liquidity management, or other risk functions.

The Business Manager (or sponsor) should maintain a master copy of the NBIA document and ensure it is kept updated. Approvers should submit comments, recommendations and conditions for sign-off to the Business Manager for inclusion in the master copy.

5. Sign-off

If an NBIA cuts across two or more locations where coverage personnel differ, the signatories should ensure approval is sought from all additional interested parties before offering an official sign-off on behalf of their corporate function. Approvals must be received in written email format from each and all designated signatories.

6. Other Considerations

- A post-implementation review should be done where appropriate to evaluate whether or not the original process assumptions were correct and whether or not the risk controls are performing as intended and that the activity volume is not taxing the infrastructure.
- In the event an NBI-driven transaction is not executed within 1 year of sign-off, the NBIA should be re-circulated for re-validation.
- Records of all NBI approvals should be maintained within the sponsoring location.

Regulatory Requirements

The NBIA policy is a key control for Sarbanes-Oxley. Documentation of an initiative definition, controls, how appropriate risk area reviewers were determined and actual risk area approvals are to be archived for seven years.

Interagency statements and individual statements regarding new initiative due diligence are regularly distributed by regulators. As an example, guidance as to the process to be followed to prudently manage the risks associated with new, expanded or modified bank products and services was distributed by the OCC on May 10, 2004.

OCC Bulletin 2004-20, Risk Management of New, Expanded, or Modified Bank Products and Services: Risk Management Process is found at http://www.occ.treas.gov/2004/May.htm.

Chief Investment Office
New Business Initiative Approval
Executive Summary

Name of Initiative	Credit and Equity Capability
Portfolio(s)/Region(s)	NA/ EMEA
Initiative Sponsor	Achilles Macris, Andy Panzures
Initiative Approver	
Brief Initiative Description	CIO needs broad product capability/expertise to dynamically allocate capital and invest across asset classes, as well as to effectively manage residual exposures created by the Firm's operating businesses. The key areas where CIO needs to initially build out its product capability are in Credit & Equities.
Economic Rational for Proceeding	Credit: ■ The Firm has large cyclical exposure to credit, which is the single largest risk concentration from the operating businesses. ■ Credit exposure and capital are increasingly fungible (Basel II). ■ CIO to add credit capabilities to manage macro overlay programs similar to interest rates, mortgages, and foreign exchange. Equity: Provides CIO with capability to opportunistically allocate capital to equities to: ■ Refine and target existing macro views. ■ Complement CIO's existing product capability in constructing macro hedges over the economic cycle.
Key Changes From Current Activity	Credit: CIO currently has very limited credit capability, mainly being confined to yield enhancement strategies. This initiative will provide the platform to build CIO's capability in order to allow CIO to manage corporate credit exposures and diversify its asset classes. Equity: CIO currently trades exchange traded equity index products with most of the current activity being focused in Asia. The expanded product set will allow CIO greater capability in targeting sectors and indices across regions. Systems: CIO will be using the PYRAMID infrastructure and booking model for both credit & equities, which although well established within the Firm is new to CIO.
Changes to Operational Processes	CIO will rely on the Equity Derivatives Group (EDG) support model. This

	will be determined and governed by a Service Level Agreement. CIO will retain ownership of balance sheet substantiation.
Key Risk Issues	CIO will be reliant upon the EDG middle office processing and confirmation activity. This will be addressed via SLA between CIO and EDG support.
Risk Rating (1, 2 or 3)	2 - Medium New products and systems to CIO, but not to the Firm
Priority Rating (A, B or C)	A - High
Other Significant Information	
Target Launch Date	
Date Authorized to Proceed with Development	

Guidance:
Initiative Approver: authorizes initiative development, agrees the initiative launch and prioritizes initiatives for development. The initiative approver should be a direct report of the CIO.
Initiative Sponsor: the Sponsor should typically be a Portfolio Manager.

Risk Rating is based on incremental risk and materiality of risk change:
1 – High Risk – *significant incremental risk* - new business for the area, significant residual risk after risk management, manually intensive environment, considerable legal exposure, cross border issues, significant effort for Regulator approval, infrastructure under stress, major investment of capital, significant balance sheet implication
2 – Medium Risk – *moderate incremental risk* - multiple risk control areas are affected requiring cross discussion about the risks and operational considerations.
3 – Low Risk – *little incremental risk* - implementation of a vanilla initiative requiring the involvement of several risk control areas where only minor concerns are anticipated.

JPMorganChase

Chief Investment Office
New Business Initiative Approval Proposal

Credit & Equity Capability

Initiative Sponsor	Achilles Macris, Andy Panzures
Key Contact	Roger Kibble-White, Alison Giovannetti, , Brandon Konigsberg, Bonnie Kindler, Jason Hughes
Date Authorization to Develop Received	
Target Launch Date	

Table of Contents

1. **Proposal Summary**

Name of Initiative	Credit and Equity Capability
Portfolio(s)/Regions(s)	NA/ EMEA
Initiative Sponsor	Achilles Macris, Andy Panzures
Initiative Approver	
Brief Initiative Description	CIO needs broad product capability/expertise to dynamically allocate capital and invest across asset classes, as well as to effectively manage residual exposures created by the Firm's operating businesses. The key areas where CIO needs to build out its product capability are in Credit & Equities.
Economic rationale for proceeding	Credit: ■ The Firm has large cyclical exposure to credit, which is the single largest risk concentration from the operating businesses. ■ Credit exposure and capital are increasingly fungible (Basel II). ■ CIO to add credit capabilities to manage macro overlay programs similar to interest rates, mortgages, and foreign exchange. Equity: Provides CIO with capability to opportunistically allocate capital to equities to: ■ Refine and target existing macro views. ■ Complement CIO's existing product capability in constructing macro hedges over the economic cycle.
Key changes from current activity	Credit: CIO currently has very limited credit capability, mainly being confined to yield enhancement strategies. This initiative will provide the platform to build CIO's capability in order to allow CIO to manage corporate properties and diversify its asset classes. Equity: CIO currently trades exchange traded equity index products with most of the current activity being focused in Asia. The expanded product set will allow CIO greater capability in targeting sectors and indices. Systems: CIO will be using the PYRAMID infrastructure and booking model, which although well established within the Firm is new to CIO.
Key Risk issues	CIO will be reliant upon the EDG middle office processing and confirmation activity. This will be addressed via SLA between CIO and

	EDG support.
Risk Rating (1, 2 or 3)	2 - Medium New products and systems to CIO, but not to the Firm
Priority Rating (A, B or C)	A - High
Processing Location	
Main systems impacted	STS, PYRAMID
Other LOB's or Legal Entities Impacted	Bank and Whitefriars Inc.
Operational impact (include anticipated volumes and key capacity metrics)	Anticipated Monthy Vols Credit Indices: iTraxx, CDX etc. 80 Credit default swaps 40 Exchange traded index futures 400 Options on exchange traded futures 200 OTC total return swaps on indicies/secto 50 Exchange traded sectorial products 50
Other significant information	
Regulatory approvals required	No
Balance Sheet usage	
Other Policies impacted	
Additional Headcount Required	4 traders – 2 in EMEA , 2 in New York 2 FTE cost allocation from Equity Derivatives group 2 CIO Middle Office FTE , 1 in EMEA , 1 in New York
Date authorized to proceed with development	
Target Launch Date	Late April
Key Contact for questions	Roger Kibble-White, Alison Giovannetti, Brandon Konigsberg, Bonnie Kindler, Jason Hughes
Person responsible for Post Implementation Review	

2. Working Group and Approvers

Stakeholder Area	Working Group Member(s)	Signature	Agreed Completion Date	Date Approved
Business Sponsorship				
Global Head	Ina Drew			
Global CFO	Joe Bonocore			
Portfolio Manager (Initiative Sponsor)	Achilles Macris, Andy Panzures			
Regional CFO	Brandon Konigsberg, Roger Kibble-White, Colvis Lee			
T&O Manager	Alison Giovannetti, Phil Lewis			
Risk Control Areas				
Market Risk, Credit Risk & VCG	Bob Rupp, Fiona Longmuir			
Finance – Accounting	Mark Allen, Allister Jeffrey, David Alexander			
Regulatory Capital	Keith Enfield/Mark Weber			
Finance – Controls	Elliot Honeyfield, Nancy Dennery			
T&O – Technology	Joe Colman, Nick Wood			
T&O - Operations	Alison Giovannetti, Bonnie Kindler, Tom Mauro			
Tax	Mark Frediani			
Legal	Carolyn Monroe-Koatz			
Compliance	Colin Harrison, Bob Cole			
Funding	Frederic Mouchel			
Audit	Bill McManus, Sally Russell			
Other as appropriate				
Senior Country Officer				
Legal Entity CFO/SFO	Allister Jeffrey			

*Sign-Offs are contained in a separate file distributed with this document

3. Initiative Overview

i. Initiative description, economic justification, strategic fit, growth forecast, expected volume, capacity limits
ii. Business Rationale including market opportunities and risks

Please see Executive Summary.

Proposed initial product list:

Credit:

- Credit Indices: iTraxx, CDX etc. – see below for indices
- Credit default swaps (not on corporate names) – see below for indices
- Options on Credit Indices– see below for indices.
  For EMEA, Options on Credit indices are dependent upon the build out of credit products within Pyramid Equities, scheduled for May/June 2006, and should not be traded until this implementation is complete.

  Indices:

  Europe: Itraxx, USA: CDX, Japan: Itraxx

  Components:

  - Xover 5 yr
  - Hivol 5 yr
  - Main IG 5 yr
  - Main IG 10yr
  - Financial Sub Index 5 yr
  - Financial Sub Index 10 yr

  Options on:

  - Xover 5 yr
  - Hivol 5 yr
  - Main IG 5 yr

Equity:

- Exchange traded index futures (already an approved product) – see below for indices
- Options (Exchange traded and OTC) on exchange traded futures – see below for indices
- OTC total return swaps on indices/sectors – see below for indices
- Exchange traded sectorial products – iShares and SPDRs (for list of Exchanges and contracts Appendix 4)
- Variance/Volatility Swaps
- Outperformance Swaps

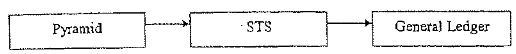
  Indices:

  - S&P
  - Eurostoxx
  - FTSE
  - CAC40
  - Nasdaq

- Dax
- Ibex 35
- MIB Index
- CME-USD denominated Nikkei
- CME-Yen denominated Nikkei
- Simex Nikkei
- Simex Nikkei -USD denominated
- MSCI TAIWAN INDEX
- TFE Taiwan Index denominated in TWD
- Stoxx50 Index
- Swiss Market Index
- Hang Seng
- OMLX PTH6 Index
- S&P TSE60 - Montreal Exchange
- FTSE Mid 250
- TecDAX
- Bovespa
- Mexico - BOLSA
- Kospi

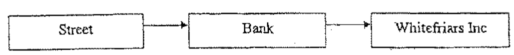
4. **Trade & Legal Entity Flow**

i. Include an end to end product flow diagram including external resources utilized



- Client facing trade captured in Pyramid
- Trade settled through STS
- Confirmation generated through XDG a subset of STS
- Pyramid auto generates a back to back trade between the Bank and JP Morgan Whitefriars Inc.
- Pyramid auto feeds JPMCB and JP Morgan Whitefriars Inc General Ledger
- Client risk recorded in JMPCB
- Trade risk recorded in JP Morgan Whitefriars Inc

ii. List legal entities impacted



- London Branch (trades back-to-back through the branch)
- NY Branch (trades back-to-back through the branch)
- JP Morgan Whitefriars Inc. (ultimate repository of the risk)

5. Market Risk/Valuation Control/Credit Risk

Market Risk

The initial product slate is:

Credit ($5mm VaR limit):

- Credit Indicies
- Credit default swaps
- Options on credit indices

Equity ($10mm VaR limit):

- Exchange traded index futures (already an approved product)
- Options (inc OTC) on exchange traded futures (already an approved product)
- OTC total return swaps on indices/sectors
- Exchange traded funds

The Business has, to date, operated under a regional limits infrastructure therefore it may be necessary to realign the hierarchy to be more reflective of a global risk framework by asset class. This will require developmental work from the VARS MO and the risk reporting teams.

Equities trading:
From an Equities perspective the existing VaR limits will need to be supplemented with additional non-statistical measures such as delta and vega to ensure concentration levels are kept in check and to more appropriately monitor the options-related risk. (See Appendix 2)

Positions will need to be booked into Pyramid (Equities version) and VARS feeds established to ensure appropriate risk capture – this should exactly match the set-up for Institutional Equities. VaR is calculated within Pyramid and the p&l vectors are fed to VARS for consolidation with the rest of the business's portfolios. Risk is fed from Prada (Pyramid's front-end risk tool) to VARS on an 'underlying' basis (e.g. FTSE, DAX, Eurostoxx) as oppose to individual trades therefore Prada will need to be used to view trade details and observe relative value sector strategies. MVAR will also require access to Prada/Atlas.

Credit trading:
Credit trading is essentially a new business and therefore requires a new limits infrastructure comprising both VaR and non-statistical measures such as 10% credit spread widening, csbpv or default exposure.

Ideally CIO should clone the Credit Hybrids version of Pyramid and utilize the "Trevor" database to ensure:
(i) index exposures are fed on a decomposed name-by-name basis for more accurate VaR computation and to feed the Single Name Position Risk monitoring process.
(ii) options can be appropriately handled (the Equities version does not support credit options)
CIO will also need to clone the separate PCM feed from Trevor for regulatory capital purposes.

It is understood that owing to systems constraints the Credit Hybrids functionality within Pyramid will not be available for use by CIO until May/June 2006. CIO should therefore refrain from undertaking credit options trading until this time. Since the Equities version of Pyramid is the only platform available then there will be a number of short-comings, namely:
a) no decomposed index feed
b) no SNPR feed
c) reliance on the Pyramid model for computing VaR (in which credit data is understood to be dubious)
CIO will need to additionally clone the PCM feed for regulatory capital purposes and should ensure that the relevant credit products are set up accordingly.

Given the deficiencies of the Pyramid Equities version for the credit trading activity, MVAR would insist that in the event the required systems development does not occur by end of H1'06 new activities must stop and the CIO Risk Committee must evaluate how to proceed.

Valuation Control

CIO is not a market maker and uses the Investment Bank's risk and valuation systems to transact its products. As such CIO is a price taker using prices and valuation inputs controlled and determined by the market making businesses of the bank. CIO's Valuation Control Group coordinator will ensure that where pricing adjustments are identified from the month end price test process for market making groups in the Investment Bank, that where CIO hold the same positions the adjustments are also discussed with/applied to CIO.

Credit trading:

The only candidates for reserves are credit spread options which may qualify for Unobservable Parameter Reserves depending on the size and type of positions held. Index CDSs tend not to incur reserves, however, if the business were to venture into single name space theses positions would qualify for Price Discovery, Recovery Rate and/or Concentration reserves.

6. Finance - Accounting

i. Describe accounting treatment to be utilized

The instruments in the initial product slate are derivatives and as such must be marked-to-market. These items will be treated as trading instruments. ETF's will also be treated as trading instruments.

ii. Consider Accounting Policy review and regulatory reporting implications

Regulatory considerations are considered in Section 8 below.

iii. Will the accounting for the new products be performed manually or will it be automated?

The accounting will be automated using the ACE accounting engine to generate entries.

7. Finance - Regulatory Capital

JP Morgan Whitefriars Inc. has no standalone regulatory capital requirements. Positions in JP Morgan Whitefriars Inc. will be subject to the Firm's regulatory capital requirements:

i. *Has this product been reviewed by regulatory reporting (US and non-US) to ensure that it will be reported in accordance with regulatory reporting requirements. List any regulatory reporting requirements (US and non-US) in relation to the new product and provide a description of any requirements that differ from GAAP.*

This product been reviewed by regulatory reporting (US and non-US) to ensure that it will be reported in accordance with regulatory reporting requirements.

ii. *For Risk-based capital purposes, will this product be booked under trading or banking book rules and has legal and regulatory reporting reviewed the proposed treatment.*

For Risk-based capital purposes, this product will be booked under trading book rules and legal and regulatory reporting reviewed the proposed treatment.

iii. *Will this product feed into appropriate market, counterparty credit and specific risk systems (if so, please describe the feed names, internal model, risk and booking systems, and appropriate contacts in technology and middle office)? If not, have procedures and controls been put in place to report it manually and who will be the contact person for manual reporting?*

The following approaches will be used to feed the Firm's specific risk systems:

- Credit: CIO will leverage the Equity Derivatives Group's PYRAMID infrastructure. CIO will use the infrastructure to feed the Firm's PCM model which will be used to calculate specific risk on the credit products with the exception of Credit Options which will be calculated using the following rule:-

  For option positions, long or short, the risk weighted amount is the market value of the effective notional amount of the underlying instrument or index multiplied by the option's delta. These are required to be reported on a manual template. For credit options which are NOT price based, we may not be able use a option delta approach (we may need to use a notional x 8% approach).

  Equity: CIO will leverage the Equity Derivatives Group's PYRAMID infrastructure. The Firm has permission to use its internally calculated VaR for vanilla equity cash and derivative products subject to the application of a one time add-on. In order to utilise this approval CIO will book equity products in a portfolio distinct to other instruments. The add-on is applied as follows:

  RWA from VAR = VAR*SQRT(10)*3*12.5

  RWA for Specific Risk = VAR*SQRT(10)*12.5

  Non-vanilla equity products (not in the scope of this approval) must be reported via manual template.

  <u>Variance/Volatility Swaps</u>
  The notionals should be reported as the number of units multiplied by the contract price or the notional specified within the confirmation in CCY. This number is divided by 2 for a variance swap.

  The rational for this is as follows:

  Variance Swap
  Pay Out =Units / (2xStrike_Vol) x (Act_Vol2-Strike_Vol2)
  If Act Vol = 0 then Pay Out = Unit x Strike_Vol / 2
  Volatility Swaps
  Pay Out =Units x (Act_Vol-Strike_Vol)
  If Act Vol = 0 then Pay Out = Unit x Strike_Vol.

iv. *Describe the nature of any collateral held in relation to this product*

No specific collateral will be held against the proposed products, however derivative MTM collateralisation will be subject to normal Firm collateral group process.

v. *Does this product impact deposits and, if so, has this been communicated to regulatory reporting for purposes of calculating appropriate reserves.*

This product does not impact deposits.

vi. *Has any impact to risk weighted assets been identified, evaluated and communicated to regulatory reporting. Are the appropriate risk weighted asset limits in place and been reviewed by the applicable CFO?*

Given the use of approved models as detailed above, the impact to risk weighted assets is not deemed to be material and can be accommodated within CIO's existing limits.

vii. *Has the methodology for calculating risk weighted assets for VAR and specific risk been communicated and approved by regulatory reporting & Market Risk Management? Is any regulatory approval or specific risk model development required for this product?*

The methodology for calculating risk weighted assets for VAR and specific risk been communicated and approved by regulatory reporting. The models have been approved by the regulators and hence no specific regulatory approval or specific risk model development is required for this product.

viii. *If this product requires risk (including general, specific and counterparty) has the product been submitted to regulatory reporting to update the risk inventory list?*

The product slate is part of the bank's existing approved products.

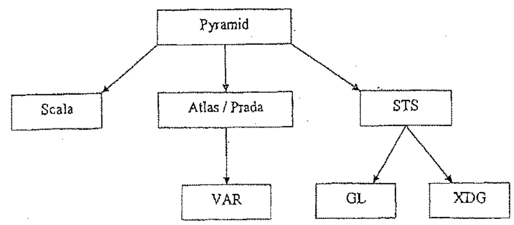
8. Finance - Controls

i. *Consider changes to the control environment including process, control procedures and review*
ii *Sarbanes Oxley implications: ownership of new process templates, testing*

The Credit and Equity business will ultimately reside in JP Morgan Whitefriars Inc. A new operational controls template will be created for SOX purposes specific to the Credit & Equity business and will address all key controls. Also, additional control steps will be added to the "CIO CFO" SOX template covering this new activity.

Discreet cost centers, SPN's and books are being established for CIO Europe and New York to support and segregate the activity.

9. T&O - Technology



- Trade captured in Pyramid
- P/L reported in Scala on T , price review on t+1
- Real time risk in Atlas
- End of day risk snapshot in Prada
- Prada feeds VAR
- Trade settled in STS
- STS feeds G/L via ACE
- STS feeds XDG for confirmation tracking and matching

CIO's technology team will provide basic technology support for CIO use of Pyramid.

10. T&O – Operations

i. *List operations areas impacted with location and manager responsible, note key impact, staffing expertise, capacity concerns*
ii. *Note manual procedures, plans to automate, required external communication, client reporting, client valuation, confirmations, etc.*
iii. *Describe* the control processes implemented to manage operating risk?

EMEA

CIO Front Office will capture trades in Pyramid.

CIO Middle Office will leverage the EDG Operations Groups.

Prior to trading SLA's and SOP's need to be agreed with EDG Operations to clarify the support model and cost base.

<u>CIO Middle Office</u>

- Monitor Pyramid queues , highlight exceptions to the CIO FO
- Request new reference data requirements
- Close books end of day
- Run end of day reval , ensuring Scala and VARS data is accurate
- Monitor MIS central depository , highlight breaks to FO
- Download Scala P/L reports into excel
- Agree P/L with FO , adjust for end of day pricing errors

- Review confirm , nostro and trade breaks – resolve differences
- Maintain adjustments in Scala
- Request FO P/L sign off
- Ensure SOX handshakes in place
- Reconcile P/L and Balance Sheet accounts in general ledger
- Reconcile PRF monthly
- Monthly substantiation and GLRS sign off

EDG Operations

- IBOD to settle trades , report nostro breaks
- IBOD to confirm equity trades , report breaks
- Credit Markets to confirm credit trades , report breaks
- Set up reference data
- Report CIO exceptions in MIS central depository

North America

CIO Front Office will capture trades in Pyramid.

CIO Middle Office will leverage the EDG Middle Office and Operations groups and the Credit Derivative Middle Office and Operations group.

Prior to trading SLA's and SOP's need to be agreed with EDG Middle Office and Operations and Credit Derivative Middle Office and Operations to clarify the support model and cost base

CIO Middle Office

- Agree P/L with FO , adjust for end of day pricing errors
- Review confirm , nostro and trade breaks – resolve differences
- Request FO P/L sign off
- Ensure SOX handshakes in place
- Reconcile PRF monthly
- Monthly substantiation and GLRS sign off

Credit/Equity Middle Office

- Monitor Pyramid queues , highlight exceptions to the CIO FO
- Request new reference data requirements
- Close books end of day
- Run end of day reval , ensuring Scala and VARS data is accurate
- Monitor MIS central depository , highlight breaks to FO
- Download Scala P/L reports into excel
- Maintain adjustments in Scala
- Reconcile P/L and Balance Sheet accounts in general ledger

EDG Operations

- IBOD to settle trades , report nostro breaks
- IBOD to confirm equity trades , report breaks
- Credit Markets to confirm credit trades , report breaks
- Set up reference data
- Report CIO exceptions in MIS central depository

11. Tax

i. Jurisdiction considerations, withholding tax, VAT, income attribution

As the ultimate risk repository entity is different to the entity employing the risk managers, CIO will use the "hedge fund" model to attribute income back to the entity employing the risk managers from the ultimate risk repository entity (JPM Whitefriars Inc). Under the hedge fund model income is attributed from the risk repository entity to the entity employing the traders as follows:

Higher of 1) 25% of year to date net revenues; or
2) Fully loaded costs of risk managers plus 5%

This will be documented via a service level agreement.

ii. Tax issues e.g. tax advantaged transaction, tax shelter regulations

None.

iii. Do the tax rules differ from accounting rules? If so, have the systems been set up to capture the information needed for tax purposes?

No.

12. Legal

Regulation K is a Federal Reserve Board regulation which restricts offshore subsidiaries of US bank holding companies engaged in banking activities with respect to non-investment grade equity activity. JP Morgan Whitefriars Inc. is an indirect subsidiary of the Bank and hence subject to Regulation K.

Regulation K does not apply to derivative positions (unless equity is acquired as a hedge for a customer driven equity derivative activity in which case the net delta position may be taken – this clearly does not apply to CIO). Regulation K will affect CIO holding of Exchange Traded Funds (ETFs).

Below is a summary of the legal requirements applicable to ETFs in the Reg K entities.

1. During the Underwriting Period, which is for the 90 days after we acquire the ETF shares from the issuer:

No percentage limits
Dollar limit per fund is approximately $990 million (i.e. 3% of the Bank's tier 1 capital).

2. After the Underwriting Period

Subject to the 19.9% voting shares limit.

- case by case review of each ETF prospectus to determine which ETF shares are voting and which are not;
- if there is a large redemption resulting in our exceeding the limit unintentionally, we would reduce our position as soon as practicable.

Subject to an overall 25% equity limit (the threshold for control of a fund is 25%).

Subject to the $40 million dealing limit ($25 million if held in an investment account). For purposes of calculating compliance with the $40 million dealing limit, Reg K permits us to net long and short positions in the same security. However, a long position in the ETF shares cannot be netted against shorts on the underlying stocks that the ETF tracks. These would not be longs and shorts in the same security.

Regulation K does permit us to use our internal hedging models to net a stock index derivative against a basket of stocks specifically segregated as an offset to the stock index derivative. Such netting is subject to a 25% haircut (i.e. maximum long physical position of $160 million) unless the derivative being hedged is a "bank permissible, customer driven equity derivative transaction". (The Bank has systems in place to do full netting for bank permissible transactions but does not have a system to do netting subject to the 25% haircut.)

Since the Bank is not authorized to buy and sell ETF shares, the purchase and sale of ETF shares would not qualify for full netting.

Look through Requirement. If we have a "redemption unit" of ETFs we would have the right to convert that unit to shares in each of the underlying that the ETF tracks. (It may be that certain ETFs do not give us the right to convert in which case the discussion which follows would be inapplicable.) The right to convert the ETF shares into the underlying would count as "equity" in the underlying for purposes of the Reg K 40% of equity limit. Equity is defined in Reg K as including interests that are convertible to shares or other ownership rights in an organization.

If it is not feasible to do the look through every day, it would be reasonable to calculate the maximum percentage of each of the underlying which you could possibly obtain by redeeming all the ETF shares you could hold under your internal limits. You could then deduct those amounts permanently from the 40% of equity availability. This would ensure that we would never go over the 40% of equity limit.

CIO MO will pre-clear cash transactions for Reg K purposes with EDG Reg K monitoring team (contact Roberto Vivenzio).

13. Compliance

As Whitefriars Inc is not permitted to face counterparties directly, all proposed trading activity should be intermediated through one of the regulated entities (JPMCB or JPMSL) when trading with the market.

Exchange traded securities can be transacted through JPMSL (for Europe based traders) provided existing practices and procedures are applied and margin payments are made accordingly. OTC derivatives should be transacted by JPMCB with JPMSL acting as agent.

Proposed trading activity in exchange traded futures, options on such futures and other exchange traded products is subject to rules and regulations of the applicable exchanges and regulatory authorities (such as the Commodities Futures Trading Commission in the US) in the relevant jurisdictions, including speculative position limits (Current applicable limits in US and Asia are attached in Appendix 1). CIO will monitor its trading activity for compliance with all applicable limits.- Positions held by other lines of business of the firm in the same legal entities utilised by the CIO should not be aggregated for position limit purposes, provided there is no sharing of position information, common traders or direct common supervision between business groups (Comment: This is view from US, is it confirmed from F&O compliance for Asia?).

14. Funding

Funding will occur through the bank's standard model as JPM Whitefriars Inc. has TPSD.

15. Audit

All Audit questions and queries have been answered and their major concern is that all Front Office and Middle Office staff receive the correct training and that Middle Office document all control procedures.

As the NBIA is a Risk Rating 2 it does not require formal Audit sign-off

CIO New Business Initiative Approval Policy

Post-Implementation Review

Section 1 - to be completed at the time of approval

Name of Initiative:	
Line of Business:	
Post Implementation Key Contact:	
Launch Approval Date:	
First Transaction Date:	

Brief description of the approved initiative:

(copy from initiative summary)

List any conditions associated with the approval, comment on open items and the timeframe for completion.

Risk Review Group	Conditions raised during sign off	Comments

Section 2 - to be completed within 6 months of the activity going live

Address the following:	
Is the initiative as described in the proposal when it was approved?	
Is the initiative within the volumes and limits agreed when approval was granted?	
Have there been any operational errors as a result of introducing this initiative?	
What economic value has been received and how does that value compare to the initial projections?	
Have there been material operational changes that were or should be documented?	
Other points of note	
Post implementation review completed by	(Insert name)
Date	(Insert date completed)

Send completed copy to LOB ORM, Regional Expeditor and Audit

Appendix 1: CFTC Speculative Position Limits

	Net of All Months	Net Single Month	Spot Month
Chicago Board of Trade(CBOT)			
Dow Jones Ind Avg (plus mini Dow Jones Ind Avg)	50,000		
Chicago Mercantile Exchange (CME)			
Nikkei 225	5,000		
S&P500 Index (plus mini S&P500)	20,000		
S&P400 Index (plus mini S&P400)	5,000		
Russell 2000 Index (plus mini Russell 2000 Index)	10,000		
NASDAQ 100 (plus mini NASDAQ 100)	10,000		
New York Board of Trade (NYBOT)			
Russell 1000 Index (plus mini Russell 1000 Index)	50,000 mini equivalents	50,000 mini equivalents	50,000 mini equivalents

Asian Exchange Limits

TFE Taiwan Index denominated in TWD (TAJEX futures): position limit for institutions is gross 4000 (e.g. short May 1000 plus long June 2000=3000). For JPMSL, the contract is exempted as 2 times of the standard institution limit valid for a year, i.e.currently 8000.

Hang Seng: net 10,000 long / short for all contract months combined. (Note: Hang Seng Index Futures and Hang Seng Index Options are all netted together to calculate the net 10,000 long / short. Regarding the HSI options, we need to use the delta value in the calculation).

Kospi: net 5,000 long/short for all contract months combined.

Appendix 2: Non-Statistical Limits - *DRAFT*

Equity

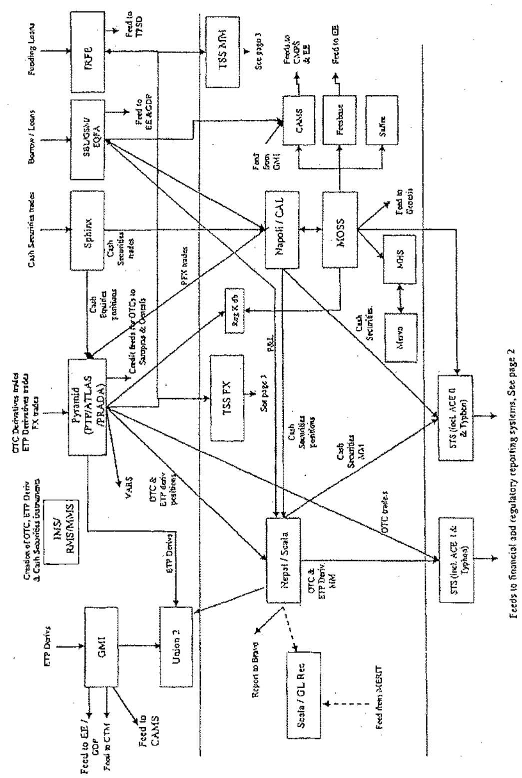
Country	Market	Index	Delta	Vega
US	S&P	SPX	250	0.50
	DJIA		125	0.00
	Nasdaq		125	0.00
Canada	S&P/TSX	SPTSX60	125	0.13
Brasil	Bovespa	IBOV	50	0.00
Mexico	Mex Bolsa	MEXBOL	50	0.00
Euro	EuroStoxx50	SX5E	250	0.50
CAC	Cac40	CAC	125	0.25
DAX	Dax	DAX	250	0.50
Italy	S&P/MIB30	SPMIB	125	0.25
Norway	OBX	OBX	125	0.00
S Africa	FTSE/JSE 40	TOP40	50	0.00
Spain	Ibex 35	IBEX	125	0.00
Swiss	SMI	SMI	125	0.13
UK	FTSE100	UKX	250	0.25
Australia	S&P/ASX 200	AS51	50	0.13
China	H Shares	HSCEI	125	0.13
HK	HangSeng	HSI	125	0.25
Indonesia	Jakarta Comp	JCI	50	0.13
India	BSE Sensex	SENSEX	50	0.00
Japan	Nikkei	NKY	250	0.50
	Topix	TPX	250	0.25
Korea	Kospi	KOSPI	125	0.50
	Kospi200		125	0.50
Malaysia	KL comp	KLCI	50	0.13
NZ	NZX 50	NZSE50FG	50	0.00
Philippines	PSEI	PCOMP	50	0.00
Sing	Straits Times	STI	50	0.13
Taiwan	TAIEX	TWSE	125	0.25
Thailand	SET 50	SET	50	0.00
Total Gross			1,250	3.0
Total Net			500	1.5

Credit

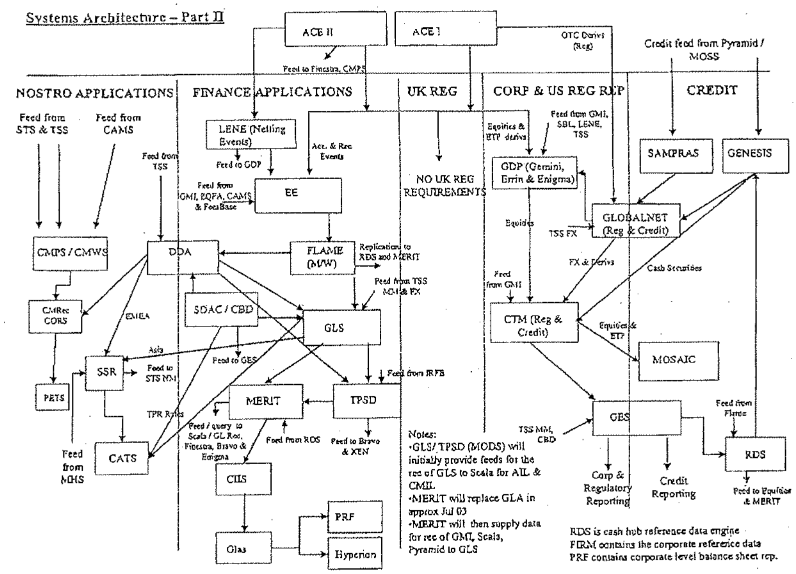
10% Credit Spread Widening	\$2mm (Total) \$2mm (By Sub-Index e.g. itraxx main, itraxx hivol)
CSBPV	\$2mm (Total) \$2mm (By Sub-Index)
Vega	tba (Total -- expressed in 0.1 bp b/e terms)

Appendix 3: Detailed Pyramid System Flows

Systems Architecture



Systems Architecture – Part II



Notes:
- GLS/ TPSD (MODS) will initially provide feeds for the rec of GLS to Scala for AIL & CMIL.
- MERIT will replace GLA in approx Jul 03
- MERIT will then supply data for rec of GMI, Scala, Pyramid to GLS

RDS is cash hub reference data engine
FIRM contains the corporate reference data
PRF contains corporate level balance sheet rep.

Appendix 4: Equity Sectorial Index Futures

Bbrg Code	Country	Crncy	Exch Code	Name
NDU6 Index	US	USD	CME	NASDAQ 100 FUTURE Sep06
NQU6 Index	US	USD	CME	NASDAQ 100 E-MINI Sep06
MDU6 Index	US	USD	CME	MIDCAP 400 FUTR Sep06
RLU6 Index	US	USD	CME	RUSSELL 2000 FUTR Sep06
ROU6 Index	US	USD	NYF	RUSSELL 1000 FUT Sep06
SUU6 Index	US	USD	CME	S&P BARRA VALUE Sep06
SGU6 Index	US	USD	CME	S&P BARRA GROWTH Sep06
MVU6 Index	US	USD	KCB	VALUE LINE FUT Sep06
RSM6 Index	US	USD	CME	RUSS E-MINI 1000 Jun06
RRU6 Index	US	USD	CME	RUSSELL MINI FUT Sep06
Q U6 Index	GB	EUR	LIF	FTSE EUROTOP 100 Sep06
MUU6 Index	GB	EUR	LIF	MSCI EURO IX FUT Sep06
MPU6 Index	GB	EUR	LIF	MSCI PAN EURO Sep06
FIM6 Index	GB	EUR	LIF	FTSEUROFIRST 80 Jun06
EPM6 Index	GB	EUR	LIF	FTSEUROFIRST 100 Jun06
MFM6 Index	DE	EUR	EUX	MDAX INDEX FUT Jun06
Z U6 Index	GB	GBP	LIF	FTSE 100 IDX FUT Sep06
Y U6 Index	GB	GBP	LIF	FTSE 250 MID LIF Sep06

Credit & Equity NBIA Sign-off.txt

CIO & GFLM
Alison C Giovannetti
20/04/2006 12:44

To: Jason LDN Hughes/JPMCHASE@JPMCHASE, Roger X Kibble-White/JPMCHASE@JPMCHASE
cc:
Subject: Re: Credit & Equity NBIA - sign off
This document contains a file attachment with a file size of 198.2 KB.

Signed off

Regards,
Alison

Alison Giovannetti
GDP : 8 325 8025
External : (020) 7325 8025

Corporate Reporting Business Advisory - Tel 212-834-9425 Cell 646-258-1114
Keith Enfield
20/04/2006 14:51

To: Jason LDN Hughes/JPMCHASE@JPMCHASE
cc: Roger X Kibble-White/JPMCHASE@JPMCHASE
Subject: Re: Credit & Equity NBIA

I approve but I think you should make a note that non-vanilla equity products (if you ever have any) and credit swaptions (which you are planning on trading and are not currently approved for PCM) will need to be reported via the manual template.

Phil Lewis
21/04/2006 13:57

To: Jason LDN Hughes/JPMCHASE@JPMCHASE
cc: Alison C Giovannetti/JPMCHASE@JPMCHASE, thomas.j.mauro@jpmorgan.com@JPMCHASE
Subject: Re: Credit & Equity NBIA
This document contains a file attachment with a file size of 198.2 KB.

Jason - ok to sign-off.

As stated in the document, next step is to finalise the SLAs and SOPs

regards
Phil

David M Alexander
25/04/2006 14:11

To: Jason LDN Hughes/JPMCHASE@JPMCHASE
cc: Roger X Kibble-White/JPMCHASE
Subject: Re: Credit & Equity NBIA

Credit & Equity NBIA Sign-off.txt

Jason -

You have my approval. I traded vms with Roger - all of these positions will be mtm in a trading book. Please revert back to me if any other types of positions are held beyond what is included in the NBIA that might warrant different acctg, I.e. Loans or non-marketable equity securities.

Thanks.

Nancy E. Dennery Chief Investment Office - Tel (212) 834 - 9485
Nancy E Dennery
25/04/2006 13:09

To: Jason LDN Hughes/JPMCHASE@JPMCHASE
cc: Roger X Kibble-White/JPMCHASE@JPMCHASE
Subject: Re: Fw: Credit & Equity NBIA
This document contains a file attachment with a file size of 198.2 KB.

Yes, I have reviewed and sign off for the controls section.

Treasury - Tel +44 20 7777 0034
Frederic Mouchel
03/05/2006 09:56

To: Jason.LDN.Hughes@jpmorgan.com@JPMCHASE
cc:
Subject: Re: Credit & Equity NBIA
This document contains a file attachment with a file size of 198.2 KB.

Fine with me.

Rgds
F

Investment Bank - Technology
Nicholas JS Wood
03/05/2006 17:50

To: Jason LDN Hughes/JPMCHASE
cc: joseph g coleman
Subject: Re: Credit & Equity NBIA
This document contains a file attachment with a file size of 199.4 KB.

Jason - this looks fine from my point of view. Off the top of my head the areas that we need to include in the plan are:
my review of any tools that Joe may be developing (you allude to these but don't specify what they do or how big they will be - bottom of P13)
create appropriate id admin workflows for the existing apps (Pyramid, STS, etc) for the CIO staff - unless we will use thre same approvers as for EDG and E&H
update the BC plans for CIO as these new systems will need to be included.

regards,

Nick Wood

Robert J. Cole Compliance - Tel 212/270-1554 Fax 212/270-3450
Robert J Cole

Credit & Equity NBIA Sign-off.txt

05/05/2006 20:19

To: Jason LDN Hughes/JPMCHASE@JPMCHASE
cc: Roger X Kibble-White/JPMCHASE@JPMCHASE, Brandon Konigsberg/JPMCHASE@JPMCHASE, Carolyn Monroe-Koatz/JPMCHASE@JPMCHASE, Colin R Harrison/JPMCHASE@JPMCHASE
Subject: Re: NBIA - Compliance Section

Jason- See my comments below (in red and strikethrough), which includes new language regarding compliance approval required before trading in credit/equity indices with less than 20 names as we discussed. With these changes, we are ok from US Compliance perspective

Feel free to call me with any questions.

- Tel (201) 595-5696 Fax (201) 595-6776
Arthur Kirshenbaum
04/05/2006 15:48

To: Jason LDN Hughes/JPMCHASE@JPMCHASE
cc: Roger X Kibble-White/JPMCHASE@JPMCHASE
Subject: Re: Fw: Credit & Equity NBIA

Jason,
I have no further comments or questions and approve.
Is this e-mail sufficient or do you have a more formal process?
Arthur

Mark Frediani
27/04/2006 15:25

To: Jason LDN Hughes/JPMCHASE@JPMCHASE
cc: Roger X Kibble-White/JPMCHASE@JPMCHASE
Subject: Re: Fw: Credit & Equity NBIA
This document contains a file attachment with a file size of 778.5 KB.

Jason,

I don't have any issues. Please accept this e-mail as my sign-off.

Regards,
Mark

Robert R Rupp
28/04/2006 20:49

To: Achilles O Macris/JPMCHASE@JPMCHASE, Andrew Panzures/JPMCHASE@JPMCHASE
cc: Ina Drew/JPMCHASE@JPMCHASE, Enrico Dalla Vecchia/JPMCHASE@JPMCHASE, Joseph S. Bonocore/JPMCHASE@JPMCHASE, Roger X Kibble-White/JPMCHASE@JPMCHASE, Brandon Konigsberg/JPMCHASE@JPMCHASE, Jason LDN Hughes/JPMCHASE@JPMCHASE, Fiona J. Longmuir/JPMCHASE@JPMCHASE
Subject:

Enrico, Fiona and I met to review the credit and equity NBIA and we agreed to sign-off, for purposes of the new product approval process.

Fiona prepared a summary of our discussion which includes a list of follow-up issues (see the bottom of the attachment). More detailed information is included in the NBIA document. Most of the issues are

Credit & Equity NBIA Sign-off.txt

related to feeds and reports that Roger/Fiona/Jason and others have been working on. In addition to those issues, there are two items I want to note here:

1. We assembled an approach to limits that parallels the method used in the IB for these products. While we are set on VAR limits, we need to work with you to fill out the other proposed limits (eg delta, vega, credit events) outlined in the attachment.

2. Pls note the systems issues around credit options which need to be resolved before proceeding with that product.

Any questions/issues, lets discuss early next week. thanks

Bob

CIO / GFLM Technology - Tel 212-622-6136
Joseph G Coleman
25/04/2006 13:03

To: Jason LDN Hughes/JPMCHASE@JPMCHASE
cc: Alison C Giovannetti/JPMCHASE@JPMCHASE
Subject: Re: Credit & Equity NBIA

Confirmed - I sign off

Elliot M Honeyfield
20/04/2006 10:39

To: Jason LDN Hughes/JPMCHASE@JPMCHASE
cc: Roger X Kibble-White/JPMCHASE@JPMCHASE
Subject: Re: Credit & Equity NBIA
This document contains a file attachment with a file size of 198.2 KB.

Happy to sign off, just noticed a few grammar errors that I will advise of

regards

Elliot

LONDON BRANCH LEA LEGAL ENTITY CONTROLLERS - Tel 44 207 777 2275 Fax 44 207 777 2010
Mark S. Allen
09/05/2006 18:50

To: Jason LDN Hughes/JPMCHASE@JPMCHASE
cc: Andrew Marcovitch/JPMCHASE@JPMCHASE, Arthur Kirshenbaum/JPMCHASE@JPMCHASE, Dermot M Walsh/JPMCHASE@JPMCHASE, Rachel E Leigh/JPMCHASE@JPMCHASE, Madhura Shah/JPMCHASE@JPMCHASE
Subject: Re: Fw: Credit & Equity NBIA
This document contains a file attachment with a file size of 778.5 KB.

Jason,

My sign-off is obviously dependant on Rachel Leigh's approval to use the Equities infrastructure. Otherwise no further questions.

Regards,

Mark

Roger X Kibble-White
10/05/2006 12:10

To: Jason LDN Hughes/JPMCHASE@JPMCHASE
cc:
Subject: Fw: Credit & Equity NBIA
This document contains a file attachment with a file size of 198.2 KB.

Jason

Signed-off.

Thanks

Roger

Chief Investment Office Finance and Business Management - Tel (852)2800-7091 or GDP280-7091 Fax (852)2810-6709
Colvis Lee
10/05/2006 14:52

To: Jason LDN Hughes/JPMCHASE@JPMCHASE
cc: Charles K.C. Mong/JPMCHASE@JPMCHASE, Roger X Kibble-White/JPMCHASE@JPMCHASE
Subject: Re: equity and credit initiatives

Hi Jason,

There is no issue from Asia CIO CFO perspective. The market risk limits granted are on a global basis. We are in the process of coordinating a separate NBI sign-off for Asia and will refer to the global limits in our assessment. Pls take this as my signoff.

Thanks,

Colvis

Chief Investment Office CFO/COO
Joseph S. Bonocore
10/05/2006 16:09

To: Jason LDN Hughes/JPMCHASE@JPMCHASE
cc: Roger X Kibble-White/JPMCHASE@JPMCHASE, Ina Drew/JPMCHASE@JPMCHASE
Subject: Credit/Equities NBIA

Approved.
Joe

Chief Investment Office
Ina Drew
10/05/2006 16:19

05/22/2008 15:32 2128348550

Credit & Equity NBIA Sign-off.txt

To: Jason LDN Hughes/JPMCHASE@JPMCHASE
cc: Roger X Kibble-White/JPMCHASE@JPMCHASE, Joseph S. Bonocore/JPMCHASE@JPMCHASE
Subject: FW: Credit/Equities NBIA

Approved,
Ina Drew

Carolyn L. Monroe-Koatz Managing Director & Assoc. General Counsel
Carolyn Monroe-Koatz
15/05/2006 14:59
To: Roger X Kibble-White/JPMCHASE@JPMCHASE
cc:
Subject: Credit and Equity Capability NBIA

Roger - can't find the mail asking me to sign off. I am signed off, but I am going to send you later today a revised NBIA. My assistant is inputting more material into the Legal section right now. CMK

JPMORGAN CHASE & CO. **Risk Policy**

New Business Initiative Approval
Chief Investment Office & Global Treasury

Updated: 3/22/2012

Contents

Rationale
This policy was originally approved by Chief Investment Office's Risk Committee on May 5, 2005 and was effective as of that date. The policy was most recently reviewed on June 30, 2011. It has been developed in accordance with the Firm-wide policy New Business Initiative Approval (NBIA), which requires each line of business to establish an NBIA policy following certain guiding principles for risk control, and approval of that policy, by the Business Control Committee. The CIO Risk Committee, under its charter, reviews and/or approves (as appropriate) Risk policy and strategy for all risk impacting the Chief Investment Office. The NBIA policy sets forth a framework that encourages innovation and introduction of new products, while making sure that the risks are identified, controls established and approved prior to launch.

Changes from Previous Version

- Initiative risk assessments have been added to the NBIA template in accordance with the materiality of the applicable risks.
- Expanded the Governance section of the policy to ensure NBIA proposals are reasonable and appropriate through the monitoring conducted by the Business Control Committee.
- Post Approval process has been added to help ensure that subsequent requirements are recorded, monitored and completed on a timely basis.

Scope
This Policy applies to initiatives arising from Global CIO lines of business and Global Treasury.

Definition of New Business Initiative
A New Business Initiative Approval (NBIA) is the introduction of a new or changed product, service or activity. The materiality of a change is a determining factor in identifying the appropriate risk control procedure to be followed. In a broad sense, new initiatives include the following:
- A new product to a region or business line with CIO.
- A significant change to an existing product or business activity that significantly alters the risk managed by CIO.
- Introduction of a product or activity in a new location.
- A product, service, business or program or a subsidiary acquisition that requires significant change to allow regulatory compliance.
- A new product or activity requiring significant change to systems, operations or middle office infrastructure to process.
- Revival of an existing product or activity that has been dormant for a significant period of time.

If an initiative is determined to be a variation of an existing product by the Initiative Proposer and the Global Head of ORM, then NBIA Lite procedures are followed.

Sponsorship
Each NBIA should be sponsored by a regional or business head. The proposal, which is managed and retained for future reference by the Key Contact (person responsible for managing the process) should be in the form of a proposal summary analysis and include, where appropriate, the following information:
- Brief Initiative Description
- Economic Rationale
- Responsible parties involved with initiative
- Other significant information

Initiative Risk Assessment

Each initiative is risk ranked according to the materiality of the applicable risks. Any question regarding the risk rank can be escalated from the working group to the head of Market Risk or Operational Risk Management (ORM). Guidance on risk ranking is maintained by ORM and a summary is included below.

Risk Rank Guidance Summary:
General guidance is provided below on the risk ranking of Initiatives. The general principle behind the risk ranking process is to compare the proposed activity to the existing business and control environment of both CIO and JPMorgan as a whole.

Establishment of Risk Rank 1 or 2 mandates that a Full NBIA template be used. Establishment of Risk Rank 3 indicates that an NBIA Lite template may be used.

Risk Rank 1 - High risk: significant incremental risk - New business for the area, significant residual risk after risk management, manually intensive environment, considerable legal exposure, cross border issues, significant effort for Regulatory approval, infrastructure under stress, major investment of capital, significant balance sheet implication.

- Activity completely new to the CIO.
- Activity that requires a new operating legal entity.
- Activity that requires significant investment (e.g. for technology /new hires) or has major potential financial impact.
- Significant expansion of current high-risk activities.
- A combination of these may indicate a potential RR1 Initiative.

Risk Rank 2 – Medium Risk: moderate incremental risk - multiple risk control areas are affected requiring cross discussion about the risks and operational considerations.

- Variation of existing products (which requires new infrastructure or control processes).
- Offering existing products in a different location or from a different legal entity (which requires new infrastructure or control processes).
- Expanding existing products to different Business Units (which requires new infrastructure or control processes).

Risk Rank 3 – Low risk: little incremental risk - implementation of an initiative requiring the involvement of several risk control areas where only minor concerns are anticipated.

- Change to an existing, well-controlled product or business.
- Offering existing products in a different location or from a different legal entity (for which limited new infrastructure is required and existing control processes will be leveraged).
- Expanding existing products to different Business Units (for which limited new infrastructure is required and existing control processes will be leveraged).

During the review process, if the incremental risk of an initiative is more or less significant than anticipated, the risk rank can be amended.

Initiative Review and Approval Process
The NBIA approval process should include a working group comprising of representatives from the following groups:

- Regional or business unit head
- Credit Risk
- Market Risk Management
- Finance/Valuation
- Operational Risk Management
- Middle Office
- Finance
- Audit
- Global Controller
- Legal Entity Controller
- Regulatory (some regions may require multiple regulatory approvals)
- Treasury
- Tax
- Compliance
- Legal
- Operations
- Technology
- Others (as needed)

The sponsor is responsible for communicating via email documentation to all designated signatories at initiation of an NBIA proposal. It should comprise a clear business rationale, overview of the product, proposed support infrastructure and outline any known issues. The forum should also offer signatories a chance to pitch initial questions or raise concerns/issues that may need resolution prior to launch.

All Initiatives should be evaluated in terms of risk and subject to a review and approval process as outlined in Exhibit A. Initiatives should be reviewed and approved by each impacted risk stripe. The working group is responsible for commenting on risk impact, establishing appropriate controls and processes and providing input to documentation.

Risk stripes have the ability to provide conditional approval. Examples may include:

- Regulatory approval or notification required prior to implementation.
- Operational parameters (e.g. technology requirements).

Conditional approvals, if any, are reviewed at the Business Control Committee (BCC) meetings.

Governance
The Business Control Committee (BCC) forum members discuss and review global NBIA proposals. Participants in the BCC include the Head of business, the Global CFO, the Controller and representatives from the various functional areas - legal, compliance, market risk, technology and operations and audit.

The BCC has oversight responsibility for the NBIA processes and generally ensures that current NBIA proposals are reasonable and appropriate.

If an NBIA cuts across two or more locations where coverage personnel differ, the signatories should ensure approval is sought from all additional interested parties before offering an official sign-off on behalf of their function. Approvals must be received in written email format from each designated signatory.

Documentation Requirements
For each Initiative, the definition and scope of the activity, economic rationale, risks and controls should be recorded in a document (the 'NBIA Document'). Template is attached in Exhibit B.
The key contact (Middle/ Front Office) will be responsible for managing and coordinating the approval process for the NBIA. Final NBIA information will be archived for seven years from the date of approval.

The NBIA document represents the engagement of all required functional groups and is reviewed by Audit.

All NBIA requests and completed activities are tracked and stored in Jira, a central database, which is the sole repository for NBIAs and required approvals.

Post Approval Requirements
The Key Contact of the completed NBIA is responsible for ensuring that post approval requirements are tracked, reviewed and monitored to closure. Post approval requirements are coordinated by the Key Contact unless otherwise agreed by the Business Unit CFO.

Post approval requirements include:

- Recording the Initiative implementation date.
- Monitoring and reporting any conditional approval until closure.
- Completing a Post Implementation Review ('PIR') for all full NBIAs.

The PIR should be completed within 6 months of first activity with any extension to this period agreed with the Business Unit CFO and the key contact. They should:

- Verify that the Initiative is materially the same as that approved.
- Check that economic performance and limits are within projected levels.
- Check that controls are effective and transaction volume is not negatively impacting the infrastructure.

Roles and Responsibilities

- Initiative Proposer (Front Office / Other functions)
  - Responsible for creating or proposing NBIA with financial case and soliciting senior business support (see "Sponsorship" section for details).
- Key Contact (NA: Middle Office; EMEA: Middle Office/Change Management; Asia: Business Management)
  - Identifies activities which require NBIA review, coordinates the NBIA process and prepares the NBIA document.

- Maintains a master copy of NBIA document and ensures it is kept updated.
- Final, represented copy to be housed in Jira with approval signatures.
- Escalates issues and delays to CFO / Working group and ensures the NBIA process is complete prior to initiative launch.
- Responsible for completion and/or execution of the Post Implementation Review (PIR).

- Working Group (see "Initiative review and approval process")
  - Identify activities that require NBIA review; comment on the risk impact (ultimate escalation points include CFO, COO and CRO); establish appropriate controls.
  - Provide input on documentation and approval as required.
  - Provide confirmation on initial due diligence to proceed with initiative (NBIA) development.
- Global Controller
  - Responsible for ensuring proper reporting and accounting/GAAP policies are established.
  - Responsible for forecasting of RWA based on existing products and rules. Validate RWA calculations provided by corporate.
- CFO
  - Ensure due diligence is enacted to comply with CIO NBIA guidelines.
  - Monitor accounting/GAAP policies are followed as established by the Global Controller.
  - Ensure proper portfolio/strategy is associated with the NBIA under review.
- COO
  - In collaboration with Working Group, agrees to preliminary Risk Ranking.
  - Oversees the overall NBIA process within their LOB.
  - Responsible for guiding the Key Contact in completing the PIR.
- ORM Control Team
  - Oversees the overall NBIA Policy and Process and provides guidance and training where required.
  - Assists in the determination of the NBIA Risk Rank where needed and acts as a central control and escalation point for issues.
  - Maintains all completed NBIA documentation.
  - Monitors and triggers the six-month Post Implementation Review.

Other Considerations

- In the event an NBI-driven transaction is not executed within 1 year of signoff, the NBIA should be re-circulated for re-validation.
- Records of all NBI approvals should be maintained within the sponsoring location.

Regulatory Requirements

The NBIA policy is a key control for Sarbanes-Oxley. Documentation of an initiative definition, controls, how appropriate risk area reviewers were determined and actual risk area approvals are to be archived for seven years. Interagency statements and individual statements regarding new initiative due diligence are regularly distributed by regulators. As an example, guidance as to the process to be followed to prudently manage the risks associated with new, expanded or modified bank products and services was distributed by the OCC on May 10, 2004. OCC Bulletin 2004-20, Risk Management of New, Expanded, or Modified Bank Products and Services: Risk Management Process is found at http://www.occ.treas.gov/2004/May.htm.

Exhibit A: Process of development of an initiative for Review and Approval

1 Product Idea & Sponsorship

- Who: Front Office
- What: Recognizes and defines product opportunity
- When to proceed: Business case / economics are defined and agree upon

2 Initiative Development

- Who: Working group
- What: Regular meetings held; identify issues and determine risk ranking; Develop and implement controls; compile findings from each risk stripe in NBIA document; communication through the NBIA database
- When to proceed: Risks have been identified and controls have been documented; Final draft of document is circulated and reviewed by the working group; team confirms document is complete, agrees on any conditions and briefs approvers as appropriate

3 Final Document & Approval

- Who: Working group
- What: Final document is circulated to senior approvers and Working Group
- When to proceed: Initiative is approved when all signatures are recorded and any conditions of approval documented

4 Post-Approval follow-up

- Who: Front Office / CFO
- What: Conduct Post Implementation Review, Post-approval recordkeeping; Track conditions follow up (by the Expeditor)
- When: Ongoing

Exhibit B: NBIA document templates

Chief Investment Office / Global Treasury
New Business Initiative Approval
Executive Summary

Name of Initiative			
Portfolio(s)/Region(s)			
Initiative Sponsor			
Initiative Approver			
Brief Initiative Description			
Economic Rational for Proceeding (estimated risks and rewards, including profits and losses)			
Key Changes From Current Activity			
Changes to Operational Processes			
Key Risk Issues			
Risk Rating (1, 2 or 3)	1 High	2 Medium	3 Low
Priority Rating (A, B or C)	A High	B Medium	C Low
Account Treatment (ex Trading, FAS 133)			
Target Launch Date			
Date Authorized to Proceed with Development			

<u>Guidance:</u>
Initiative Approver: authorizes initiative development, agrees the initiative launch and prioritizes initiatives for development. The initiative approver should be a direct report of the CIO.
Initiative Sponsor: the Sponsor should typically be a Portfolio Manager.

Risk Rating is based on incremental risk and materiality of risk change:

1 - **High Risk** - *significant incremental risk* - new business for the area, significant residual risk after risk management, manually intensive environment, considerable legal exposure, cross border issues, significant effort for Regulator approval, infrastructure under stress, major investment of capital, significant balance sheet implication

2 - **Medium Risk** - *moderate incremental risk* - multiple risk control areas are affected requiring cross discussion about the risks and operational considerations.

3 - Low Risk - *little incremental risk* - implementation of an initiative requiring the involvement of several risk control areas where only minor concerns are anticipated.

JPMorganChase

Chief Investment Office/ Global Treasury
New Business Initiative Approval
Proposal

(Portfolio(s)/Region(s))
(Title of Product Proposal)

Initiative Sponsor	
Key Contact	
Date Authorization to Develop Received	
Target Launch Date	

Table of Contents

Appendices as necessary e.g. external product description documents, legal documents, detailed operating procedures

1. Proposal Summary

Name of Initiative	
Portfolio(s)/Regions(s)	
Initiative Sponsor	
Initiative Approver	
Brief Initiative Description	
Economic rationale for proceeding (estimated risks and rewards, including profits and losses)	
Key changes from current activity	
Key Risk issues	
Risk Rating (1, 2 or 3)	1 High 2 Medium 3 Low
Priority Rating (A, B or C)	A High B Medium C Low
Processing Location	
Main systems impacted	
Legal Enties that are impacted	
LOB's that are impacted	
Operational impact (include anticipated volumes and key capacity metrics)	
Other significant information	
Regulatory approvals required	
Balance Sheet usage	
Accounting Treatment(ex Trading, FAS 133)	
Note any Reputation Risk Review requirements	
Other Policies impacted	
Additional Headcount Required	
Date authorized to proceed with development	
Target Launch Date	
Key Contact for questions	
Person responsible for Post Implementation Review	

2. Working Group and Approvers

Stakeholder Area	Working Group Member(s)	Signature	Agreed Completion Date	Date Approved
Business Sponsorship				
Global Head				
Global CFO				
Portfolio Manager (Initiative Sponsor)				
Regional CFO				
Global Controller				
NBIA Preparer				
Risk Control Areas				
Market Risk				
Credit Risk				
Finance – Accounting Policies				
Finance – Middle Office / Operations				
Finance - Controls / Operational Risk Mgmt /VCG				
Finance- Local LEC(where applicable)				
Technology				
Treasury Funding (where applicable)				
Treasury Regulatory (where applicable)				
Regulatory				
Tax				
Legal				
Compliance				
Audit				
Other as appropriate				
Senior Country Officer				
Legal Entity CFO/SFO				

3. Initiative Overview

i. Initiative description, economic justification, strategic fit, growth forecast, expected volume, capacity limits
ii. Business Rationale including market opportunities and risks

4. Trade & Legal Entity Flow

i. Include an expanded end to end product flow diagram including all Key Sox controls and reconciliations. Within the product cycle please ensure that local trade capture, p&l daily reporting, confirmation & affirmation, settlement, regulatory reporting and collateral mgmt. .
ii. List all legal entities, Standard party Numbers (SPN) & Trade capture systems that are impacted.

5. Market Risk

i. Describe exposure to interest rate risks.
ii. How will VAR's be calculated? Describe in detail what system will be used to monitor and capture risk/ Var.
iii. Describe market valuation and pricing methodology, VCG implications including model needs (new or existing), model validation procedures.
iv. Consider, trading limits, concentration, risk monitoring, reporting and hedging approach.
v. What will the country risk limits (where applicable), VAR utilization and SIR (Sovereign Issue Risk), SNPR (Single Name Position Risk) limits be?
vi. Describe if this new product requires the use of a model for valuation and/ or risk management purposes If yes, has the model been tested, approved and documented in accordance with standards established in the Firm-wide Model Risk Policy?
vii. If no, is this model currently in the pipeline to be reviewed by the MRG team? In addition, has it been identified as an unapproved model in the model reporting database?
viii. If Market Risk Rules, what is the VaR and Stress VaR?

6. Credit Risk

i. Consider: exposure, limits, models, hedging and process flows for accurate risk monitoring and reporting.
ii. Counterparty considerations
iii. Margin and collateral management

7. Finance - Accounting

i. Describe accounting treatment to be utilized
ii. Consider Accounting Policy review and regulatory reporting implications
iii. Will the accounting for the new products be performed manually or will it be automated?
iv. If this new product is a Security (FAS 115) please answer questions v – vii, if not please skip to viii.
v. Are the Securities marketable?
vi. Which interest income methodology will be used (Constant Effective Yield, Prospective or Retrospective)?
vii. What impairment rules will the Securities be subject to? When accounted for as AFS, the product will be subject to SFAS 115 impairment rules. If lower than AA, then subject to EITF 99-20
viii. If the product is to be accounted for as AFS, then has it been reviewed for embedded derivatives?
ix. What SFAS 157 Fair Value Measurement classification will be assigned?
x. If this is an SPV how will it be consolidated on our balance sheet?
xi. Will the security receive Market Risk or Banking Book Rules? Securities Accounted for as trading are eligible to receive banking book RWA if certain criteria are satisfied (no embedded derivatives, intent to hold, etc).
xii. What type of product is it (if banking book rules)? Product type will determine Loss Given Default

8. Finance – Middle Office/ Operations

i. List operations areas impacted with location and manager responsible, note key impact, staffing expertise, capacity concerns
ii. Note manual procedures, plans to automate, required external communication, client reporting, client valuation, confirmations, etc.
iii. Are there any income attributions or service level agreements?
iv. How will Global NeV Dac be fed? Will it be manual or system fed?
v. Have all of the proper portfolio codes and counterparties been set up?
vi. If any off market transactions take place how will they be monitored?
vii. Please describe any country risk capture (where applicable)

9. Finance - Controls / Operational Risk Mgmt /VCG

i. Consider changes to the control environment including process, control procedures and review.
ii. For all functions performed by parties external to CIO please identify the appropriate group / lob and confirm that the appropriate handshake is created. This will ensure that from a SOX's standpoint the testing of controls is appropriately handled.

iii. Describe market valuation and pricing methodology Highlight VCG implications including model needs (new or existing), model validation procedures. Consider pricing methodology and modeling.
iv. Consider price adjustment and reserves.
v. Is the proper GLRS/ substantiation process in place?

10. Finance-Local LEC (where applicable)

i. Local accounting entries

ii. Local reconciliations and controls

11. Technology

i. System needs: Will additional systems or system enhancements be needed? If so what is the materiality of the need? Which existing systems must interface with the new product? Will system interfaces be manual or electronic?
ii. End to end capacity and trigger metrics; note reliance on manual workarounds and spreadsheets, agreed limitations, external vendors

12. Treasury Funding (where applicable)

i. Note the impact of funding and liquidity

13. Treasury Regulatory (where applicable)

i. Note any Capital Investments, balance sheet usage, Parent ,Bank or Affiliate funding, Guaranty
ii. Estimate funding requirement: overall, by legal entity and main currencies; liquidity implication

14. Regulatory

i. Overview
ii Regulatory Reporting NPA Review Considerations

<u>Regulatory Reporting NPA Review Considerations</u>

1. *Has this product been reviewed by regulatory reporting (US and non-US) to ensure that it will be reported in accordance with regulatory reporting requirements. List any regulatory reporting requirements (US and non-US) in relation to the new product and provide a description of any requirements that differ from GAAP*

2. *For Risk-based capital purposes, will this product be booked under trading or banking book rules and has legal and regulatory reporting reviewed the proposed treatment, where appropriate. Has any impact to risk weighted assets been identified, evaluated and communicated to regulatory reporting. Are the appropriate risk weighted asset limits in place and been reviewed by the applicable CFO?*

3. *Will this product feed into appropriate market, counterparty credit and specific risk systems (if so, please describe the feed names, internal model, risk and booking systems, and appropriate contacts in technology and middle office)? If not, have procedures and controls been put in place to report it manually and who will be the contact person for manual reporting?*

4. *Describe the nature of any collateral held in relation to this product.*

5. *Does this product impact deposits and, if so, has this been communicated to regulatory reporting for purposes of calculating appropriate reserves.*

6. *Has the methodology for calculating risk weighted assets and specific risk been communicated to regulatory reporting? Is any regulatory approval or specific risk model development required for this product?*

7. *If this product requires risk (including general, specific and counterparty) has the product been submitted to regulatory reporting to update the risk inventory list?*

15. Tax

i Jurisdiction considerations, withholding tax, VAT, income attribution
ii. Tax issues e.g. tax advantaged transaction, tax shelter regulations
iii. Do the tax rules differ from accounting rules? If so, have the systems been set up to capture the information needed for tax purposes?

16. Legal

A review needs to be conducted on the legal framework.

17. Compliance

A review of Compliance issues for all jurisdictions impacted needs to be completed. It should consider countermeasures to reduce risks related to regulatory, documentation and procedures

Does the initiative include competitive bidding (a transaction in which JPMorgan Chase & Co, or a subsidiary submits a bid to provide or purchase a financial product or service in a competitive process that is intended to result in the selection of one or more winning bids, free from collusion)? If so, this initiative must also be reviewed by Antitrust Compliance prior to NBIA approval, and if the NBIA is approved, the new business activity will need to be added to the list of competitive bidding activities subject to additional policies, procedures and controls under the terms of various regulatory agreements dated July 6, 2011

18. Audit

A review of the risk of fraud, theft, error should be performed.

Chief Investment Office & Global Treasury New Business Initiative Approval Policy

Post-Implementation Review

Section 1 - to be completed 6 months post first trade execution.

Name of Initiative:	
Line of Business:	
Post Implementation Key Contact:	
Launch Approval Date:	
First Transaction Date:	

Brief description of the approved initiative:

(copy from initiative summary)

List any conditions associated with the approval, comment on open items and the timeframe for completion.

Risk Review Group	Conditions raised during sign off	Comments

Section 2 - to be completed within 6 months of the activity going live

Address the following:	
Is the initiative as described in the proposal when it was approved?	
Is the initiative within the volumes and limits agreed when approval was granted?	
Have there been any operational errors as a result of introducing this initiative?	
What economic value has been received and how does that value compare to the initial projections?	
Have there been material operational changes that were or should be documented?	
Have there been any technology or system issues as a result of introducing this initiative?	
Other points of note	
Post implementation review completed by	(insert name)
Date	(insert date completed)

Send completed copy to LOB ORM, Regional Expeditor and Audit

NBIA Lite Procedures

1. Objective

The New Business Initiative Approval documentation serves as a guide to help the appropriate implementation of new business. The objective of the NBIA Light version is to facilitate the approval process of certain initiatives that represent a variation of an existing product or process.

2. Eligible initiatives for the "NBIA Light" version

- Variation of an existing product / process within CIO.

Examples: product traded in one region/legal entity will expand to other regions / LE, extension of existing product ranges (traded long-term to short-term). If a product is traded on IB but not on CIO the NBIA has to be "full version".

In case of doubt about which version of NBIA to apply, the NBIA preparer and the Global Head of ORM should reach a consensus.

3. Due diligence review

Before a trade can be executed the following steps must be completed:

1. Fill the checklist sections A to D on Form 1

2. Contact <u>all</u> necessary key areas/people for the appropriate implementation of the initiative and fill up section E of Form 1. The areas to be contacted are divided in "Required approval" and "Required contact". For the "Required approval" it is necessary to collect the signature or approval email of a representative of the area.

3. Sent the completed Form 1 to the CIO Controller.

4. Responsibilities of the "NBIA preparer"

- In case of doubt, contact the Global Head of ORM to determine if a Lite NBIA version is applicable.

- Contact all key areas/people listed on section E and include any other areas that should be contacted based on specific requirements of the initiative.

- Explain the initiative and check the existence of any issues or system/processes modifications necessary for the implementation of the NBIA.

- Follow up on any issues and update the key areas on the NBIA's development. Make sure that the areas involved have the same level of information by the time the NBIA will be sent to approval.

- Collect signatures or approval emails.

5. Post-implementation review:

The NBIA preparer has to complete a post implementation form 6 months after the trade product and submit to the CIO Controller.

NBIA Lite Form 1: Initiative Approval Proposal

(If any of the items are not applicable write N/A, please don't delete the line)

A. Proposal Summary

1	**Initiative Name:**	
2	**NBIA preparer:**	
3	Creation date:	
4	Brief Initiative Description:	
5	Initiative Proposer /sponsor	
6	Region:	
7	Justification for NBIA lite	
8	Status:	
9	Proposed Launch Date:	

B. Systems Impacted

1	Legal entity(ies) impacted:	
2	Legal Entity Branch ID	
3	LE / OU Number	
4	Standard Party Number (SPN)	
5	Org Code	
6	Trade Capture system - Portfolio / Book - Portfolio / Book Type (Accrual or MTM)	
7	Settlement system/ issues - Portfolio / Book	
8	Confirmation process	
9	Will system feed the general ledger?	
10	VAR Portfolio	
11	How will VaRs be calculated?	
12	How will GlobalNet/DAC be fed? (Manual or system fed?)	
13a	Does product requires the use of a model for valuation and/ or risk management purposes. If yes, has the model been tested, approved and documented in accordance with standards established in the Firm-wide Model Risk Policy?	
13b	If no, is this model currently in the pipeline to be reviewed by the MRG team? In addition, has it been identified as an unapproved model in the model reporting database?	

C. Accounting treatment

1	How will the Product be treated for accounting? (Trading,AFS, or SFAS 133)	
2	If this new product is a Security (FAS 115) please answer questions 3- 6, if not please skip to question 7.	
3	Are the Securities marketable?	
4	Which interest income methodology will be used? (Constant Effective Yield, Prospective, or Retrospective)	
5	What impairment rules will be the Securities be subject to?	When accounted for as AFS, the product will be subject to SFAS 115 impairment rules. If lower than AA, then subject to EITF 99-20
6	If the product is to be accounted for as AFS, then has it been reviewed for embedded derivatives?	
7	What SFAS 157 Fair Value Measurement classification will be assigned?	
8	How will Specific Risk be reported? Manual or system fed to PCM?	
9	If manual, what is the risk weighting based on Basel treatment?	
10	Is this product an SPV? If yes, how will this item be consolidated on the balance sheet?	
11	Will the security receive Market Risk or Banking Book Rules?	Securities Accounted for as trading are eligible to receive banking book RWA if certain criteria are satisfied (no embedded derivatives, intent to hold, etc).
12	If Market Risk Rules, what is the VaR and StressVaR?	
13	What type of product is it (if banking book rules)?	Product type will determine Loss Given Default

D. Controls, legal and other processes

1	Which controls and reconciliation will be performed? Please list out.	
2	Are any controls being performed by non CIO groups?	
3	Which substantiation process will be in place?	
4	What is the source of daily marks? External marks?	
5	Price testing required? If yes, what is the source?	
6	Legal / regulatory restrictions? Explain.	
7	Compliance restrictions? Explain.	
8	Specific Collateral management needs	
9	How will this product be funded?	

E. Areas contacted during the NBIA process

Required contacts:

	Contact name	Mark if not applicable
Market Risk	Peter Wieland	☐ N/A
Middle Office	NA – Bonnie Kindler EMEA – Paul Bates Asia – Fei Qian / Yuling Xu	☐ N/A
CIO Accounting Policy	Nancy Dennery	☐ N/A
Valuation Control Group/ ORM	Edward Kasil	☐ N/A
Technology	Joseph Coleman	☐ N/A
Legal	Caroline Monroe Koatz, Angela Liuzzi	☐ N/A
Compliance	Robert Cole	☐ N/A
Audit	Bill McManus	☐ N/A
		☐ N/A

Required approval (signature or approving email must de attached to this Form):

Business Head Sign-off	
CFO Sign-off	
Global Controller	
NBIA preparer	

Launch Approval Date:	
Conditions associated with the approval (if any):	

NBIA Lite Form 2: Post-Implementation Review
(To be completed by NBIA preparer)

Section 1 – Please fill the table below by copying the items from NBIA lite form 1.

Initiative Name:	
Brief Initiative Description:	
Initiative Proposer/sponsor	
Launch Approval Date:	
Conditions associated with the approval:	

Section 2 - to be completed within 6 months of the activity going live

First transaction date:	
Was the initiative implemented as described in the proposal when it was approved? If not describe material operational changes.	
Have there been any operational errors as a result of introducing this initiative?	
Is the initiative within the volumes, limits and constrains agreed when approval was granted?	
Have system implementations / modifications and any follow ups/conditions defined during the approval process been addressed?	

NBIA preparer	(Insert name)
Date	(Insert date completed)

Send completed copy to local ORM.

From: Jalan, Rashmi <rashmi.jalan@chase.com>
Sent: Sat, 21 Jan 2012 00:09:26 GMT
To: Alexander, David M <david.m.alexander@jpmorgan.com>; Braunstein, Douglas <Douglas.Braunstein@jpmorgan.com>; Dimon, Jamie <jamie.dimon@jpmchase.com>; Drew, Ina <Ina.Drew@jpmorgan.com>; Goldman, Irvin J <irvin.j.goldman@jpmchase.com>; Lee, Chris C. <Chris.C.Lee@jpmorgan.com>; Macris, Achilles O <achilles.o.macris@jpmorgan.com>; Sabo, Richard W <richard.w.sabo@jpmchase.com>; Tse, Irene Y <irene.y.tse@jpmorgan.com>; Weiland, Peter <peter.weiland@jpmchase.com>; Wilmot, John <JOHN.WILMOT@jpmorgan.com>; 'deidre.schiela@us.pwc.com'; 'stephen.h.nesi@us.pwc.com'; 'kristen.brown@us.pwc.com'
CC: Enfield, Keith <Keith.Enfield@jpmorgan.com>; Gandhi, Samir X <samir.x.gandhi@jpmchase.com>; Jalan, Rashmi <rashmi.jalan@chase.com>; Giovannetti, Alison C <alison.c.giovannetti@jpmorgan.com>; Lahoud, Michael <Michael.Lahoud@jpmorgan.com>; Masur, Jon J <jon.j.masur@jpmorgan.com>; McManus, William K <mcmanus_william@jpmorgan.com>; Sinha, Sreejib X <sreejib.x.sinha@chase.com>; Weiner, Pamela <pamela.weiner@jpmorgan.com>
Subject: CIO Weekly - 1/20/2012

All,

Please see attached the CIO weekly for the week of 1/20/2012.

Best Regards,

Rashmi Jalan
Chief Investment Office | **J.P. Morgan**, Floor 10, 270 Park Avenue, New York, United States |
(T) 212-834-6020| rashmi.jalan@chase.com

John Wilmot, Dave Alexander

CIO Performance Summary
January 20, 2012
($ in mm)

CIO

	Actuals				Budget	
1/17/2012	WTD	MTD	QTD	YTD	1Q 12	FY 12

Redacted
by
Permanent Subcommittee
on Investigations

1933

Interest Rate Risk Summary

Contact: Darren Gebler / Jorge Taveira

JPMORGAN CHASE & CO.

- DOE/BPV position and rates as of 01/17/12
- EaR position as of 1/10/2012
- All measures exclude trading positions covered by VaR, such as the MSR and associated hedges

A. Parallel Shocks and Yield Curves

		Shocks (Next 12 Months)			Yield Curves vs. 2012 Budget PZ (Next 12 Months)					Duration of Equity — BPV (-1bp)					
LOBs	2012 Budget P1 NII	+50bp	+100bp	+200bp	Implied	Adverse	Highly Adverse	Economic Recovery	Current Flat	Earning A/L	Other A/L	Allocated Equity	Net	Δ from prior Week	DoE (yrs)
1. Credit Card / Auto															
2. Mortgage Banking															
3. Consumer Business Banking															
4. Commercial															
5. TBSS[1]															
6. Asset Management															
7. IB															
8. Total LOBs (Managed by LOBs on Earnings at Risk basis)															
Corporate															
9. Treasury															
10. Treasury - LTD *(net of structural swaps)*[2]															
11. Treasury Equity & Goodwill															
12. CIO TAA Risk[2]															
13.															
SAA:															
14. Current Structural Interest Rate Risk															
15. Duration of Equity															
16. Normalization for Mortgage Drift															
17. Net SAA Risk															
18. Firm DoE (excluding Credit Spread Investments)[3]															
19. Credit Spread Duration Investments															
20. Firm DoE - Consolidated Actual *($126.3B net Equity)*[3]															

Redacted By
Permanent Subcommittee on Investigations

Rates	Next 12mth avg 2012 Budget PZ	Shocks - Next 12mth average	Yield Curves - Next 12mth average
21. Effective Fed Funds			
22. 1M Libor			
23. 2 Year Swap			
24. 10 Year Swap			

[1] TBSS risk excludes non-USD deposits
[2] TAA EAR is included in the SAA EAR amount
[3] DOE/bpv excludes potential call of TruPs in 4Q11, due to regulatory capital treatment change

Redacted By
Permanent Subcommittee on Investigations

B. Risk Terminology	
Fixed rate asset funded with a floating rate liability	Floating rate asset funded with a fixed rate liability
• Liability sensitive	• Asset sensitive
• Long	• Short
• Short funded	• Long funded
• Negatively gapped	• Positively gapped
• Positive duration of equity	• Negative duration of equity
• BPV > 0	• BPV < 0
• Exposed to rising rates	• Exposed to falling rates

1934

John Wilmot, Dave Alexander

CIO Position Summary - Overall

January 20, 2012

Balance Sheet - CIO (in Billions)	Spot	Basel I	Basel III
Investment Securities - CIO			
[redacted]			
Trading Acct Assets - CIO			
[redacted]			
Derivatives			
[redacted]			
Deposits with Banks			
[redacted]			
Cash and due from banks			
[redacted]			
Total 3rd Party Assets			

Redacted By

Permanent Subcommittee on Investigations

Investment Portfolio 3rd Party (in Billions)	Spot
[redacted]	
US Government Agency Securities	
[redacted]	
Corporate Bonds/Foreign Government Securities	
[redacted]	
Other MBS (RMBS, CMBS, etc)	
[redacted]	
CLO	
[redacted]	
Other (Marketable CDs, etc)	
Total CIO	

Redacted By

Permanent Subcommittee on Investigations

1/10/2012	VaR	Stress	Stress Scenario
[redacted]			[redacted]
International			General Recovery
[redacted]			[redacted]
FX Hedging			Bond Sell-Off
[redacted]			[redacted]
[redacted]			[redacted]
SAA			
* VaR based on a 95% confidence level			

Redacted by the Permanent Subcommittee on Investigations

John Wilmot, Alison Giovannetti

Capital Hedging

1/17/2012

	OPENING POSITION		CHANGE	Closing	KEY TRADES
CAPITAL	NET OPEN POSITION (USD mio)*				
	Capital Positions fully hedged with the exception of PLN ,CNY ,HKD ,INR ,KRW ,MYR ,PHP ,SGD ,THB ,TWD ,CLP ,COP ,MXN ,IDR ,CAD ,BRL	4,470	29	4,499	

* Note: Long represents long CCY (vs USD)

	Exposure		Capital Open Position			Trading Options and Cash FX		AFS Bonds		Spot Rates		
	Local	USD Equiv	Local	USD Equiv	% Open	Local	USD	Local	USD	17-Jan-12	16-Jan-12	%Change
NA												
CAD												
EMEA												
AED												
BHD												
CHF												
CZK												
DKK												
EUR												
GBP												
HUF												
ILS												
KWD												
NOK												
OMR												
PLN												
QAR												
RON												
RUB												
SAR												
SEK												
SKK												
TRY												
ZAR												
ASIA												
AUD												
CNY												
HKD												
IDR												
INR												
JPY												
KRW												
LKR												
MYR												
NZD												
PHP												
PKR												
SGD												
THB												
TWD												
VND												
LATAM												
ARS												
BRL												
CLP												
COP												
MXN												
Total												

* Not Included in

Redacted By The Permanent Subcommittee on Investigations

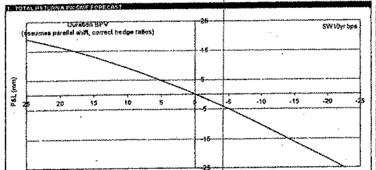
1936

John Wilmot, Pam Weiner

CIO MSR POSITION SUMMARY - OAS MODEL

01/17/12 Close

1. TOTAL HISTORICAL RISK FORECAST



2. HEDGEABLE TRR ESTIMATE

	Daily	WTD	MTD	QTD	YTD
Slide & Carry	[redacted]				
Duration (+/-5bps)					
Convexity					
MBS Basis Convexity					
MBS Basis					
MBS Mix - 30yr					
MBS Mix - 15yr					
Volatility					
Curve					
Treasury Basis					
Front End					
Other					
Hedgeable TRR					
New Transaction p&l					
Duration					
Curve					
MBS Basis					

3. OVERVIEW

	Asset	Hedge	Limit
Total BPV +/-5bps:	[redacted]		
Duration BPV +/-5bps:			
Front End BPV +/-5bps:			
$CNVX:			
Vega (0.1 bp vol):			
MBS Basis(+/-1):			
MBS Basis(+/-5):			
Curve 2-5yr:			
Curve 10-30yr:			
1M Slide & Carry:			
Remaining Jan:			
95% VAR (01/13):			
99% VAR (01/13):			

4. HEDGE POSITION

	CURRENT	BPV	DAILY BPV	NEW TRADES	BPV	BPVd	Comments
Trading	[redacted]						
Swaps							
FS Swap/FRA							
Swaptions							
MBS							
MBS Opt							
UST							
UST Futures							
UST Options							
ED/FF/OIS							
EuroS Options							
Hedge Total							
Asset							
Net Position							

5. MARKET DATA

	Today	Change	Asset	Hedge
1yr Swap	[redacted]			
2yr Swap				
3yr Swap				
5yr Swap				
10yr Swap				
15yr Swap				
20yr Swap				
30yr Swap				
2yr UST				
5yr UST				
10yr UST				
30yr UST				

Estimate FNMA 4.0

Estimate FNCI 3.5

	OC-10yr	Non-10yr
30yr CC 84.8	3.31	3.31
15yr CC 24.9	4.49	4.45

[redacted]

6. RISK ANALYSIS

Total	Asset	ActiveUST	ACC	Hedge	MBBs	Swap/UST	MBS Opts	Options	Shock
[redacted]									

Total	Asset	ActiveUST	ACC	Hedge	MBBs	Basis	MBS Opts	Options	Diff
[redacted]									

Rate Change

[redacted]

7. ADDITIONAL BPV SENSITIVITY

10 bps 2s-10s curve:

Today

[redacted]

8. CURVE DRIFT

<1 Year
1 Year
2 Year
3 Year
5 Year
10 Year
15 Year
20 Year
30 Year

9. TBA Position

TBA	MBS Out	CMB	Hedge	Asset	Total	TBA front	TBA back	A front	A back	Front Fx
[redacted]										

10. CURVE EXPOSURE

Entire Curve

	Total	Asset	Overlay	Hedge Total	Hedge Libor Duration	Hedge UST/FF Dur/Opt	Hedge Libor Opt Options	Front End	Total	Asset Total	Hedge/Libor	Hedge OIS	EDS	FAQ	FF	Future
Front End	[redacted]															
2 Year																
3 Year																
5 Year																
10 Year																
15 Year																
20 Year																
30 Year																
Total																

11. OC SCENARIO

		Start	Chg	Asset	Overlay	Hedge	Total	(Start of Day)
Scenario 1	CC	[redacted]						
	10yr Sw							
	bpv							
	Basis							
	$CNVX							
Scenario 2	CC							
	10yr Sw							
	bpv							
	Basis							
	$CNVX							

■ = Redacted by the Permanent Subcommittee on Investigations

From: Evangelisti, Joseph <joseph.evangelisti@jpmchase.com>
Sent: Wed, 04 Apr 2012 23:22:52 GMT
To: Goldman, Irvin J <irvin.j.goldman@jpmchase.com>
Subject: RE: Call

Greg got back to me tonight. He's not writing tonight. He'll give me more details tomorrow morning, and then I'll work with Ina and others on next steps. Thanks, Joe

-----Original Message-----
From: Goldman, Irvin J
Sent: Wednesday, April 04, 2012 7:20 PM
To: Evangelisti, Joseph
Subject: Fw: Call

----- Original Message -----
From: Weiland, Peter
Sent: Wednesday, April 04, 2012 06:22 PM
To: Goldman, Irvin J
Subject: Call

■ Redacted by the Permanent Subcommittee on Investigations

So I'm sitting in Laguardia about to get on a plane. I pulled out my iphone and I had a message. It was Greg Zuckerman from the Wall Street Journal, said he was writing a story that would mention me and wanted to give me a heads up. He's doing a story on Bruno and CIO. His number is 212 416 3614. He talked to me about the story trying to get a reaction and all I told him was that I could not make any comment. To be honest what he said actually sounded fairly balanced, but you never know what might actually get into print.

Left you a vmail at work too.

Boarding soon but call if you want to talk.

[redacted]

Pete
Peter Weiland
JPMorgan
o: +1 212 834 5549
m: [redacted]

From: Macris, Achilles O <achilles.o.macris@jpmorgan.com>
Sent: Mon, 09 Apr 2012 14:35:27 GMT
To: Braunstein, Douglas <Douglas.Braunstein@jpmorgan.com>
CC: Drew, Ina <Ina.Drew@jpmorgan.com>
Subject: Synthetic Credit Presentation

Hi Doug

FYI - the presentation related to synthetic credit is attached.

Best,
Achilles

CORE CREDIT P/L estimates for Q2

April 2012

STRICTLY PRIVATE AND CONFIDENTIAL

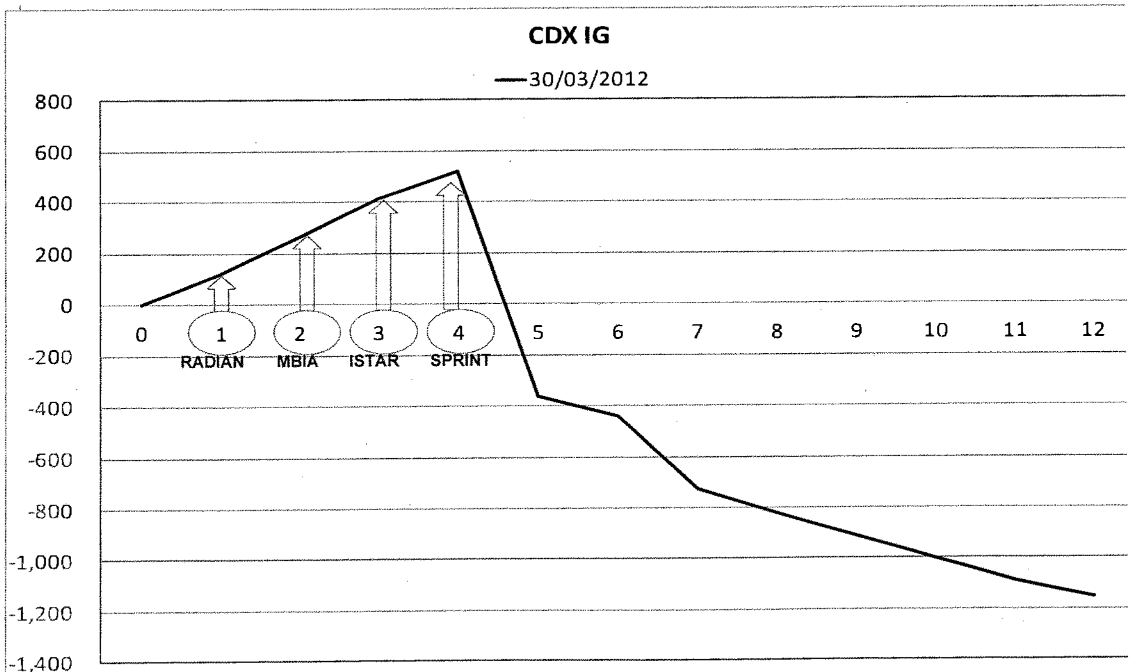
J.P.Morgan

1940

JPM-CIO 0002746

JPM-CIO-PSI-H 0002205

Default Summary – CDX IG



SYNTHETIC CREDIT STRATEGIC PLAN: UPDATE

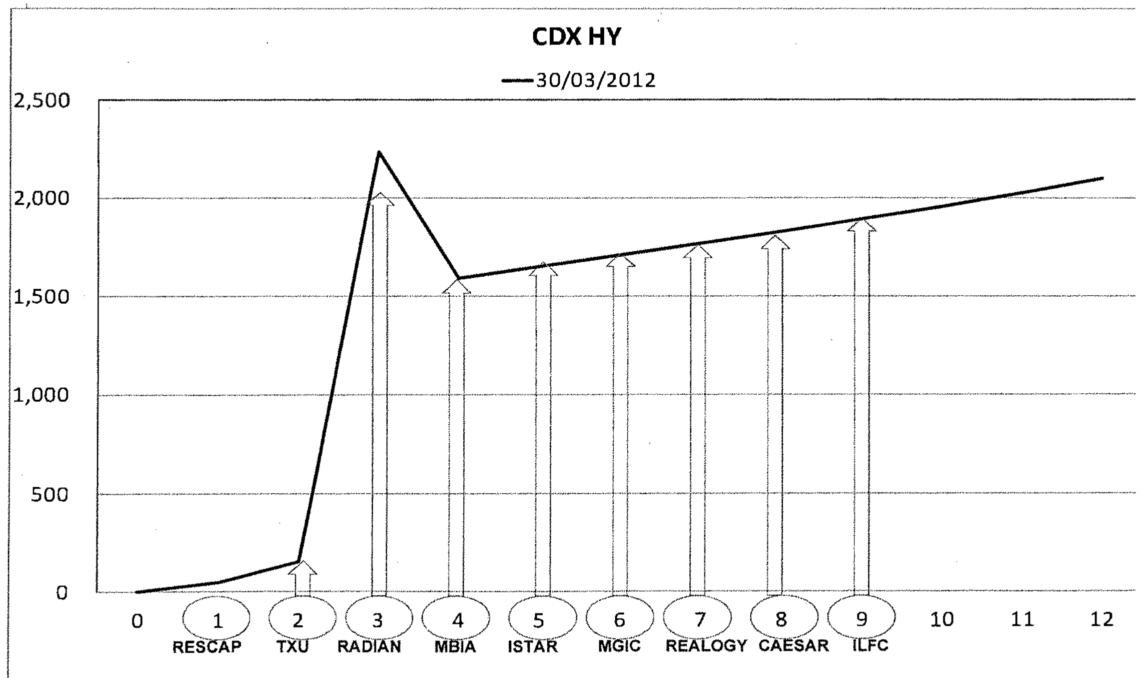
1941

J.P.Morgan

JPM-CIO 0002747

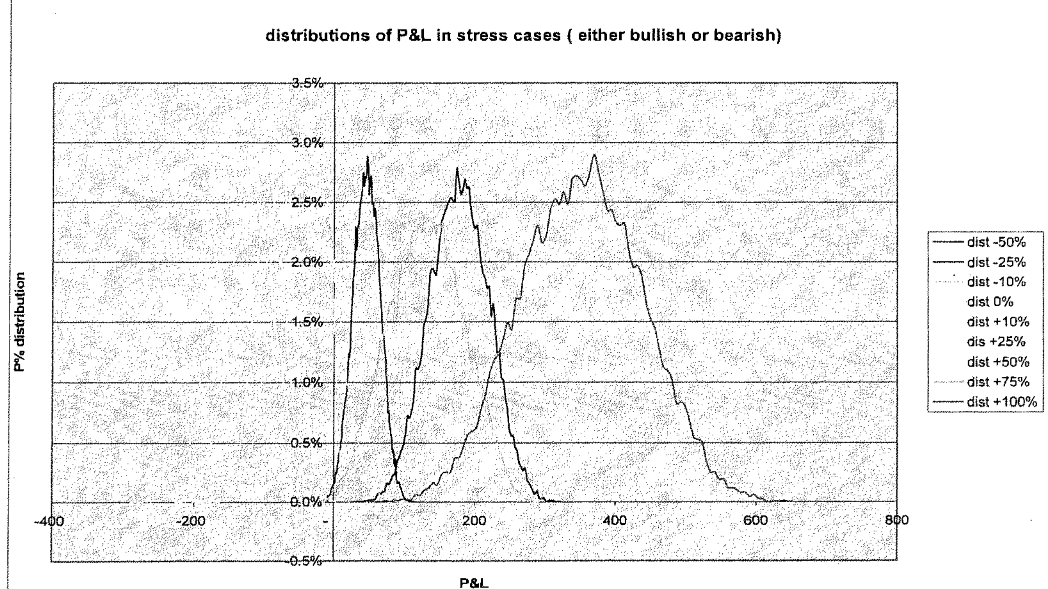
JPM-CIO-PSI-H 0002206

Default Summary – CDX HY



1942

Distribution of P/L



CORE CREDIT BOOK P&L REVIEW

1943

J.P.Morgan

JPM-CIO 0002749

JPM-CIO-PSI-H 0002208

Current P&L: Detailed Breakdown – CDX IG 9

CDX IG9	Spread compression	spread 03/01/2012	spread 27/03/2012	Duration chge	Spread chge	Duration adjusted	Beta adjust	Dur1	Dur2
0.75yr	48%	132	68	-23.00%	64	90.90	91.8	0.97	0.74
2.75yr	37%	140	88	-14.00%	52	57.80	51.2	2.82	2.68
5.75yr	26%	149	111	2.000%	38	37.51	29.1	5.26	5.28
On the run 5yr	33%	121	81	-9.00%	40	41.97	42.0	4.65	4.56
S9 forward	22%	152	118	26.00%	34	26.06	19.5	4.29	4.55
IG15	35%	111	72	-12.00%	39	41.94	46.3	3.8	3.68

Component	CDX IG 9
Steepening	5 Bp
HY bucket Spread effect	7 Bp
Total	**12 Bp**

1944

J.P.Morgan

Current P&L: CDX IG9 performance

- CDX IG9 can be proxied as a normal IG index of 117 names and 5 HY Names (MBIA, RADIAN, ISTAR, SPRINT, RR Donnelley)
  - The 5 names behaved like the whole HY market they underperform the IG market and steepened a lot
  - Their move relative to the rest of IG indices allows to explain most of the lag in CDX IG9 curve but not all
  - Yet 0.75yr CDX IG9 outperformed by 4Bps, 2.75yr outperformed by 0 bps while 5.75yr underperformed by 2 Bps ,the net P&L alone impact is estimated - USD110mm

0.75yr	compression	spread 03/01/2012	spread 27/03/2012	Duration chge		Spread chge	Index eq bp	index based theo		
CDX IG9	**61%**	**132**	**68**		-23.00%	**64**	**64.00**	**64.0**	**0.97**	**0.74**
Radian	60%	31.00%	12.48%			18.5%	15.18	18.82% -	0.24	
MBIA	28%	16.00%	11.49%			4.5%	3.70	9.71% -	4.26	
SPRINT	63%	5.80%	2.17%	**IG tightening**		3.6%	2.98	3.52%	0.09	
RRD	59%	4.09%	1.68%		**55.00%**	2.4%	1.98	2.48% -	0.06	
ISTAR	73%	12.62%	3.40%	**simul**		9.2%	7.56	7.66%	1.28	
% Index loss	**55%**	**44%**	**51%**		**55.04%**	**31.39**		**-**	**3.20**	

2.75yr	compression	spread 03/01/2012	spread 27/03/2012	Duration chge		Spread chge	Index eq bp	index based theo		
CDX IG9	**40%**	**140**	**88**		-14.00%	**52**	**52.00**	**52.0**	**2.82**	**2.68**
Radian	34%	52.00%	34.50%			17.5%	14.34	20.94% -	2.82	
MBIA	14%	36.00%	31.00%			5.0%	4.10	14.49% -	7.78	
SPRINT	14%	21.00%	18.00%	**IG tightening**		3.0%	2.46	8.46% -	4.47	
RRD	20%	15.00%	12.00%		**52.00%**	3.0%	2.46	6.04% -	2.49	
ISTAR	12%	26.00%	23.00%	**simul**		3.0%	2.46	10.47% -	6.12	
% Index loss	**21%**	**31%**	**41%**		**39.23%**	**23.36**		**-**	**23.68**	

5.75yr	compression	spread 03/01/2012	spread 27/03/2012	Duration chge		Spread chge	Index eq bp	index based theo		
CDX IG9	**24.5%**	**149**	**112**		**2.000%**	**37**	**36.50**	**28.3**	**5.26**	**5.28**
Radian	26%	66.00%	49.00%			17.0%	13.93	16.20%	0.66	
MBIA	10%	51.00%	46.00%			5.0%	4.10	12.52% -	6.16	
SPRINT	1%	36.50%	36.00%	**IG tightening**		0.5%	0.41	8.96% -	6.93	
RRD	3%	30.00%	29.00%		**30.00%**	1.0%	0.82	7.36% -	5.22	
ISTAR	19%	38.50%	31.00%	**simul**		7.5%	6.15	9.45% -	1.60	
% Index loss	**14%**	**23%**	**26%**		**25.75%**	**19.26**		**-**	**19.26**	

1945

Appendix ; Position CDX IG position changes since June 2011 allocated to IG9 forward trade

IG9 history in BLN USD	Net 0.75yr"("5yr") short in	Net 2.75yr ("7yr"	index level	Index ig9 5.75yr	(ig14 "5yr"	IG15 "5yr"	IG16 "5yr"	IG17 "5yr"	Net CDx IG index position on "5yr bucket"
Jul-11	-89	20.9	85	24.6	-1.38	-8.54	-6.07		2.86
Aug-11	-95	23.6	96	28.8	-1.38	-9.04	-8.89		4.48
Sep-11	-90	41.5	114	33.1	-1.6	-13.7	-26.6		-2.24
Oct-11	-85	27.4	125	33.7	-2.8	-15.85	-31.7		-15.315
Nov-11	- 99.80	24.40	127	33.80 -	3.40 -	16.30 -	25.60 -	1.20 -	16.50
Dec-11	-95	21.8	131	34.8	-3.68	-16.5	-25.06	-1.7	-15.814
Jan-12	-90	20.6	120	35.6	-3.9	-16.9	-25.06	-0.8	-13.75
Feb-12	-116.7	19	102	56.7	-6.3	-17.6	-22.48	-17.6	-14.355
Mar-12	-135	22.8	93	70	-7	-18.48	-17.5	-20.8	-0.962
Apr-12	-135	20.6	91	78.2	-7.7	-18.9	-17.5	-15.98	12.14

1946

Current position and trading activity 2012

Itraxx Block		All trades		Start Jan Book	Start Feb Book	Start March Book	Current Book
Decompression trade							
Main OTR Xover	3.700	-2,479,033,784		-3,756,756,757	-3,283,783,784	-4,884,371,622	-6,235,790,541
Main OTR IG	4.500	10,599,246,667		16,062,222,222	14,040,000,000	20,883,402,222	26,661,468,889
Forward vs OTR							
S9 Fwd	4.300	15,534,528,571		20,497,375,000	27,746,375,000	33,398,625,000	38,511,625,000
5yr IG OTR eq	4.500	-14,844,105,079	0	-19,586,380,556	-26,513,202,778	-31,914,241,667	-36,799,997,222
CDX block		All trades		Start Jan Book	Start Feb Book	Start March Book	Current Book
Decompression trade							
HY OTR	4.100	-12,027,013,171		-7,246,905,439	-7,695,056,537	-14,662,635,805	-19,273,918,610
IG OTR	4.600	56,814,564,391		34,233,751,128	36,350,777,943	69,265,016,530	91,048,315,520
HY Steepener							
HY On the run	4.100	-2,550,011,220		-8,555,429,927	-11,325,839,805	-11,224,162,976	-11,105,441,146
HY10-11	2.435	4,293,653,388		14,405,446,694	19,070,202,546	18,899,001,314	18,699,100,082
Forward vs OTR							
IG9 fwd	4.500	39,888,688,889		54,651,951,114	75,029,095,559	94,017,484,448	94,540,640,003
IG OTR	4.600	-39,021,543,478		-53,463,865,220	-73,398,028,264	-91,973,626,090	-92,485,408,699
Net Index exposure per Block							
Net 5yr ITRAXX Main OTR	4.500	22,472,525,079		-4,116,619,444	6,190,069,444	14,082,350,556	20,725,417,222
Net CDX IG OTR	4.600	13,110,337,783		-21,886,277,212	-5,681,532,288	-9,711,749,136	-8,775,939,430

1947

J.P.Morgan

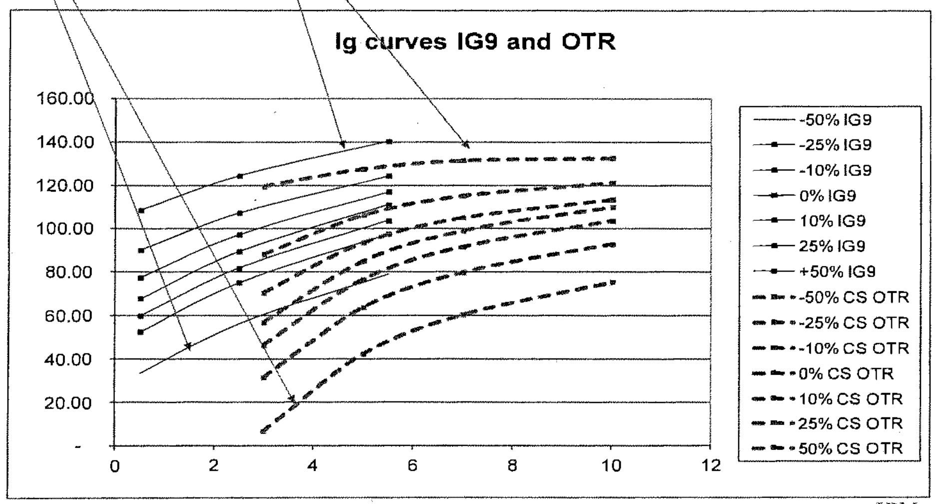
Q2 Status Quo Scenario - A reflection on relative performance

Central Scenario

- the IG9 curve steepens a bit more in a tightening while the IG9 10yr lags the 5yr OTR rally
  - at the wides, the IG OTR curve has flattened a lot, not the IG9 curve

➢The IG9 curve should rally more with such a slope in a rally

➢The IG9 curve could flatten more in a widening



1948

From: Dimon, Jamie <jamie.dimon@jpmchase.com>
Sent: Wed, 09 May 2012 18:44:27 GMT
To: Miller, Judith B. <Judith.B.Miller@jpmorgan.com>
Subject: Fw: CIO Credit Collateral differences as of COB Monday 8th - including 2 day differences against Morgan Stanley

---

From: Coombes, Hema S
Sent: Wednesday, May 09, 2012 02:32 PM
To: Dimon, Jamie; Braunstein, Douglas; Hogan, John J.; Drew, Ina
Cc: O'Rahilly, Rob; Bacon, Ashley; Venkatakrishnan, CS; Vigneron, Olivier X; Macris, Achilles O; Martin-Artajo, Javier X; Wilmot, John; Lewis, Phil
Subject: CIO Credit Collateral differences as of COB Monday 8th - including 2 day differences against Morgan Stanley

CIO Credit Collateral differences as of COB Monday 8th

Total difference between CIO and the counterparties is now $144mm vs. $212mm prior day

Largest Counterparty Difference: Morgan Stanley Capital Services is at $54mm – down from $61mm
Largest Instrument Difference: CDX IG S09 05Y 00-03 is now $26mm vs. $24mm on the prior day
**Please note: Deutsche Bank AG is as per the 7th May 2012*

Difference by counterparty:

Top ten differences by instrument:

Top 10 differences by Instrument against Morgan Stanley Capital Services as at COB Monday 8th May 2012:

Top 10 differences by Instrument against Morgan Stanley Capital Services as at COB Monday 7th May 2012:

Counterparty	CIO MTM	CP MTM	CIO vs. CP MTM
CA	(19,978,291)	(21,251,216)	1,272,925
BBVASA	(455,954)	(406,062)	(49,891)
BNPP	216,228,101	220,007,619	(3,779,518)
BOA	131,319,255	104,985,052	26,334,203
BPLC	(85,500,078)	(75,305,747)	(10,194,331)
CBKAG	(1,545,925)	(1,577,246)	31,321
CGML	(6,200,022)	(6,071,306)	(128,716)
CITI	(267,346,713)	(288,248,065)	20,901,352
CSI	(173,544,944)	(181,146,246)	7,601,302
CSX	(43,348,004)	(45,071,964)	1,723,960
DBKAG	384,699,628	359,684,654	25,014,974
GSI	25,428,476	10,558,303	14,870,173
HSBCEU	16,171,803	13,671,196	2,500,607
HSBCUS	(9,509,860)	(13,274,409)	3,764,549
MLI	5,173,139	5,347,934	(174,795)
MSCS	347,354,073	292,975,692	54,378,381
MSIL	(78,288,764)	(77,857,282)	(431,482)
NOMURAIP	124,926,304	118,702,655	6,223,649
RBSPLC	79,231,353	77,998,742	1,232,611
SGCIB	(150,405,087)	(130,472,796)	(19,932,291)
UBSAG	(109,323,292)	(122,342,812)	13,019,520
Total	**385,085,197**	**240,906,695**	**144,178,501**

Instrument	Notional	CIO MTM	MSCS MTM	Implied MTM (Markit Ref Index)	CIO vs. MSCS	Quote Type	CIO Price	CP Implied Price
ITRAXX MN S09 10Y 22-100	5,470,000,000	(100,541,489)	(116,309,162)	(89,147,431)	15,767,672	spread	51.00	55.87
ITRAXX MN S08 10Y 22-100	1,800,000,000	1,914,279	(9,458,855)	1,914,279	11,373,168	spread	48.75	60.28
ITRAXX MN S09 05Y 00-03	(543,072,000)	210,803,938	215,842,235	210,267,050	(5,038,297)	upfront+500	30.13	31.05
ITRAXX MN S08 10Y 12-22	250,000,000	(2,829,592)	(7,780,016)	(2,829,592)	4,950,424	spread	245.50	283.22
ITRAXX MN S07 10Y 12-22	300,000,000	(28,053,441)	(32,903,290)	(28,093,441)	4,824,849	spread	227.50	260.93
ITRAXX MN S06 10Y 03-06	245,000,000	(136,922,617)	(141,328,757)	(136,922,517)	4,406,140	upfront+500	33.88	35.67
ITRAXX MN S06 10Y 06-09	(410,000,000)	203,024,240	207,014,487	203,024,240	(3,990,247)	upfront+300	23.25	24.22
CDX HY S11 07Y	1,425,000,000	18,785,794	14,825,580	21,423,010	3,960,214	price	100.88	100.54
ITRAXX MN S09 07Y 22-100	3,750,000,000	6,367,553	2,452,785	8,032,677	3,914,768	spread	21.50	24.84
CDX IG S08 07Y 07-10	180,000,000	5,441,374	9,179,532	5,441,374	(3,738,158)	upfront+500	(6.77)	(9.85)
Other	(2,816,091,006)	169,394,034	151,446,185	169,394,034	17,947,849			
Total	8,650,834,994	347,354,073	292,976,692	367,533,585	54,378,381			

Confidential Treatment Requested by
JPMORGAN CHASE & CO.

JPM-CIO 0003256

Instrument	Notional	CIO MTM	MSCS MTM	Implied MTM (Markit Ref index)	CIO vs. MSCS	Quote Type	CIO Price	CP Implied Price
ITRAXX MN S09 10Y 22-100	5,470,000,000	(89,087,232)	(106,217,432)	(90,203,677)	17,130,199	spread	48.50	53.78
CDX HY S11 07Y	1,425,000,000	23,115,704	15,434,549	15,394,802	7,681,155	price	101.25	100.61
ITRAXX MN S08 10Y 22-100	1,800,000,000	1,148,599	(5,432,904)	1,148,599	6,581,503	spread	46.25	52.92
ITRAXX MN S07 10Y 12-22	300,000,000	(25,525,269)	(30,414,736)	(25,925,269)	4,489,467	spread	213.50	250.49
ITRAXX MN S06 10Y 03-05	245,000,000	(133,169,830)	(137,268,427)	(135,811,291)	4,098,596	upfront+500	32.63	34.30
ITRAXX MN S09 07Y 22-100	3,750,000,000	8,555,058	4,659,518	7,188,054	3,896,540	spread	20.25	23.57
ITRAXX MN S09 05Y 00-03	(543,072,000)	204,416,544	200,587,114	210,883,401	3,829,431	upfront+500	29.13	28.42
ITRAXX FINSUB S14 05Y	727,000,000	(90,086,545)	(93,331,198)	(91,876,202)	3,244,653	spread	389.00	402.36
ITRAXX MN S09 07Y	2,692,822,700	28,945,696	26,559,587	28,283,693	2,386,109	spread	150.50	153.43
ITRAXX MN S06 10Y 06-09	(410,000,000)	198,149,769	201,189,742	198,148,769	(3,040,972)	upfront+300	22.25	22.99
CDX IG S08 07Y 07-10	180,000,000	5,532,877	9,364,202	5,532,877	(3,831,325)	upfront+500	(8.72)	(8.85)
Other	(6,735,915,706)	242,728,325	228,193,412	242,728,325	14,534,913			
Grand Total	**8,900,834,994**	**374,323,695**	**313,323,428**	**383,472,081**	**61,000,288**			

1953

Confidential Treatment Requested by
JPMORGAN CHASE & CO.

JPM-CIO 0003257

Instrument	CIO MTM	CP MTM	CIO vs. CP MTM
CDX IG S09 05Y 00-03	414,200,291	388,203,947	25,996,343
ITRAXX MN S09 10Y 22-100	(333,178,303)	(356,001,861)	22,823,558
CDX HY S10 05Y 15-25	(31,884,002)	(45,818,852)	13,934,850
CDX HY S11 07Y	57,632,492	44,952,000	12,680,492
CDX HY S08 05Y 10-15	32,120,549	19,655,704	12,464,845
ITRAXX MN S08 10Y 06-09	61,612,157	73,256,350	(11,644,194)
CDX IG S09 10Y 30-100	650,806,839	661,178,417	(10,371,578)
ITRAXX MN S08 10Y 12-22	(7,023,482)	(16,944,148)	9,920,666
ITRAXX MN S09 05Y 00-03	602,368,762	611,723,184	(9,354,422)
ITRAXX MN S16 10Y	(12,516,455)	(5,940,694)	(6,575,795)
Other	(1,249,053,527)	(1,333,357,352)	84,303,825
Total	**385,085,197**	**240,906,696**	**144,178,501**

Confidential Treatment Requested by JPMORGAN CHASE & CO. **JPM-CIO 0003258**

J.P.Morgan

Strictly private and confidential addressee only
Bruno Iksil
[redacted]
FRANCE

Redacted by the Permanent Subcommittee on Investigations

12 July 2012

Dear Bruno:

Subject: Termination of your employment

J.P. Morgan Limited (the ***Company***) hereby terminates your employment with immediate effect.

The termination of your employment relates to your management of and responsibilities in respect of the CIO's Synthetic Credit Book (the ***Book***). The grounds for termination are that you have committed serious misconduct which may amount to gross misconduct justifying the termination of your employment by the Company with immediate effect, as follows:

- Under your responsibility for management and implementation, the Book experienced substantial, unexpected losses, after a dramatic increase in size, complexity and exposure to various risks and pursuant to a strategy that was not adequately vetted and that was executed poorly and without sufficient examination of underlying positions; and/or
- During March and April 2012, when the Book began to show significant losses, you received or were aware of instructions from Javier Martin-Artajo (i) to show modest daily losses in the marking of the Book rather than marking the Book in a manner consistent with the standard policies and procedures of JP Morgan Chase & Co (together with its subsidiaries, the ***Firm***) and/or (ii) to provide daily profit and loss reports that would show a long-term trend in the value of the Book's positions that did not necessarily reflect the exit price for those positions under the Firm's standard policies and procedures. You complied with, or permitted the compliance by Julien Grout with, such instructions in whole or in part with the result that there was a significant divergence between values under the Firm's standard policies and procedures and the Book's stated value; and/or
- You improperly and/or with gross negligence failed to identify, raise or assess, in a timely manner and as reasonably expected, risks and/or concerns in relation to the Book with respect to risks material to the Firm or its business activities; and/or

J.P. Morgan Limited
25 Bank Street, Canary Wharf, London, E14 5JP
Tel: +44 (0)20 7777 2000 • Fax: +44 (0)20 3493 0684

J.P.Morgan

- Your actions were inconsistent with proper marking considerations under the Firm's standard policies and procedures; and/or
- Your actions and/or failures to act have violated the JP Morgan Code of Conduct and/or other policies applicable to you; and/or
- Your actions and/or failures to act were injurious to the interests of the Firm or its relationship with its customers or clients; and/or
- Your performance of the duties associated with your position or job function was inadequate and/or unsatisfactory and fell significantly below what is reasonably to be expected of an employee operating at your level of seniority; and/or
- Your failure to perform adequately and/or satisfactorily the duties associated with your position or job function is sufficiently serious to constitute serious misconduct by you; and/or
- Your conduct was detrimental to the Firm in that it caused material financial and/or reputational harm to the Firm or its business activities.

The Company will today make you a payment into your bank account of 12 weeks' salary in lieu of notice (less deductions for income tax and employee's National Insurance contributions) in accordance with clause 1.9 of your terms and conditions of employment (the ***Terms and Conditions***). This payment is without prejudice to any final determination by the Company as to whether your conduct amounted to gross misconduct, such as would justify terminating with no payment in lieu of notice.

The Company and the Firm each retains all rights and remedies it may have against you including, but not limited to, the right to cancel or recover any cash or equity-based compensation paid to you in accordance with the terms of the relevant compensation awards, the Firm's Bonus Recoupment Policy and other policies or agreements.

You are reminded that following the termination of your employment you remain bound by the post-termination restrictions set out in the Terms and Conditions, including, in particular, clause 14 ('Confidentiality') and clause 20 ('Business Restraint Covenant'). In accordance with clause 19.6 of the Terms and Conditions, you must return to the Company all Company property including, but not limited to, any documents, Company equipment, computer disks, books, keys, documents, correspondence, records, credit cards and passes which are in your possession or control. Please do so before the close of business on 17 July 2012.

Yours sincerely,

Michael Boyle
Head of EMEA Human Resources

For and on behalf of
J.P. Morgan Limited

J.P.Morgan

- Redacted by the Permanent Subcommittee on Investigations

Strictly private and confidential addressee only
Achilles Macris
[redacted]

12 July 2012

Dear Achilles:

Subject: Termination of your employment

J.P. Morgan Chase Bank N.A. (the ***Company***) hereby terminates your employment with immediate effect.

The termination of your employment relates to your oversight responsibilities in respect of your role as head of CIO International which included the Synthetic Credit Book (the ***Book***). The grounds for termination are that you have committed serious misconduct which may amount to gross misconduct justifying the termination of your employment by the Company with immediate effect, as follows:

- Under your responsibility for oversight, the Book experienced substantial, unexpected losses, after a dramatic increase in size, complexity and exposure to various risks and pursuant to a strategy that was not adequately vetted and that was executed poorly and without sufficient examination of underlying positions; and/or
- You failed to provide effective or adequate oversight over the Book and the activities of Javier Martin-Artajo and the traders on the Book; and/or
- You improperly and/or with gross negligence failed to identify, raise or assess, in a timely manner and as reasonably expected, risks and/or concerns in relation to the Book with respect to risks material to JP Morgan Chase & Co (together with its subsidiaries, the ***Firm***) or its business activities; and/or
- You made representations to senior management in relation to the Book being balanced and/or well positioned and in relation to its estimated P&L scenarios and risk exposures which were significantly inaccurate in circumstances where you knew or ought to have known that such representations were inaccurate and/or omitted material facts necessary to make your representations not misleading and/or failed to make an adequate or prompt statement of correction of such representations in circumstances where it became clear that such representations were inaccurate; and/or
- Your conduct was detrimental to the Firm in that it caused material financial and/or reputational harm to the Firm or its business activities; and/or
- Your actions and/or failures to act have violated the JP Morgan Code of Conduct and/or other policies applicable to you; and/or
- Your actions and/or failures to act were injurious to the interests of the Firm or its relationship with its customers or clients; and/or

J.P. Morgan Chase Bank N.A.
25 Bank Street, Canary Wharf, London, E14 5JP
Tel: +44 (0)20 7777 2000 • Fax: +44 (0)20 3493 0684
Registered in England & Wales No. 248609. Registered Office 25 Bank Street, Canary Wharf, London, E14 5JP. Authorised and regulated by the Financial Services Authority.

J.P.Morgan

- Your performance of the duties associated with your position or job function was inadequate and/or unsatisfactory and fell significantly below what is reasonably to be expected of an employee operating at your level of seniority; and/or
- Your failure to perform adequately and/or satisfactorily the duties associated with your position or job function is sufficiently serious to constitute serious misconduct by you.

The Company will today make you a payment into your bank account of 12 weeks' salary in lieu of notice (less deductions for income tax and employee's National Insurance contributions) in accordance with clause 1.9 of your terms and conditions of employment (the ***Terms and Conditions***). This payment is without prejudice to any final determination by the Company as to whether your conduct amounted to gross misconduct, such as would justify terminating with no payment in lieu of notice.

The Company and the Firm each retains all rights and remedies it may have against you including, but not limited to, the right to cancel or recover any cash or equity-based compensation paid to you in accordance with the terms of the relevant compensation awards, the Firm's Bonus Recoupment Policy and other policies or agreements.

You are reminded that following the termination of your employment you remain bound by the post-termination restrictions set out in the Terms and Conditions, including, in particular, clause 14 ('Confidentiality') and clause 20 ('Business Restraint Covenant'). In accordance with clause 19.6 of the Terms and Conditions, you must return to the Company all Company property including, but not limited to, any documents, Company equipment, computer disks, books, keys, documents, correspondence, records, credit cards and passes which are in your possession or control. Please do so before the close of business on 17 July 2012.

Yours sincerely,

Michael Boyle
Head of EMEA Human Resources

For and on behalf of
J.P. Morgan Chase Bank N.A.

J.P.Morgan

Strictly private and confidential addressee only
Javier Martin-Artajo
[redacted]

= Redacted by the Permanent Subcommittee on Investigations

12 July 2012

Dear Javier:

Subject: Termination of your employment

J.P. Morgan Chase Bank N.A. (the ***Company***) hereby terminates your employment with immediate effect.

The termination of your employment relates to your management of and responsibilities in respect of the CIO's Synthetic Credit Book (the ***Book***). The grounds for termination are that you have committed serious misconduct which may amount to gross misconduct justifying the termination of your employment by the Company with immediate effect, as follows:

- Under your responsibility for oversight and management, the Book experienced substantial, unexpected losses, after a dramatic increase in size, complexity and exposure to various risks and pursuant to a strategy that was not adequately vetted and that was executed poorly and without sufficient examination of underlying positions; and/or
- During March and April 2012, when the Book began to show significant losses, you directed Bruno Iksil and/or Julien Grout to show modest daily losses in the marking of the Book rather than marking the Book in a manner consistent with the standard policies and procedures of JP Morgan Chase & Co (together with its subsidiaries, the ***Firm***) and/or to provide daily profit and loss reports that would show a long-term trend in the value of the Book's positions that did not necessarily reflect the exit price for those positions under the Firm's standard policies and procedures; and/or
- You made representations to senior management in relation to the Book being balanced and/or well positioned and in relation to its estimated P&L scenarios and risk exposures which were significantly inaccurate in circumstances where you knew or ought to have known that such representations were inaccurate and/or omitted material facts necessary to make your representations not misleading and/or failed to make an adequate or prompt statement of correction of such representations in circumstances where it became clear that such representations were inaccurate; and/or

J.P.Morgan

- You improperly and/or with gross negligence failed to identify, raise or assess, in a timely manner and as reasonably expected, risks and/or concerns in relation to the Book with respect to risks material to the Firm or its business activities; and/or
- Your conduct was detrimental to the Firm in that it caused material financial and/or reputational harm to the Firm or its business activities; and/or
- Your actions and the instructions you gave were inconsistent with proper marking practices under the Firm's standard policies and procedures; and/or
- Your actions and/or failures to act have violated the JP Morgan Code of Conduct and/or other policies applicable to you; and/or
- Your actions and/or failures to act were injurious to the interests of the Firm or its relationship with its customers or clients; and/or
- Your performance of the duties associated with your position or job function was inadequate and/or unsatisfactory and fell significantly below what is reasonably to be expected of an employee operating at your level of seniority; and/or
- Your failure to perform adequately and/or satisfactorily the duties associated with your position or job function is sufficiently serious to constitute serious misconduct by you.

The Company will today make you a payment into your bank account of 12 weeks' salary in lieu of notice (less deductions for income tax and employee's National Insurance contributions) in accordance with clause 1.9 of your terms and conditions of employment (the ***Terms and Conditions***). This payment is without prejudice to any final determination by the Company as to whether your conduct amounted to gross misconduct, such as would justify terminating with no payment in lieu of notice.

The Company and the Firm each retains all rights and remedies it may have against you including, but not limited to, the right to cancel or recover any cash or equity-based compensation paid to you in accordance with the terms of the relevant compensation awards, the Firm's Bonus Recoupment Policy and other policies or agreements.

You are reminded that following the termination of your employment you remain bound by the post-termination restrictions set out in the Terms and Conditions, including, in particular, clause 14 ('Confidentiality') and clause 20 ('Business Restraint Covenant'). In accordance with clause 19.6 of the Terms and Conditions, you must return to the Company all Company property including, but not limited to, any documents, Company equipment, computer disks, books, keys, documents, correspondence, records, credit cards and passes which are in your possession or control. Please do so before the close of business on 17 July 2012.

Yours sincerely,

Michael Boyle
Head of EMEA Human Resources

For and on behalf of
J.P. Morgan Chase Bank N.A.

CIO Compensation Presentation

June 21, 2012

CIO compensation – Overview & Pool Determination

- **Overview**
  - CIO compensation consistent with firm-wide approach
  - Discretionary, non-formulaic awards
  - Balances performance of the Firm, CIO and individual
  - Same cash/stock splits and deferred equity compensation as firm and other LOBs
  - Major driver of individual total compensation is "seat value"
- **Pool determination and limits**
  - Pool estimated at beginning of performance year based on previous year's aggregate pool, adjusted for changes in incumbents, staffing plans and other known changes
  - Pool estimate reviewed during year and adjusted as needed, if significant changes in CIO financial forecast vs. CIO budget, changes in overall firm IC guidance or other significant unanticipated changes
  - Determination of final pool subject to discussions at senior-most levels, taking into consideration numerous factors, including multi-year performance, quality of earnings and risk adjusted financial performance
  - Final pool approved by CMDC

CIO Compensation – CIO Financials 2008 – 2011

Historical Operating Performance ($ in millions)

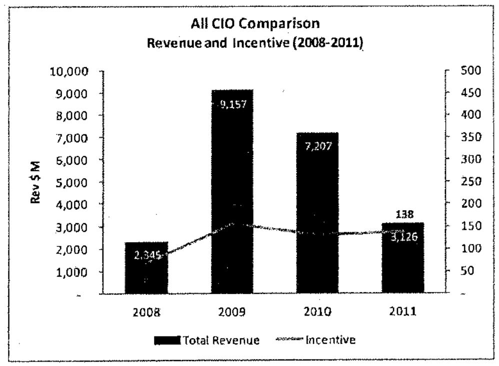
	2008 Actuals	2009 Actuals	2010 Actuals	2011 Actuals
Revenue[1]	2,345	9,157	7,207	3,126
Total Comp	117	169	203	230
Non-Comp	70	79	108	225
Total Expense	188	248	311	454
Credit Costs	-	3	8	15
Pre-Tax Earnings	2,157	8,906	6,888	2,657
Net Income[1]	**1,262**	**5,210**	**4,029**	**1,554**
SVA (at 12% assumed cost of capital)	1,124	5,044	3,869	1,301
RoE (Net Income/Economic Capital)	110%	377%	302%	74%
Comp/Revenue	5%	2%	3%	7%
Overhead Ratio	8%	3%	4%	15%
Economic Capital	1,151	1,382	1,333	2,114
Economic IC	68	156	132	138
Economic Total Comp	100	194	184	208

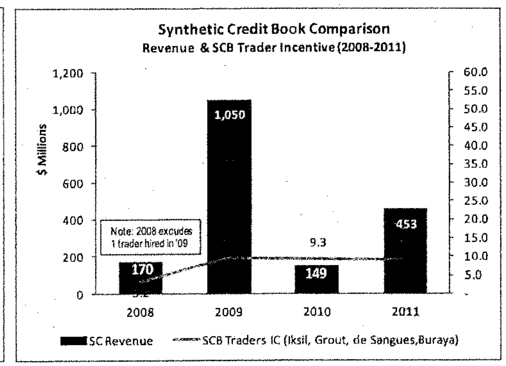
Note: Comp and Non-Comp expenses adjusted to eliminate LOB FX hedging residuals
[1] Includes MSR and BOLI/COLI

1963

CIO Compensation – Revenue to Compensation Historical Lookback

CIO compensation is relatively flat over the period, and there does not appear to be a direct correlation between revenue and compensation.





CIO Compensation – Individual Determinations

- **Individual total compensation determinations**
  - Internal and external benchmarks (put together for this presentation) provide a reference for seat value (**Tab A**)
  - Quantitative and qualitative assessments of performance and contribution
    - Performance reviews, though not always formally documented, consider a number of objectives and factors, including financial performance, risk management and execution of firm objectives (**Tab B**)
    - Input obtained from the Chief Risk Officer of CIO and other control function leads (Compliance, Legal, Audit) on senior market professionals (**Tab C**)
  - Total compensation recommendations for the most highly-paid employees, including Macris, Martin-Artajo and Iksil, were reviewed by the Operating Committee and compared to others in like roles across the firm, then reviewed and approved by CEO of the firm and included in JPMC Highly Compensated Report provided to CMDC
  - Total compensation recommendation for CIO CEO made by firm's CEO and approved by CMDC
  - Compensation history for Drew, Macris, Martin-Artajo and Iksil are at **Tab D**

1965

CIO Compensation – Overall Observations

- **Observations**
  - Review of CIO compensation indicates that both quantitative and qualitative factors, including risk management, were included
  - Significant changes in annual revenue from 2008-2011 do not directly correspond to changes in total compensation or incentives
    - Total compensation is largely driven by "seat value" and thus remains relatively flat over the period
    - As JPM CIO is not directly comparable to CIO functions in other firms, external benchmarks are not readily available; however, blend of data from IB, AM and external positions provide reference information
  - Governance processes were in place and were followed
    - Internal review of pool and individual awards by senior management across the organization (HR, Finance, Operating Committee)
    - Input and review by Risk and other control functions

List of Tabs

A. Seat Value Comparisons
B. Performance Reviews
C. Risk & Control Feedback
D. Individual Compensation Summaries

"Seat value" comparisons

Role	Total Compensation ($mm)			References			
	Name	2011	2010	Ref Grp	2011	2010	Comments / Other
JPM CIO	Drew	$14	$15	Bank CIOs	$9.7 – $10.1	$10 - $12	McLagan OC Market Survey [a]
				Inv Mgt CIO	6.8 – 16.1		McLagan Investor Survey [a]
				IB Fixed Income	16.5	17.5	Internal comparisons FI Mgt (Top 2) ('10 Mkt Survey Range - $13 - $25)
				Chf. Inv. Head	9.5	10.0	Internal comparison AM Head
				Blend			MGMC initial benchmarking: [a] 25P – 75P $7 -$18
International CIO	Macris	14.5	17.25	JPM Top Paid	Avg. – High 5.9- 12.6	Avg. – High 6 - 15.0	Internal – Sales &Trading MDs in IB (n=60)
				Top Paid Fixed Income	10-12.75	10.6 – 15	Internal - IB Fixed Income (Top 3 below IBOC)
				AM Fixed Income Inv.	8.0	8.0	Internal - AM Fixed Income Investment Head
EMEA CIO Mgt	Martin-Artajo Iksil	10.98 6.76	12.75 7.32	EMEA IB MDs	Avg. – High 5.9 – 10.5	Avg. – High 8.0– 13.3	Internal - EMEA Sales & Trading (n=25)
				IB Fixed Income	Avg. – 75P 4.4 – 9.8 2.7 – 5.0		MGMC Market Survey: [b] • Global FI – Trading Products MDs • Global FI – All Products MDs
SCB Traders	Buraya Grout de Sangues	1.3 1.0 1.25	1.48 .76 .77	Wholesale Front Office	Avg. – 75P 1.0 - 1.95	Avg. – 75P 1.2 – 2.2	Market: [b] 1.1 – 1.9 (MGMC/McLagan)
				IM Fixed Income PMs	.9 – 1.5		McLagan Survey [b]
				CPG	Avg. = 2.16 Avg. = .6	Avg. = 2.23 Avg. = .63	Internal – IB MDs IB ED/VPs

[a] Independent third party pay survey data used in direct job benchmarking
[b] Independent third party pay survey data used for comparable jobs in other LOBs that are referenced as part of internal comparisons

Macris

Adam, Phillipa C

From: Drew, Ina
Sent: 13 January 2011 13:02
To: Macris, Achilles O
Subject: Confidential - 2010 Performance Evaluation

Strengths

- Led International CIO to very strong performance results with excellent leadership (especially in my absence) and decision making in risk management.
- Fully integrated CIOs mission internationally with the company's overall direction.
- Attracted and trained highly skilled professionals who can continue building out International CIO.
- Solicited feedback from the control leads who concur that in 2010, you continued to be proactive and demonstrated a high degree of sensitivity to the firm's risk management practices. You lead by example through decision making in risk management.

Development Areas

- Should you aspire to CIO/OC role, you need to take a broader perspective of top tierpay at the firm.
- To be completely successful as a potential successor you need to help drive integration and partner with North America.
- Work with CIO to increase understanding of scale for top of the house positions.

Employee Confirm

Manager Confirm Drew

Achilles Macris

Strengths:

- 2011 solid year for International CIO under Achilles' leadership
  - avoidance of major risk management errors
  - some opportunities left on the table

- Identification of risk with a strong inclusive Risk Management culture. (see code review)
- Leadership – role on EMEA Management Committee; excellent on both FSA and Regulatory matters.

Development:

- CIO needs leadership at the top to improve internal partnership
- Achilles must strive to promote teamwork, information sharing and relationships between his team and NY setting the highest possible standards and pushing down the role of culture carrier
- Less reliance on staff and more intensive rigor in budget planning and expense management

Feedback from Control Partners:

- Has created a supervisory environment which is compliance and controls-oriented
- Leads by example and sets the right tone with his team regarding compliance and control
- Is always keen to understand the regulatory environment in which the business operates
- Conducts regular risk management discussions during his weekly meetings
- Demonstrates rigor in his team meeting, reviewing each market one-by-one and quizzing PMs on their positions
- Holds quarterly close and continuous meetings with the FSA on the CIO business. Feedback from the GSA is that the CIO business under Achilles' leadership engages in an open and transparent manner, bringing issues to their attention and ensuring deep understanding
- Is highly sensitive to market risks and is very responsible to market events, drawdowns and other situations that may signal need for risk reduction
- Executes without hesitation when a reduction is agreed
- Is engaged and supportive of the Risk Management team

Manager sections of this review are in 'draft' status. Employee cannot view manager's comments or ratings in Draft status.

Review Information	
Review Status:	In Progress
Employee:	Macris,Achilles (U430216)
Manager:	Drew,Ina R (U050924)
Additional Manager:	N/A
Review Cycle:	01-JAN-2011 -- 31-DEC-2011
Reporting Year:	2011
Job Title:	Chief Investment Officer
Tenure Date:	16-JAN-2006

Mid Year Rating	Year End Rating
Not Rated (Draft)	Not Rated (Draft)

Finalize Year End Performance Review - Signature Section		
User	Signature	Date
Manager	Not Signed	N/A
Employee	Not Signed	N/A

Objectives
There are no objectives for this employee.

Development Plan
There are no development plan goals for this employee.
Manager's Comments

Career Plan	
Career Goal	Term
There are no career goals for this employee.	
Manager Comments	

Strengths & Opportunities
Employee
There are no comments available from the employee; comments may not exist or be in draft status.
Manager
There are no comments available from the manager(s); comments may not exist or be in draft status.

Summary Comments

Employee Year End (Display) – Fleming, Lorraine (23-JAN-2012)

-- excellent year in a hard market environment.
-- In addition to doubling the International budgets, made a big contribution in changing and updating the thinking and management methodology of the Global books.
-- String European contribution and partnership -- have additional slide on this from th EMEA Management Committee report (tab 3 – page 1)
-- People: strongest team, strong development
--Controls: outstanding feedback from the control function partners both functional and regional (Sally/FSA etc)

Manager

There are no comments available from the manager(s); comments may not exist or be in draft status.

Discussion Tracking

Discussion	Employee Confirm	Manager Confirm
Objectives	N	N
Development/Career Plan	N	N
Jan, Feb, Mar (Quarterly Discussion)	N	N
Apr, May, Jun (Mid Year)	N	N
Jul, Aug, Sep (Quarterly Discussion)	N	N
Oct, Nov, Dec (Year End)	N	N

Attachments

Filename	Uploaded By	Source	Date
M027040112017479870O.pdf	Fleming, Lorraine	Summary	Mon Jan 23 10:01:02 EST 2012
Monthly slides for MR Dec11.xlsx	Fleming, Lorraine	Summary	Mon Jan 23 10:00:36 EST 2012
Global Analysis.xlsx	Fleming, Lorraine	Summary	Mon Jan 23 09:59:58 EST 2012

Summary of Contribution

International CIO Contribution ($ millions)

	2006 Actual	2007 Actual	2008 Actual	2009 Actual	2010 Actual	Dec-11 YTD
International SAA						
Carry / Sec Gains / MTM			[redacted]			
FX Capital						
Carry / Sec Gains / MTM / OCI			[redacted]			
Tactical						
Total return	52	444	133	2,996	1,143	1,335

— = Redacted by the Permanent Subcommittee on Investigations

Redacted By The Permanent Subcommittee on Investigations

CIO 2011 Financial Revenues ($Billions)

	Int'l	NA	Global
2011 Budget	1.7	2.4	4.1
2011 Actual	3.2	0.0	3.2

CIO 2011 Financial Revenues ($Billions)

	Int'l	NA	Global
2011 Budget TAA	0.6	0.2	0.8
2011 Budget SAA	1.1	2.2	3.3
	1.7	2.4	4.1
2011 Actual TAA	1.2	-0.2	1.0
2011 Actual SAA	2.0	0.2	2.2
	3.2	0.0	3.2

▬ = Redacted by the Permanent Subcommittee on Investigations

Tactical Contribution

	Dec-11 YTD
Europe	
London Rates	[redacted]
London FX	[redacted]
Credit/Equity Europe	[redacted]
Structural Management	[redacted]
Emerging Markets	[redacted]
Total Europe	[redacted]
Asia	[redacted]
Asia Rates	[redacted]
Funds Investments Asia	[redacted]
Credit/Equity Asia	[redacted]
Asia Management	[redacted]
Total Asia	[redacted]
Credit	
Strategic	330
Tactical	145
Total Core Credit	475
Investment Credit	576
Total Credit	1,051
FX Hedging	
Exp/Rev	[redacted]
Total FX Hedging	[redacted]
Total International	1,335

Martin-Artajo

Rivetti, Rebecca

From:	Macris Achilles O
Sent:	Thursday, January 13, 2011 12:20 PM
To:	Rivetti, Rebecca
Subject:	Appraisals

Hi Rebecca,

I always conduct my year end appraisals with my directs verbally as I find this allows for a better exchange of views and more honest conversation. Nonetheless I have detailed below the key themes that we discussed plus specific feedback that I have received from the Control disciplines in relation to Javier and Chris.

Best

Achilles

Javier Martin-Artajo.

Strengths

- Has developed a world class Credit risk management and investment team in terms of personnel and results.
- Excellent risk management typified by the exceptional performance experienced in 2010 where the Strategic Credit book continued to generate a positive contribution while de-risking. Typically the experience of de-risking such a book after the very significant positive contributions in 2008 and 2009 would be one of a drawdown. In 2010 we have experienced the opposite.
- Innovative, identifies trends in the market early and deploys capital thoughtfully and effectively.
- Has established himself as a real leader and influencer within CIO and the wider Firm. This is demonstrated by his appointment to CIO's extended management team and his interaction with other parts of the Firm such as the IB.
- Strong partner working closely with other areas of the Firm and the control disciplines within CIO.
- Good control discipline and awareness.

Areas of Focus for 2011

- Makes a huge contribution to the continuing success of CIO globally and internationally. However there are times when perhaps he needs to play a more active role in his involvement with the Europe Rates business.
- The development of Emerging Market capability is a big priority for 2011. I am looking for Javier, in partnership with Chris, to drive the success of this.

- Javier is a deep thinker and can get very immersed into the detail and technical aspects of an issue. At times he needs to step back and look at the wider picture.

Control Feedback

- Market Risk - Very aware of risk limits and good discipline. Great partner in supporting developments in improving risk analysis and understanding of positions.

- CFO/Valuation - A great partner. Will always do the right thing for the Firm and is always constructive in his approach to resolving valuation and other issues. For instance has helped in price discovery for less liquid credit tranches by having the desk trade in these approaching month ends.

- COO - Control aware. Always acts if a control issue is escalated to him, conducts himself as a true business owner caring about all aspects (not just risk management) of the business. Keen to implement control improvements and enhancements. Chairs local BCC.

Manager sections of this review are in 'draft' status. Employee cannot view manager's comments or ratings in Draft status.

Review Information	
Review Status:	In Progress
Employee:	Martin-Artajo,Javier (I016308)
Manager:	Macris,Achilles (U430216)
Additional Manager:	N/A
Review Cycle:	01-JAN-2011 --- 31-DEC-2011
Reporting Year:	2011
Job Title:	Head Portfolio Manager
Tenure Date:	25-JUL-2005

Mid Year Rating	Year End Rating
Not Rated (Draft)	Not Rated (Draft)

Finalize Year End Performance Review - Signature Section		
User	Signature	Date
Manager	Not Signed	N/A
Employee	Not Signed	N/A

Objectives
There are no objectives for this employee.

Development Plans
There are no development plan goals for this employee.
Manager's Comments

Career Plan	
Career Goal	Term
There are no career goals for this employee.	
Manager Comments	

Strengths & Opportunities
Employee
There are no comments available from the employee; comments may not exist or be in draft status.
Manager
There are no comments available from the manager(s); comments may not exist or be in draft status.

Summary Comments

Employee Year End (Display) – Fleming, Lorraine (07-FEB-2012)

Responsabilities

Management of all EMEA (London) Portfolios and Portfolio Managers

Areas of improvement

Improve communication of our Asset Management decisions and speed of this communication with NY

Improve the overall communication process in EMEA from bottom up process so that we build that culture across all Portfolio Managers

Improve Risk Management infrastructure and Risk Control environment given the new SAA framework

Strengths

Long term track-record in Investment Management in Credit Portfolios

Long term track-record in building cohesive high-performance Teams

Highly quantitative approach to decision making

Other secondary responsabilities

Member of the Diversity Committee Worldwide
Member of Leadership Initiatives across EMEA
Mentor of ten key junior future leaders EMEA

Manager Year End (Display) – Fleming, Lorraine (07-FEB-2012)

Javier is one of the best investors I have ever worked with, Out of the box thinker, always a few steps ahead of everyone else, goes into the details and the results show themselves

I would like Javier to take more leadership as he Heads up EMEA - take more control, represent his knowledge, dictate the agenda more.

Market Risk Feedback:

Javier is responsible for a group of PMs who together manage a significant amount of risk for CIO. Risk control is important to Javier, and he frequently initiates discussions with Risk and is very responsive to risk issues.

Discussion Tracking

Discussion	Employee Confirm	Manager Confirm
Objectives	N	N
Development/Career Plan	N	N
Jan, Feb, Mar (Quarterly Discussion)	N	N
Apr, May, Jun (Mid Year)	N	N

Jul, Aug, Sep (Quarterly Discussion)	N	N
Oct, Nov, Dec (Year End)	N	N

Attachments			
Filename	Uploaded By	Source	Date
There are no attachments to this performance review.			

Iksil

Manager sections of this review are in 'draft' status. Employee cannot view manager's comments or ratings in Draft status.

Review Information	
Review Status:	In Progress
Employee:	Iksil,Bruno Michel (O014921)
Manager:	Martin-Artajo,Javier (I016308)
Additional Manager:	N/A
Review Cycle:	01-JAN-2009 — 31-DEC-2009
Reporting Year:	2009
Job Title:	Head Portfolio Manager
Tenure Date:	20-JUN-2005

Year End Rating
Not Rated (Draft)

Final Year End Performance Review - Signature Section		
User	**Signature**	**Date**
Manager	Not Signed	N/A
Employee	Not Signed	N/A

Objective 1 — Weight: [illegible]	
Objective	**Measures/Target Dates**
downsize and reduce the legacy exposures contained in the credit derivatives strategic book.	Total absolute notional, Var, Stress test results the planned reduction was to reduce the book by 30-50%, get the Var back to 70M and maintain acceptable stress test results. Target Date : end of Q3
Employee Accomplishments	
the target is achieved quantitatively even if the path followed has been rocky.	
Manager Comments	
Employee Rating	**Manager Rating**
Meets Expectations (High Meets)	Not Rated

Objective 2 — Weight: [illegible]	
Objective	**Measures/Target Dates**
contribute to improve the risk and P&L reporting	one report for P&L daily, risk daily, and deleveraging process (weekly). No target Date : as soon as possible. This is an ongoing process
Employee Accomplishments	
I advised on all these reports and monitored the relevance of the numbers.	
Manager Comments	
Employee Rating	**Manager Rating**

Meets Expectations (High Meets)	Not Rated

Objective 3

Objective	Measures/Target Dates
help in designing new trade ideas	no specific measure.
Employee Accomplisfiments	
I provided some original views.	
Manager Comments	
Employee Rating	**Manager Rating**
Meets Expectations (High Meets)	Not Rated

Development Plan

Development Goal - Not Started	Actions/Resources	Progress
expand trading activity to other asset classes	1- keep reducing exposure in credit markets 2- develop exposure to rates, FX and equity markets on modest size	book downsizing needs to go further no trade yet in other asset classes
Manager's Comments		

Career Plan

Career Goal	Term
build an "credit market intelligence agency" from the cross asset trading platform	Medium Term (12-36 months)
develop a cross asset trading desk referencing credit views	Short Term (0-12 months)
establish a " trading learning center" where people come to "learn" about trading fear and greed through price discovery.	Long Term (36+ months)
Manager Comments	

Strengths & Opportunities

Employee Strength (Display) – Iksil, Bruno (09-NOV-2009)
- ability to gather market intelligence in credit derivatives - ability to "think" one or two trades ahead of the events - ability to define strategies and trade ideas independently
Employee Opportunity (Display) – Iksil, Bruno (09-NOV-2009)
- be less naive about some players in the industry - be more systematic in executing the plan
Manager
There are no comments available from the manager(s); comments may not exist or be in draft status.

Summary Comments

Employee (Display) – Iksil, Bruno (09-NOV-2009)
The first quarter was a particularly challenging moment where I did not pay enough care to what market players would do when I started

reducing the positions. Thanks to the support of my managers all along the way, this experience turned out to be a very profitable exercise in many respects :
1- I learned a lot in quite exceptional conditions on "how to manage very large positions"
2- I learned to select counterparties depending on what they could do and what they wanted to do.
3- I learned that deleveraging is also an art, as much as building a book and a P&L can be.

Manager

There are no comments available from the manager(s); comments may not exist or be in draft status.

Discussion Tracking

Discussion	Employee Confirm	Manager Confirm
Objectives	Y (09-NOV-2009)	N
Development/Career Plan	Y (09-NOV-2009)	N
Jan, Feb, Mar (Quarterly Discussion)	N	N
Apr, May, Jun (Mid Year)	N	N
Jul, Aug, Sep (Quarterly Discussion)	N	N
Oct, Nov, Dec (Year End)	Y (09-NOV-2009)	N

Attachments

Filename	Uploaded By	Source	Date
There are no attachments to this performance review.			

Manager sections of this review are in 'draft' status. Employee cannot view manager's comments or ratings in Draft status.

Review Information	
Review Status:	In Progress
Employee:	Iksil,Bruno Michel (O014921)
Manager:	Martin-Artajo,Javier (I016308)
Additional Manager:	N/A
Review Cycle:	01-JAN-2010 — 31-DEC-2010
Reporting Year:	2010
Job Title:	Head Portfolio Manager
Tenure Date:	20-JUN-2005

Year End Rating
Not Rated (Draft)

Finalize Year-End Performance Review - Signature Section		
User	Signature:	Date
Manager	Not Signed	N/A
Employee	Not Signed	N/A

Objective #1	Weight: 0%
Objective	Measures/Target Dates
reduce the notional, the Var and other risk metrics	
Employee Accomplishments	
The risks in the book have decreased although some others increased. Overall the Book is much safer and more balanced.	
Manager Comments	
Employee Rating	Manager Rating
Not Rated	Not Rated

Objective #2	Weight: 0%
Objective	Measures/Target Dates
achieve a positive P&L and avoid drawdowns in the deleveraging process	
Employee Accomplishments	
the target is achieved numerically yet notionals have remained high due to the lack of liquidity in credit derivatives markets.	
Manager Comments	
Employee Rating	Manager Rating
Not Rated	Not Rated

Objective #3	Weight: 0%

Objective	Measures/Target Dates
develop a new strategy on equity markets	

Employee Accomplishments

target achieved for this year although many development are still to be done on the infrastructure side. We also need to get more experience on these markets.

Manager Comments

Employee Rating	Manager Rating
Not Rated	Not Rated

Development Plan

Development Goal - In Progress	Actions/Resources	Progress
analyze the experienec of the past 4 years and start up a trading group. listen to others' fears and greed	1-build a trading group based on tactical personal views 2-merge the views into a set of "tail event"options that will help observe how everyone feels with the risks taken 3-build a cross asset portfolio to access many possible liquid markets	1- the group exists but the process of capital allocation is not yet in place 2- the "tail event"positions exist but overwhelm the tactical trades 3- the portfolio spans already from rates to equity via credit : yet there is not yet a self-contained approach

Manager's Comments

Career Plan

Career Goal	Term
Short term, I wish to build this group and learn how to support the ideas of my colleagues Longer term, I think this way of priviledging "tail event" trades could become a "tradeable currency" in the form of "fund shares".	Medium Term (12-36 months)

Manager Comments

Strengths & Opportunities

Employee Strength (Draft) – Iksil, Bruno (23-NOV-2010)

- tight risk management and p&L control even in volatile markets

Employee Strength (Draft) – Iksil, Bruno (23-NOV-2010)

- trading skills to capture either short term opportunities or market driven "tail event" trades

Employee Opportunity (Draft) – Iksil, Bruno (23-NOV-2010)

- improve the build up and the downsizing of the trades

Manager

There are no comments available from the manager(s); comments may not exist or be in draft status.

Summary Comments

Employee Year End (Draft) – Iksil, Bruno (23-NOV-2010)

this year was very quiet despite all the rumblings in the credit markets. I worked under many constraints and did many "bad trades", ie trades that were bad econimically. Yet this has allowed to maintain a very stable P&L and ultimately be able to profit from extreme volatility.

- I learnt why and when to cut or "give back" a trade in order to re-enter at a better point in time - I learnt how to mitigate risk reduction, notional reduction in a market that did not provide liquidity - I learnt how to wait and create the opportunities to reduce the book in an unsupportive environment. All this was very humbling, I could have done much better.. with hindsight ; yet the result is good
Manager
There are no comments available from the manager(s); comments may not exist or be in draft status.

Discussion Tracking

Discussion	Employee Confirm	Manager Confirm
Objectives	N	N
Development/Career Plan	N	N
Jan, Feb, Mar (Quarterly Discussion)	N	N
Apr, May, Jun (Mid Year)	N	N
Jul, Aug, Sep (Quarterly Discussion)	N	N
Oct, Nov, Dec (Year End)	N	N

Attachments

Filename	Uploaded By	Source	Date
There are no attachments to this performance review.			

Manager sections of this review are in 'draft' status. Employee cannot view manager's comments or ratings in Draft status.

Review Information	
Review Status:	In Progress
Employee:	Iksil,Bruno Michel (O014921)
Manager:	Martin-Artajo,Javier (I016308)
Additional Manager:	N/A
Review Cycle:	01-JAN-2011 — 31-DEC-2011
Reporting Year:	2011
Job Title:	Head Portfolio Manager
Tenure Date:	20-JUN-2005

Mid Year Rating	Year End Rating
Not Rated (Draft)	Not Rated (Draft)

Finalize Year End Performance Review - Signature Section		
User	**Signature**	**Date**
Manager	Not Signed	N/A
Employee	Not Signed	N/A

Objective	Weight: 0%
Objective	**Measures/Target Dates**
reduce the risks (VAR, RWA,market risks) and other risk metrics	RWA down from 65Bln to 30Bln
Employee Accomplishments	
The overall riskyness of the book was greatly reduced in every measures, the Var increased mostly due to materially increased realized volatility in the markets. But the P&L of the book has been less and less volatile outright.	
Manager Comments	
Employee Rating	**Manager Rating**
Meets Expectations (High Meets)	Not Rated

Objective #2	Weight: 0%
Objective	**Measures/Target Dates**
achieve a positive P&L and avoid drawdowns in the deleveraging process	P&L was expected to be flat to negative, It is positive
Employee Accomplishments	
the book has been turned over in some places at the right time, which allowed to de-risk the book while locking gains despite the limited liquidity	
Manager Comments	
Employee Rating	**Manager Rating**
Exceeds Expectations	Not Rated

Objective #3

Objective	Measures/Target Dates
Build tactical strategies between credit and equity markets	Eric Ds Sangues and I built trading strategies that generated regular income despite the very high volatility. P&L is close to 80M for 8M var.

Employee Accomplishments

I designed an alternative strategy to what eric did , although being in the same "spirit". It proved very robust especially when market started to panic : it protected fully the tactical books.

Manager Comments

Employee Rating	Manager Rating
Exceeds Expectations	Not Rated

Development Plan

Development Goal - Not Started	Actions/Resources	Progress
Deploy trade design capabilities on derivatives markets	build trading systems spreadign from credit to equity , bonds and FX	Credit & equity markets are actively traded together. Bond markets are target for next year. Trading on FX should start on a small scale.

Manager's Comments

Career Plan

Career Goal	Term
Develop a know-how upon trading and managing market stress risks at a profit across asset classes	Medium Term (12-36 months)

Manager Comments

Strengths & Opportunities

Employee Strength (Draft) – Iksil, Bruno (16-NOV-2011)

trading skill, overall understanding of the market conditions
building capabilities with members of the desk

Employee Opportunity (Draft) – Iksil, Bruno (16-NOV-2011)

communicating and explaining the management of the risks

Manager

There are no comments available from the manager(s);
comments may not exist or be in draft status.

Summary Comments

Employee Year End (Draft) – Iksil, Bruno (16-NOV-2011)

The year was qualitatively very good under the market stress and uncertainty. Quantitatively it has been less satisfactory due to the bottleneck created around the RWA measure.

Manager

There are no comments available from the manager(s);
comments may not exist or be in draft status.

Discussion Tracking

Discussion	Employee Confirm	Manager Confirm
Objectives	Y (16-NOV-2011)	N
Development/Career Plan	Y (16-NOV-2011)	N
Jan. Feb. Mar (Quarterly Discussion)	Y (16-NOV-2011)	N
Apr, May, Jun (Mid Year)	Y (16-NOV-2011)	N
Jul. Aug. Sep (Quarterly Discussion)	Y (16-NOV-2011)	N
Oct. Nov. Dec (Year End)	Y (16-NOV-2011)	N

Attachments

Filename	Uploaded By	Source	Date
There are no attachments to this performance review.			

1996

——— = Redacted by the Permanent Subcommittee on Investigations

CIO MRT Feedback - All MDs
1.3.11

Reviewer Group	Reviewer Name	Reviewee Name	Tier 1	Comment
Compliance Reviewer	James Wilson	Achilles Macris	Tier 1 - Direct	Achilles has created a supervisory environment which is compliance-friendly and controls oriented; his team is always keen to understand the regulatory environment in which they operate.
Compliance Reviewer	Sally Dewar	Achilles Macris	Tier 1 - Direct	Full and frank dialogue during weekly meetings; 2. Risk management and discussions on portfolio risk and return are held on a forward looking basis. 3. There are quarterly close and continuous meetings with the FSA on the CIO function – feedback from the FSA is that the CIO business deal with the regulator in an open and transparent way, bringing issues to their attention and ensuring they have a good understanding of the business and its risks, and how they are being managed.
Market Risk Reviewer	Peter Weiland	Achilles Macris	Tier 1 - Direct	Achilles is highly sensitive to market risks and very responsive to market events, drawdowns, and other situations that may signal need for risk reduction. When a reduction is agreed, he executes without hesitation. In his management team meetings he is very thorough, reviewing each market one-by-one and quizzing PMs on their positions. He is engaging and supportive with the Risk team.
Compliance Reviewer	Nella Radin	Ana Capella Gomez-Acebo		[redacted]
Compliance Reviewer	Smith Michael	Ana Capella Gomez-Acebo		
Compliance Reviewer	Robert Cole	Ana Capella Gomez-Acebo		
Market Risk Reviewer	Peter Weiland	Ana Capella Gomez-Acebo		
Compliance Reviewer	James Wilson	Anthony Brown		
Market Risk Reviewer	Peter Weiland	Anthony Brown		
Compliance Reviewer	Robert Cole	Anthony Paquette		
Market Risk Reviewer	Peter Weiland	Anthony Paquette		
Compliance Reviewer	James Wilson	Bruno Iksil		No comment - No notable feedback
Market Risk Reviewer	Peter Weiland	Bruno Iksil		Bruno is responsible for a large portion of CIO's MTM risk. He displays a deep understanding of the market and full ownership of the positions, and he is very aware of the various risk measures and their implications. He is very open and good at communicating the risks of his book, and very focused on managing the various types and levels of risk.
Compliance Reviewer	Smith Michael	Greg O'Hara	Tier 1 - Direct	[redacted]
Compliance Reviewer	Robert Cole	Greg O'Hara	Tier 1 - Direct	
Compliance Reviewer	Nella Radin	Greg O'Hara	Tier 1 - Direct	

1997

CIO MRT Feedback - All MDs
1.3.11

Reviewer Group	Reviewer Name	Reviewee Name	Tier 1	Comment
Market Risk Reviewer	Peter Weiland	Greg O'Hara	Tier 1 - Direct	
Compliance Reviewer	James Wilson	Darren Walker		
Market Risk Reviewer	Peter Weiland	Darren Walker		
Compliance Reviewer	James Wilson	George Polychronopoulos		
Market Risk Reviewer	Peter Weiland	George Polychronopoulos		
Compliance Reviewer	Robert Cole	Hamilton Reiner		
Market Risk Reviewer	Peter Weiland	Hamilton Reiner		
Compliance Reviewer	Robert Cole	Irene Tse	Tier 1 - Direct	
Market Risk Reviewer	Peter Weiland	Irene Tse	Tier 1 - Direct	
Compliance Reviewer	Neila Radin	Richard Sabo	Tier 1 - Direct	
Market Risk Reviewer	Peter Weiland	Richard Sabo	Tier 1 - Direct	
Compliance Reviewer	Christopher Charnock	Christopher Shiu Lun Chan	Tier 1	
Market Risk Reviewer	Peter Weiland	Christopher Shiu Lun Chan	Tier 1	
Compliance Reviewer	James Wilson	James Douglas		
Market Risk Reviewer	Peter Weiland	James Douglas		
Compliance Reviewer	Robert Cole	Chung-Eun Lee	Tier 1	
Market Risk Reviewer	Peter Weiland	Chung-Eun Lee	Tier 1	
Compliance Reviewer	James Wilson	Javier Martin-Artajo	Tier 1	
Compliance Reviewer	Robert Cole	Jingwen Zheng		
Market Risk Reviewer	Peter Weiland	Jingwen Zheng		
Compliance Reviewer	Robert Cole	Jonathan Horowitz		
Market Risk Reviewer	Peter Weiland	Jonathan Horowitz		
Compliance Reviewer	Robert Cole	Kevin Hurley		
Market Risk Reviewer	Peter Weiland	Kevin Hurley		
Compliance Reviewer	James Wilson	Menashe Banit		

Redacted by Permanent Subcommittee on Investigations

CIO MRT Feedback - All MDs
1.3.11

Reviewer Group	Reviewer Name	Reviewee Name	Tier 1	Comment
Market Risk Reviewer	Peter Weiland	Menashe Banit		
Compliance Reviewer	Sally Dewar	Javier Martin-Artajo	Tier 1	Full and frank dialogue during weekly meetings; 2. Risk management and discussions on portfolio risk and return are held on a forward looking basis. 3. There are quarterly close and continuous meetings with the FSA on the CIO function – feedback from the FSA is that the CIO business deal with the regulator in an open and transparent way, bringing issues to their attention and ensuring they have a good understanding of the business and its risks, and how they are being managed.
Market Risk Reviewer	Peter Weiland	Javier Martin-Artajo	Tier 1	Javier is responsible for a group of PMs who together manage a significant amount of risk for CIO. Risk control is important to Javier, and he frequently initiates discussions with Risk and is very responsive to risk issues.
Compliance Reviewer	Robert Cole	Irvin Goldman	Direct	No comment - No notable feedback
Market Risk Reviewer	Peter Weiland	Irvin Goldman	Direct	No comment - No notable feedback
Compliance Reviewer	Christopher Charnock	Naoki Iwami		
Market Risk Reviewer	Peter Weiland	Naoki Iwami		
Compliance Reviewer	Nella Radin	Neetesh Kumar		
Market Risk Reviewer	Peter Weiland	Neetesh Kumar		
Compliance Reviewer	Nella Radin	Norma Corio		
Compliance Reviewer	Smith Michael	Norma Corio		
Compliance Reviewer	Robert Cole	Norma Corio		
Market Risk Reviewer	Peter Weiland	Norma Corio		
Compliance Reviewer	James Wilson	Patrick Hagan		
Market Risk Reviewer	Peter Weiland	Patrick Hagan		
Compliance Reviewer	Christopher Charnock	Rayson Kun Kwok Chung		
Market Risk Reviewer	Peter Weiland	Rayson Kun Kwok Chung		
Compliance Reviewer	Nella Radin	Renee Kelly		
Market Risk Reviewer	Peter Weiland	Renee Kelly		
Compliance Reviewer	James Wilson	Takashi Makita		
Market Risk Reviewer	Peter Weiland	Takashi Makita		
Compliance Reviewer	James Wilson	Tolga Uzuner		
Market Risk Reviewer	Peter Weiland	Tolga Uzuner		
Compliance Reviewer	Nella Radin	Walter Kress Jr		
Market Risk Reviewer	Peter Weiland	Walter Kress Jr		
Compliance Reviewer	Robert Cole	Wenyi Huang		
Market Risk Reviewer	Peter Weiland	Wenyi Huang		

Redacted
by
Permanent Subcommittee
on Investigations

1999

Reviewer Group	Reviewee Name	Comment
Compliance Reviewer	Anthony Brown	Redacted By Permanent Subcommittee on Investigations
Market Risk Reviewer	Anthony Brown	
Compliance Reviewer	Bruno Iksil	No comment - No notable feedback
Market Risk Reviewer	Bruno Iksil	Bruno is responsible for a large portion of CIO's MTM risk. He displays a deep understanding of the market and full ownership of the positions, and he is very aware of the various risk measures and their implications. He is very open and good at communicating the risks of his book, and very focused on managing the various types and levels of risk.
Compliance Reviewer	Christopher Shiu Lun Chan	Redacted By Permanent Subcommittee on Investigations
Market Risk Reviewer	Christopher Shiu Lun Chan	
Compliance Reviewer	Darren Walker	
Market Risk Reviewer	Darren Walker	
Compliance Reviewer	George Polychronopoulos	
Market Risk Reviewer	George Polychronopoulos	
Compliance Reviewer	James Douglas	
Market Risk Reviewer	James Douglas	
Compliance Reviewer	Javier Martin-Artajo	No comment - No notable feedback
Market Risk Reviewer	Javier Martin-Artajo	Javier is responsible for a group of PMs who together manage a significant amount of risk for CIO. Risk control is important to Javier, and he frequently initiates discussions with Risk and is very responsive to risk issues.

Reviewer Group	Reviewee Name	Comment
Compliance Reviewer	Menashe Banit	Redacted By Permanent Subcommittee on Investigations
Market Risk Reviewer	Menashe Banit	
Compliance Reviewer	Naoki Iwami	
Market Risk Reviewer	Naoki Iwami	
Compliance Reviewer	Patrick Hagan	No comment - No notable feedback
Market Risk Reviewer	Patrick Hagan	No comment - No notable feedback
Compliance Reviewer	Rayson Kun Kwok Chung	
Market Risk Reviewer	Rayson Kun Kwok Chung	Redacted By Permanent Subcommittee on Investigations
Compliance Reviewer	Takashi Makita	
Market Risk Reviewer	Takashi Makita	
Compliance Reviewer	Tolga Uzuner	
Market Risk Reviewer	Tolga Uzuner	

2002

Name: Ina Drew

Total Compensation History

	Performance Year		
	2011	2010	2009
Salary	$750,000	$500,000	$500,000
Cash IC	$4,700,000	$5,000,000	$2,000,000
RSU	$7,050,000	$7,500,000	$9,500,000
# RSUs	*198,006*	*169,358*	*219,933*
SARs	$1,500,000	$2,000,000	$1,500,000
# SARs	*168,729*	*153,847*	*100,000*
TC	$14,000,000	$15,000,000	$13,500,000

Name: Achilles Macris

Total Compensation History

	Performance Year		
	2011	2010	2009
Salary	$756,000	$524,000	$245,000
Cash IC	$2,630,000	$3,346,000	$5,898,000
FSA Retained	$2,630,000	$3,346,000	$0
RSU	$3,645,000	$4,019,000	$8,847,000
FSA Deferred	$4,245,000	$5,019,000	
# RSUs	*102,379*	*90,760*	*204,816*
SARs	$600,000	$1,000,000	$3,000,000
# SARs	*67,492*	*76,923*	*200,000*
TC	$14,506,000	$17,254,000	$17,990,000

Name: Achilles Macris

Total Compensation History

	Performance Year		
	2011	2010	2009
Salary	$756,000	$524,000	$245,000
Cash IC	$2,630,000	$3,346,000	$5,898,000
FSA Retained	$2,630,000	$3,346,000	$0
RSU	$3,645,000	$4,019,000	$8,847,000
FSA Deferred	$4,245,000	$5,019,000	
# RSUs	*102,379*	*90,760*	*204,816*
SARs	$600,000	$1,000,000	$3,000,000
# SARs	*67,492*	*76,923*	*200,000*
TC	$14,506,000	$17,254,000	$17,990,000

Name: Javier Martin-Artajo

Total Compensation History

	Performance Year		
	2011	2010	2009
Salary	$756,000	$491,000	$215,000
Cash IC	$1,965,000	$2,453,000	$4,900,000
FSA Retained	$1,965,000	$2,453,000	
RSU	$2,748,000	$2,930,000	$7,350,000
FSA Deferred	$3,148,000	$3,680,000	
# RSUs	*77,178*	*66,165*	*170,159*
SARs	$400,000	$750,000	$2,250,000
# SARs	*44,995*	*57,692*	*150,000*
TC	$10,982,000	$12,757,000	$14,715,000

Name: Bruno Iksil

Total Compensation History

	Performance Year		
	2011	2010	2009
Salary	$429,000	$318,000	$187,000
Cash IC	$1,267,000	$2,540,000	$2,166,000
FSA Retained	$1,267,000		
RSU	$1,900,000	$3,810,000	$3,249,000
FSA Deferred	$1,900,000		
# RSUs	*53,365*	*86,034*	*75,218*
SARs	$0	$650,000	$600,000
# SARs	-	*50,000*	*40,000*
TC	$6,763,000	$7,318,000	$6,182,000

2007

Adam, Phillipa C

From:	Drew, Ina
Sent:	13 January 2011 13:02
To:	Macris, Achilles O
Subject:	Confidential - 2010 Performance Evaluation

Strengths

- Led International CIO to very strong performance results with excellent leadership (especially in my absence) and decision making in risk management.
- Fully integrated CIOs mission internationally with the company's overall direction.
- Attracted and trained highly skilled professionals who can continue building out International CIO.
- Solicited feedback from the control leads who concur that in 2010, you continued to be proactive and demonstrated a high degree of sensitivity to the firm's risk management practices. You lead by example through decision making in risk management.

Development Areas

- Should you aspire to CIO/OC role, you need to take a broader perspective of top tier pay at the firm.
- To be completely successful as a potential successor you need to help drive integration and partner with North America.
- Work with CIO to increase understanding of scale for top of the house positions.

Employee Confirm ______________________

Manager Confirm Drew

Wilmot, John

From:	Drew, Ina
Sent:	Thursday, January 13, 2011 6:43 AM
To:	Wilmot, John
Subject:	Confidential - 2010 Performance Evaluation

Strengths

- Has had a very successful year in P&L generation through COLI, BOLI and Private Equity Investments.
- Developed Ana to a point where he can successfully move to the CFO role without business interruption.
- Heavily relied on for judgment throughout the year on multiple issues.

Development Areas

- In CFO role it will be extraordinarily important to over communication with both me and the entire team in order to be successful.
- Develop complete transition plan for all tasks that Ana will not take to SIG.

Employee Confirm

Manager Confirm

2010

Weiland, Peter

From:	Drew, Ina
Sent:	Monday, January 10, 2011 4:44 PM
To:	Weiland, Peter
Subject:	Confidential - 2010 Performance Evaluation

Strengths

- Has developed the CRO role and started building out appropriate risk management capabilities across CIO.
- Begun successful integration of CRO into firm wide processes.
- Has hired and filled out CIO Risk Management team

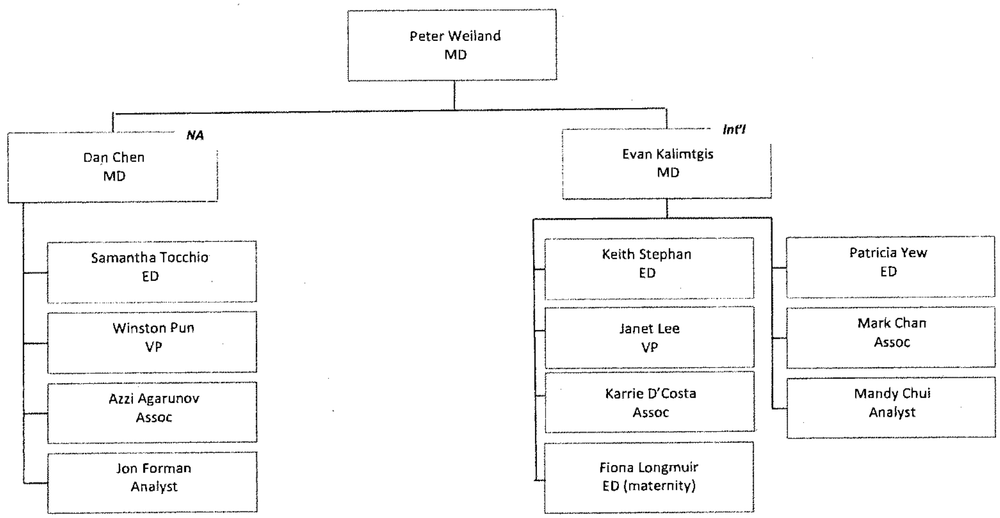
Development Area

- Must drive the CIO CRO risk management capabilities to a high-level of sophistication and depth.
- Must make more independent decision on marginal risk requirements now that you have had time to understand how the division functions.
- Should use empowered seat to initiate discussions with front office without my instructions.

Employee Confirm ______________________

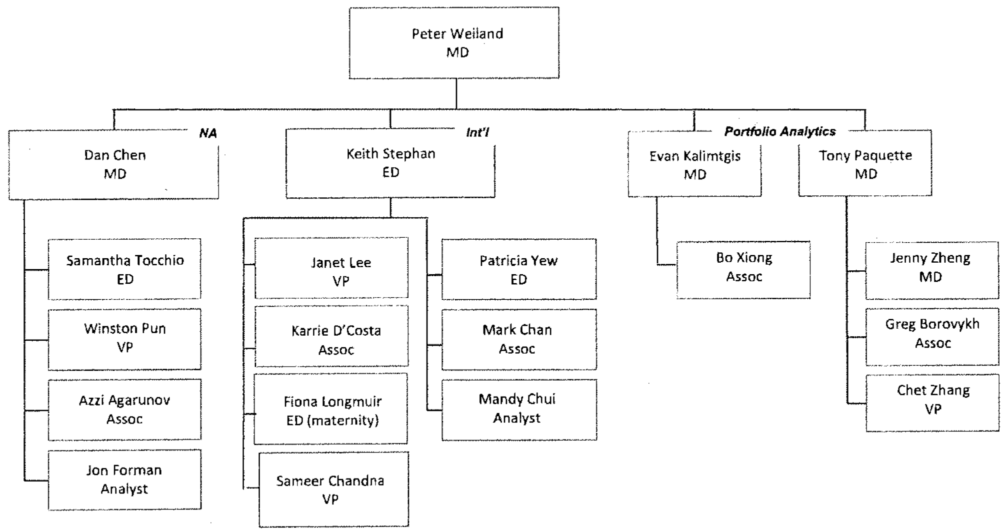
Manager Confirm ______________________

CIO RISK MANAGEMENT TEAM



2011

CIO RISK MANAGEMENT TEAM



2012

Effective June 2011 – January 2012

Distribution List Membership Around March 2012

EOD Credit estimate:
- Buraya, Luis
- DeSangues, Eric
- Drew, Ina
- Enfield, Keith
- Goldman, Irvin
- Grout, Julien
- Hagan, Patrick
- Iksil, Bruno
- Hughes, Jason
- Lee, Janet
- Macris, Achilles
- Martin-Artajo, Javier
- Patel, Samir
- Polychronopoulos, George
- Renshaw-Lewis, Philip
- Tocchio, Samantha
- Tse, Irene
- Stephan, Keith
- Weiland, Peter
- Wilmot, John

CIO P&L Team:
- Buraya, Luis
- DeSangues, Eric
- Enfield, Keith
- Grout, Julien
- Iksil, Bruno
- Martin-Artajo, Javier
- Patel, Samir
- Polychronopoulos, George
- Stephan, Keith

From: Drew, Ina <Ina.Drew@jpmorgan.com>
Sent: Mon, 23 Jan 2012 22:57:26 GMT
To: MRM Reporting <mrm.reporting@jpmchase.com>; Weiland, Peter <peter.weiland@jpmchase.com>; Hogan, John J. <John.J.Hogan@jpmorgan.com>
CC: MRM CIO Global <MRM_CIO_Global@restricted.chase.com>; Doyle, Robin A. <Robin.A.Doyle@chase.com>; MRM External Reporting <MRM_External_Reporting@jpmchase.com>; Intraspect - LIMITS <Intraspect_-_LIMITS@restricted.chase.com>; MRM Firmwide Reporting <MRM_Firmwide_Reporting@jpmorgan.com>
Subject: Re: ACTION NEEDED: CIO Global 10Q VaR Limit One-off Limit Approval

---

Approved

From: MRM Reporting
To: Weiland, Peter; Hogan, John J.; Drew, Ina
Cc: MRM CIO Global; Doyle, Robin A.; MRM External Reporting; Intraspect - LIMITS; MRM Firmwide Reporting
Sent: Mon Jan 23 15:46:19 2012
Subject: ACTION NEEDED: CIO Global 10Q VaR Limit One-off Limit Approval

Pete/John/ Ina,

This email is to request for your approval to temporarily increase the following Level 1 CIO - Global - 10Q VAR limit from $95mm to $105mm until January 31, 2012.

CIO 95% VaR has become elevated as CIO balances credit protection and management of its Basel III RWA. In so doing, CIO has increased its overall credit spread protection (the action taken thus far has further contributed to the positive stress benefit in the Credit Crisis (Large Flattening Sell-off) for this portfolio which has increased from +$1.4bn to +$1.6bn) while increasing VaR during the breach period.

Action has been taken to reduce the VaR and will continue. In addition, CIO has developed an improved VaR model for synthetic credit and has been working with MRG to gain approval, which is expected to be implemented by the end of January.

The impact of the new VaR model based on Jan. 18 data will be a reduction of CIO VaR by 44% to $57mm.

If more information is required, please let us know and we will arrange to provide further details.

Limit ID	Description	Limit Type	Limit Value	Proposed One-Off Limit	Proposed Expiration	Approvers
38589	CIO - Global - 10Q VAR	Level 1	95,00,000	105,000,000	1/31/2012	Peter Weiland, John Hogan, Ina Drew

Upon receipt of your approval, the above proposed limits will be effective **January 20, 2012**.

If you approve of the above limit changes, please reply to all with your approval. Thank you.

From: Zubrow, Barry L <barry.l.zubrow@jpmchase.com>
Sent: Sat, 28 Jan 2012 15:29:16 GMT
To: Goldman, Irvin J <irvin.j.goldman@jpmchase.com>; Hogan, John J. <John.J.Hogan@jpmorgan.com>
Subject: FW: JPMC Firmwide VaR - Daily Update - COB 01/26/2012

Why is CIO VAR so elevated? What is the collective view regarding what to do about this?

Barry

-----Original Message-----
From: Market Risk Management - Reporting
Sent: Friday, January 27, 2012 06:16 PM Eastern Standard Time
To: Market Risk Management - Reporting; Dimon, Jamie; Hogan, John J.; Zubrow, Barry L; Staley, Jes; Drew, Ina; Goldman, Irvin J; Weiland, Peter; Weisbrod, David A.; Bacon, Ashley; Beck, David J; Braunstein, Douglas; Morzaria, Tushar R; Wilmot, John; Dellosso, Donna; Bisignano, Frank J; Rauchenberger, Louis; Lake, Marianne
Cc: Doyle, Robin A.; Waring, Mick; Market Risk Reporting; GREEN, IAN; McCaffrey, Lauren A; Tocchio, Samantha X; Chiavenato, Ricardo S.; Chen, Dan
Subject: JPMC Firmwide VaR - Daily Update - COB 01/26/2012

Firmwide 95% 10Q VaR

- The Firm's 95% 10Q VaR as of cob 01/26/2012 has increased by $8mm from the prior day's VaR to $161mm and has breached the $140mm Firm VaR limit for the third consecutive day.
- CIO's 95% 10Q VaR* as of cob 01/26/2012 has increased by $8mm from the prior day's VaR to $120mm and has breached the $110mm CIO VaR limit for the third consecutive day.
- The increase in the Firm's VaR is primarily driven by an overall reduction in diversification benefit across the Firm and position changes in CIO.
- Each LOB's contribution to the Firm's $161mm VaR (as shown by marginal VaR) are: IB ($45mm mVaR, primarily driven by Credit Mkts Global, Credit Port Global, and Global Rates), CIO ($107mm mVaR, primarily driven by CIO International credit tranche book), RFS ($2mm mVaR, primarily driven by the MSR portfolio), Private Equity ($3mm mVaR, primarily driven by the International Cons portfolio), and TSS ($4mm mVaR, primarily driven by the ADR hedge book).
- The stand alone VaR for each LOB are as follows: IB is $76mm (vs. $120mm limit), CIO is $120mm (vs. $105mm limit), RFS is $10mm (vs. $95mm limit), TSS is $9mm (vs. $25mm limit), Private Equity is $6mm (no limit set given immateriality), and AM is $0.2mm (no limit set given immateriality).

* CIO continues to manage the synthetic credit portfolio balancing credit protection and Basel III RWA. The new VaR model for CIO was approved by MRG and is expected to be implemented prior to month-end.

10Q Externally Disclosed VaR
The below table shows the 95% 10Q VaR for the current quarter compared with the prior quarter and the corresponding quarter of prior year.

cid:image001.png@01CCDD1C.9B1EEDE0

Please contact the MRM External Reporting team with any questions.

From: ERIC DE SANGUES <EDESANGUES@[redacted]
Sent: Fri, 16 Mar 2012 19:17:02 GMT
To: BRUNO IKSIL <BIKSIL2@[redacted] BRUNO IKSIL <bruno.m.iksil@jpmorgan.com>; LUIS BURAYA <LBURAYA@[redacted] ERIC DE SANGUES <EDESANGUES@[redacted] ERIC DE SANGUES <eric.de.sangues@jpmorgan.com>; JULIEN GROUT <JGROUT3@[redacted]; JULIEN GROUT <julien.g.grout@jpmchase.com>
Subject:

[redacted] = Redacted by the Permanent Subcommittee on Investigations

03/14/2012 21:35:07 ERIC DE SANGUES, JPMORGAN CHASE BANK, has left the room
03/14/2012 21:35:37 BRUNO IKSIL, JPMORGAN CHASE BANK, has left the room
03/15/2012 02:00:10 BRUNO IKSIL, JPMORGAN CHASE BANK, has joined the room
03/15/2012 02:00:10 BRUNO IKSIL, JPMORGAN CHASE BANK, says:
*** JPMORGAN CHASE BANK, (748320) Disclaimer: THIS IS FOR INFORMATION ONLY, NOT AN OFFER OR SOLICITATION FOR THE PURCHASE OR SALE OF ANY FINANCIAL INSTRUMENT, NOR AN OFFICIAL CONFIRMATION OF TERMS. THE INFORMATION IS BELIEVED TO BE RELIABLE, BUT WE DO NOT WARRANT ITS COMPLETENESS OR ACCURACY. PRICES AND AVAILABILITY ARE INDICATIVE ONLY AND ARE SUBJECT TO CHANGE WITHOUT NOTICE. WE MAY HOLD A POSITION OR ACT AS A MARKET MAKER IN ANY FINANCIAL INSTRUMENT DISCUSSED HEREIN. CLIENTS SHOULD CONSULT THEIR OWN ADVISORS REGARDING ANY TAX, ACCOUNTING OR LEGAL ASPECTS OF THIS INFORMATION AND EXECUTE TRANSACTIONS THROUGH A J.P. MORGAN ENTITY IN THEIR HOME JURISDICTION UNLESS GOVERNING LAW PERMITS OTHERWISE.

03/15/2012 02:59:11 LUIS BURAYA, JPMORGAN CHASE BANK, has joined the room
03/15/2012 02:59:11 LUIS BURAYA, JPMORGAN CHASE BANK, says:
*** JPMORGAN CHASE BANK, (748320) Disclaimer: THIS IS FOR INFORMATION ONLY, NOT AN OFFER OR SOLICITATION FOR THE PURCHASE OR SALE OF ANY FINANCIAL INSTRUMENT, NOR AN OFFICIAL CONFIRMATION OF TERMS. THE INFORMATION IS BELIEVED TO BE RELIABLE, BUT WE DO NOT WARRANT ITS COMPLETENESS OR ACCURACY. PRICES AND AVAILABILITY ARE INDICATIVE ONLY AND ARE SUBJECT TO CHANGE WITHOUT NOTICE. WE MAY HOLD A POSITION OR ACT AS A MARKET MAKER IN ANY FINANCIAL INSTRUMENT DISCUSSED HEREIN. CLIENTS SHOULD CONSULT THEIR OWN ADVISORS REGARDING ANY TAX, ACCOUNTING OR LEGAL ASPECTS OF THIS INFORMATION AND EXECUTE TRANSACTIONS THROUGH A J.P. MORGAN ENTITY IN THEIR HOME JURISDICTION UNLESS GOVERNING LAW PERMITS OTHERWISE.

03/15/2012 03:42:26 ERIC DE SANGUES, JPMORGAN CHASE BANK, has joined the room
03/15/2012 03:42:26 ERIC DE SANGUES, JPMORGAN CHASE BANK, says:
*** JPMORGAN CHASE BANK, (741671) Disclaimer: THIS IS FOR INFORMATION ONLY, NOT AN OFFER OR SOLICITATION FOR THE PURCHASE OR SALE OF ANY FINANCIAL INSTRUMENT, NOR AN OFFICIAL CONFIRMATION OF TERMS. THE INFORMATION IS BELIEVED TO BE RELIABLE, BUT WE DO NOT WARRANT ITS COMPLETENESS OR ACCURACY. PRICES AND AVAILABILITY ARE INDICATIVE ONLY AND ARE SUBJECT TO CHANGE WITHOUT NOTICE. WE MAY HOLD A POSITION OR ACT AS A MARKET MAKER IN ANY FINANCIAL INSTRUMENT DISCUSSED HEREIN. CLIENTS SHOULD CONSULT THEIR OWN ADVISORS REGARDING ANY TAX, ACCOUNTING OR LEGAL ASPECTS OF THIS INFORMATION AND EXECUTE TRANSACTIONS THROUGH A J.P. MORGAN ENTITY IN THEIR HOME JURISDICTION UNLESS GOVERNING LAW PERMITS OTHERWISE.

03/15/2012 04:41:02 JULIEN GROUT, JPMORGAN CHASE BANK, has joined the room
03/15/2012 04:41:02 JULIEN GROUT, JPMORGAN CHASE BANK, says:
*** JPMORGAN CHASE BANK, (741671) Disclaimer: THIS IS FOR INFORMATION ONLY, NOT AN OFFER OR SOLICITATION FOR THE PURCHASE OR SALE OF ANY FINANCIAL INSTRUMENT, NOR AN OFFICIAL CONFIRMATION OF TERMS. THE INFORMATION IS BELIEVED TO BE RELIABLE, BUT WE DO NOT WARRANT ITS COMPLETENESS OR ACCURACY. PRICES AND AVAILABILITY ARE INDICATIVE ONLY AND ARE SUBJECT TO CHANGE WITHOUT NOTICE. WE MAY HOLD A POSITION OR ACT AS A MARKET MAKER IN ANY FINANCIAL INSTRUMENT DISCUSSED HEREIN. CLIENTS SHOULD CONSULT THEIR OWN

ADVISORS REGARDING ANY TAX, ACCOUNTING OR LEGAL ASPECTS OF THIS INFORMATION AND EXECUTE TRANSACTIONS THROUGH A J.P. MORGAN ENTITY IN THEIR HOME JURISDICTION UNLESS GOVERNING LAW PERMITS OTHERWISE.

03/15/2012 11:17:30 JULIEN GROUT, JPMORGAN CHASE BANK, says:
bruno

03/15/2012 11:17:37 JULIEN GROUT, JPMORGAN CHASE BANK, says:
no data on your blotter page still

03/15/2012 11:19:00 BRUNO IKSIL, JPMORGAN CHASE BANK, says:
I saved it

03/15/2012 11:19:08 LUIS BURAYA, JPMORGAN CHASE BANK, says:
maybe is the wrong date

03/15/2012 11:19:15 JULIEN GROUT, JPMORGAN CHASE BANK, says:
i hope it wss not the blotter from ytday

03/15/2012 11:19:28 BRUNO IKSIL, JPMORGAN CHASE BANK, says:
Look on my pc

03/15/2012 11:19:39 BRUNO IKSIL, JPMORGAN CHASE BANK, says:
Ah yes

03/15/2012 11:19:42 BRUNO IKSIL, JPMORGAN CHASE BANK, says:
This is

03/15/2012 11:19:43 JULIEN GROUT, JPMORGAN CHASE BANK, says:
:-)

03/15/2012 11:19:52 BRUNO IKSIL, JPMORGAN CHASE BANK, says:
I over wrote

03/15/2012 11:24:43 BRUNO IKSIL, JPMORGAN CHASE BANK, says:
Julien

03/15/2012 11:24:54 JULIEN GROUT, JPMORGAN CHASE BANK, says:
yes

03/15/2012 11:24:57 BRUNO IKSIL, JPMORGAN CHASE BANK, says:
Target is to buy only 10yr 0-3

03/15/2012 11:25:00 BRUNO IKSIL, JPMORGAN CHASE BANK, says:
At 62 or better

03/15/2012 11:25:05 JULIEN GROUT, JPMORGAN CHASE BANK, says:
ok

03/15/2012 11:25:11 JULIEN GROUT, JPMORGAN CHASE BANK, says:
no citi though

03/15/2012 11:25:24 JULIEN GROUT, JPMORGAN CHASE BANK, says:
so far only JPM/citi offering there

03/15/2012 11:29:21 LUIS BURAYA, JPMORGAN CHASE BANK, says:
Bruno

03/15/2012 11:29:31 LUIS BURAYA, JPMORGAN CHASE BANK, says:
I do not understand T82

03/15/2012 11:29:47 LUIS BURAYA, JPMORGAN CHASE BANK, says:
_2.8M coming from Greek default?

03/15/2012 12:45:38 LUIS BURAYA, JPMORGAN CHASE BANK, says:
Equity +2M daily

03/15/2012 12:52:50 BRUNO IKSIL, JPMORGAN CHASE BANK, says:
Back

03/15/2012 12:53:02 BRUNO IKSIL, JPMORGAN CHASE BANK, says:
Ok the sovex index is much tighter

03/15/2012 12:53:13 BRUNO IKSIL, JPMORGAN CHASE BANK, says:
So I think this should not be a loss

03/15/2012 12:53:34 BRUNO IKSIL, JPMORGAN CHASE BANK, says:
Please check by remarking correctly the sovex

03/15/2012 12:53:44 BRUNO IKSIL, JPMORGAN CHASE BANK, says:
The index quotes 225

03/15/2012 12:53:45 BRUNO IKSIL, JPMORGAN CHASE BANK, says:
Or less

03/15/2012 12:53:59 JULIEN GROUT, JPMORGAN CHASE BANK, says:
230

03/15/2012 12:54:20 JULIEN GROUT, JPMORGAN CHASE BANK, says:
bruno u need me to book the gs S9 5/10 trades?

03/15/2012 12:54:53 BRUNO IKSIL, JPMORGAN CHASE BANK, says:
Yes please

03/15/2012 12:55:22 JULIEN GROUT, JPMORGAN CHASE BANK, says:
ok

03/15/2012 12:55:47 BRUNO IKSIL, JPMORGAN CHASE BANK, says:
Try to seel hy16 at 99 3/4 and hy15 at 100 3/4

03/15/2012 12:55:51 BRUNO IKSIL, JPMORGAN CHASE BANK, says:
100m each

03/15/2012 12:56:02 JULIEN GROUT, JPMORGAN CHASE BANK, says:
ok

03/15/2012 12:59:51 JULIEN GROUT, JPMORGAN CHASE BANK, says:
core -90k

03/15/2012 13:01:08 BRUNO IKSIL, JPMORGAN CHASE BANK, says:
Ah ah

03/15/2012 13:01:10 BRUNO IKSIL, JPMORGAN CHASE BANK, says:
Nice

03/15/2012 13:01:17 BRUNO IKSIL, JPMORGAN CHASE BANK, says:
Tactical?

03/15/2012 13:01:19 JULIEN GROUT, JPMORGAN CHASE BANK, says:
metric at 290

03/15/2012 13:01:31 JULIEN GROUT, JPMORGAN CHASE BANK, says:
worst ig9 as 5y widening.. as well as 10y

03/15/2012 13:02:06 LUIS BURAYA, JPMORGAN CHASE BANK, says:
tactical -3.4M - equities +2M

03/15/2012 13:02:24 BRUNO IKSIL, JPMORGAN CHASE BANK, says:
Wonderful

03/15/2012 13:04:11 LUIS BURAYA, JPMORGAN CHASE BANK, says:
we broke 1400 in spx

03/15/2012 13:24:39 BRUNO IKSIL, JPMORGAN CHASE BANK, says:
Ig9 5yr widening should be good for us

03/15/2012 13:24:41 BRUNO IKSIL, JPMORGAN CHASE BANK, says:
Ah

03/15/2012 13:24:50 BRUNO IKSIL, JPMORGAN CHASE BANK, says:
Send the pnl

03/15/2012 13:25:59 BRUNO IKSIL, JPMORGAN CHASE BANK, says:
Can u drop me here the breakdown of the lag please?

03/15/2012 13:26:10 JULIEN GROUT, JPMORGAN CHASE BANK, says:
sure

03/15/2012 13:26:14 LUIS BURAYA, JPMORGAN CHASE BANK, says:
for block 4?

03/15/2012 13:26:16 BRUNO IKSIL, JPMORGAN CHASE BANK, says:
And send it to javier email

03/15/2012 13:26:46 JULIEN GROUT, JPMORGAN CHASE BANK, says:
itraxx 83 (4bp) ig 180 (4bp) hy 37) 0.12

03/15/2012 13:26:47 BRUNO IKSIL, JPMORGAN CHASE BANK, says:
Put me in copy

03/15/2012 13:27:02 BRUNO IKSIL, JPMORGAN CHASE BANK, says:
I refer to the spreadsheet

03/15/2012 13:27:06 BRUNO IKSIL, JPMORGAN CHASE BANK, says:
No luis

03/15/2012 13:27:14 LUIS BURAYA, JPMORGAN CHASE BANK, says:
just fyi, looking at the sovx thing. The MO didn't process it correctly. The factor is wrong and the CDS for Greece is price by the IB who knows where.

03/15/2012 13:27:41 BRUNO IKSIL, JPMORGAN CHASE BANK, says:

Ok

03/15/2012 13:27:46 BRUNO IKSIL, JPMORGAN CHASE BANK, says:
I think what happens here

03/15/2012 13:28:05 BRUNO IKSIL, JPMORGAN CHASE BANK, says:
Is that the greek cds is booked at 100 bps

03/15/2012 13:28:17 BRUNO IKSIL, JPMORGAN CHASE BANK, says:
And valued at 78upfront

03/15/2012 13:28:17 LUIS BURAYA, JPMORGAN CHASE BANK, says:
yes, we were talking about that

03/15/2012 13:28:19 BRUNO IKSIL, JPMORGAN CHASE BANK, says:
Now

03/15/2012 13:28:43 BRUNO IKSIL, JPMORGAN CHASE BANK, says:
Then the index as such is now say at 230 not at 345

03/15/2012 13:28:54 LUIS BURAYA, JPMORGAN CHASE BANK, says:
yes.

03/15/2012 13:28:57 BRUNO IKSIL, JPMORGAN CHASE BANK, says:
That should make no pnl jump

03/15/2012 13:29:02 LUIS BURAYA, JPMORGAN CHASE BANK, says:
agree

03/15/2012 13:29:23 LUIS BURAYA, JPMORGAN CHASE BANK, says:
but the IB is pricing the single name at 4354.8 spread running

03/15/2012 13:29:49 LUIS BURAYA, JPMORGAN CHASE BANK, says:
I worked the upfront with Eric, but we do not know what the guys are doing

03/15/2012 13:30:07 BRUNO IKSIL, JPMORGAN CHASE BANK, says:
So julien, basically u say the worsening is 1 bp in ig9

03/15/2012 13:30:08 LUIS BURAYA, JPMORGAN CHASE BANK, says:
any help?

03/15/2012 13:30:18 BRUNO IKSIL, JPMORGAN CHASE BANK, says:
Look luis

03/15/2012 13:30:23 JULIEN GROUT, JPMORGAN CHASE BANK, says:
correct bruno

03/15/2012 13:30:24 BRUNO IKSIL, JPMORGAN CHASE BANK, says:
This sounds correct

03/15/2012 13:30:32 BRUNO IKSIL, JPMORGAN CHASE BANK, says:
This is not the pb

03/15/2012 13:30:41 JULIEN GROUT, JPMORGAN CHASE BANK, says:
mostly, 5y roll flatter

03/15/2012 13:30:46 BRUNO IKSIL, JPMORGAN CHASE BANK, says:

The pb is tied to the index pnl

03/15/2012 13:32:22 LUIS BURAYA, JPMORGAN CHASE BANK, says:
that was for yesterday problem

03/15/2012 13:32:35 LUIS BURAYA, JPMORGAN CHASE BANK, says:
today's is also taking a hit

03/15/2012 13:32:43 LUIS BURAYA, JPMORGAN CHASE BANK, says:
it's not linked to the sovx

03/15/2012 13:32:48 LUIS BURAYA, JPMORGAN CHASE BANK, says:
we are working with Colin

03/15/2012 13:33:41 LUIS BURAYA, JPMORGAN CHASE BANK, says:
sorted. MT is wrong.

03/15/2012 13:33:53 LUIS BURAYA, JPMORGAN CHASE BANK, says:
We are flattening the pnl. +500K in Tactical

03/15/2012 13:34:01 BRUNO IKSIL, JPMORGAN CHASE BANK, says:
Julien

03/15/2012 13:34:05 JULIEN GROUT, JPMORGAN CHASE BANK, says:
yes

03/15/2012 13:34:10 BRUNO IKSIL, JPMORGAN CHASE BANK, says:
Could remind me the level of hy17, ig 17, main s 16 and ig9 10yr please

03/15/2012 13:34:12 BRUNO IKSIL, JPMORGAN CHASE BANK, says:
At month end

03/15/2012 13:34:17 BRUNO IKSIL, JPMORGAN CHASE BANK, says:

And now

03/15/2012 13:34:40 LUIS BURAYA, JPMORGAN CHASE BANK, says:
tactical pnl now +2.9M

03/15/2012 13:34:41 BRUNO IKSIL, JPMORGAN CHASE BANK, says:
Cool

03/15/2012 13:34:59 BRUNO IKSIL, JPMORGAN CHASE BANK, says:
Ok good

03/15/2012 13:35:13 BRUNO IKSIL, JPMORGAN CHASE BANK, says:
Reserve 2.5

03/15/2012 13:35:26 LUIS BURAYA, JPMORGAN CHASE BANK, says:
sorry my bad -2.9M

03/15/2012 13:35:34 LUIS BURAYA, JPMORGAN CHASE BANK, says:
sorry...

03/15/2012 13:36:03 BRUNO IKSIL, JPMORGAN CHASE BANK, says:
Ah

03/15/2012 13:36:15 BRUNO IKSIL, JPMORGAN CHASE BANK, says:
Send like that

03/15/2012 13:36:23 LUIS BURAYA, JPMORGAN CHASE BANK, says:
ok

03/15/2012 13:37:24 LUIS BURAYA, JPMORGAN CHASE BANK, says:
ok, i took the latest marks from Julien FInal Tactical pnl +800k

03/15/2012 13:38:11 JULIEN GROUT, JPMORGAN CHASE BANK, says:
bruno: at 29-feb: main s16 128.25bp, xo: 566bp, ig17:93bp, hy: 98.0625, ig9 10y:112.5

03/15/2012 13:38:21 BRUNO IKSIL, JPMORGAN CHASE BANK, says:
Good

03/15/2012 13:38:22 BRUNO IKSIL, JPMORGAN CHASE BANK, says:
Shoot

03/15/2012 13:38:47 BRUNO IKSIL, JPMORGAN CHASE BANK, says:
Ok

03/15/2012 13:38:48 BRUNO IKSIL, JPMORGAN CHASE BANK, says:
Now?

03/15/2012 13:39:07 BRUNO IKSIL, JPMORGAN CHASE BANK, says:
What do u see on metric

03/15/2012 13:39:09 BRUNO IKSIL, JPMORGAN CHASE BANK, says:
And what do we have

03/15/2012 13:39:11 BRUNO IKSIL, JPMORGAN CHASE BANK, says:
?

03/15/2012 13:39:18 JULIEN GROUT, JPMORGAN CHASE BANK, says:
today: main s16 123.5, xo: 547bp, ig17: 89.5, hy17: 98.125, ig9 10y: 113.5

03/15/2012 13:40:57 JULIEN GROUT, JPMORGAN CHASE BANK, says:
we have: main s16: 123.75, xo: 548, ig17 89.25, hy17 97.9375, ig9 10y: 106.25

03/15/2012 13:43:03 BRUNO IKSIL, JPMORGAN CHASE BANK, says:
I am a bit puzzled

03/15/2012 13:43:03 JULIEN GROUT, JPMORGAN CHASE BANK, says:
depending on runs ig9 10y can be see tighter.

03/15/2012 13:43:04 BRUNO IKSIL, JPMORGAN CHASE BANK, says:
We have 6bps in ig9 after all

03/15/2012 13:43:06 BRUNO IKSIL, JPMORGAN CHASE BANK, says:
Is that realistic

03/15/2012 13:43:07 BRUNO IKSIL, JPMORGAN CHASE BANK, says:
?

03/15/2012 13:43:15 JULIEN GROUT, JPMORGAN CHASE BANK, says:
i have the roll at 19

03/15/2012 13:43:18 BRUNO IKSIL, JPMORGAN CHASE BANK, says:
I know

03/15/2012 13:43:32 BRUNO IKSIL, JPMORGAN CHASE BANK, says:
I question here how we position ourseleves

03/15/2012 13:43:55 BRUNO IKSIL, JPMORGAN CHASE BANK, says:
Aren't we making ig9 10 responsible for all here?

03/15/2012 13:44:10 JULIEN GROUT, JPMORGAN CHASE BANK, says:
ah yes it's definitely pb number one

03/15/2012 13:44:17 JULIEN GROUT, JPMORGAN CHASE BANK, says:
also: main s9 10y

03/15/2012 13:44:46 BRUNO IKSIL, JPMORGAN CHASE BANK, says:
Ok

03/15/2012 13:44:50 BRUNO IKSIL, JPMORGAN CHASE BANK, says:
Does not show here

03/15/2012 13:45:00 BRUNO IKSIL, JPMORGAN CHASE BANK, says:
I am conbfused

03/15/2012 13:45:22 JULIEN GROUT, JPMORGAN CHASE BANK, says:
i mean, im trying to keep a relatively realistic picture here - ig9 10y put aside

03/15/2012 13:45:44 BRUNO IKSIL, JPMORGAN CHASE BANK, says:
Because 7 bps in ig9 10yr makes up for 7x50 gives 350

03/15/2012 13:46:01 BRUNO IKSIL, JPMORGAN CHASE BANK, says:
Yes but u see

03/15/2012 13:46:13 BRUNO IKSIL, JPMORGAN CHASE BANK, says:
Just the ig9 10yrs explains more

03/15/2012 13:46:14 JULIEN GROUT, JPMORGAN CHASE BANK, says:
that's what i am saying. i am not marking at mids as per a previous conversation

03/15/2012 13:46:15 BRUNO IKSIL, JPMORGAN CHASE BANK, says:
Than the metric

03/15/2012 13:46:25 JULIEN GROUT, JPMORGAN CHASE BANK, says:
i can call and explain

03/15/2012 13:46:29 BRUNO IKSIL, JPMORGAN CHASE BANK, says:
I am confused

03/15/2012 13:46:48 BRUNO IKSIL, JPMORGAN CHASE BANK, says:
Cool

03/15/2012 13:47:04 BRUNO IKSIL, JPMORGAN CHASE BANK, says:
Go

03/15/2012 13:47:29 JULIEN GROUT, JPMORGAN CHASE BANK, says:
calling

03/15/2012 13:48:05 JULIEN GROUT, JPMORGAN CHASE BANK, says:
ok let me know when you are ready

03/15/2012 13:48:45 BRUNO IKSIL, JPMORGAN CHASE BANK, says:
Did u hear me? I could not

03/15/2012 13:48:53 JULIEN GROUT, JPMORGAN CHASE BANK, says:
no i didnt hear you

03/15/2012 13:48:55 BRUNO IKSIL, JPMORGAN CHASE BANK, says:
Try now

03/15/2012 13:49:24 JULIEN GROUT, JPMORGAN CHASE BANK, says:
voicemail

03/15/2012 13:59:46 LUIS BURAYA, JPMORGAN CHASE BANK, has left the room
03/15/2012 14:07:00 JULIEN GROUT, JPMORGAN CHASE BANK, says:
coupe

03/15/2012 14:14:31 BRUNO IKSIL, JPMORGAN CHASE BANK, says:
Julien?

03/15/2012 14:14:44 JULIEN GROUT, JPMORGAN CHASE BANK, says:
yes

03/15/2012 14:15:12 BRUNO IKSIL, JPMORGAN CHASE BANK, says:
Send to me and javier the spreadheet where u store the breakdown of the difference between our estimate and crude mids

03/15/2012 14:15:22 BRUNO IKSIL, JPMORGAN CHASE BANK, says:
I will comment to javier

03/15/2012 14:15:56 BRUNO IKSIL, JPMORGAN CHASE BANK, says:
Just say that this is the spreadsheet that provides the details of the difference

03/15/2012 14:16:07 BRUNO IKSIL, JPMORGAN CHASE BANK, says:
Between main s9 ig9 and hy

03/15/2012 14:16:15 JULIEN GROUT, JPMORGAN CHASE BANK, says:
u need the spreadsheet, or only the table

03/15/2012 14:16:37 BRUNO IKSIL, JPMORGAN CHASE BANK, says:
The spreasheet only

03/15/2012 14:17:17 BRUNO IKSIL, JPMORGAN CHASE BANK, says:
In the ralaly

03/15/2012 14:17:17 BRUNO IKSIL, JPMORGAN CHASE BANK, says:
Just say the difference worsened by 1bp on ig9

03/15/2012 14:17:17 BRUNO IKSIL, JPMORGAN CHASE BANK, says:
Rally

03/15/2012 14:18:12 BRUNO IKSIL, JPMORGAN CHASE BANK, says:
Btw

03/15/2012 14:18:40 BRUNO IKSIL, JPMORGAN CHASE BANK, says:

What did iu have yesterday for ig9 10yr and ig17?

03/15/2012 14:18:46 BRUNO IKSIL, JPMORGAN CHASE BANK, says:
As crude metric price

03/15/2012 14:19:44 JULIEN GROUT, JPMORGAN CHASE BANK, says:
91 vs 110.5

03/15/2012 14:20:11 BRUNO IKSIL, JPMORGAN CHASE BANK, says:
No

03/15/2012 14:20:13 BRUNO IKSIL, JPMORGAN CHASE BANK, says:
Crude

03/15/2012 14:20:21 BRUNO IKSIL, JPMORGAN CHASE BANK, says:
Not our estimate

03/15/2012 14:20:27 BRUNO IKSIL, JPMORGAN CHASE BANK, says:
Market mids

03/15/2012 14:20:35 BRUNO IKSIL, JPMORGAN CHASE BANK, says:
Blind marking

03/15/2012 14:20:42 JULIEN GROUT, JPMORGAN CHASE BANK, says:
i repeat

03/15/2012 14:20:56 BRUNO IKSIL, JPMORGAN CHASE BANK, says:
No

03/15/2012 14:21:18 BRUNO IKSIL, JPMORGAN CHASE BANK, says:
Yeaterday is quoted wider the ig9 10yr

03/15/2012 14:22:16 BRUNO IKSIL, JPMORGAN CHASE BANK, says:
I think u had 114.5 or 114 instead

03/15/2012 14:22:30 BRUNO IKSIL, JPMORGAN CHASE BANK, says:
For 91 ref in ig17

03/15/2012 14:45:33 BRUNO IKSIL, JPMORGAN CHASE BANK, says:
Email sent

03/15/2012 14:45:48 JULIEN GROUT, JPMORGAN CHASE BANK, says:
i sent you the sheet

03/15/2012 14:46:20 JULIEN GROUT, JPMORGAN CHASE BANK, says:
going home now speak tomorrow

03/15/2012 14:46:35 JULIEN GROUT, JPMORGAN CHASE BANK, says:
rescap headline out

03/15/2012 14:47:12 JULIEN GROUT, JPMORGAN CHASE BANK, has left the room
03/15/2012 14:54:42 BRUNO IKSIL, JPMORGAN CHASE BANK, says:
>Yes

03/15/2012 14:54:48 BRUNO IKSIL, JPMORGAN CHASE BANK, says:
>Seen

03/15/2012 14:55:24 BRUNO IKSIL, JPMORGAN CHASE BANK, says:
Could u sell hy16 and hy15

03/15/2012 14:55:27 BRUNO IKSIL, JPMORGAN CHASE BANK, says:
?

03/15/2012 15:00:38 BRUNO IKSIL, JPMORGAN CHASE BANK, says:
HENRY KIM: i buy 100mm@ 99.625 and 100mm @ 100.625

03/15/2012 15:00:46 BRUNO IKSIL, JPMORGAN CHASE BANK, says:
Late trade to book

03/15/2012 15:25:23 BRUNO IKSIL, JPMORGAN CHASE BANK, says:
FELIX BHANDARI: so i sell 20mm at 39, 70mm at 38â

03/15/2012 15:25:36 BRUNO IKSIL, JPMORGAN CHASE BANK, says:
Hy9 5yr 10-15

03/15/2012 15:32:40 BRUNO IKSIL, JPMORGAN CHASE BANK, says:
HENRY KIM: so far i've bot from you all day:

100mm hy15.5y @ 100.5
100mm hy16.5y @ 99.625
100mm hy15.5y @ 100.625

and you can do 50mm more of each 16, 15 @ .5625

03/15/2012 20:23:49 BRUNO IKSIL, JPMORGAN CHASE BANK, has left the room
03/15/2012 21:54:01 ERIC DE SANGUES, JPMORGAN CHASE BANK, has left the room
03/16/2012 02:14:24 BRUNO IKSIL, JPMORGAN CHASE BANK, has joined the room
03/16/2012 02:14:24 BRUNO IKSIL, JPMORGAN CHASE BANK, says:
*** JPMORGAN CHASE BANK, (748320) Disclaimer: THIS IS FOR INFORMATION ONLY, NOT AN OFFER OR SOLICITATION FOR THE PURCHASE OR SALE OF ANY FINANCIAL INSTRUMENT, NOR AN OFFICIAL CONFIRMATION OF TERMS. THE INFORMATION IS BELIEVED TO BE RELIABLE, BUT WE DO NOT WARRANT ITS COMPLETENESS OR ACCURACY. PRICES AND AVAILABILITY ARE INDICATIVE ONLY AND ARE SUBJECT TO CHANGE WITHOUT NOTICE. WE MAY HOLD A POSITION OR ACT AS A MARKET MAKER IN ANY FINANCIAL INSTRUMENT DISCUSSED HEREIN. CLIENTS SHOULD CONSULT THEIR OWN ADVISORS REGARDING ANY TAX, ACCOUNTING OR LEGAL ASPECTS OF THIS INFORMATION AND EXECUTE TRANSACTIONS THROUGH A J.P. MORGAN ENTITY IN THEIR HOME JURISDICTION UNLESS GOVERNING LAW PERMITS OTHERWISE.

03/16/2012 03:17:13 LUIS BURAYA, JPMORGAN CHASE BANK, has joined the room
03/16/2012 03:17:13 LUIS BURAYA, JPMORGAN CHASE BANK, says:
*** JPMORGAN CHASE BANK, (748320) Disclaimer: THIS IS FOR INFORMATION ONLY, NOT AN OFFER OR SOLICITATION FOR THE PURCHASE OR SALE OF ANY FINANCIAL INSTRUMENT, NOR AN OFFICIAL CONFIRMATION OF TERMS. THE INFORMATION IS BELIEVED TO BE RELIABLE, BUT WE DO NOT WARRANT ITS COMPLETENESS OR ACCURACY. PRICES AND AVAILABILITY ARE INDICATIVE ONLY AND ARE SUBJECT TO CHANGE WITHOUT NOTICE. WE MAY HOLD A POSITION OR ACT AS A MARKET MAKER IN ANY FINANCIAL INSTRUMENT DISCUSSED HEREIN. CLIENTS SHOULD CONSULT THEIR OWN ADVISORS REGARDING ANY TAX, ACCOUNTING OR LEGAL ASPECTS OF THIS INFORMATION AND EXECUTE TRANSACTIONS THROUGH A J.P. MORGAN ENTITY IN THEIR HOME JURISDICTION UNLESS GOVERNING LAW PERMITS OTHERWISE.

03/16/2012 03:18:19 LUIS BURAYA, JPMORGAN CHASE BANK, says:
good morning

03/16/2012 03:18:31 BRUNO IKSIL, JPMORGAN CHASE BANK, says:

hello

03/16/2012 03:18:35 LUIS BURAYA, JPMORGAN CHASE BANK, says:
i think we are looking forward to another non-action day

03/16/2012 03:19:10 LUIS BURAYA, JPMORGAN CHASE BANK, says:
I'm checking the deltas Bruno

03/16/2012 03:19:14 LUIS BURAYA, JPMORGAN CHASE BANK, says:
I'll come back to you

03/16/2012 03:19:18 BRUNO IKSIL, JPMORGAN CHASE BANK, says:
ok

03/16/2012 03:19:20 LUIS BURAYA, JPMORGAN CHASE BANK, says:
let's see if anything has changed

03/16/2012 03:33:10 JULIEN GROUT, JPMORGAN CHASE BANK, has joined the room
03/16/2012 03:33:10 JULIEN GROUT, JPMORGAN CHASE BANK, says:
*** JPMORGAN CHASE BANK, (741671) Disclaimer: THIS IS FOR INFORMATION ONLY, NOT AN OFFER OR SOLICITATION FOR THE PURCHASE OR SALE OF ANY FINANCIAL INSTRUMENT, NOR AN OFFICIAL CONFIRMATION OF TERMS. THE INFORMATION IS BELIEVED TO BE RELIABLE, BUT WE DO NOT WARRANT ITS COMPLETENESS OR ACCURACY. PRICES AND AVAILABILITY ARE INDICATIVE ONLY AND ARE SUBJECT TO CHANGE WITHOUT NOTICE. WE MAY HOLD A POSITION OR ACT AS A MARKET MAKER IN ANY FINANCIAL INSTRUMENT DISCUSSED HEREIN. CLIENTS SHOULD CONSULT THEIR OWN ADVISORS REGARDING ANY TAX, ACCOUNTING OR LEGAL ASPECTS OF THIS INFORMATION AND EXECUTE TRANSACTIONS THROUGH A J.P. MORGAN ENTITY IN THEIR HOME JURISDICTION UNLESS GOVERNING LAW PERMITS OTHERWISE.

03/16/2012 03:33:42 JULIEN GROUT, JPMORGAN CHASE BANK, says:
morning

03/16/2012 03:40:27 ERIC DE SANGUES, JPMORGAN CHASE BANK, has joined the room
03/16/2012 03:40:27 ERIC DE SANGUES, JPMORGAN CHASE BANK, says:
*** JPMORGAN CHASE BANK, (741671) Disclaimer: THIS IS FOR INFORMATION ONLY, NOT AN OFFER OR SOLICITATION FOR THE PURCHASE OR SALE OF ANY FINANCIAL INSTRUMENT, NOR AN OFFICIAL CONFIRMATION OF TERMS. THE INFORMATION IS BELIEVED TO BE RELIABLE, BUT WE DO NOT WARRANT ITS COMPLETENESS OR ACCURACY. PRICES AND AVAILABILITY ARE INDICATIVE ONLY AND ARE SUBJECT TO CHANGE WITHOUT NOTICE. WE MAY HOLD A POSITION OR ACT AS A MARKET MAKER IN ANY FINANCIAL INSTRUMENT DISCUSSED HEREIN. CLIENTS SHOULD CONSULT THEIR OWN ADVISORS REGARDING ANY TAX, ACCOUNTING OR LEGAL ASPECTS OF THIS INFORMATION AND EXECUTE TRANSACTIONS THROUGH A J.P. MORGAN ENTITY IN THEIR HOME JURISDICTION UNLESS GOVERNING LAW PERMITS OTHERWISE.

03/16/2012 03:44:11 BRUNO IKSIL, JPMORGAN CHASE BANK, says:
hello

03/16/2012 03:44:19 BRUNO IKSIL, JPMORGAN CHASE BANK, says:
i sent another email today

03/16/2012 03:44:21 BRUNO IKSIL, JPMORGAN CHASE BANK, says:
have a look

03/16/2012 03:44:26 JULIEN GROUT, JPMORGAN CHASE BANK, says:
yes

03/16/2012 03:49:17 BRUNO IKSIL, JPMORGAN CHASE BANK, says:

please let me know when core deltas are updated

03/16/2012 03:54:17 JULIEN GROUT, JPMORGAN CHASE BANK, says:
done

03/16/2012 03:55:05 BRUNO IKSIL, JPMORGAN CHASE BANK, says:
thx

03/16/2012 03:59:59 LUIS BURAYA, JPMORGAN CHASE BANK, says:
Most of the otm options have been expired.

03/16/2012 04:00:11 LUIS BURAYA, JPMORGAN CHASE BANK, says:
delta unchanged

03/16/2012 04:00:14 BRUNO IKSIL, JPMORGAN CHASE BANK, says:
cool

03/16/2012 04:00:15 LUIS BURAYA, JPMORGAN CHASE BANK, says:
+204M

03/16/2012 04:00:23 LUIS BURAYA, JPMORGAN CHASE BANK, says:
checking now, the issue

03/16/2012 04:01:21 LUIS BURAYA, JPMORGAN CHASE BANK, says:
74 eur, 0 delta change after expiry

03/16/2012 04:02:19 LUIS BURAYA, JPMORGAN CHASE BANK, says:
74 usd, +72M after expiry

03/16/2012 04:02:26 LUIS BURAYA, JPMORGAN CHASE BANK, says:
sorry - 72M

03/16/2012 04:02:57 LUIS BURAYA, JPMORGAN CHASE BANK, says:
76 usd +28M after expiry

03/16/2012 04:03:17 LUIS BURAYA, JPMORGAN CHASE BANK, says:
total impact after expiry should be +44M in Atlas.

03/16/2012 04:03:22 LUIS BURAYA, JPMORGAN CHASE BANK, says:
sorry

03/16/2012 04:03:23 LUIS BURAYA, JPMORGAN CHASE BANK, says:
-44M

03/16/2012 04:03:39 LUIS BURAYA, JPMORGAN CHASE BANK, says:
so final delta should be +160M

03/16/2012 04:03:53 LUIS BURAYA, JPMORGAN CHASE BANK, says:
(all this is theoretically as per current Atlas)

03/16/2012 04:04:08 BRUNO IKSIL, JPMORGAN CHASE BANK, says:
ok thx

03/16/2012 04:39:48 BRUNO IKSIL, JPMORGAN CHASE BANK, says:
JUlien?

03/16/2012 04:40:04 BRUNO IKSIL, JPMORGAN CHASE BANK, says:

Can you make a print of the chat you had with Biran Christman yesterday please?

03/16/2012 04:44:45 JULIEN GROUT, JPMORGAN CHASE BANK, says:
done

03/16/2012 04:44:52 BRUNO IKSIL, JPMORGAN CHASE BANK, says:
th

03/16/2012 04:45:06 BRUNO IKSIL, JPMORGAN CHASE BANK, says:
i bought 50m xover

03/16/2012 04:45:08 BRUNO IKSIL, JPMORGAN CHASE BANK, says:
instant

03/16/2012 04:45:12 BRUNO IKSIL, JPMORGAN CHASE BANK, says:
main widens

03/16/2012 04:45:19 JULIEN GROUT, JPMORGAN CHASE BANK, says:
proxy hedging

03/16/2012 04:45:19 BRUNO IKSIL, JPMORGAN CHASE BANK, says:
eauity flat

03/16/2012 04:45:22 JULIEN GROUT, JPMORGAN CHASE BANK, says:
sophsticated

03/16/2012 04:47:07 ERIC DE SANGUES, JPMORGAN CHASE BANK, says:
the index market is non existent when us guys are not in

03/16/2012 04:57:31 LUIS BURAYA, JPMORGAN CHASE BANK, says:
so true

03/16/2012 05:01:26 ERIC DE SANGUES, JPMORGAN CHASE BANK, says:
Credit Agricole correlation book RIP : * CREDIT AGRICOLE (UW) FT reports Credit Agricole has handed the remains of a closed business in its investment bank over to BlueMountain, reducing RWAs by EUR14bn

03/16/2012 05:03:15 BRUNO IKSIL, JPMORGAN CHASE BANK, says:
ah ah yes

03/16/2012 05:03:28 BRUNO IKSIL, JPMORGAN CHASE BANK, says:
i will surrender to our own investment bank

03/16/2012 05:03:33 BRUNO IKSIL, JPMORGAN CHASE BANK, says:
no worries

03/16/2012 05:03:39 BRUNO IKSIL, JPMORGAN CHASE BANK, says:
the work on their bonus for this year

03/16/2012 05:03:45 BRUNO IKSIL, JPMORGAN CHASE BANK, says:
they have one customer

03/16/2012 05:03:51 BRUNO IKSIL, JPMORGAN CHASE BANK, says:
that will be enough

03/16/2012 05:04:59 ERIC DE SANGUES, JPMORGAN CHASE BANK, says:
I love the caveat in this article : There is still some residual risk for Credit Agricole from this transaction as they are providing an unquantified liquidity facility to Blue Mountain, so not a clean sale.

03/16/2012 05:05:11 BRUNO IKSIL, JPMORGAN CHASE BANK, says:
yes

03/16/2012 05:05:13 ERIC DE SANGUES, JPMORGAN CHASE BANK, says:
excellent

03/16/2012 05:05:20 BRUNO IKSIL, JPMORGAN CHASE BANK, says:
n worries

03/16/2012 05:05:27 BRUNO IKSIL, JPMORGAN CHASE BANK, says:
jp does first class business

03/16/2012 05:05:31 BRUNO IKSIL, JPMORGAN CHASE BANK, says:
no spillage

03/16/2012 05:05:37 ERIC DE SANGUES, JPMORGAN CHASE BANK, says:
yes in that case

03/16/2012 05:08:53 ERIC DE SANGUES, JPMORGAN CHASE BANK, says:
for CA it's different...they're still on the hook...CPPIs with liquidity lines, LSS with (far away) triggers, super thin mezzanines (I remember a 5-6% 10Y mezz...)... The toxic waste of a toxic period...all that wrapped in a nice gift package... Most of the remaining risk in that thing is now tail risk / liquidity risk

03/16/2012 05:09:27 ERIC DE SANGUES, JPMORGAN CHASE BANK, says:
they say they get rid of the risk and still keep the liquidity side of it...mind boggling

03/16/2012 06:18:27 JULIEN GROUT, JPMORGAN CHASE BANK, says:
bruno pls read MS chat

03/16/2012 06:18:31 JULIEN GROUT, JPMORGAN CHASE BANK, says:
re: yesterday's trades

03/16/2012 06:25:47 BRUNO IKSIL, JPMORGAN CHASE BANK, says:
yes

03/16/2012 06:25:50 BRUNO IKSIL, JPMORGAN CHASE BANK, says:
just saw

03/16/2012 06:27:44 JULIEN GROUT, JPMORGAN CHASE BANK, says:
thx

03/16/2012 06:27:55 BRUNO IKSIL, JPMORGAN CHASE BANK, says:
i corect

03/16/2012 06:37:38 JULIEN GROUT, JPMORGAN CHASE BANK, says:
bruno - javier here- can you call him at some point today

03/16/2012 07:11:34 JULIEN GROUT, JPMORGAN CHASE BANK, has left the room
03/16/2012 07:40:21 JULIEN GROUT, JPMORGAN CHASE BANK, has joined the room
03/16/2012 07:40:21 JULIEN GROUT, JPMORGAN CHASE BANK, says:
*** JPMORGAN CHASE BANK, (741671) Disclaimer: THIS IS FOR INFORMATION ONLY, NOT AN OFFER OR SOLICITATION FOR THE PURCHASE OR SALE OF ANY FINANCIAL INSTRUMENT, NOR AN OFFICIAL CONFIRMATION OF TERMS. THE INFORMATION IS BELIEVED TO BE RELIABLE, BUT WE DO NOT WARRANT ITS COMPLETENESS OR ACCURACY. PRICES AND AVAILABILITY ARE INDICATIVE ONLY AND ARE SUBJECT TO CHANGE WITHOUT NOTICE. WE MAY HOLD A POSITION OR ACT AS A MARKET MAKER IN ANY FINANCIAL INSTRUMENT DISCUSSED HEREIN. CLIENTS SHOULD CONSULT THEIR OWN

03/16/2012 07:49:38 LUIS BURAYA, JPMORGAN CHASE BANK, says:
stoxx 50 expired - Delta and PnL impacts are zero

03/16/2012 08:02:21 ERIC DE SANGUES, JPMORGAN CHASE BANK, has left the room
03/16/2012 08:07:03 BRUNO IKSIL, JPMORGAN CHASE BANK, says:
cool

03/16/2012 08:19:21 LUIS BURAYA, JPMORGAN CHASE BANK, says:
good day in equities today Bruno

03/16/2012 08:19:55 ERIC DE SANGUES, JPMORGAN CHASE BANK, has joined the room
03/16/2012 08:19:55 ERIC DE SANGUES, JPMORGAN CHASE BANK, says:

03/16/2012 10:07:20 LUIS BURAYA, JPMORGAN CHASE BANK, says:
tactical 82 ytd is back at -399k

03/16/2012 10:07:26 LUIS BURAYA, JPMORGAN CHASE BANK, says:
Monday is the auction

03/16/2012 10:12:38 BRUNO IKSIL, JPMORGAN CHASE BANK, says:
i do not see why really

03/16/2012 10:12:42 BRUNO IKSIL, JPMORGAN CHASE BANK, says:
sovex is tighter

03/16/2012 10:12:48 BRUNO IKSIL, JPMORGAN CHASE BANK, says:
greece has not moved

03/16/2012 10:13:08 BRUNO IKSIL, JPMORGAN CHASE BANK, says:
it is better instead

03/16/2012 11:04:54 LUIS BURAYA, JPMORGAN CHASE BANK, says:
expiring the spx

03/16/2012 11:33:10 LUIS BURAYA, JPMORGAN CHASE BANK, says:
Bruno, one instrument is incorrectly created.

03/16/2012 11:33:14 LUIS BURAYA, JPMORGAN CHASE BANK, says:
hence the wrong delta

03/16/2012 11:33:51 LUIS BURAYA, JPMORGAN CHASE BANK, says:
once it is expired I confirm that delta will be +163M

03/16/2012 11:34:16 LUIS BURAYA, JPMORGAN CHASE BANK, says:

+23M now + the 138M coming from the option

03/16/2012 11:42:00 BRUNO IKSIL, JPMORGAN CHASE BANK, says:
are you booking other stuff?

03/16/2012 11:42:07 LUIS BURAYA, JPMORGAN CHASE BANK, says:
no

03/16/2012 11:42:16 BRUNO IKSIL, JPMORGAN CHASE BANK, says:
i do not see the option delta coming

03/16/2012 11:42:22 BRUNO IKSIL, JPMORGAN CHASE BANK, says:
i see a loss in new trades

03/16/2012 11:42:44 LUIS BURAYA, JPMORGAN CHASE BANK, says:
you just booked 500spx.

03/16/2012 11:42:59 LUIS BURAYA, JPMORGAN CHASE BANK, says:
I need to expire one more option. I put you in copy

03/16/2012 11:43:05 LUIS BURAYA, JPMORGAN CHASE BANK, says:
the set up was wrong

03/16/2012 11:44:13 LUIS BURAYA, JPMORGAN CHASE BANK, says:
delta should be higher by 140M and yes pnl on that book is still wrong

03/16/2012 11:44:21 BRUNO IKSIL, JPMORGAN CHASE BANK, says:
ah ok

03/16/2012 11:44:23 LUIS BURAYA, JPMORGAN CHASE BANK, says:
James and Amardeep are contacting NT

03/16/2012 11:44:24 LUIS BURAYA, JPMORGAN CHASE BANK, says:
NY

03/16/2012 11:44:29 BRUNO IKSIL, JPMORGAN CHASE BANK, says:
that was my question

03/16/2012 11:44:31 LUIS BURAYA, JPMORGAN CHASE BANK, says:
let's see if they sort it out soon

03/16/2012 11:45:25 LUIS BURAYA, JPMORGAN CHASE BANK, says:
sorry, but I can't do anything. If I book a trade and expiry the option I was todl I will create a break anyway

03/16/2012 11:45:52 BRUNO IKSIL, JPMORGAN CHASE BANK, says:
and this is where the delta comes from right?

03/16/2012 12:19:20 LUIS BURAYA, JPMORGAN CHASE BANK, says:
look now

03/16/2012 12:19:26 LUIS BURAYA, JPMORGAN CHASE BANK, says:
delta is +195M

03/16/2012 12:19:29 LUIS BURAYA, JPMORGAN CHASE BANK, says:
all is expired

03/16/2012 12:19:32 BRUNO IKSIL, JPMORGAN CHASE BANK, says:
ok

03/16/2012 12:19:43 BRUNO IKSIL, JPMORGAN CHASE BANK, says:
i have the loss

03/16/2012 12:19:45 BRUNO IKSIL, JPMORGAN CHASE BANK, says:
right?

03/16/2012 12:19:55 LUIS BURAYA, JPMORGAN CHASE BANK, says:
the new trade pnl is f*ck up because the prices are stupid, have a look into new trade tab

03/16/2012 12:20:01 LUIS BURAYA, JPMORGAN CHASE BANK, says:
th call 1300

03/16/2012 12:20:29 LUIS BURAYA, JPMORGAN CHASE BANK, says:
the FV should be 105.11, that it is where it is closed. I don't understand why they are still pricing it at 998.29

03/16/2012 12:21:06 LUIS BURAYA, JPMORGAN CHASE BANK, says:
same with the call 1350 and with the call 1160

03/16/2012 12:21:13 LUIS BURAYA, JPMORGAN CHASE BANK, says:
and 1320

03/16/2012 12:21:21 LUIS BURAYA, JPMORGAN CHASE BANK, says:
the FV should equal the price

03/16/2012 12:21:26 BRUNO IKSIL, JPMORGAN CHASE BANK, says:
how and when does this clear?

03/16/2012 12:21:29 LUIS BURAYA, JPMORGAN CHASE BANK, says:
the ESDP is 1405.11

03/16/2012 12:21:39 LUIS BURAYA, JPMORGAN CHASE BANK, says:
the reported pnl is correct

03/16/2012 12:21:43 LUIS BURAYA, JPMORGAN CHASE BANK, says:
or should be

03/16/2012 12:23:26 LUIS BURAYA, JPMORGAN CHASE BANK, says:
do you follow me?

03/16/2012 12:35:25 ERIC DE SANGUES, JPMORGAN CHASE BANK, says:
SX5E vol going very bid into the close, very squeezy, outperforming the rest of europe by 30bps across the curve.

03/16/2012 12:36:46 LUIS BURAYA, JPMORGAN CHASE BANK, has left the room
03/16/2012 12:39:18 LUIS BURAYA, JPMORGAN CHASE BANK, has joined the room
03/16/2012 12:50:55 LUIS BURAYA, JPMORGAN CHASE BANK, has left the room
03/16/2012 12:54:30 LUIS BURAYA, JPMORGAN CHASE BANK, has joined the room
03/16/2012 12:57:46 ERIC DE SANGUES, JPMORGAN CHASE BANK, says:
Bruno : Tactical pnl 1st draft -7.3M USD

03/16/2012 12:58:07 ERIC DE SANGUES, JPMORGAN CHASE BANK, says:
block 4 -8.4M divs +1.8M

03/16/2012 12:59:37 ERIC DE SANGUES, JPMORGAN CHASE BANK, says:
block 4 detail : 71 eur +3.5M / 71 USD - 5M / 75 USD -7M / 74 + 76 +0.6M (atlas is +1.3M)

03/16/2012 12:59:49 LUIS BURAYA, JPMORGAN CHASE BANK, says:
Recovering from yesterday

03/16/2012 13:01:05 ERIC DE SANGUES, JPMORGAN CHASE BANK, says:
what do you want us to do Bruno ?

03/16/2012 13:06:48 BRUNO IKSIL, JPMORGAN CHASE BANK, says:
ok

03/16/2012 13:06:59 BRUNO IKSIL, JPMORGAN CHASE BANK, says:
is the atals pnl correct?

03/16/2012 13:07:22 LUIS BURAYA, JPMORGAN CHASE BANK, says:
Reported pnl should be correct

03/16/2012 13:07:26 LUIS BURAYA, JPMORGAN CHASE BANK, says:
However

03/16/2012 13:07:27 ERIC DE SANGUES, JPMORGAN CHASE BANK, says:
with the option expiry I cannot guarantee that

03/16/2012 13:07:34 BRUNO IKSIL, JPMORGAN CHASE BANK, says:
so new trade is correct

03/16/2012 13:07:36 BRUNO IKSIL, JPMORGAN CHASE BANK, says:
?

03/16/2012 13:07:43 ERIC DE SANGUES, JPMORGAN CHASE BANK, says:
my reported pnl is wrong in the strats where I have expiring options

03/16/2012 13:08:24 LUIS BURAYA, JPMORGAN CHASE BANK, says:
The options are misprice in atlas, I don;t know the situation in Scala.

03/16/2012 13:08:50 BRUNO IKSIL, JPMORGAN CHASE BANK, says:
can you send me the positions eric?

03/16/2012 13:09:08 LUIS BURAYA, JPMORGAN CHASE BANK, says:
If there's pnl coming we will check if it is from those instruments

03/16/2012 13:09:46 LUIS BURAYA, JPMORGAN CHASE BANK, says:
The cash is supposed to correctly reflect the pnl

03/16/2012 13:09:54 ERIC DE SANGUES, JPMORGAN CHASE BANK, says:
positions and predict in your mailbox bruno

03/16/2012 13:10:07 LUIS BURAYA, JPMORGAN CHASE BANK, says:
The problem is as usual, the fair value concept

03/16/2012 13:11:45 LUIS BURAYA, JPMORGAN CHASE BANK, says:
Eric, what is the pnl in equities only? In the option rewport

03/16/2012 13:12:26 LUIS BURAYA, JPMORGAN CHASE BANK, says:
In MT

03/16/2012 13:12:27 BRUNO IKSIL, JPMORGAN CHASE BANK, says:
thx eric

03/16/2012 13:12:30 BRUNO IKSIL, JPMORGAN CHASE BANK, says:
let me see

03/16/2012 13:12:42 BRUNO IKSIL, JPMORGAN CHASE BANK, says:
where is core pnl here?

03/16/2012 13:14:17 BRUNO IKSIL, JPMORGAN CHASE BANK, says:
julien?

03/16/2012 13:16:23 JULIEN GROUT, JPMORGAN CHASE BANK, says:
yes

03/16/2012 13:16:32 JULIEN GROUT, JPMORGAN CHASE BANK, says:
306

03/16/2012 13:16:45 JULIEN GROUT, JPMORGAN CHASE BANK, says:
hy taking a beating today actually, esp in tranches

03/16/2012 13:16:49 BRUNO IKSIL, JPMORGAN CHASE BANK, says:
ok

03/16/2012 13:17:20 BRUNO IKSIL, JPMORGAN CHASE BANK, says:
so the pnl in tactical is doen wiht thos eprices that brings up 306 in core right?

03/16/2012 13:17:34 JULIEN GROUT, JPMORGAN CHASE BANK, says:
correct

03/16/2012 13:17:41 BRUNO IKSIL, JPMORGAN CHASE BANK, says:
ok

03/16/2012 13:17:55 BRUNO IKSIL, JPMORGAN CHASE BANK, says:
i think u should set ig9 levels as follows

03/16/2012 13:18:03 BRUNO IKSIL, JPMORGAN CHASE BANK, says:
5 yr at 72

03/16/2012 13:18:08 BRUNO IKSIL, JPMORGAN CHASE BANK, says:
7yr at 88

03/16/2012 13:18:24 BRUNO IKSIL, JPMORGAN CHASE BANK, says:
10 yr at 110

03/16/2012 13:18:53 JULIEN GROUT, JPMORGAN CHASE BANK, says:
well rite now i am 70.25 86.25 109.75

03/16/2012 13:19:00 JULIEN GROUT, JPMORGAN CHASE BANK, says:
ref 88.75

03/16/2012 13:19:17 JULIEN GROUT, JPMORGAN CHASE BANK, says:
i will use your levels

03/16/2012 13:19:27 BRUNO IKSIL, JPMORGAN CHASE BANK, says:
i see ur levels

03/16/2012 13:19:34 JULIEN GROUT, JPMORGAN CHASE BANK, says:
ah ok

03/16/2012 13:19:37 JULIEN GROUT, JPMORGAN CHASE BANK, says:
one sec

03/16/2012 13:19:53 BRUNO IKSIL, JPMORGAN CHASE BANK, says:
or u do the corrections ur self

03/16/2012 13:20:00 BRUNO IKSIL, JPMORGAN CHASE BANK, says:
i do not mmind

03/16/2012 13:20:04 LUIS BURAYA, JPMORGAN CHASE BANK, says:
Be back in 15mins

03/16/2012 13:34:10 BRUNO IKSIL, JPMORGAN CHASE BANK, says:
sent an Email to javier anouncing this is more 300 now

03/16/2012 13:34:19 BRUNO IKSIL, JPMORGAN CHASE BANK, says:
that was 100 Monday

03/16/2012 13:34:22 BRUNO IKSIL, JPMORGAN CHASE BANK, says:
it is 300 now

03/16/2012 13:34:30 BRUNO IKSIL, JPMORGAN CHASE BANK, says:
1000 for month end?

03/16/2012 13:35:08 ERIC DE SANGUES, JPMORGAN CHASE BANK, says:
ouch

03/16/2012 13:35:23 BRUNO IKSIL, JPMORGAN CHASE BANK, says:
well that is the pace

03/16/2012 13:45:03 BRUNO IKSIL, JPMORGAN CHASE BANK, says:
any update JUlien?

03/16/2012 13:47:57 JULIEN GROUT, JPMORGAN CHASE BANK, says:
still working on this, sorry it's taking time

03/16/2012 13:48:05 BRUNO IKSIL, JPMORGAN CHASE BANK, says:
i am sorry too

03/16/2012 13:48:11 BRUNO IKSIL, JPMORGAN CHASE BANK, says:
this is the end

03/16/2012 13:48:18 JULIEN GROUT, JPMORGAN CHASE BANK, says:
?

03/16/2012 13:48:18 ERIC DE SANGUES, JPMORGAN CHASE BANK, says:
hey hey

03/16/2012 13:48:24 ERIC DE SANGUES, JPMORGAN CHASE BANK, says:
no talk like that

03/16/2012 13:48:29 ERIC DE SANGUES, JPMORGAN CHASE BANK, says:
cheer up

03/16/2012 13:48:39 BRUNO IKSIL, JPMORGAN CHASE BANK, says:
yes JP
will not lose a cent on this

03/16/2012 13:48:59 ERIC DE SANGUES, JPMORGAN CHASE BANK, says:
we'll see

03/16/2012 13:49:10 ERIC DE SANGUES, JPMORGAN CHASE BANK, says:
one day after the other

03/16/2012 13:49:20 ERIC DE SANGUES, JPMORGAN CHASE BANK, says:
like in 09

03/16/2012 13:49:42 BRUNO IKSIL, JPMORGAN CHASE BANK, says:
no

03/16/2012 13:52:00 BRUNO IKSIL, JPMORGAN CHASE BANK, says:
ok call me when u have something ready

03/16/2012 13:53:34 JULIEN GROUT, JPMORGAN CHASE BANK, says:
will do

03/16/2012 13:53:40 JULIEN GROUT, JPMORGAN CHASE BANK, says:
sorry it's taking so long again.

03/16/2012 14:04:03 JULIEN GROUT, JPMORGAN CHASE BANK, says:
bruno 9m de new trade?

03/16/2012 14:04:38 JULIEN GROUT, JPMORGAN CHASE BANK, says:
currently -4m

03/16/2012 14:04:42 JULIEN GROUT, JPMORGAN CHASE BANK, says:
core

03/16/2012 14:06:21 ERIC DE SANGUES, JPMORGAN CHASE BANK, says:
tactical now +2.1M

03/16/2012 14:13:21 ERIC DE SANGUES, JPMORGAN CHASE BANK, has left the room
03/16/2012 14:55:50 LUIS BURAYA, JPMORGAN CHASE BANK, has left the room
03/16/2012 14:58:47 LUIS BURAYA, JPMORGAN CHASE BANK, has joined the room
03/16/2012 15:00:36 JULIEN GROUT, JPMORGAN CHASE BANK, has left the room
03/16/2012 15:17:02 JULIEN GROUT, JPMORGAN CHASE BANK, has joined the room

Subject: CIO RISK COMMITTEE (Attachment Below)
Location: Telepresence Call - Room 10C NY / Room M008 LDN

Start: Wed, 28 Mar 2012 15:30:00 GMT
End: Wed, 28 Mar 2012 16:30:00 GMT

Show Time As: Tentative

Organizer: Rios, Martha I on behalf of Goldman, Irvin J

Attendees: Adam, Phillipa C; Corio, Norma; Drew, Ina; Lewis, Phil; Macris, Achilles O; O'Donnell, Julie; Prata, Joann; Radin, Neila; Sabo, Richard W; Serpico, Gina; Tocchio, Samantha X; Tse, Irene Y; Weiland, Peter; Wilmot, John; Wilson, Wanda A

When: Wednesday, March 28, 2012 11:30 AM-12:30 PM (GMT-05:00) Eastern Time (US & Canada).
Where: Telepresence Call - Room 10C NY / Room M008 LDN

Note: The GMT offset above does not reflect daylight saving time adjustments.

~~*~*~*~*~*~*~*~*

Hard copies will be available in NY / conference room C.

Thanks,
M

STRICTLY PRIVATE AND CONFIDENTIAL

Agenda

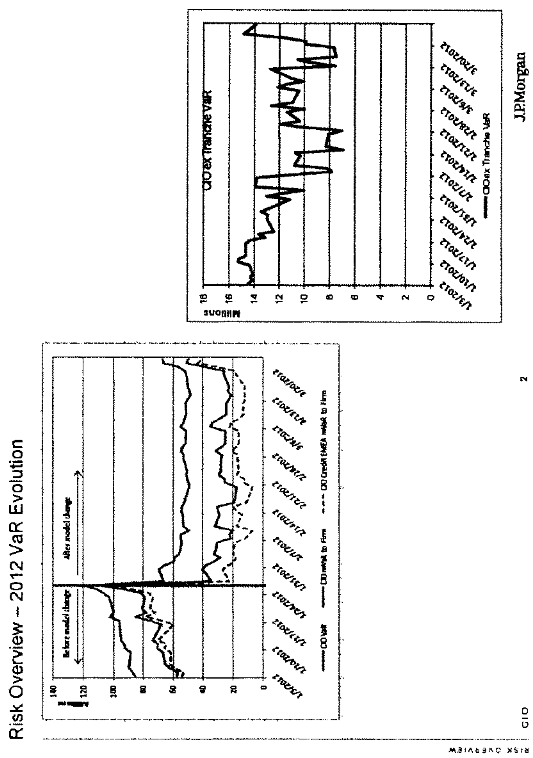
CIO RISK COMMITTEE

March 2012

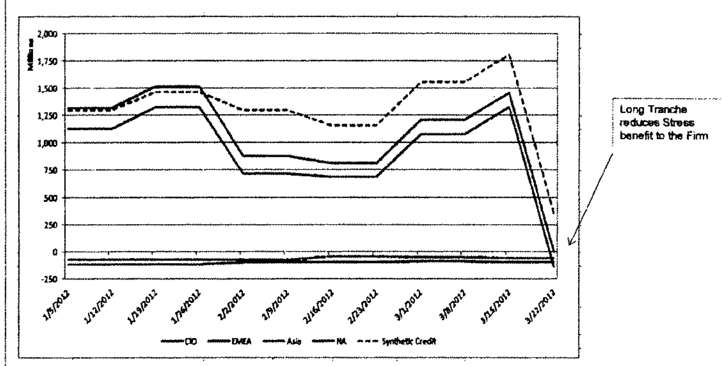
CIO

J.P.Morgan

Agenda


Risk Overview – 2012 VaR Evolution
Before model change
After model change
CIO ex Tranche VaR
Millions
J.P.Morgan
CIO
2

Risk Overview – 2012 Credit Crisis Results (MTM)



AFS/Accrual Stress Results –Credit Crisis (not currently reported)

[redacted]	[redacted]
MBS	[redacted]
Agency Arms and CMOs	[redacted]
Muni	[redacted]
Corporate Bonds/Govt Gtd	[redacted]
ABS	[redacted]
CMBS	[redacted]
Non-Agency	[redacted]
[redacted]	[redacted]
ABS	[redacted]
CLO	[redacted]
RMBS/CB	[redacted]
HGM	[redacted]
EM	[redacted]
Int'l-Rates	[redacted]
[redacted]	[redacted]

[redacted]	[redacted]
MTM Stress	[redacted]
AFS/ Structural Risk Stress	[redacted]
[redacted]	[redacted]
MTM Stress	[redacted]
AFS/ Structural Risk Stress	[redacted]
[redacted]	[redacted]

*MTM stress includes Bank Prefs

Risk Summary 21st March 2012

Redacted By
Permanent Subcommittee on Investigations

RISK OVERVIEW

Agenda

Risk Limits

Risk Limit Review is in Progress

Levels of Limits

- **Level 1 limits** are granted by the firm (CEO/CRO) to CIO
- **Level 2 limits** are granted by Ina to NA and International
- **Thresholds** may be granted by Ina, Irene, or Achilles
- **Directives** are for business management purposes and are managed internally

[illegible]	[illegible]	[illegible]	[illegible]
Level 1	Dimon, Hogan, Drew	Y	Y
Level 2	Drew, Goldman/Weiland, Irene/Achilles	Y	Y
Thresholds	Ina/Irene/Achilles, Goldman/Weiland	Y	N
Directives	Ina	N	N

Level 1 Limits

❖ All Level 1 and Level 2 Limits and usages are distributed to regulators daily

[illegible]	[illegible]	[illegible]
CIO - Global - 10Q VAR(D)	Based on all CIO MTM Overlay positions	MTM CLOs no longer included
CIO - Global - Aggregate - Combined CIO & MSR VAR	Combined CIO MTM Overlay positions and MSR	same as above
RFS - MSR VaR (D)	MSR asset and hedges	no change
CIO - Global - Max Stress Loss - FSI - Aggregate	Stress loss for SAA, including MTM Overlay and FXCH AFS	includes SAA AFS and Liabilities
CIO - Global - Max Stress Loss - FSI - MTM	Stress Loss for MTM positions (accounting view)	includes prefs, FXCH MTM
CIO - FXCH - Max Stress Loss - FSI - Aggregate	Stress Loss for FXCH net open positions	new limit

(D) - publicly disclosed

Level 2 Limits

❖ Currently under review with regional CIOs for final proposal

2047

Risk Limits

Country Limits

- Firmwide country limits are not allocated by LOB
- Final limits proposal will include country thresholds for CIO in accordance with annual investment plans

Single Name Limits

- Firmwide Single Name Policy specifically excludes SAA under the concept that SAA investment programs are specifically approved by the SAA Committee and each program should have specific limits attached
- Limits for the bank portfolio and the EM portfolio were agreed to be equal to the ratings-based firmwide single name limits (green box at right).
- Positions with current limit issues are below:

[redacted]

Limit Issues 27 March 2012

Redacted By

Permanent Subcommittee on Investigations

Limit Excesses

Q4 2011

[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
CIO + MSR VAR	11/14, 11/15	145,000,000	148,316,192	2
CIO + MSR VAR	12/7, 12/8	165,000,000	174,545,920	2

[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
International Net Vega	10/3 -10/31	4,500,000	10,956,067	20
International Equity VAR	11/30-12/5	12,000,000	13,429,773	4

Q1 2012

[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
CIO 10Q VAR	1/16-1/19	95,000,000	102,385,400	4
CIO 10Q VAR	1/24-1/26	105,000,000	119,645,566	3
CIO Aggregate VAR	1/25, 1/26	110,000,000	123,861,184	2
Int'l 10Q VAR	1/16, 1/18-1/23	95,000,000	101,827,328	5
Int'l 10Q VAR	1/25, 1/26	110,000,000	117,573,856	2
Int'l Aggregate VAR	1/18-1/23	100,000,000	104,252,784	4
Int'l Aggregate VAR	1/25, 1/26	110,000,000	121,316,416	2

[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Int'l 10Q Credit VAR	1/12-1/23	95,000,000	101,721,928	6
Int'l 10Q Credit VAR	1/26	110,000,000	112,791,400	1
Int'l Aggregate Credit VAR	1/16-1/23	95,000,000	102,249,800	4
Int'l Aggregate Credit VAR	1/25, 1/26	110,000,000	115,833,400	2
Global Credit CSBPV MTM	1/6, 1/9-2/29	5,000,000	52,090,848	53
Global Credit CSBPV Aggregate	1/18-1/19, 1/25-3/22	12,000,000	54,318,985	43

2049

Limits Changes

Q4 2011

CIO + MSR VAR	145,000,000	165,000,000	Temporary Limit - Expiry 12/12/2011

Int'l Top Tier Vega (Long Only)	2,000,000	8,500,000	Temporary Limit, expiry extended into Q1
Int'l Net Vega (Long Only)	4,500,000	11,500,000	Temporary Limit, expiry extended into Q1
Int'l Gross Equity Vega (Long Only)	6,000,000	18,500,000	Temporary Limit, expiry extended into Q1
Int'l Top Tier Delta	250,000,000	500,000,000	Temporary Limit, expiry extended into Q1

Q1 2012

CIO 10Q VAR	95,000,000	105,000,000	Temporary Limit - Expiry 1/20/2012
Int'l 10Q VAR	95,000,000	110,000,000	Temporary Limit - Expiry 1/31/2012
Int'l Aggregate VAR	100,000,000	110,000,000	Temporary Limit - Expiry 1/31/2012

Int'l 10Q Credit VAR	95,000,000	110,000,000	Temporary Limit - Expiry 1/31/2012
Int'l Aggregate VAR	100,000,000	110,000,000	Temporary Limit - Expiry 1/31/2012
Int'l Top Tier Vega (Long Only)	2,000,000	8,500,000	Temporary Limit, expiry extended until 3/31/2012
Int'l Net Vega (Long Only)	4,500,000	11,500,000	Temporary Limit, expiry extended until 3/31/2012
Int'l Gross Equity Vega (Long Only)	6,000,000	18,500,000	Temporary Limit, expiry extended until 3/31/2012
Int'l Top Tier Delta	250,000,000	500,000,000	Temporary Limit, expiry extended until 3/31/2012

2050

Agenda

Risk Policies

- CIO Reviewing all Policies
- Working with Firm wide Risk Policy group

Firmwide Risk Policies - Chief Investment Office		
Policy Title	Policy Number	Update Date
New Business Initiative Approval, Chief Investment Office	[illegible]	7/17/2006
Credit Exposure Defined	[illegible]	8/24/2010
Counterparty & Settlement Exposure in Trading Activities	[illegible]	8/24/2010
Netting Counterparty Exposure	[illegible]	12/12/2011
Securities Settlement Exposure - DVP and non-DVP	[illegible]	11/22/2011
Collateral	[illegible]	11/7/2005
Collateral and Credit Support for Derivatives Transactions	[illegible]	4/2/2009
Third-Party Supports	[illegible]	3/13/2012
Exchanges and Clearinghouses	[illegible]	3/7/2012
Industry Risk Management	[illegible]	2/13/2012
Single Name Position Risk	[illegible]	10/28/2011

Risk Policies

x All firmwide policies apply to both IB and CIO as well
o Certain IB policies are applicable to CIO and should be formally adopted

	Firmwide	IB	CIO	Comments
Risk Governance				
Guiding Principles of Corporate Risk Management	x	x	x	
Risk Management Governance	x	x	x	
Policy Architecture	x	x	x	
Policy Architecture, Investment Bank		x		
New Business Initiative Approval Policy	x	x	x	
New Business Initiative Approval Policy, Investment Bank		x		
New Business Initiative Approval Policy, CIO			x	
Client & Reputation Risks: Relationship				
Sponsorship Policy		x		Trading with only "street" counterparties makes this unnecessary
Anti-Money Laundering	x	x	x	
Global Privacy	x	x	x	
Client & Reputation Risks: Transaction				
Appropriateness Policy		x		Trading with only "street" counterparties makes this unnecessary
Appropriateness Policy, Investment Bank		x		Trading with only "street" counterparties makes this unnecessary
Conflicts Policy	x	x	x	
Suitability Policy		x		Trading with only "street" counterparties makes this unnecessary
Fiduciary Risk	x	x	x	
Securities Underwriting		x		CIO is not involved in underwriting
Wholesale Credit Risk: Approvals				
Credit Responsibilities		x		CIO does not extend credit
Credit Responsibilities, Scored Business - CBRM, EMEA		x		CIO does not extend credit
Credit Approval Principles		x		CIO does not extend credit
CAP, CRE, IB and Affordable Institutional Lending		x		CIO does not extend credit
Credit Exceptions	x	x	x	
Temporary Extensions - Cover	x	x	x	
Counterparty Credit Approval		x		Trading with only "street" counterparties makes this unnecessary
Exempt Transactions - RBRM		x		Trading with only "street" counterparties makes this unnecessary
Approval Authority		x		CIO does not extend credit
Legal Lending Limits	x	x	x	
Legal Lending Limits - Limits on Bank Investments in Debt Securities	x	x	x	
Wholesale Credit Risk: Risk Grading				
Risk Grading Methodology		x		CIO does not extend credit
Use of Risk Grading Worksheets (Calculator Output)		x		CIO does not extend credit
Risk Grading Methodology, Special Grading Situations		x		CIO does not extend credit
Wholesale Credit Risk: Exposure Definitions				
Credit Exposure Defined		x	o	Defines credit exposure. Would be useful to help identify whether a situation constitutes an extension of credit
Wholesale Credit Risk: Measurement and Analytics				
Counterparty & Settlement Exposure in Trading Activities		x	o	Defines counterparty exposure measures for limit usage.
Settlement Exposure - DVP and non-DVP		x	o	Policy is to settle trades DVP; to the extent we trade non-DVP it uses credit limit and so must be approved.
Netting Counterparty Exposure		x	o	Provides guidance for netting excl. foreign exchange and OTC derivatives (see Collateral for Derivatives Transactions)
E-Trading and Daily Trading Limits		x		

J.P.Morgan

Risk Policies Continued

	Firmwide	IB	CIO	Comments
Wholesale Credit Risk: Due Diligence and Analysis				
Environmental Risk Management	x	x	x	
Credit Analysis Standards		x		CIO does not extend credit
Collateral		x	o	Assuming our counterparty activity is handled by CPG, this policy applies by extension
Collateral for Derivative Transactions		x	o	Assuming our counterparty activity is handled by CPG, this policy applies by extension
Third-Party Supports		x	o	Assuming our counterparty activity is handled by CPG, this policy applies by extension
Private Credit Insurance on Trade Transactions		x		CIO is not involved in trade transactions
JPMC as Beneficial Owner of Equity Securities	x	x	x	
Restrictions on Product and Service Tie-Ins	x	x	x	
Usury		x		CIO does not extend credit
Documentation - Cover	x	x	x	
Lender Liability		x		CIO does not extend credit
Wholesale Credit Risk: Risk Monitoring				
Credit Files		x		CIO does not extend credit
Credit Reviews - Cover	x	x	x	
Credit Reviews - Investment Bank		x		CIO does not extend credit
Auditing the Credit Process	x	x	x	
Problem Credit Management		x		CIO does not extend credit; we may need a policy statement as to what CIO should do in the event a credit exposure (e.g. in CRP) should go downhill
Credit Portfolio Group		x		Applies only to the IB Credit Portfolio Group
Credit Inquiries		x		CIO has no credit information and does not respond to inquiries
Auditors Confirmations		x		CIO has no clients
Negative Developments Affecting Clients		x		CIO has no clients
Rapid Exposure Drill (RED)		x		CIO has no clients
Pledging Commercial Loans to the Federal Reserve Bank		x		
Wholesale Credit Risk: Risk Products				
Supply Chain Financing	x	x	x	
Standby Letters of Credit and Guarantees	x	x	x	
Shared National Credits	x	x	x	
Lines of Credit - Cover		x		CIO has no clients
Uncommitted Lines of Credit		x		CIO has no clients
Foreign Exchange and Derivatives - Cover	x	x	x	
Bullion Products	x	x	x	
Money Market Issuing and Paying Agency Intraday Limits		x		Does not apply as CIO does not act as a CP issuing and paying agent
Intraday Overdrafts		x		CIO has no clients
Overnight Overdrafts		x		CIO has no clients
Automated Clearing House (ACH) Activity	x	x	x	
Asset-Backed Securities (ABS) Conduits		x	♦	Only applies to underwriting of ABS Conduits; CIO does not underwrite ABS Conduits
Custody Products		x		CIO does not provide custody services
Coin and Currency Services		x		CIO does not provide coin and currency services
Trustee and Agency Services Appointments		x		CIO does not provide coin and trustee and agency services
Leveraged Financing		x		CIO does not extend credit
Stored Value Cards, Post Funding and Deferred Funding		x		CIO does not provide stored value cards
Trade Finance Products	x	x	x	
Acceptance Financing	x	x	x	
Agreements to Negotiate	x	x	x	
Bank-to-Bank Reimbursement	x	x	x	
Bill Negotiation	x	x	x	
Commercial Letters of Credit	x	x	x	
Letters of Indemnity	x	x	x	
International and Domestic Collections		x		CIO has no clients
SWIFT Pre-advising		x		CIO has no clients
JPMorgan Property Exchange (JPEX) Reverse Like Kind Exchanges	x	x	x	
Commercial Cards		x		CIO has no clients
Controlled Disbursement		x		CIO has no clients
Global Securities Clearance - GlobeClear		x		CIO is not involved in executing client transactions
Amer. And Global Dep. Receipts (DRs), VSS		x		CIO has no clients
Securities Lending VSS		x		CIO is not involved in securities lending
Chase Business Card		x		CIO has no clients and is not involved in issuing credit cards

RISK POLICY

18

J.P.Morgan

Risk Policies Continued

	Firmwide	IB	CIO	Comments
Wholesale Credit Risk: Special Obligors				
JPMorgan Chase Affiliates - Reg W (Sections 23 A 7 B)	x	x	x	
Individuals		x		CIO does not extend credit to individuals
Interbank Liabilities Policy for JPMC Commercial Banks (Reg F)	x	x	x	
Funds Policy - Cover	x	x	x	
Highly Regulated Funds		x		CIO does not extend credit to HRFs
Hedge Funds		x		CIO does not extend credit to hedge funds
CLS Bank International	x	x	x	
Prepaid Vendors		x		not applicable
JPMorgan Chase Directors and Executive Officers (Insiders) - Reg O	x	x	x	
Real Estate - Cover	x	x	x	
Real Estate, Insurance for Real Estate Loans		x		CIO does not extend real estate loans
Real Estate, Flood Insurance	x	x	x	
Real Estate Appraisal	x	x	x	
Commercial Real Estate, Seismic Risk	x	x	x	
Directors and Officers (Insiders) of Unaffiliated Public Companies	x	x	x	
Dir., Exec. Off. And Prin. Shareholders of Unaff. Bks and Bk Hldg Cos.	x	x	x	
Nostro Accounts		x		All nostro accounts handled by Treasury
Exchanges and Clearinghouses		x	o	Applies when/if CIO deals with exchanges/clearinghouses
Examiners and External Auditors	x	x	x	
Export Credit Programs	x	x	x	
Wholesale Credit Risk: Concentration Management				
Single Name Position Risk (SNPR)		x	x	CIO is subject to SNPR
Credit Family Exposure Limits		x	↔	CIO does not extend credit
Credit Family Thresholds for TSS Operating Facilities		x		CIO does not extend credit
Country Risk Management	x	x	x	
Industry Risk Management		x	o	CIO credit exposures are subject to Industry Risk Limits
Market Risk				
Market Valuation & Risk, Investment Bank		x		Policy is no longer on the website
Market Risk, Investment Bank		x		
Market Risk Limits, Investment Bank		x		
Market Risk Management Policy (excl. IB)	x	x	x	Policy is no longer on the website
Market Risk Limits & Advisories Policy		x	x	Policy is no longer on the website
Operational Risk				
Corporate Operational Risk Management	x	x	x	
Operational Risk Management, Investment Bank		x		
Global Funds Transfer	x	x	x	
Global Funds Transfer, Settlements, Investment Bank		x		All funds transfer is outsourced to other product groups
Special Risk				
Model Development, Documentation, Validation and Use	x	x	x	
Model Development, Documentation, Validation and Use, IB		x	o	CIO should follow IB policy
Corporate Environmental Risk Policy		x	↔	CIO is not involved in project finance, oil, mining, forestry, or gas.
JPMC Rating Triggers - Derivatives Contracts	x	x	x	
Special Purpose Entity (SPE) Control	x	x	x	
JPMC Rating Triggers - Liquidity Facilities	x	x	x	
Payment System Risk	x	x	x	
Administration: Risk Policy Resources				
Risk Policy Format	x	x	x	
Risk Policy Glossary	x	x	x	
Contacts	x	x	x	
Administration: Heritage JPMorgan Chase Credit Policies				
Exchange Traded Futures and Options		x	↔	CIO does not act as clearing broker for clients on futures and options exchanges
Treasury Services Cash Mgmt Netting, Pooling, and Sweep Products		x		CIO does not provide cash management services
Foreign Exchange and Derivative Contracts		x	↔	Policy is no longer on the website
Securities Financing Transactions		x	↔	Policy is no longer on the website
Problem Credit Management, Derivatives		x		Policy is no longer on the website
Commercial and Residential Real Estate Regulatory Requirements	x	x	x	Policy is no longer on the website
Commercial Real Estate Protocols and Underwriting Guidelines	x	x	x	Policy is no longer on the website
Extensions of Credit Sec by Stocks, Bonds, and Other Fin. Inst.		x		Policy is no longer on the website

J.P.Morgan

Agenda

NBIA

- Whole Loans
- CRE Loans
- Status Update

Agenda

Operational Risk

Metric Category	Key Commentary	Global Rating/Trend
[redacted]	[redacted]	[redacted]
Financial Control Page 7		
[redacted]		
Compliance Page [illegible]		
[redacted]		
Technology Page [illegible]		
[redacted]		

Redacted By
Permanent Subcommittee on Investigations

BAU, No Significant Issues or Impact
Requires Management Attention
Requires Immediate Management Attention

OPERATIONAL RISK

CIO

23

J.P.Morgan

Agenda

Regulatory Reform

- **Volcker Rule:**
  - Final technology build out pending final rule release.
  - Updating NBIA policy and template as part of Volcker review.
  - Continued emphasis on conducting investment activities that are clearly related to underlying firm wide structural risks.
  - Submitted comment letter related to ALM section of the Volcker rule on February13th

- **Derivative Activity**
  - CIO actively working with IB to ensure compliance with evolving requirements.
  - CFTC revised timetable for rules to be issued mid 2012.
  - Addressing SEC issue of FAS 133 swap clearance.
  - Firm-wide view on mandatory clearing will go into effect between Q3 and Q4 2012. This will initially encompass a limited product set, likely US$, Euro and possible Sterling interest rate swaps. Interest rate swaps denominated in other currencies, as well as additional products will follow in a timeframe which has yet to be determined.

2061

Regulatory Meetings

CIO Asia

Regulator	Country	Type of Interaction	Frequency	JPM Contact	Attendees
Redacted - Bank Examination Privilege				Alan Southan (will be Simon now that Alan has moved); Japan Rates MRM	
				Local Compliance & LEC in Sydney; Tina Wyer	
				Lucius Toh/Pascal Eggen; GEM MRM & IB Risk Reporting in Singapore	
				CIO MRM, GEM MRM, IB Risk Reporting	
				IB Risk Reporting	
				China LEC, IB Risk Reporting	
				India LEC, IB Risk Reporting	
				HK Compliance, Gong Changdan (IB MRM)	
					Redacted - Bank Examination Privilege

CIO EMEA

Regulator	Country	Type of Interaction	Frequency	JPM Contact	Attendees
UK FSA	UK	Quarterly CBC (close and continuous) meetings to review business changes from preceding quarter	Quarterly	James Wilson (EMEA Compliance)	CIO: Achilles Macris, Javier Martin-Artajo, Alison Giovannelli, Keith Stephen, Evan Kalimtgis, George Polychronopoulos, Anthony Brown; FSA: David Blunt, Ted Morris, Simon Stockwell, Robert McElwaine, Paola Tonkdales, Salma Chaudhary
Redacted - Bank Examination Privilege				James Wilson (EMEA Compliance)	CIO: Alison Giovannelli, Keith Stephen, Evan Kalimtgis
					Redacted - Bank Examination Privilege
				James Wilson (EMEA Compliance)	CIO: Alison Giovannelli, Keith Stephen, Evan Kalimtgis
					Redacted - Bank Examination Privilege
UK FSA; HMT (Her Majesty's Treasury)	UK	Industry roundtable to discuss UK Mortgage market, securitization	Monthly	Anthony Brown	Anthony Brown, industry participants

CIO NA

Regulator	Country	Type of Interaction	Frequency	JPM Contact	Attendees
Redacted - Bank Examination Privilege				[illegible] Feldstein	CIO: Market Risk Team Fed/Market risk team
				Lloyd Fisher	CIO: Market Risk Team
				[illegible] Feldstein	John Wilmot, Peter Weiland, David Alexander, David Bjarnason
				John Wilmot	John Wilmot, Pamela Weiner, Alison Giovannelli, Phil Lewis; Redacted - Bank Examination Privilege
					Redacted - Bank Examination Privilege

REGULATORY UPDATE

CIO 26 J.P.Morgan

Agenda

Governance

- Investment Committee
- Reputational Risk Committee

Agenda

Agenda

JPMORGAN CHASE & CO. **Risk Policy**

Model Risk Policy
Model Documentation, Inventory and Initial and Ongoing Validation
Firm-wide

06/29/2010

Contents

Effective: 09/28/2004 **Updated:** 06/29/2010 **Policy No.:** 08.00.01
Category: Special Risk
LOBs: Firm-wide

Rationale

Understanding model risk is critical to the Firm's assessment and management of risk and to ensuring the integrity of its financial statements. The application of models to value and risk manage financial products, assess portfolio risk and optimize capital allocation, inform decisions about extensions of credit, and support or automate trading and investment decisions continues to expand; all of these uses can have material economic impact on the Firm. Model risk is a joint responsibility of the business operating the model, the model development team, the model validation team, financial/product control and risk coverage, and all of these groups have an important role to play in its control.

Although the usage of a model dictates, to some extent, the procedures associated with model risk controls, there are a number of basic principles of model validation that apply generally. Every model must be adequately documented including description of its use, mathematical/logical specification, and underlying assumptions and algorithms used in its implementation. Adequate model testing must also be performed and documented and the model behavior benchmarked against the original design and specification. Where appropriate, models should also be tested in the context of extreme market conditions. Calibration of model parameters, whether empirical/historical, market implied and/or subjective, must also be thoroughly documented, including a quantification of estimation uncertainty. If a model is designed to output specific decisions and/or automatically take actions, the sensitivity of model outputs to this uncertainty should also be documented. Models need to be independently reviewed by domain experts and their assumptions, limitations and range of applicability clearly identified. Model reviews should take place periodically, especially as warranted by changes in the market or expansion of a business activity. Finally, all major models should undergo periodic performance monitoring; done properly this allows for transparent evaluation of a model's predictive power and also adds an important layer of control around its operational integrity.

Scope

This policy establishes Firm-wide standards for model documentation, inventory, testing, and initial and ongoing validation.

For the purposes of this policy, *models* are algorithms that provide a mathematical or statistical representation of a business decision making process. The policy covers *production* models, i.e. models used systematically to facilitate decision making which directly affects financials or risk assessment of the Firm, divided into the following types according to their usage:

- Valuation models, e.g. used for valuation or hedging securities or derivatives.
- Risk measurement models, e.g. used for portfolio risk, economic capital or reserve requirements.
- Consumer risk models, e.g. used for credit scoring and decisions.
- Decision support tools, e.g. used for investment management decisions.
- Trading models, e.g. used for algorithmic trading or statistical arbitrage.

The policy applies to new models and material changes to existing models, either developed in-house or purchased from third-party vendors.

Section 1: Firm-wide Policy Statements

It is the responsibility of the line of business (LOB), to ensure model development is performed in accordance with corporate policy, and that all models used by the LOB are:

- well tested before their use in production;
- accompanied by appropriate documentation;
- accounted for in an up-to-date model inventory; and
- subject to initial and ongoing validation.

1. Model Categories

Requirements for model documentation, testing and validation must be commensurate with the level of model risk that a model can pose as applied to a particular product or task. This involves consideration of three dimensions: model complexity, exposure, and reliance.

(a) Complexity

Model complexity reflects the significance of a model's dependence on:

- Iterative algorithms and/or numerical solutions to stochastic equations
- Mathematical formulations with a large number of input variables and/or logical layers
- Choice of model variables/assumptions and their accompanying dynamics and inter-relationships
- Stability of parameters calibrated from historical data or the market
- Elaborate numerical schemes requiring error analysis
- Non-standard approximations used for computational efficiency
- Approximate treatments of material product features

Examples of models that would typically fall into the high complexity category are capital models based on stochastic simulations, valuation models for complex derivatives or structures, key credit scores containing multiple segments and large number of variables, as well as statistical arbitrage models. Curve generation, cash-flow discounting models, or deterministic decision trees would usually be considered low complexity models.

(b) Exposure

Exposure is an assessment of the economic materiality of a model's uncertainty. Generally this reflects the economic consequences of the business activity for which the model is applied, as well as the sensitivity of such activity to model uncertainty. For example, the materiality of a trading model's exposure would typically relate to the portfolio's sensitivity to market inputs. For models used for client valuations and not directly affecting the firm's balance sheet, high exposure could be triggered by high reputational risk.

(c) Reliance

Reliance measures the extent to which model outputs influence the Firm's financials or business decision processes. E.g. if model outputs directly feed into P&L reporting or risk measurement calculations, the reliance would be high. For a model influencing investment decision in combination with several other models and an expert opinion, the reliance would be low.

Based on the three dimensions above, each model should be classified into Tier 1, Tier 2 or Tier 3 corresponding to high, medium, and low model risk. The substantiation of this classification should be documented by the model owner and signed off by an independent party.

Each tier has the following associated requirements for documentation, testing/validation, ongoing validation, and review/approval.

Model Category	Documentation Requirements	Initial testing and validation	Review and approval	Ongoing validation
Tier 1	Standardized technical and user documentation	- Implementation testing documented in testing note - Model performance evaluation	- Independent in-depth model review with report on findings, documentation adequacy and formal approval decisions	- Periodic model performance analysis - Annual re-assessment with a written status report
Tier 2	Comprehensive technical and user documentation	- Implementation testing documented in testing note	- Independent review with report on findings including sign-off of model classification, testing and documentation	Annual review of model inventory with a written status report and re-certification of model classification into Tier 2
Tier 3	Description of model specification	Basic functional testing	Sign-off by an independent party of model classification into Tier 3	Annual recertification of model classification into Tier 3

2. Model Inventory

Each LOB must keep a complete and up-to-date inventory of its models. The records should include proper model references including model/product documentation, documentation of tier classification, version or production date information and the results or status of model review. The LOB should have the capability to generate reports on the status of model documentation and review.

3. Validation

All models should be fully validated and independently reviewed according to model category requirements prior to their usage in production. The LOB should establish escalation mechanisms to track and handle exceptions, including regular reports to control functions and senior management.

Models used by each LOB must be re-assessed annually, according to model category requirements.

4. Materiality Monitoring

Each LOB must establish periodic reporting of exposure materiality for all of its models in order to facilitate assessment of model risk and model classification.

5. LOB Specific Control Procedures

Each LOB must further develop its own policies detailing roles and responsibilities, specific requirements and control procedures around model documentation and review in accordance with the standards outlined in this Policy. Each LOB specific policy must be approved by the LOB Chief Risk Officer and LOB Risk Committee and reviewed by the Corporate Model Oversight function.

Section 2: Model Documentation and Review Guidelines

This section outlines guidelines for model documentation and review. When developing their own policies, LOBs may choose to adopt the suggested documentation templates provided in the Attachments, or substitute them with equivalent documentation and review requirements that comply with the Policy Statements in Section I.

1. Model Documentation

Model documentation must be completed prior to model review. Documentation should be sufficient to permit independent review and to facilitate potential replication and/or upgrade of the model by others, independent of the original developer. For Tier 1 and Tier 2 models, documentation should contain the following components, as applicable and required by LOB model policy and procedures:

(a) Technical documentation

- Rationale for the choice of the model concept and approach.
- Justification of the introduction of a new model, if an alternative model already exists, including numerical/statistical comparisons between the new model and models to be replaced.
- Model's intended use, limitations and scope.

- Description of underlying methodologies, including theoretical results that are derived from the assumptions.
- Justification of the use of input data in terms of accuracy, robustness, and appropriateness.
- Details of the model's construction and numerical techniques.

(b) Testing note

- Description of the nature of the testing effort and testing plan.
- Numerical details of implementation tests and analysis of the results against designed specifications of the model.
- For models with explicit reliance on a specified range of market inputs, tests checking reasonableness and smoothness of model sensitivities to market inputs and/or other applicable risk measures.
- Where appropriate, numerical comparisons between the model being tested and benchmark models or historical backtesting of the model predictions.
- Where applicable, analysis of model behavior under stressed market conditions.

(c) User guide (for models or tools run directly by business users)

- General description of the product or tool and key assumptions.
- The intended use (e.g. valuation, risk measurement, or investment decision).
- List of all inputs and outputs.
- Model limitations.
- Boundaries of input parameters within which the model works properly.

(d) Calibration document (for models calibrated to market inputs or historical data):

- High level description of the engine or tool, and covered products.
- List of calibrated parameters.
- Calibration benchmarks and algorithm.
- Criteria for successful calibration and treatment of calibration failures.
- Frequency and triggers for recalibration.
- Data smoothing and manual overrides.
- Ownership of calibration and sign-off procedures.

See Attachment A for suggested model documentation templates.

Documentation for new models that are variations of other production models (e.g. flexible payoffs) can consist of a description relative to the existing model and a reference to the existing model documentation.

2. Implementation Testing

Implementation Testing is the process of ensuring that the model behaves as intended by its developers. This testing focuses on faithful implementation of deterministic algorithms and numerical accuracy/convergence where applicable

rather than the reasonableness and appropriateness of the model to a given set of financial circumstances.
Implementation Testing is conducted by model developers supporting the LOB. The model developers performing the testing should consider the following, as applicable and required by LOB model policy and procedures:

- Comparison of model results with the analytical solutions and/or with an independent implementation of the same model
    - Under the full range of each model parameter including stressed scenarios; and
    - Under all scenarios of correlation amongst model parameters.
- Analysis of numerical accuracy for iterative algorithms, including comparisons with alternative numerical schemes.
- Checking desired properties of model output (e.g. smoothness of the model implied hedges, correct pricing of similar products).
- Checking model's ability to price another (generally simpler) product consistently with the approved approach.

3. Model Review

A Model Review is an independent review by a qualified person who is not the model developer. It assesses the appropriateness of the model methodology as applied to a specific product or task, signs off on the quality of testing and documentation, and identifies potential model risks. All Tier 1 and Tier 2 models are subject to independent review.

Model reviewers must consider the following aspects of a model, as applicable and required by LOB model policy and procedures:

- The rationale for model assumptions and methodology.
- The selection and reliability of model inputs.
- The adequacy of model documentation and calibration procedures.
- The completeness of implementation testing.
- Justification of using the model if alternative models are available, and results of model benchmarking.
- Model adjustments or reserves to account for model uncertainty or deficiencies.
- Additional independent testing.

Review findings should be published in the Model Review/Sign-off Report that contains:

- Model review conclusion (approved/signed off, or disapproved).
- Scope of review (model application to a particular product or task).
- List of identified model risks.
- Actions required to remediate critical model shortcomings that are identified.

- Recommended improvements to remediate model shortcomings identified that are not critical.
- Replies from other groups received during the course of the review.

The report must be sent to the following individuals, as appropriate:

- Head, or Chief Risk Officer, of the business unit that owns the model.
- Head of the business area's modeling or quantitative support team.
- Others specified by LOB model policy and procedures.

In cases where a review is conducted at an intermediate stage of model implementation, it may result in a Progress Report with no final conclusion on model approval. Progress reports will otherwise follow the same format as Model Review, documenting potential model risks and recommendations on model enhancements.

See Attachment B-I for suggested report templates.

4. Model Disapproval

The following issues can trigger model disapproval for Tier 1 or Tier 2 models:

- Methodological problems.
- Insufficient implementation testing.
- Incomplete model documentation.
- Failure by relevant parties to satisfy recommendations agreed upon in the course of the model review in a timely fashion.

Upon disapproval of a model, the business unit must, as required by the LOB model policy and procedures, provide a timetable for remediation steps and take other immediate actions that might be deemed necessary to mitigate the model risk (e.g. deferring P&L, adjusting reserve, limiting affected business activity).

If Tier 2 or Tier 3 model classification is not signed-off, it will result in

- Model re-classification into a higher Tier.
- Change of documentation and review status into 'incomplete' until it complies with the requirements for its new category.

5. Annual Review

Each LOB must ensure all of its models are re-assessed annually in light of:

- New developments in the literature or internal or commercially available models.
- Changes in the market for the product (e.g. availability of liquid quotes for model input or major growth in volume).
- Change in the features of the product or portfolio.
- Back-testing of the model and experience with effectiveness of its application.
- The materiality of model risk.

For each LOB or asset class the annual review of model inventories must be summarized in an annual review status report containing:

- An overview of the overall models review status.
- Model review strategy and plan.
- Status of critical recommendations.
- Re-assessment of the need to re-review each Tier 1 model.
- Re-certification of Tier 2 and Tier 3 model classification.

See Attachment B-III for suggested annual report template.

6. Ongoing Validation

In addition to the model testing and review process, all Tier 1 models are subject to periodic validation to assess their ongoing performance.

The validation should be based on a comparison of empirical model output from the production environment (where feasible) against realizations of the process being modeled.

Examples of ongoing validation approaches include:

- Examination of consumer default rate by model score range.
- Historical back-testing.
- Comparison against benchmark models using actual or representative portfolios.
- Assessment of predictive performance (e.g. residual P&L monitoring, forecasting error, etc.).
- In some applications, it may be useful to analyze the errors and stability of calibrated parameters in addition to or as an alternative to directly testing the model outputs.

The ongoing validation is performed or, at minimum, reviewed independently. Such validation should be rated based on objective metrics specified by the LOB model policy and procedures. The business unit must provide remediation timetable and plans for models with unsatisfactory validation ratings.

Regulatory Requirements

Model documentation and independent reviews are required by Bank regulators, and are subject to periodic regulatory examinations.

Attachment A – Model Documentation Templates

Note:

For all the Attachment templates listed below, the following conventions are used:

1. Examples are shaded in gray;

2. The numbers in square brackets, e.g. [1,2], refer to the numbered document references at the end of that template.

Attachment A-I: Complex Model Technical Document

Attachment A-II: Complex Model User Guide

Attachment A-III: Complex Model Testing Note

Attachment A-IV: Complex Calibration Document

Attachment A-V: Standard Model Document

Attachment B – Model Review Templates

Attachment B-I: Model Review Report

Attachment B-II: Model Sign-off Template

Attachment B-III: Annual Status Report

Attachment C – Model Stress Scenarios

Attachment C-I: Model Stress Scenarios Document

[redacted]

$mm

Date	2011 model (linear sensitivity)	2012 model (full reval)
12/1/2011	69,721,144	
12/2/2011	69,985,664	
12/5/2011	69,997,256	
12/6/2011	70,364,384	
12/7/2011	71,605,072	
12/8/2011	75,226,504	
12/9/2011	78,862,552	
12/12/2011	79,676,616	
12/13/2011	77,621,992	
12/14/2011	76,802,760	
12/15/2011	74,139,448	
12/16/2011	72,551,456	
12/19/2011	73,137,936	
12/20/2011	70,708,344	
12/21/2011	70,965,016	
12/22/2011	73,926,360	
12/23/2011	73,560,016	
12/27/2011	73,427,040	
12/28/2011	75,292,272	
12/29/2011	76,600,112	
12/30/2011	76,814,152	
1/3/2012	85,302,073	
1/4/2012	87,407,773	
1/5/2012	89,734,784	
1/6/2012	89,245,135	
1/9/2012	88,137,496	
1/10/2012	92,374,487	
1/11/2012	92,944,202	
1/12/2012	94,549,716	
1/16/2012	95,681,928	
1/17/2012	95,683,649	
1/18/2012	102,385,407	
1/19/2012	99,936,350	
1/20/2012	100,116,638	
1/23/2012	102,719,140	
1/24/2012	106,610,295	
1/25/2012	111,799,222	
1/26/2012	119,645,579	
1/27/2012	132,770,187	66,498,496
1/30/2012	134,079,796	69,486,064
1/31/2012	134,391,424	66,544,192
2/1/2012	129,238,948	59,197,276
2/2/2012	129,192,194	59,000,972
2/3/2012	130,064,791	55,713,968
2/6/2012	125,188,831	53,872,164
2/7/2012	126,986,625	54,848,360
2/8/2012	126,997,110	54,255,744
2/9/2012	126,721,883	49,104,248
2/10/2012	128,739,678	52,891,192
2/13/2012	127,801,135	53,499,368
2/14/2012	129,299,896	53,792,180
2/15/2012	128,213,506	53,875,632
2/16/2012	126,451,910	52,187,464
2/20/2012	127,465,158	48,978,448
2/21/2012	130,500,600	49,163,788
2/22/2012	131,251,222	50,279,532
2/23/2012	130,430,001	50,652,276

CIO 10Q VaR

$mm

Date	2011 model (linear sensitivity)	2012 model (full reval)
2/24/2012	129,967,122	50,150,896
2/27/2012	130,897,447	52,790,300
2/28/2012	131,607,048	53,061,688
2/29/2012	132,833,196	54,163,684
3/1/2012	132,561,541	53,315,732
3/2/2012	133,704,054	51,535,512
3/5/2012	136,605,714	50,958,292
3/6/2012	140,728,881	54,894,036
3/7/2012	140,954,444	53,079,872
3/8/2012	140,876,074	52,147,800
3/9/2012	138,216,452	50,675,768
3/12/2012	138,657,002	51,579,020
3/13/2012	137,321,689	49,821,896
3/14/2012	138,617,153	47,769,800
3/15/2012	140,792,235	49,003,672
3/16/2012	140,695,109	49,957,628
3/19/2012	141,721,584	51,008,796
3/20/2012	140,211,213	52,105,512
3/21/2012	159,445,863	56,768,524
3/22/2012	182,390,344	66,307,760
3/23/2012	185,427,818	66,678,812
3/26/2012	180,382,783	64,077,248
3/27/2012	182,154,086	63,716,788
3/28/2012	187,165,476	63,188,376
3/29/2012	187,431,999	64,495,760
3/30/2012	185,818,727	64,452,292
4/2/2012	188,596,767	64,407,186
4/3/2012	189,469,332	64,163,070
4/4/2012	192,422,735	68,657,551
4/5/2012	193,053,386	69,402,030
4/6/2012	192,053,010	68,010,389
4/9/2012	192,495,077	68,135,825
4/10/2012	191,621,758	77,270,089
4/11/2012	192,031,411	77,137,104
4/12/2012	190,867,754	74,260,086
4/13/2012	190,569,887	77,718,189
4/16/2012	192,109,065	78,364,970
4/17/2012	190,633,422	75,131,494
4/18/2012	191,531,189	77,521,061
4/19/2012	193,452,117	80,473,345
4/20/2012	192,444,948	80,242,251
4/23/2012	194,505,328	86,226,352
4/24/2012	192,394,576	84,906,175
4/25/2012	191,274,091	87,689,552
4/26/2012	190,897,397	90,853,831
4/27/2012	195,785,266	88,608,566
4/30/2012	195,256,883	94,590,113
5/1/2012	190,267,138	92,218,681
5/2/2012	189,782,543	93,336,353
5/3/2012	185,712,663	93,117,029
5/4/2012	185,749,860	93,218,961
5/7/2012	179,670,909	93,840,211
5/8/2012	157,351,394	84,595,663
5/9/2012	146,906,264	
5/10/2012	142,782,800	

JPMORGAN CHASE & CO. **Risk Policy**

Market Risk Limits
Firm-wide

Updated 05/18/2011

Contents

Rationale

This policy sets out the roles and responsibilities for establishing, reporting, and managing market risk limits. Responsibility for implementing this policy rests with the Firm's Chief Risk Officer (CRO), the Line of Business CROs, Business Units and their Middle Offices, Market Risk (MR), Risk Reporting and Finance (RRF), IB Market Risk Reporting (IB MRR) and IB Finance.

Changes From Previous Version

- Combines IB and non-IB Market Risk Limits policies.
- Further defines the responsibilities of the Business Middle Offices and Finance groups.
- Defines Firm-wide limits procedures.

Key Points

- This policy applies whenever the Firm or a Line of Business assumes market risk from trading, funding, underwriting or investment activities, arising from client business, other business, or from managing its structural risk.
- This policy grants various authorities to approve limits and excesses.

Policy Statements

1. This policy applies Firm-wide.
2. Limits are established by MR and business heads.
3. Where limits are established and approved:
   - Market risks borne by a Business Unit should not exceed its limits, unless expressly authorized under a One-off Approval.
   - RRF and IB MRR must:
     - Distribute limit utilization reports for the close of each business day to MR and Business Units;
     - Monitor limit utilization for data quality; in cases of suspected data quality issues and/or inappropriate methodology, RRF and IB MRR should seek guidance from MR prior to distributing limit utilization reports;
     - Notify Signatories to limits of all Valid Limit Excesses (defined below).
   - MR must:
     - Promptly verify the validity, and document the reasons for, any Valid Limit Excess;
     - Monitor limit utilizations for limit excesses.
   - A One-off Approval may be given by the Grantors of Limits.
   - If a Business Unit has a limit excess before a One-off Approval is given, the Business Unit must take steps to reduce its exposure to be within limit, unless an exception is granted by the Grantors of Limits.
4. Limits are intended to constrain both intra-day and close of business exposures. As part of their management responsibilities, business and desk heads are expected to be generally aware of their intra-day risk levels, and are responsible for enforcing this policy.
5. MR must conduct periodic reviews of market risk limits (at least semi-annually). Changes to limits must be signed-off by the Signatories to Limits.

6. Where thresholds are established:
   - Business Units can exceed thresholds, so long as they do not exceed their market risk limits.
   - RRF and IB MRR must:
     - o Distribute threshold utilization reports for the close of each business day to MR and Business Units, as required;
     - o Monitor threshold utilization for data quality; in cases of suspected data quality and/or inappropriate methodology, RRF and IB MRR should seek guidance from MR prior to distributing threshold utilization reports.
   - MR must:
     - o Promptly verify the validity of any threshold excess;
     - o Monitor threshold utilizations for threshold excesses.
7. Exceptions to this policy must be approved by the Firm's CRO.

Firm-wide Limits

The Firm's Board of Directors has delegated responsibility for establishing and managing market risk limits to the Operating Committee, which, in turn, has delegated authority to the Firm's CRO. The Firm's CRO, in conjunction with the LOB CROs, establishes Firm-wide market risk limits.

Market Risk Limits are reviewed annually by the Board's Risk Policy Committee. Thresholds generally are not established at the Firm-wide level.

Establishing & Approving Market Risk Limits

Limits are classified as Level 1 (highest level) or Level 2. Limits are granted and delegated in the following way:

Level 1 Limits	Signatories to Limits	
	Grantors:	Grantees:
Firm-wide Limits	JPMC Chief Risk Officer, as delegated by the JPM Board	JPMC Chief Executive Officer and JPMC Chief Risk Officer
LOB Limits	JPMC Chief Executive Officer and JPMC Chief Risk Officer	Head of LOB, LOB Chief Risk Officer and/or Head of LOB Market Risk*
Business Area Limits	Head of LOB, LOB Chief Risk Officer and Head of LOB Market Risk	Head of Business Area and MR Executive responsible for Business Area

Level 2 Limits	Signatories to Limits
	Level 2 Limits and One-Off Approvals are self-approved by the following:
LOB Limits	Head of LOB and LOB Chief Risk Officer and/or Head of LOB Market Risk*
Business Area Limits	Head of Business Area and MR Executive responsible for Business Area

* Where an LOB has both a CRO and Head of Market Risk, both approvals are required, however where an LOB does not have both a CRO and Head of Market Risk, only one approver is required.

Monitoring & Reporting Limit Utilizations

MR is responsible for:

- Monitoring limit utilizations. In certain circumstances, reporting may be carried out by MR (e.g., piloting new reports).

RRF and IB MRR are responsible for:

- Reporting limit utilizations daily.
- Distributing daily position and drawdown summary reports to senior management, including CROs, LOB Heads, Business Area Heads, Business Units Heads, MR Heads, and MR Executives. Reports should be tailored to meet the requirements of the intended recipients, and include:
  - Limits and limit utilizations for LOB and Business Areas;
  - Trend information (e.g., five-day and monthly trends);
  - Limit excess information. Details of all excesses should be reported (e.g., size, duration, reason for excess, whether the validity of excess is under investigation).

Market Risk Middle Office is responsible for:

- Accuracy of reference and market data.

Business Middle Office is responsible for:

- Uploading data feeds to market risk systems per Service Level Agreements.

Finance/Product Control and/or Business Middle offices are responsible for:

- Providing risk information to RRF and IB MRR for exposure calculation and monitoring against limits. Where this information is not available, risk information may be obtained from non-independent sources, i.e. trading-desk originated reporting, but only where necessary;

- Attesting to the accuracy and quality of the data provided to MR;

- Reconciling data delivered for VAR, Stress, Single Name, Country, Specific Risk and other market risk calculations to an independent file / data store, such as the general ledger, front office or risk aggregation systems to ensure accuracy and completeness, and for signing off on the reconciliation of this information in the market risk systems, daily, or as required;

- Accuracy of any P&L information supplied to RRF and IB MRR.

Limit Excesses

Limit excesses fall into four categories:

- Valid Excess
- Invalid Excess
- Under investigation Limit Excess
- Acknowledged Limit Excess

Valid Limit Excess

Occurs when a correctly calculated limit utilization exceeds the corresponding limit. MR must verify whether a limit excess is valid. Valid Limit Excesses may be:

- Active; or
- Passive.

Active Limit Excess:

Occurs when a Business Unit exceeds its own limit; the Business Unit must take immediate steps to reduce its exposure so as to be within the limit, unless a One-off Approval is granted.

Passive Excess:

Occurs when a higher level (or shared) limit is exceeded as a result of a number of lower level active limit excesses in different Business Units, or an excess of an aggregated limit without lower level active limit excesses. MR should coordinate with the affected Business Units to resolve the excess.

Invalid Limit Excess

Occurs when MR has determined that the excess is not a Valid Limit Excess, but is the result, e.g., of incorrect systems feeds, or the wrong measurement methodology. Invalid excesses should not be reported as Limit Excesses.

Under Investigation Limit Excess

Occur when a Limit Excess is under review, and should be labeled as such by RRF and IB MRR.

Acknowledged Limit Excess

Occurs when MR has determined that an excess is Valid, but that no further action can be taken to reduce exposure (e.g., drawdown excesses). Acknowledged Limit Excesses must be approved by Signatories to Limits.

Notification of Limit Excesses

Notification of Limit Excesses

RRF and IB MRR must report all Valid Limit Excesses, Under Investigation Limit Excesses and Acknowledged Limit Excesses to:

- the Signatories to the Limit;
- the weekly IB Markets Meeting and other LOB Risk Committee meetings;
- Risk or LOB Business Control Committee meetings.

The notification sent to Limit Signatories should include:

- Description of the Limit Excess;
- Limit value;
- Exposure value and excess percentage;
- Number of consecutive days the limit has been in excess.

One-Off Approvals

A Business Unit which has a Limit Excess must take immediate steps to reduce its exposure so as to be within the limit. However, situations may arise when position closure is not possible or desirable. In such circumstances, exceptions may be given by the Grantors of Limits by way of One-off Approvals or changes to existing limits.

Any request for a One-off Approval must be in writing, and describe the risks, and:

- Size and tenor of business opportunity or specific transaction;
- Limit(s) that would be exceeded and expected duration of the excess;
- Exit strategy, where appropriate.

- **No Market Risk Limit**

  Where a Business Unit has no market risk limit, and needs to enter into a transaction that gives rise to market risk, a One-off Approval may be granted by the LOB CRO, or, in the case of the Investment Bank, the Head of IB MR, or his designate.

Limits Review

MR should conduct periodic (at least semi-annual) reviews of market risk limits as part of its holistic analysis of the Firm's market risk.

- **Approving limit changes as part of the limits review**

- o Revised limits, to be binding, must be signed-off by the Signatories to Limits, normally via email, whereupon the superseded limits will cease to exist. Approval e-mails must be retained in accordance with the Firm's document retention policies.

Thresholds

With the agreement of a business unit and MR, thresholds may be established to supplement the market risk limits described above. RRF and IB MRR are responsible for reporting threshold utilizations daily to MR and to the businesses as required.

The following applies to thresholds:

- Thresholds need only the agreement of the LOB or Business Unit and its corresponding MR executive.
- MR coverage is responsible for monitoring and validating excesses to thresholds.
- It is not required that immediate steps be taken to bring threshold excesses within threshold levels, given that they do not cause a limit excess; however MR may escalate threshold excesses as needed.
- Threshold excesses do not require One-off Approvals.
- Thresholds excesses should be reported in aggregate to MR and LOBs daily.

From: Hubbard, Bryan
To: <Hubbard, Bryan>
BCC: Al Zibel <alan.zibel@dowjones.com>,Ben Protess <ben.protess@nytimes.com>,McGrane, Victoria <Victoria.McGrane@wsj.com>,Puzzanghera, Jim <Jim.Puzzanghera@latimes.com>, <Shahien.Nasiripour@FT.Com>,Lindsey White <LWhite@snl.com>,Jeff Bater <jbater@bna.com>, <Katherine.Davidson@sourcemedia.com>,<bappelbaum@nytimes.com>, <David.C.Clarke@thomsonreuters.com>,<pcoy3@bloomberg.net>,<ron@csmonitor.com>, <tzwillich@gmail.com>
Sent: 5/14/2012 9:29:40 PM
Subject: OCC on JPMC Trading

Greetings

Many folks have asked for clarification/confirmation on whether the OCC believes whether the Volcker rule would have prohibit JPMC activity that has been in the news since last Thursday. The following information is attributable to an OCC spokesman.

It is premature to conclude whether the Volcker Rule in the Dodd-Frank Act would have prohibited these trades and the hedging activity conducted by JPMC. The "Volcker Rule" law is not in effect yet, and regulations implementing the law have been proposed, but not yet adopted as final rules by regulators. Even if both were assumed to be in effect, the transactions at issue are complex and whether they would qualify for exceptions under the statute or proposed rule requires careful analysis. The OCC and other regulators are gathering additional details regarding the transactions to determine the full regulatory implications of these activities and the proposed rules currently being considered. Previous positions attributed to OCC staff were based on incomplete details.

Others have asked whether the OCC has a stated position on whether such positions *should be* prohibited by the pending Volcker rule. That rule is still in development and it would be inappropriate for me to comment on that.

What is the OCC doing now?

The OCC is examining the bank's activities and is in continuous dialogue with bank personnel and other regulatory colleagues as we evaluate details related to the specific transactions as well as the surrounding risk management processes that resulted in this unexpected loss.

Our examiners are also evaluating risk management strategies and practices in place at other large banks to validate our understanding of inherent risk levels and controls of these risks.

On Risk Management

Asset-liability management is a core and essential function for all banks. Identifying, measuring, monitoring, and controlling liquidity, interest rates risk, foreign current translation risk, and credit risk is fundamental. The OCC expects banks to proactively manage these risks.

The loss by JPMC affects its earnings, but does not present an issue of safety or soundness for the bank.

Bryan Hubbard
Director, Public Affairs Operations
Office of the Comptroller of the Currency
bryan.hubbard@occ.treas.gov
250 E St SW (RM 9060)
Washington DC 20219
(202) 874-5307

From: Waterhouse, Scott
To: <Brosnan, Mike>;<Belshaw, Sally>
Sent: 5/11/2012 2:58:22 PM
Subject: RE: J.P.Morgan Chase

Just FYI -- we did an examination of the CIO at the end of 2010 and have a follow-up planned soon. We had some concerns about overall governance and transparency of the activities. We received a lot of pushback from the bank, Ina Drew in particular, regarding our comments. In fact, Ina called Crumlish when he was in London and "sternly" discussed our conclusions with him for 45 minutes. Basically she said that investment decisions are made with the full understanding of executive management including Jamie Dimon. She said that everyone knows what is going on and there is little need for more limits, controls, or reports. At the conclusion of the exam, we issued the following MRA.

Redacted by the Permanent Subcommittee on Investigations

It just goes to show that it is difficult to always be smarter than the market. Humility is good.

From: Brosnan, Mike
Sent: Friday, May 11, 2012 10:35 AM
To: Belshaw, Sally; Waterhouse, Scott
Subject: Fw: J.P.Morgan Chase

From: Brosnan, Mike
Sent: Friday, May 11, 2012 10:20 AM
To: Curry, Thomas; Williams, Julie
Subject: Re: J.P.Morgan Chase

Yes

At end of day they are good at financial risk mngt. But they are human and will make mistakes (big loan losses, trading losses, litigation etc). But on grand scheme they are good. This will humble them - a healthy and good thing

From: Curry, Thomas
Sent: Friday, May 11, 2012 10:12 AM
To: Brosnan, Mike; Williams, Julie
Subject: RE: J.P.Morgan Chase

Mike,
Thanks. Isn't it a little more than embarrassment issue? While it may not be material, it does implicate their risk management abilities doesn't it?
Tom

From: Brosnan, Mike
Sent: Friday, May 11, 2012 10:00 AM
To: Curry, Thomas; Williams, Julie
Subject: FW: J.P.Morgan Chase

Fyi – international colleagues will be asking and here's what I sent to bafin.

From: Brosnan, Mike
Sent: Friday, May 11, 2012 9:58 AM
To: 'Daniel.Mestek@bafin.de'
Cc: Ludger.Hanenberg@bafin.de; Peter.Kruschel@bafin.de; 'Sarah.Dahlgren@ny.frb.org'; Tim.P.Clark@frb.gov
Subject: FW: J.P.Morgan Chase

At this point there is a lot of public information as bank issued 10-q filing and had call with analysts last night.

The transactions in question were part of their asset-liability management process (alco) which jpmc refers to as the chief investment office (cio). Here are my take-aways

- Back in 2007-08 they put on a short credit risk position to protect against a declining economy. This was a macro hedge.
- Over the past few years this hedge worked as the economy declined, credit spreads widened (causing gains on the hedge) but these gains were of course offset as they took credit losses (for example Kodak, American airlines etc.). note, the derivatives positions are mtm while the loan portfolio is primarily cost accounting. This presents complexities for analysts etc.
- After evaluating macro environment in 4q11, actions were taken in early 2012 to reduce the short position -- by entering long position in other credit risk indices.
- The new transactions had different betas and basis risk.
- As recent marks show the bank mis-estimated the basis risk (while their short position did gain with recent upward shift in credit spreads, the long position had losses beyond original estimates).
- the overall impact of recent marks on 1q12 p/l resulted in a change from cio's previous estimate of a $200mm gain to last night's announcement of a $800mm loss ($1b swing).
- The micro positions in question are now in control of risk management.

The overall result will be a reduction in 2q12 earnings, and I think the bank has informed market there is a good chance the adjustments underway could result in some earnings impact for one or two future quarters as well. Also, they changed risk models which will result in higher rwa and this will cause tier one common ratio to drop from 8.4 to 8.2. obviously there isn't a safety issue with these numbers, but there is an embarrassment issue for bank leadership which has overtly expressed pride in their ability to measure and control risk.

From: Daniel.Mestek@bafin.de [mailto:Daniel.Mestek@bafin.de]
Sent: Friday, May 11, 2012 8:39 AM
To: Brosnan, Mike; Tim.P.Clark@frb.gov
Cc: Ludger.Hanenberg@bafin.de; Peter.Kruschel@bafin.de
Subject: J.P.Morgan Chase

Dear colleagues

As you may know, BaFin is in charge of supervising J.P.Morgan AG, an indirect subsidiary of J.P.Morgan Chase & Co, New York. Furthermore, J.P.Morgan Chase's Frankfurt branch is under our supervision.

Regarding the latest news on major losses of J.P.Morgan's US business, we would be grateful if we could get insight into both the background of the transaction(s) leading to the reported losses as well as any supervisory action (to be) undertaken by you.

Therefore, it would be greatly appreciated if you could as soon as possible either provide us with respective information in written form or, as an alternative, if we could set up a telephone conference.

Yours sincerely

Daniel Mestek, LL.M.
Bundesanstalt für Finanzdienstleistungsaufsicht
Referat BA 16: Aufsicht über ausländische Banken aus Amerika, Schweiz, Asien (ohne arabische Staaten), Australien
Federal Financial Supervisory Authority
Section BA 16: Supervision of foreign banks from the USA, Switzerland, Asia (excluding the Arab states) and Australia
Graurheindorfer Str. 108
53117 Bonn
Fon: +49(0)228 4108-3787
Fax: +49(0)228 4108-63787
e-mail: daniel.mestek@bafin.de

From: Crumlish, Fred
To: <Belshaw, Sally>
Sent: 4/10/2012 12:41:37 PM
Subject: RE: JPM CIO trades-- JPMorgan's Iksil May Spur Regulators to Dissect Trading - Bloomberg News - 4/9/12

We asked to confirm booking. Likely bank chain

- apc

*** If you have received this message in error, please delete the original and all copies, and notify the sender immediately. Federal law prohibits the disclosure or other use of this information. ***

From: Belshaw, Sally
Sent: Tuesday, April 10, 2012 8:39 AM
To: Crumlish, Fred
Subject: RE: JPM CIO trades-- JPMorgan's Iksil May Spur Regulators to Dissect Trading - Bloomberg News - 4/9/12

Just to confirm, this is in the bank/branch, right?

From: Crumlish, Fred
Sent: Tuesday, April 10, 2012 8:38 AM
To: Belshaw, Sally
Subject: RE: JPM CIO trades-- JPMorgan's Iksil May Spur Regulators to Dissect Trading - Bloomberg News - 4/9/12

thanks

- apc

*** If you have received this message in error, please delete the original and all copies, and notify the sender immediately. Federal law prohibits the disclosure or other use of this information. ***

From: Belshaw, Sally
Sent: Tuesday, April 10, 2012 8:34 AM
To: Crumlish, Fred; Waterhouse, Scott
Subject: FW: JPM CIO trades-- JPMorgan's Iksil May Spur Regulators to Dissect Trading - Bloomberg News - 4/9/12

FYI. Sally

From: Belshaw, Sally
Sent: Tuesday, April 10, 2012 8:33 AM
To: Pfinsgraff, Martin; Brosnan, Mike
Cc: Lyons, John; Belshaw, Sally
Subject: RE: JPM CIO trades-- JPMorgan's Iksil May Spur Regulators to Dissect Trading - Bloomberg News - 4/9/12

Sounds like Fed and our folks in NY are getting info on this. I would think Fred will decide if there is more we need to do based on his comfort level. I'll make him aware of your concern, but hesitate to launch something based on supervision-by-newspaper. Let's see what we get in this next round of info the bank is providing. Sally

From: Pfinsgraff, Martin
Sent: Tuesday, April 10, 2012 8:22 AM
To: Belshaw, Sally; Brosnan, Mike
Cc: Lyons, John
Subject: RE: JPM CIO trades-- JPMorgan's Iksil May Spur Regulators to Dissect Trading - Bloomberg News - 4/9/12

Sally,

Would it make sense for McQuade and/or Vourvoulias to also go in under Crumlish's guidance to validate that the desk activities in London are consistent with the story being provided by JPMC NY? This is clearly getting scrutiny and comment from the likes of Merkely and Levin. It would be good if we can demonstrate that we took all measures to review this activity and at both the macro and micro level when we respond to the questions that will inevitably arise.

Marty

From: Belshaw, Sally
Sent: Tuesday, April 10, 2012 8:12 AM
To: Brosnan, Mike
Cc: Pfinsgraff, Martin
Subject: FW: JPM CIO trades-- JPMorgan's Iksil May Spur Regulators to Dissect Trading - Bloomberg News - 4/9/12

Just to keep you in the loop, Mike. Julie sent an e-mail earlier saying we should perhaps have an answer ready in case Mr. Curry inquires about this and also, I think, to understand Volker rule implications. I'm copying Marty on info since he's also a likely one to get questions.

Sally

From: Crumlish, Fred
Sent: Tuesday, April 10, 2012 8:00 AM
To: Waterhouse, Scott
Cc: Wilhelm, Kurt; Belshaw, Sally; Atkins, Glenn; Banks, George; Berg, Jaymin; Fursa, Thomas; Hohl, James; Kamath, Jairam; Kirk, Mike; Monroe, Christopher; Wong, Elwyn
Subject: JPM CIO trades-- JPMorgan's Iksil May Spur Regulators to Dissect Trading - Bloomberg News - 4/9/12

CIO is in the news again today (See following). A quick recap of where we are. I have copied Sally and Kurt in anticipation of questions:

As you know we had a call with Chief Investment Officer Ina Drew and others in JPM yesterday, along with the frb. The trades that are getting press coverage now are part of a program to reduce a an existing hedge on credit risk stress losses. Mgmt felt this stress loss hedge became overhedged as credit risk lessened in 2011, and so used the IG9 to adjust it. Unfortunately the IG9 index has also seen reduced trading volume and market participants, so that JPMC's trades probably further decreased liquidity in the index. JPMC's credit stress hedge is again where they want it, and there is no significant further trading planned on this strategy. JPM did say that, if they had to do it all over again, they would have used a different index. My sense is that they misread the liquidity in the market. CIO really doesn't like to draw attention to itself.

We asked the bank for a number of items yesterday that reflect details on the trades and support the stress loss hedge rationale associated with this specific strategy. We expect this sometime today. FYI the stated purpose would be consistent with the CIO's mandate to hedge overall structural balance sheet risk. Most notably this includes interest rate risk in the banking book, the MSR, and FX translation.

I agree with the press that this will likely become a good case study for what should "count" under the Volker rule.

James Hohl or I will provide some numbers or further analysis when we have them.

- apc

*** If you have received this message in error, please delete the original and all copies, and notify the sender immediately. Federal law prohibits the disclosure or other use of this information. ***

From: Tuorto, Louise
Sent: Tuesday, April 10, 2012 7:38 AM
To: LB Morgan Stanley; LB CITI; Heinsohn, Allison; Crumlish, Fred; Devincenzi, Saray; Decker, Sharon; Kiefer, Joseph; Gouldie, James
Subject: JPMorgan's Iksil May Spur Regulators to Dissect Trading - Bloomberg News - 4/9/12

JPMorgan's Iksil May Spur Regulators to Dissect Trading

Market-moving trades by JPMorgan Chase & Co. (JPM)'s chief investment office probably will force regulators to seek more detail on banks' derivatives positions to help them distinguish risk management from speculation.

Bruno Iksil, a London-based trader in the unit, has built derivatives positions linked to corporate credit that are so big he's moved markets, according to hedge fund managers and dealers. While Joe Evangelisti, a bank spokesman, said yesterday that the trades are part of the firm's hedging strategy, four market participants said they resemble proprietary bets, or wagers with the lender's own money.

Executives at New York-based JPMorgan, the biggest U.S. bank with $2.27 trillion of assets at year-end, have opposed the so-called Volcker rule that seeks to prevent banks with federal backing from making speculative trades. Details on Iksil's positions are too sparse for regulators to determine whether they should be permitted, said Frank Partnoy, a former derivatives trader who's now a law and finance professor at the University of San Diego.

"This could be an almost completely matched, hedged position, or it could be massively risky, and there's just no way to tell without getting more complete disclosure," Partnoy, author of "Infectious Greed: How Deceit and Risk Corrupted the Financial Markets" said in a phone interview. "I'm surprised that regulators don't see this example and cry out for more disclosure and more information about these contracts."

Bank Regulators

Judith Burns, a Securities and Exchange Commission spokeswoman, declined to comment on whether the agency is looking into the trading. Bryan Hubbard, a spokesman with the Office of the Comptroller of the Currency, which regulates banking at JPMorgan, and the Federal Reserve's Barbara Hagenbaugh also declined to comment.

The three regulators are among those working on the final version of the Volcker rule.

Regulators are stationed in JPMorgan's offices and are aware of what the bank is doing, said a person familiar with the company's thinking, who asked not to be identified because he wasn't authorized to discuss it.

The results of JPMorgan's chief investment office "are disclosed in our quarterly earnings reports and are fully transparent," Evangelisti said in a phone interview.

Harvey Pitt, a former U.S. Securities and Exchange Commission chairman, said yesterday in an interview on Bloomberg Television's "InBusiness With Margaret Brennan" that trading such as Iksil's should raise regulatory concerns because it's influencing market prices.

'Dispel Concerns'

"I'd want to talk with the folks at JPMorgan and understand exactly what took place here," Pitt said. "And then I would try to get a report out to the public as quickly as possible to dispel concerns about things that may not have occurred and to raise issues about things that actually did occur."

Arthur Levitt, another former SEC chairman who is a senior adviser to Goldman Sachs Group Inc. (GS), said in a radio interview on "Bloomberg Surveillance" that he expects regulators will require more information on banks' derivatives positions.

"And I think that is unfortunate," said Levitt, who also is on the board of Bloomberg LP, the parent of Bloomberg News. "That raises all kinds of competitive issues."

JPMorgan holds a portfolio of investment-grade debt and uses "credit-related instruments" such as derivatives to protect against a decline in the value of the holdings, Evangelisti said.

'Simply a Balancing'

"Our most recent activity noted in the media is simply a balancing of those credit-related investments to reduce the impact of our hedge," he said. "We do this in the ordinary course of our asset- and liability-management activities."

Jack Gutt, a spokesman at the Federal Reserve Bank of New York, declined to comment on whether the New York Fed is examining the trades. Jamie Dimon, JPMorgan's chairman and chief executive officer, is on the New York Fed's board of directors.

"This will be the first test of how aggressively the Fed will enforce the Dodd-Frank Act," which includes the Volcker rule, said Mark Williams, a lecturer at Boston University's School of Management. "From a Fed regulatory standpoint, I see JPMorgan as having some serious explaining to do."

The positions, by the bank's calculations, amount to tens of billions of dollars and were built with the knowledge of Iksil's superiors, a person familiar with the firm's view said.

Price Movements

Iksil may have built a position totaling as much as $100 billion in contracts in one index, according to the market participants, who said they based their estimates on the trades and price movements they witnessed as well as their understanding of the size and structure of the markets.

Even if regulators are satisfied that Iksil's trades are intended to hedge other risks the bank is taking, regulators should be aware that derivatives often fail as offsets because of differences in the way contracts are written and traded, Partnoy said.

"It's not a pure hedge, it has a speculative element to it, and that's particularly true when the contracts are this big, when you're talking about tens of billions of dollars," said Partnoy, whose new book "Wait: The Art and Science of Delay" is being published in June by PublicAffairs.

"The only perfect hedge is in a Japanese garden," he said.

Louise A. Tuorto
Administrative Assistant
Morgan Stanley Bank, N.A.
750 7th Avenue, 30th Floor
New York, NY 10019

212-762-0710

From: Brosnan, Mike
To: <Belshaw, Sally>;<Waterhouse, Scott>
Sent: 4/30/2012 5:53:14 PM
Subject: RE: pls read, edit and send back. thx

Will wait on scott – it may be that they hedge their capital (it is fixed) but someone else hedges revs/expenses as they move. But will wait on scott to be sure.

Thx for clarity and patience.

From: Belshaw, Sally
Sent: Monday, April 30, 2012 1:50 PM
To: Waterhouse, Scott; Brosnan, Mike
Subject: RE: pls read, edit and send back. thx

Not sure why the word "earnings" got stuck in below but it doesn't fit. Overall, this is our take. It's like a PSI testimony here......if you ask the right question enough times, will you get a different answer?

From: Waterhouse, Scott
Sent: Monday, April 30, 2012 1:04 PM
To: Brosnan, Mike
Cc: Belshaw, Sally; Waterhouse, Scott
Subject: RE: pls read, edit and send back. thx

Mike – you can call me Marty if you want, but please don't call me late for dinner.

We made a few edits to correct facts.

Bottom line: We believe that A/L/M activities at JPMC make sense. We do have an outstanding MRA and there will always be examination findings as well as ongoing questions but we conclude their day-to-day and strategic activities are appropriate from safety and soundness view, and they are not running afoul of inappropriate "proprietary trading" issues. My conversations with FRB counterparts confirm similar thinking. My short take:

· JPMC (and WFC, BAC, and to lesser extent C) have very large investment portfolios that are managed centrally, at JPMC by the Chief Investment Office (CIO) and at others by an ALCO.

· JPMC typically runs $300b - $400b investment positions and there are a lot of derivatives (interest rate, foreign exchange, and credit) that are overlayed to control exposures to structural interest rate risk, basis risk, earnings foreign currency translation risk, and structural credit risk. Note, the overall risk positions can go up or they can go down, though JPMC specifically has a bias that marginal transactions result in less risk. These activities are normal A/L/M at the big banks, though JPMC's inclusion of some credit risk mitigation from CIO is somewhat different (credit people can also do this in other banks, but skills and activity vary).

· The clips referencing tbe "whale" moving the market are tied to unwinding part of credit positions put on a couple of years ago in different instruments. Where the bank gets a gain there has generally been a loss (American airlines etc.). They are big and can move the market, particularly where markets or specific instrument activity is less liquid to begin with.

· I think there are people out there that have lost money and are grousing at JPMC. I also think some people are using this to spin a story to influence policy work. Time will tell if the gut is right.

From: Brosnan, Mike
Sent: Monday, April 30, 2012 12:25 PM
To: Belshaw, Sally; Waterhouse, Scott
Subject: pls read, edit and send back. thx

Marty – John Lyons asked that I send you a summary of my thinking (Large Banks) on the a/l/m activity and related angles portrayed in media coverage a couple weeks back.

Bottom line: We believe that A/L/M activities at JPMC make sense. We do have an outstanding MRA and there will always be examination findings as well as ongoing questions but we conclude their day-to-day and strategic activities are appropriate from safety and soundness view, and they are not running afoul of inappropriate "proprietary trading" issues. My conversations with FRB counterparts confirm similar thinking. My short take:

- JPMC (and WFC, BAC, and to lesser extent C) have very large investment portfolios that are managed centrally by ALCO.

- JPMC typically runs $300b - $400b investment position and there are a lot of derivatives (interest rate, foreign exchange, and credit) that are overlayed to control exposures to structural interest rate risk, basis risk, foreign currency translation risk and credit risk. Note, the overall risk positions can go up or they can go down, though JPMC specifically has bias that marginal transactions result in less risk . These activities are normal A/L/M at the big banks, though JPMC's control of credit risk from CIO is somewhat different (credit people can also do this in other banks, but skills and activity vary).

- The clips referencing the "whale" moving the market are tied to transactions put on a couple years ago and are now being unwound in different chunks. Where the bank gets a gain there has generally been a loss (American airlines etc.). They are big and can move the market, particularly where markets or specific instrument activity is less liquid to begin with.

- I think there are people out there that have lost money and are grousing at jpmc. I also think some people are using this to spin a story influence policy work. Time will tell if the gut is right.

the most recent message from Scott and team at JPMC follows this email. Based on what I learned from the emails as well as phone conversations with Sally and Scott, I have not requested additional follow-up and will leave it to their discretion in circling back to if anything new arises. I also read transcript of 1q12 earnings discussion and saw some discussion but not much in way of controversy (essentially the spin in clips = tempest in teapot)

From: Brosnan, Mike
To: <Hubbard, Bryan>;<Williams, Julie>;<Walsh, John>;<Kilber, Kenyon>;<Moore, Carrie>;<Rowe, William>
Sent: 5/14/2012 8:43:07 PM
Subject: RE: updated talking points (onsite team is good with this version - various edits are in)

Thx.

To be clear, from what you said Corker was right. It is us/me that will now be reserved and leave some room for interpretation etc. later.

From: Hubbard, Bryan
Sent: Monday, May 14, 2012 4:32 PM
To: Brosnan, Mike; Williams, Julie; Walsh, John; Kilber, Kenyon; Moore, Carrie; Rowe, William
Subject: RE: updated talking points (onsite team is good with this version - various edits are in)

Thank you. I think these are very helpful and could help clarify the "absolute" statement by Senator Corker this morning.

I have numerous queries from NYTimes, WSJ, Dow Jones, Financial Times, Christian Science Monitor asking to confirm or clarify this morning's statement. Pending Mr. Curry's approval of these more nuanced statements, I'd like to make calls before folks' deadlines so tomorrow's paper's don't include Senator Corker's absolute statement. It would be very helpful.

Also got a call from Public Radio International stating that Senator Corker told him that the OCC has changed its position from this morning.

Based on all the moving parts and interest, I'd like to provide all these reporters the same information consistent with what was said on the call with Mr. Levin.

One reporter also said that Corker's staff is also saying that The OCC staff do not think these sorts of trades "should" be covered. That is different than whether they would be covered.

A separate question from a Peter Coy, at Bloomberg, is asking the more systemic question of what is the banking system's exposure to trading risk. His deadline is Wednesday.

Please let me know if these are ok for me to speak from.

Bryan Hubbard

bryan.hubbard@occ.treas.gov

(202) 874-5307

<< File: JPMC Talking Points May 14 2012 (4).doc >>

From: Brosnan, Mike
Sent: Monday, May 14, 2012 4:18 PM
To: Williams, Julie; Walsh, John; Kilber, Kenyon; Hubbard, Bryan; Moore, Carrie; Rowe, William
Subject: updated talking points (onsite team is good with this version - various edits are in)

<< File: JPMC Talking Points May 14 2012 (4).doc >>

From: Crumlish, Fred
To: <Wong, Elwyn>;<Hohl, James>;<Kirk, Mike>
Sent: 5/16/2012 3:15:53 PM
Subject: FW: here is redline and new final
Attachments: Talking Points re $ 2 B Loss - OCC Role and Responsibilitie SW - final.docx; Talking Points re $ 2 B Loss - OCC Role and Responsibilitie SW - redline.docx

Please advise me of "fatal flaws" or factual errors immediately.

And of course don't forward...

- apc

From: Waterhouse, Scott
Sent: Wednesday, May 16, 2012 10:22 AM
To: Crumlish, Fred
Subject: FW: here is redline and new final

From: Brosnan, Mike
Sent: Wednesday, May 16, 2012 10:20 AM
To: Williams, Julie
Cc: Waterhouse, Scott; Belshaw, Sally
Subject: here is redline and new final

We are good with the new final. Redline attached to help you see changes.

<<...>> <<...>>

JPMC Trading Loss and OCC Role and Responsibilities

In 2007 and 2008, in order to hedge credit risk in its balance sheet as a result of stressed credit conditions in the economy, the bank constructed a macro-hedge against the credit risk of the bank's balance sheet using credit default swaps (CDS). This synthetic credit position was designed to provide income to mitigate credit losses in the loan portfolio that would arise under economic conditions that produced broad credit stress. The strategy was managed to provide around $1 billion to $1.5 billion of income in credit stress scenarios to offset potential stress losses of $5 billion to $8 billion.

The OCC was aware of this macro hedge. The position was captured in the bank's standard Chief Investment Office (CIO) and market risk reports available to the OCC. Mitigating portfolio credit risk is a positive step for safety and soundness purposes, and thus the OCC's focus on this strategy was to ensure that the bank had effective risk management functions and controls. The OCC did not review each particular transaction that resulted in the synthetic credit position because transactions remained within the parameters of the bank's overall risk management limits and were viewed as working reasonably. OCC examinations focused on the quality of risk management and the quantity of risk. Risk management was viewed as satisfactory, with a proven track record. It operated under value-at-risk (VAR), stress, and other limits as well as various measures depicting sensitivities to other market factors.. OCC examination of the investment portfolio in 2010 did find, however, that the bank needed to more clearly document investment policies, portfolio decisions, and processes to manage investments.

The OCC also has issued MRAs on model governance over a period of several years. The bank revised its model governance policy as a result and updated it again in [late 2011-early 2012.] Corrective action is ongoing.

Since its inception, the original hedging strategy generally has worked as anticipated. As the economy declined and credit spreads widened, the bank reported gains on the hedge position that offset credit losses it took in its loan portfolio. (Note that gains and losses on the derivatives positions that constituted the hedge are marked to market.)

As the economy improved, in late 2011 and early 2012 executive management felt that the credit cycle was less risky and made the strategic decision to reduce the high yield debt credit protection position. However, after the American Airlines bankruptcy and with an expected bankruptcy filing by Kodak, the markets for high yield indices were not, according to the bank, liquid enough to use to unwind the existing short credit protection position. Consequently, the bank looked for alternatives to offset the positions via other instruments that were presumed to have offsetting risk characteristics.

The bank developed a risk management strategy that relied heavily on the IG 9 Index. IG9 was viewed as more liquid than the high yield indices, and included five "fallen angels" that allowed the index to be used to partially reduce the bank's protection against stress losses. Thus, the bank began selling IG 9 credit default swaps – going long on IG 9 credit risk (selling CDS) – to neutralize some of its short high yield credit risk position (the original credit default swaps). Essentially the bank was putting on a hedge on a hedge. The resulting combination of the original hedge, and the new position was quite complex.

At roughly the same time as this hedge-on-a hedge was being executed, the bank implemented a new VAR model, which was designed to improve the precision of risk measurement. This model went through multiple levels of review at the bank, including the updated model governance policy required pursuant to OCC MRAs.

In this regard, the OCC does not "approve" in advance all the particular models a bank uses – nor the particular loans, or investments, etc. that it makes. OCC evaluates the bank's risk management policies, processes, procedures, limits, and controls (including quality assurance processes and audit). And we monitor management systems for exceptions to policies or limits which may then prompt further review or inquiry. We also monitor and follow-up on errors and adverse findings from risk managers and auditors to ensure they are cleared on a timely basis.

OCC examiners look to see where activities or losses have diverged from expectations to a degree indicative of a breach of approved parameters or breakdown of controls. For example, we would look for traders/managers operating outside approved limits, where risk management activities did not identify or escalate such instances, and for models breaking or not going through proper validation, etc. It is possible that losses could be incurred even when all controls function properly, however, because of poor risk estimation or bad business judgment as well as external events that create low probability but higher impact environments that aggravate poor decisions or bad judgment. Risk management seeks to minimize risk but cannot eliminate it, which is why banks have requirements to maintain specific capital, reserves, and liquidity to manage unexpected losses.

Examiners review management information on a regular basis and have access to additional details and information if warranted. OCC examiners observe risk management practices and assess effectiveness by evaluating whether they provide credible challenge to business people to ensure proper balance between risk and reward. If examiners do not see that, they seek to have corrective action to the risk management practices at the institution.

The bank in this case made its decision to reduce its exposure from the original 2007 strategy in late 2011/early 2012. This was an unexceptional decision made by bank management; not something that would prompt a special alert to the OCC, or a reaction by the OCC that individual trades needed to be examined.

Notably, however, in the present situation, the risk characteristics of the original macro-hedge and the hedge-on-a-hedge diverged and this introduced additional risks, including basis risk. The basis risk that resulted made the bank's new hedge strategy sensitive to a change in the spread between High Yield CDS and Investment Grade CDS (IG9) known as compression/decompression risk. As recent events have proven, the bank's model assumptions regarding the expected price behavior between the indexes and the value of the positions were incorrect. The overall impact on the CIOs first quarter 2012 earnings estimate is a $1 billion swing from a $200 million gain to May 10's announcement of an $800 million loss.

We discussed with management expected first quarter 2012 results in the three weeks leading up to the bank's earnings announcement. We met with the CFO on April 12 to go over financial results. At that time, the CFO noted that he expected the Corporate sector, including the CIO, to make approximately $200MM per quarter for the rest of the year. The bank formally announced earnings on April 13, with no mention of the CIO issue.

The OCC reviews the CIO book on a regular basis. We began to focus on the details of this set of transactions and resulting impact on limits in mid-April, following April 9, 2012 reports of the bank's "London Whale" trader who was actually executing the trades to establish to establish the hedge-on-the-hedge. On April 16, OCC and FRB examiners met with Ina Drew (now former CEO of the CIO) and senior members of the CIO and officials of the bank's risk management function to discuss the bank's positions in light of the press reports. Ms. Drew and other bank officials explained at that time the use of CDS to mitigate the bank's credit risk and their rationale for using the IG 9 Index to reduce the bank's high yield credit derivative position. Thus, the bank was selling IG 9 CDS – going long on IG 9 credit risk (selling CDS) to neutralize some of its short high yield credit risk protection (the long CDS) put in place to mitigate the credit risk of its loan portfolio.

On May 4, 2012, we received a call from the CFO and CRO to inform us that the value of the position was deteriorating rapidly. Management informed us that it brought in specialists from the Investment Bank to dissect the position and take over its management. The CFO said the investigation was ongoing and that they would make a presentation to us on May 9 2012. Additional information on changes to CDS exposures and the synthetic credit portfolio were provided to examiners as a result of this meeting, and we are having ongoing discussions. Additional information on changes to CDS exposures and the synthetic credit portfolio were provided to examiners as a result of this meeting. Also noted were recent changes in the behavior of the IG 9 market.

The bank had to publish its 10Q on May 10. Given that the value had changed so much, management felt that it needed to inform its investors prior to publication. A conference call was quickly arranged for hours on May 10 to highlight the issue and change its corporate sector earnings forecast for the rest of the year.

From: Kamath, Jairam
To: <Crumlish, Fred>
Sent: 5/23/2012 2:42:26 PM
Subject: FW: Stop Loss Definitions

This makes no sense and gives a misleading picture of the 5-day and 10-day stop losses. Perhaps if they had reported cumulative losses in the 5-day and 20-day lines, management would have been apprised of the gravity of the situation much earlier. Incidentally, CIO does not have drawdown limits.

jairam.kamath@occ.treas.gov
Tel: 212-899-1386
BB: 202-368-9193
Fax: 301-433-6238
This message is intended for designated recipients only. If you have received this message in error, please delete the original and all copies and notify the sender immediately. Federal law prohibits the disclosure or other use of this information.

From: Kamath (Regulator), Jairam X [mailto:jairam.x.kamath@jpmchase.com]
Sent: Wednesday, May 23, 2012 10:27 AM
To: Kamath, Jairam
Subject: FW: Stop Loss Definitions

From: Surtani, Lavine
Sent: Wednesday, May 23, 2012 9:48 AM
To: Kamath (Regulator), Jairam X
Cc: Regulatory Coordinator
Subject: RE: Stop Loss Definitions

Jairam,

I went back to Market risk management to ensure they were comfortable with the definition and the way the reports are calculating Stop Loss Thresholds and they agree with the logic which is as follows:

The five day loss advisory is an arithmetic sum of the last 5 1-day utilizations. Any of these underlying utilizations that have caused an excession are NOT included in the sum for the following reason: including utilizations that caused excessions would result in a double-penalty. A business would break both their 1 day and five day loss advisory. Rather, this type of loss advisory is used to capture small leaks in loss over a larger period of time

The same logic would be implemented for the 20-day.

Also, the other point they emphasized is that while some LOBs continue to show the loss advisories as thresholds, Market Risk Management overall favors the Drawdown measure of P&L performance for limit purposes.

Let me know if you have any further questions.

Lavine

Lavine Surtani | Corporate Market Risk Reporting | T: 212-270-1369 (midtown); 212-623-6835 (downtown) | M: 917-757-1091 | lavine.surtani@jpmchase.com

---

From: Kamath (Regulator), Jairam X
Sent: Thursday, May 17, 2012 9:37 AM

To: Surtani, Lavine
Subject: Stop Loss Definitions

Hi Lavine,

I know this should be fairly obvious but we'd like to know how MRM defines 1-day, 5-days, and 20-days stop loss thresholds. From looking at some of the risk reports we are not getting a good sense of how the 5-day and 20-day stop loss numbers are derived.

Thanks,

Jairam

From:	Wong, Elwyn
To:	<Waterhouse, Scott>;<Crumlish, Fred>;<Swank, Todd>;<Kirk, Mike>
CC:	<Hohl, James>
Sent:	5/17/2012 3:42:36 PM
Subject:	History of Trades

Ok, looks like they gave us all trades as of Month-end Jan, Feb, March

Then 3 snap shots for April,

Then Daily May but only 01,02,03,04

So "netting" Feb vs March vs the 3 snapshots in April would give us info on incremental trades done since the loss really began to snowball.

Obviously still need explanations on the right hand columns in the spreadsheet, especially for tranches.

Elwyn

From:	Crumlish, Fred
To:	<Waterhouse, Scott>
CC:	<Wilhelm, Kurt>;<Belshaw, Sally>;<Atkins, Glenn>;<Banks, George>;<Berg, Jaymin>;<Fursa, Thomas>;<Hohl, James>;<Kamath, Jairam>;<Kirk, Mike>;<Monroe, Christopher>;<Wong, Elwyn>
Sent:	4/10/2012 12:00:21 PM
Subject:	JPM CIO trades-- JPMorgan's Iksil May Spur Regulators to Dissect Trading - Bloomberg News - 4/9/12

CIO is in the news again today (See following). A quick recap of where we are. I have copied Sally and Kurt in anticipation of questions:

As you know we had a call with Chief Investment Officer Ina Drew and others in JPM yesterday, along with the frb. The trades that are getting press coverage now are part of a program to reduce a an existing hedge on credit risk stress losses. Mgmt felt this stress loss hedge became overhedged as credit risk lessened in 2011, and so used the IG9 to adjust it. Unfortunately the IG9 index has also seen reduced trading volume and market participants, so that JPMC's trades probably further decreased liquidity in the index. JPMC's credit stress hedge is again where they want it, and there is no significant further trading planned on this strategy. JPM did say that, if they had to do it all over again, they would have used a different index. My sense is that they misread the liquidity in the market. CIO really doesn't like to draw attention to itself.

We asked the bank for a number of items yesterday that reflect details on the trades and support the stress loss hedge rationale associated with this specific strategy. We expect this sometime today. FYI the stated purpose would be consistent with the CIO's mandate to hedge overall structural balance sheet risk. Most notably this includes interest rate risk in the banking book, the MSR, and FX translation.

I agree with the press that this will likely become a good case study for what should "count" under the Volker rule.

James Hohl or I will provide some numbers or further analysis when we have them.

- apc

From: Tuorto, Louise
Sent: Tuesday, April 10, 2012 7:38 AM
To: LB Morgan Stanley; LB CITI; Heinsohn, Allison; Crumlish, Fred; Devincenzi, Saray; Decker, Sharon; Kiefer, Joseph; Gouldie, James
Subject: JPMorgan's Iksil May Spur Regulators to Dissect Trading - Bloomberg News - 4/9/12

JPMorgan's Iksil May Spur Regulators to Dissect Trading

Market-moving trades by JPMorgan Chase & Co. (JPM)'s chief investment office probably will force regulators to seek more detail on banks' derivatives positions to help them distinguish risk management from speculation.

Bruno Iksil, a London-based trader in the unit, has built derivatives positions linked to corporate credit that are so big he's moved markets, according to hedge fund managers and dealers. While Joe Evangelisti, a bank spokesman, said yesterday that the trades are part of the firm's hedging strategy, four market participants said they resemble proprietary bets, or wagers with the lender's own money.

Executives at New York-based JPMorgan, the biggest U.S. bank with $2.27 trillion of assets at year-end, have opposed the so-called Volcker rule that seeks to prevent banks with federal backing from making speculative trades. Details on Iksil's positions are too sparse for regulators to determine whether they should be permitted, said Frank Partnoy, a former derivatives trader who's now a law and finance professor at the University of San Diego.

"This could be an almost completely matched, hedged position, or it could be massively risky, and there's just no way to tell without getting more complete disclosure," Partnoy, author of "Infectious Greed: How Deceit and Risk Corrupted the Financial Markets" said in a phone interview. "I'm surprised that regulators don't see this example and cry out for more disclosure and more information about these contracts."

Bank Regulators

Judith Burns, a Securities and Exchange Commission spokeswoman, declined to comment on whether the agency is looking into the trading. Bryan Hubbard, a spokesman with the Office of the Comptroller of the Currency, which regulates banking at JPMorgan, and the Federal Reserve's Barbara Hagenbaugh also declined to comment.

The three regulators are among those working on the final version of the Volcker rule.

Regulators are stationed in JPMorgan's offices and are aware of what the bank is doing, said a person familiar with the company's thinking, who asked not to be identified because he wasn't authorized to discuss it.

The results of JPMorgan's chief investment office "are disclosed in our quarterly earnings reports and are fully transparent," Evangelisti said in a phone interview.

Harvey Pitt, a former U.S. Securities and Exchange Commission chairman, said yesterday in an interview on Bloomberg Television's "InBusiness With Margaret Brennan" that trading such as Iksil's should raise regulatory concerns because it's influencing market prices.

'Dispel Concerns'

"I'd want to talk with the folks at JPMorgan and understand exactly what took place here," Pitt said. "And then I would try to get a report out to the public as quickly as possible to dispel concerns about things that may not have occurred and to raise issues about things that actually did occur."

Arthur Levitt, another former SEC chairman who is a senior adviser to Goldman Sachs Group Inc. (GS), said in a radio interview on "Bloomberg Surveillance" that he expects regulators will require more information on banks' derivatives positions.

"And I think that is unfortunate," said Levitt, who also is on the board of Bloomberg LP, the parent of Bloomberg News. "That raises all kinds of competitive issues."

JPMorgan holds a portfolio of investment-grade debt and uses "credit-related instruments" such as derivatives to protect against a decline in the value of the holdings, Evangelisti said.

'Simply a Balancing'

"Our most recent activity noted in the media is simply a balancing of those credit-related investments to reduce the impact of our hedge," he said. "We do this in the ordinary course of our asset- and liability-management activities."

Jack Gutt, a spokesman at the Federal Reserve Bank of New York, declined to comment on whether the New York Fed is examining the trades. Jamie Dimon, JPMorgan's chairman and chief executive officer, is on the New York Fed's board of directors.

"This will be the first test of how aggressively the Fed will enforce the Dodd-Frank Act," which includes the Volcker rule, said Mark Williams, a lecturer at Boston University's School of Management. "From a Fed regulatory standpoint, I see JPMorgan as having some serious explaining to do."

The positions, by the bank's calculations, amount to tens of billions of dollars and were built with the knowledge of Iksil's superiors, a person familiar with the firm's view said.

Price Movements

Iksil may have built a position totaling as much as $100 billion in contracts in one index, according to the market participants, who said they based their estimates on the trades and price movements they witnessed as well as their understanding of the size and structure of the markets.

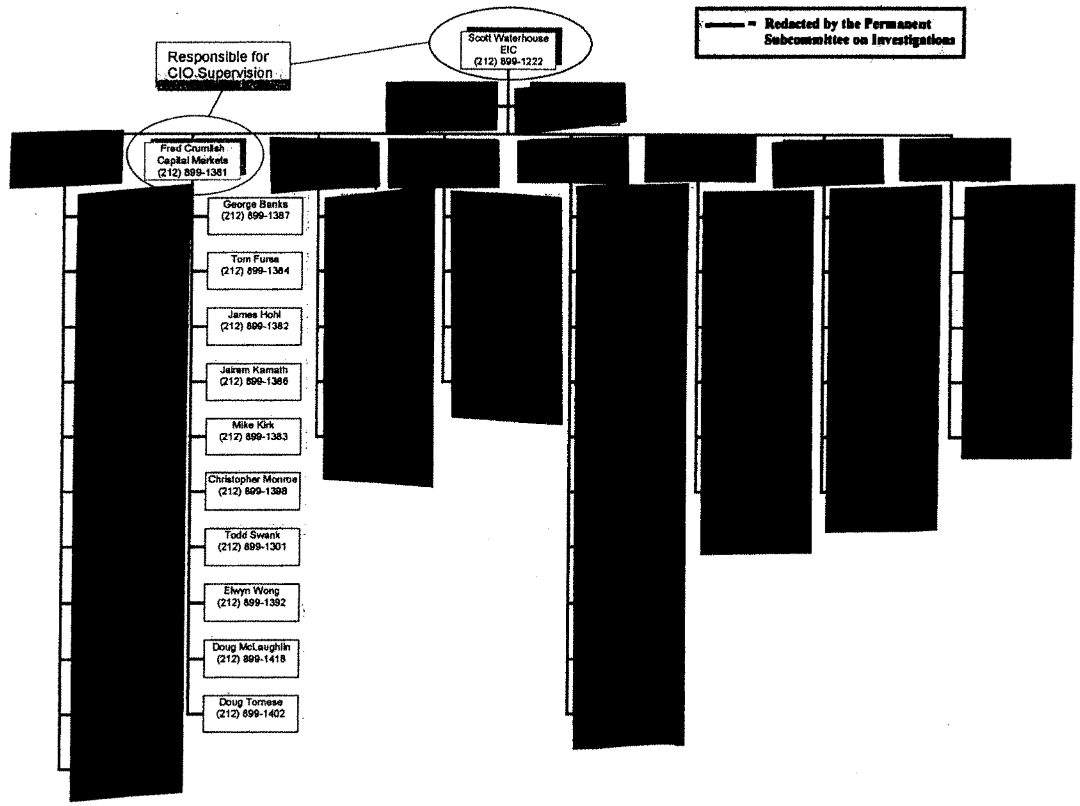
Even if regulators are satisfied that Iksil's trades are intended to hedge other risks the bank is taking, regulators should be aware that derivatives often fail as offsets because of differences in the way contracts are written and traded, Partnoy said.

"It's not a pure hedge, it has a speculative element to it, and that's particularly true when the contracts are this big, when you're talking about tens of billions of dollars," said Partnoy, whose new book "Wait: The Art and Science of Delay" is being published in June by PublicAffairs.

"The only perfect hedge is in a Japanese garden," he said.

Louise A. Tuorto
Administrative Assistant
Morgan Stanley Bank, N.A.
750 7th Avenue, 30th Floor
New York, NY 10019

212-762-0710
301-433-8910



= Redacted by the Permanent Subcommittee on Investigations
Scott Waterhouse
EIC
(212) 899-1222
Responsible for CIO Supervision
Fred Crumlish
Capital Markets
(212) 899-1381
George Banks
(212) 899-1387
Tom Fursa
(212) 899-1384
James Hohl
(212) 899-1382
Jairam Kamath
(212) 899-1386
Mike Kirk
(212) 899-1383
Christopher Monroe
(212) 899-1398
Todd Swank
(212) 899-1301
Elwyn Wong
(212) 899-1392
Doug McLaughlin
(212) 899-1418
Doug Tornese
(212) 899-1402
[redacted]

2108

From: Crumlish, Fred
To: <Kirk, Mike>
CC: <Hohl, James>
Sent: 4/11/2012 11:28:18 AM
Subject: RE: CIO info on elephant trade

Yep. I think we will need to sit with them.

- apc

From: Kirk, Mike
Sent: Tuesday, April 10, 2012 4:28 PM
To: Crumlish, Fred; Swank, Todd
Cc: Waterhouse, Scott; Banks, George; Berg, Jaymin; Fursa, Thomas; Hohl, James; Kamath, Jairam; Monroe, Christopher; Wong, Elwyn
Subject: RE: CIO info on elephant trade

Fred,

I agree with your reply to the bank; the attached narrative reads as something they may post in the 10K (sans the trade level detail). Not very helpful.

What would be helpful would be to see the stress scenarios without these assets, and with these assets so one can understand the impact. I'm assuming they have value in more than one stress scenario as well; so it would be helpful to understand what other utility they provide as well. It would also be helpful if the CIO could provide some indication of a present target level they are trying to achieve, and hence the change of activity that resulted in the same (in other words results prior to and after recent trades).

I would think they should be able to pull the stress test results off the shelf for the time period prior to increasing hedge, then provide the results at the time the trades were made to reduce, and now current levels showing where they are now relative to their target. Just a thought.

Regards,
Mike

From: Crumlish, Fred
Sent: Tuesday, April 10, 2012 4:13 PM
To: Swank, Todd; Kirk, Mike
Cc: Waterhouse, Scott; Banks, George; Berg, Jaymin; Fursa, Thomas; Hohl, James; Kamath, Jairam; Kirk, Mike; Monroe, Christopher; Wong, Elwyn
Subject: CIO info on elephant trade

James (and Mike) – Attached is a message from Joe S recapping the trades and including a brief narrative. In my response on JPM email, I said that we would get back w/ questions. I also said it would be useful if they provided analytics or a summary that recapped the hedge strategy, such as the expected impact of the hedge on the projected stress loss identified. I had asked for this on the call as well. Hopefully we will see something

Just getting a list of trades doesn't do much "prop trading" wise....

In any event let me know what you think.

- apc

*** If you have received this message in error, please delete the original and all copies, and notify the sender immediately. Federal law prohibits the disclosure or other use of this information. ***

From: Hohl, James
To: <Berg, Jaymin>
Sent: 1/24/2012 6:11:18 PM
Subject: RE: CIO meeting

I don't know who John Wilmot's secretary is, so I've e-mailed him, Dave Alexander, and Phil Lewis together. My Outlook calendar should be available to look at. Monday and Wednesday afternoons look good, Tuesday morning, and pretty much any time Thursday except noon. Thanks, James

p.s. Was the December Treasury EMR available?

From: Berg, Jaymin
Sent: Tuesday, January 24, 2012 1.8 PM
To: Hohl, James
Subject: CIO meeting

Fred wants me to setup this quarters CIO meeting. He said that you'd still be in charge of IRR portion and I'll be responsible for ongoing supervision of investments. What days are you free next week for a meeting? Also, who do you typically email to setup the meeting with CIO?

-j

From: Moore, Carrie
To: 'Michael_Bright@corker.senate.gov'
Sent: 5/12/2012 7:49:28 PM
Subject: Re: JPM

You'll definitely beat me in... But I should know more later today or tomorrow on times that will work for Mike. Likely 9 or 10 on Mon.

From: Bright, Michael (Corker) [mailto:Michael_Bright@corker.senate.gov]
Sent: Saturday, May 12, 2012 02:34 PM
To: Moore, Carrie
Subject: Re: JPM

Sure, let's talk Mon. I will be in very early. About 6 or 6:30

From: Moore, Carrie [mailto:Carrie.Moore@occ.treas.gov]
Sent: Saturday, May 12, 2012 01:57 PM
To: Bright, Michael (Corker)
Subject: Re: JPM

Michael, am trying to set up a 30 min or so call with you and Mike Brosnan on Mon. His schedule is tight, so hoping you have some flexibility on your end. I might not know the time until early Mon - when are you in the office?

From: Bright, Michael (Corker) [mailto:Michael_Bright@corker.senate.gov]
Sent: Saturday, May 12, 2012 12:54 PM
To: Moore, Carrie
Subject: Re: JPM

Thank you! (Will get back to backyard grilling now.)

From: Moore, Carrie [mailto:Carrie.Moore@occ.treas.gov]
Sent: Saturday, May 12, 2012 12:45 PM
To: Bright, Michael (Corker)
Subject: Re: JPM

Hi Michael, That's accurate. These trades would have been allowed even if the Volcker rule was in place. Hope you're not working too hard today!

From: Bright, Michael (Corker) [mailto:Michael_Bright@corker.senate.gov]
Sent: Saturday, May 12, 2012 12:43 PM
To: Moore, Carrie
Subject: Re: JPM

Carrie, sorry to bother you on a Saturday. But quick question. The committee staff seemed to think that the OCC's view was that the JMP trades would have been permissible under Volcker. Is that an accurate statement?

Thanks,
Michael

From: Moore, Carrie [mailto:Carrie.Moore@occ.treas.gov]
Sent: Friday, May 11, 2012 06:46 PM
To: Bright, Michael (Corker)

Subject: Re: JPM

Yes, all out of the bank. Will set up something for Mon!

From: Bright, Michael (Corker) [mailto:Michael_Bright@corker.senate.gov]
Sent: Friday, May 11, 2012 06:16 PM
To: Moore, Carrie
Subject: RE: JPM

Yes please. Would love to talk on Mon. These trades were done out of the bank N.A., correct?

From: Moore, Carrie [mailto:Carrie.Moore@occ.treas.gov]
Sent: Friday, May 11, 2012 5:43 PM
To: Bright, Michael (Corker)
Subject: RE: JPM

Hi Michael,
Yes, as I understand it, this is a hedge trade gone wrong issue, which will result in a hit on earnings. And I have folks that can give you all the details, should you need it. Just let me know.
Thanks,
Carrie

From: Bright, Michael (Corker) [mailto:Michael_Bright@corker.senate.gov]
Sent: Friday, May 11, 2012 4:24 PM
To: Moore, Carrie
Subject: JPM

Hey Carrie. I'm sure this is probably your 500th request today... but s this just a hedge trade that was exceptionally poorly executed? CDX basis mistake, of some sort?

Any insight you could provide would be helpful. As I'm sure you can appreciate, my boss is asking lots of questions.

Thanks,
Michael

From: Berg, Jaymin
To: <Crumlish, Fred>
Sent: 4/5/2012 6:28:59 PM
Subject: RE: reports list

Fyi – the unknowns are due to listserve recipients so I'm not sure who gets it. Also, Doug is listed as a recipient for some emails but I don't think his JPM account works.

Report Frequency Other OCC Recipients
Firm Stress Results Weekly Unknown
IB Risk IB VaR and Limits Update Daily Unknown
Firmwide Risk Daily Market Risk Limits and VaR Reports Daily Fred Crumlish Christopher Monroe
Daily Revenue Report Daily Unknown
MaRRS Stress Reports Weekly Unknown
Firmwide Risk Daily Limits Excession Summary Daily None
Level 1 IB EMR Monthly None
Level 2 IB EMR Monthly None
Equity Risk Stripe Daily Elwyn Wong Tom Fursa
Global ABS Conduit Monthly Report Monthly Tom Fursa Doug Tornese
Jupiter, Falcon, & Chariot Regulator Reports Monthly Brad Sry Doug Tornese
Secondary Marketing Daily Risk Exposure Reports Monthly None
CIO AFS Securities List Quarterly James Hohl
CIO Info in Treasury Weekly Appendix Weekly None
CC Securitization Monthly Review Package Monthly Doug Tornese

---

From: Crumlish, Fred
Sent: Thursday, April 05, 2012 2:03 PM
To: Berg, Jaymin
Subject: RE: reports list

Do you know who is cc'd beside you on each of these?

- apc

From: Berg, Jaymin
Sent: Thursday, April 05, 2012 2:02 PM
To: Crumlish, Fred
Subject: reports list

Here's the reports I receive:

Report
Firm Stress Results
IB Risk IB VaR and Limits Update

Firmwide Risk Daily Market Risk Limits and VaR Reports
Daily Revenue Report
MaRRS Stress Reports
Firmwide Risk Daily Limits Excession Summary
Level 1 IB EMR
Level 2 IB EMR
Equity Risk Stripe
Global ABS Conduit Monthly Report
Jupiter, Falcon, & Chariot Regulator Reports
Secondary Marketing Daily Risk Exposure Reports
CIO AFS Securities List
CIO Info in Treasury Weekly Appendix
CC Securitization Monthly Review Package

From: Waterhouse, Scott
To: Brosnan, Mike
Sent: 5/17/2012 5:12:50 PM
Subject: RE: Your request of last night, re OCC response on cio

Perhaps right after the 2-3 CIO update. Looks like you are free. Shall I call you when I get back to the office?

From: Brosnan, Mike
Sent: Thursday, May 17, 2012 12:06 PM
To: Waterhouse, Scott
Subject: RE: Your request of last night, re OCC response on cio

Ok. I sent on to Julie. Will call you later today (not sure on specifics, but we know things will pop up). Is there a time you want me to call before (leaving 30 minutes for us to talk etc.)?

From: Waterhouse, Scott
Sent: Thursday, May 17, 2012 10:27 AM
To: Brosnan, Mike
Subject: FW: Your request of last night, re OCC response on cio

Mike - here is Fred's chronology. This is response to Julies question.

From: Crumlish, Fred
Sent: Thursday, May 17, 2012 9:50 AM
To: Waterhouse, Scott
Subject: Your request of last night, re OCC response on cio

This is in response to your email asking about OCC supervision between April 16 and May 4. This and the following message recaps of our recent CIO responses

In terms of standard MIS. we receive two emails every day that are relevant to this issue. They contain risk information for the company overall:

Firmwide Daily Risk Limits Excessions
Firmwide Daily Market Risk Limits and VaR reports.

Each email contains a short summary and an attachment for the LOBs. All examiners have access to this email and based on their review we decide what follow up is needed, and we also use this to assess trends, etc.

With respect to the synthetic credit book and the CIO, the daily MTM limit blew out on 4/10 and then snapped back. We had contacted the bank on April 9 because the press reporting and market comments weren't consistent with what we felt to be the case and began requesting information. After some back and forth we set up a meeting with seniors. I also added an examiner with direct trading experience to help us assess what was going on and help evaluate management's responses. This meeting included Ina Drew, John Hogan, and others, and is summarized in my 4/17 email. In addition to describing the current assessment, Ina Drew indicated that they had begun looking into what happened, as they were concerned that this had become public, and would keep us informed. At the time this wasn't presented as a problem with the position or management of the book. John Hogan also indicated that the limit process had "worked" to the extent that it had initiated the conversation resulting in additional work being done on the book. We told the bank to keep us informed and we would like to see the results. Based on this meeting, we were led to expect some volatility based on what we were told. The bank didn't provide an incremental update on their work as we requested.

As you know, we also discussed moving up the review of our CIO MRA to June (post SNC) to encompass this issue and had an exam planned for the UK and US activities in October.

- apc

*** If you have received this message in error, please delete the original and all copies, and notify the sender immediately. Federal law prohibits the disclosure or other use of this information. ***

From: Hohl, James
Sent: Thursday, May 17, 2012 7:49 AM
To: Crumlish, Fred
Subject: Re: Scott's e-mail of 6.33 p.m. last night

The initial concerns based upon the press reports were about JPMC trading affecting market prices for CDSs. Our focus was on sizing the positions and assessing whether JPMC's volume impacted the CDS market. We went back and forth with the bankers several times, just trying to get clear position information. We continued receiving and monitoring the daily VaR reports, but there was no additional daily reporting. There was no discussion of P&L effects before Doug Braunstein's call on May 4th.

This message is intended for designated recipients only. If you have received this message in error, please delete the original and all copies and notify the sender immediately. Federal law prohibits the disclosure or other use of this information.

Before 0416 call with Ina
<< Message: Background and Supporting Data for CIO Discussion of April 9, 2012 >> << Message: RE: Background and Supporting Data for CIO Discussion of April 9, 2012 >>

0416 call presentation
<< Message: FW: materials for Fed/OCC/FDIC call at noon today >>

Post 0416 information
<< Message: CIO Synthetic Credit follow-up >> << Message: CIO information for Wednesday >> << Message: RE: CIO Synthetic Position >>

From: Kirk, Mike
To: Crumlish, Fred; Hohl, James
CC: Waterhouse, Scott
Sent: 5/9/2012 4:31:18 PM
Subject: RE: today's meeting

OK...is James doing first cut as he did last time.

I understood Doug's point on concentration reserves, but note that there weren't any real incentives for traders to find the "simple' solution as we discussed in our meeting.

Problem will always be that limit structures didn't anticipate a certain type of positions, especially in an environment where limits are created once there are significant exposures (often JPM does not institute limits until positions become material...at which point it may be too late).

I see this, as I called it this AM in our internal meeting.... A group of traders who were unwilling to swallow the costs of exiting a hard to chew position, so instead used models and other analyses to find an alternative and more palatable risk exiting position. This resulted in complex positioning that is now very large and more costlier to exit. If they had only just got out of what they owned it would have been cheaper. Moreover, if they could not get out, it begs the question why were they allowed to be in so large to begin with (shouldn't there be more reserves because of that?).

Just a follow up thought:

Unlike PIMCO and other real money manager that have investors that can and may withdraw at any time (instilling a form of discipline of how much of anything to hold relative to liquidation expectations), the bank is not exposed to exogenous demands for capital short of a rapid reduction of deposits. Therefore, I think we should be thinking of some form of liquidity discipline for the CIO function that could be put in place to help correct reoccurrence.

From: Crumlish, Fred
Sent: Wednesday, May 09, 2012 12:20 PM
To: Kirk, Mike; Hohl, James
Cc: Waterhouse, Scott
Subject: today's meeting

Hi Mike – I mentioned to James on the way back that when we put the notes together for the meeting, we need a couple of short bullets up front followed by the detail. We need to convey that the bank called us because on further analysis the position proved more problematic.

We will schedule an update in a week.

- apc

From: Waterhouse, Scott
To: <Belshaw, Sally>;<Brosnan, Mike>
CC: <Crumlish, Fred>
Sent: 5/10/2012 6:11:09 PM
Subject: FW: Braunstein / Cutler call on CIO

Sally & Mike – we had a call from Braunstein this afternoon to update us on ongoing events in the CIO. Crumlish provides comments below. I've also pasted in additional notes from our Wednesday meeting on the subject.

Bottom line: the bank's efforts to risk manage its synthetic credit position in the first quarter have not been effective. The current position is more risky and less economic than originally thought.

Due to issues described below, the bank will report a higher VAR number, more RWA, and lower Basel III capital ratio (8.4% to 8.2%) than originally reported on the earnings call. The 10Q will be published tonight.

The bank will also revise its forward looking outlook for corporate sector earnings, moving it from a positive $200MM this quarter to a negative $800MM.

The bank "may" have an analyst call this afternoon at 5:00 to explain.

Details follow:

From: Crumlish, Fred
Sent: Thursday, May 10, 2012 1:45 PM
To: Waterhouse, Scott
Subject: Braunstein / Cutler call on CIO
Importance: High

Doug Braunstein and Steve Cutler called to provide an update on the CIO synthetic credit position and related disclosures. Key points:

- As a result of work done over the past 24 – 36 hours, JPM became concerned about the quality of the VAR calculations. The bank had implemented a new VAR calculator at the beginning of this year. JPM decided to revert to the VaR model used during 2011. This will cause CIO reported average VaR to go up from 70MM to 130MM and the max from 120MM to 180MM. The change also adds 35B to Basel III RWA and reduces the Basel III ratio from 8.4 to 8.2%

- These numbers are different than those originally reported in the 8Q after the earnings announcement/analyst call. Since the official 10Q has not been filed, management will highlight the differences in the VAR, RWA and B-III numbers.

- JPM plans an analyst call today at 5PM. Two messages will be delivered:

    - The company has determined that it has a position that is riskier, more volatile, and less economic than they thought it had been. Therefore the bank will change its forward-looking guidance for corporate P&L from a $200MM profit to an $800MM loss. (They may allude possible offsets from sales in AFS securities). (Estimated total firm-wide P&L will reduce from approximately $5.4 billion to $5 billion for the second quarter.)

    - The company is going back to its historical VaR model, so the filing will show adjusted VaR and capital numbers.

Directors have been informed . A regularly scheduled board meeting is set for today for the directors to approve the 10Q.

Further notes:

This call followed our meeting of yesterday (notes below) where the bank went over the initial results of their review of CIO, and there conclusion that the synthetic credit portfolio has become far riskier than expected. Over the past 24 hours, company has been validating data. The initial work on the VaR model indicated that although it had been validated by the model risk group, it was not implemented with consistent data. Therefore, company is reverting to the model that had been in place during 2011. (JPM was reticent on the specifics of the implementation issues as this is still work in progress and all issues may not be fully know; however, they were sufficiently concerned to pull the model and there may have been some "data smoothing" involved.)

Notes from 5-9-12 meeting:

The synthetic credit portfolio held by CIO has $1.9B MTM losses in 2Q2012 to date (to somewhat offset this in 2Q2012 net income, the CIO has taken nearly $1B of securities gains from the AFS portfolio). The notional position of the synthetic credit portfolio grew significantly during 1Q2012 in a what has been a failed attempt to reduce a credit hedge by repositioning the portfolio (described in my email of April 17). The net result is a large complex position that hasn't performed as modeled, with unexpected correlations and increased volatility, that will take time to run down. The nature of the synthetic credit portfolio also caused Basel III risk-weighted asset to grow about $30B in 1Q and another $20B in 2Q so far.

As previously reported, JPMC managers wanted to reduce the HY short risk position they had, but market liquidity and perceptions (due to AMR and Kodak BK's plus LTRO) were such that the HY indices weren't economical to use to reduce the risk position. So traders modeled other indices based upon historical correlations and determined the best course of action was to sell IG indices. Ina Drew noted that the old HY synthetic hedge moved in line with the AFS portfolio prior to these changes being made. John Hogan noted that the firm had underestimated the risks and that they would exit the strategy and not reenter it.

The driving issue, according to Doug Braunstein, became the size of the position. Because of the size, any dislocation is magnified, and the ability to exit is hampered.

The CIO global credit 10% credit spread widening (CSW) limit was breached on March 22, 2012. At that time CIO Ina Drew suspended active trading in the instruments and began looking more closely at the drivers of the ongoing limit exception. Further increases to the risk position, as seen in the reports, were not from new trades, but rather from the convexity of the positions, many of which behave like near or at the money options. Further widening of spreads will exaggerate this problem; conversely, spread narrowing will assist in de-risking. *At first it was thought that the excess was due to market dislocations that would mean revert; however, after further analysis by the last week of April it became apparent to JPM management that there were fundamental problems with the portfolio.*

At this time, Risk Management has control of the synthetic credit portfolio, which will be wound down. While the portfolio does have symmetrical risks, JPMC managers are actively reducing the exposure instead of sitting on it to see if the market will turn around. The de-risking glide path entails three prongs. First, the de-risking of delta (10% CSW). Second, deciding what to do with shorts expiring in December. Third, more long dated issues related to illiquid risks that they can't do much about. There may be more liquidity reserves taken as a result. Ashley Bacon is leading the efforts to actively reduce the 10% CSW exposure by July 4th. Currently, managers are meeting twice daily seven days a week to update and control this process. Ultimate resolution of the portfolio will take a long time, and there is a possibility of losses in billions.

Risk management is measuring six risk categories for the synthetic portfolio and is stressing each of them. There is a risk that the portfolio could lose $2B from here, but these numbers are evolving as risk management better understands the position and as risks are unwound. OCC and FRB will be updated on exposure and actions

The review of the situation is ongoing. To date, identified issues include the following. There was poor construction and execution of the hedge reduction strategy, which added to the complexity and size of the position. There was over reliance on historical market relationships, which resulted in excessive price movements when implied correlations increased. There was miscalculation of market and valuation dynamics. There were insufficiently granular limits for the synthetic credit book, particularly a lack of notional limits. It took too long to fully understand the portfolio risks and escalate problems. Finally, the current market environment for these instruments has magnified mistakes.

In addition to Risk Management's active efforts to reduce the portfolio's risk positions and ultimately wind it down as previously described, JPMC has begun taking actions to prevent a similar situation. More granular limits have been put into place. The valuation, control, compliance, and reporting framework are being reviewed and are been tightened. An internal audit to assess risk management processes and financial reporting for CIO mark-to-market books is underway.

JPMC attendees
Chief Financial Officer Doug Braunstein
General Counsel Stephen Cutler
Chief Investment Officer Ina Drew
Chief Risk Officer John Hogan
EVP Corporate & Regulatory Affairs Barry Zubrow (telephone)

OCC attendees
Scott Waterhouse, Fred Crumlish, James Hohl, Mike Kirk (telephone)

Fed attendees

- npc

From: Curry, Thomas
To: <Kilber, Kenyon>
Sent: 5/11/2012 3:12:24 PM
Subject: FW: J.P.Morgan Chase

Ken,
FYI.� Old school supervision?
Tom

From: Brosnan, Mike
Sent: Friday, May 11, 2012 10:20 AM
To: Curry, Thomas; Williams, Julie
Subject: Re: J.P.Morgan Chase

Yes

At end of day they are good at financial risk mngt. But they are human and will make mistakes (big loan losses, trading losses, litigation etc). But on grand scheme they are good. This will humble them - a healthy and good thing

---

From: Curry, Thomas
Sent: Friday, May 11, 2012 10:12 AM
To: Brosnan, Mike; Williams, Julie
Subject: RE: J.P.Morgan Chase

Mike,
Thanks. Isn�t it a little more than embarrassment issue? While it may not be material, it does implicate their risk management abilities doesn�t it?
Tom

From: Brosnan, Mike
Sent: Friday, May 11, 2012 10:00 AM
To: Curry, Thomas; Williams, Julie
Subject: FW: J.P.Morgan Chase

Fyi � international colleagues will be asking and here�s what I sent to bafin.

From: Brosnan, Mike
Sent: Friday, May 11, 2012 9:58 AM
To: 'Daniel.Mestek@bafin.de'
Cc: Ludger.Hanenberg@bafin.de; Peter.Kruschel@bafin.de; 'Sarah.Dahlgren@ny.frb.org'; Tim.P.Clark@frb.gov
Subject: FW: J.P.Morgan Chase

At this point there is a lot of public information as bank issued 10-q filing and had call with analysts last night.

The transactions in question were part of their asset-liability management process (alco) which jpmc refers to as the chief investment office (cio). Here are my take-aways

- Back in 2007-08 they put on a short credit risk position to protect against a declining economy. This was a macro hedge.
- Over the past few years this hedge worked as the economy declined, credit spreads widened (causing gains on the hedge) but these gains were of course offset as they took credit losses (for example Kodak, American

airlines etc.). note, the derivatives positions are mtm while the loan portfolio is primarily cost accounting. This presents complexities for analysts etc.

- After evaluating macro environment in 4q11, actions were taken in early 2012 to reduce the short position -- by entering long position in other credit risk indices.
- The new transactions had different betas and basis risk.
- As recent marks show the bank mis-estimated the basis risk (while their short position did gain with recent upward shift in credit spreads, the long position had losses beyond original estimates).
- the overall impact of recent marks on 1q12 p/l resulted in a change from cio�s previous estimate of a $200mm gain to last night�s announcement of a $800mm loss ($1b swing).
- The micro positions in question are now in control of risk management.

The overall result will be a reduction in 2q12 earnings, and I think the bank has informed market there is a good chance the adjustments underway could result in some earnings impact for one or two future quarters as well. Also, they changed risk models which will result in higher rwa and this will cause tier one common ratio to drop from 8.4 to 8.2. obviously there isn�t a safety issue with these numbers, but there is an embarrassment issue for bank leadership which has overtly expressed pride in their ability to measure and control risk.

From: Daniel.Mestek@bafin.de [mailto:Daniel.Mestek@bafin.de]
Sent: Friday, May 11, 2012 8:39 AM
To: Brosnan, Mike; Tim.P.Clark@frb.gov
Cc: Ludger.Hanenberg@bafin.de; Peter.Kruschel@bafin.de
Subject: J.P.Morgan Chase

Dear colleagues

As you may know, BaFin is in charge of supervising J.P.Morgan AG, an indirect subsidiary of J.P.Morgan Chase & Co, New York. Furthermore, J.P.Morgan Chase�s Frankfurt branch is under our supervision.

Regarding the latest news on major losses of J.P.Morgan�s US business, we would be grateful if we could get insight into both the background of the transaction(s) leading to the reported losses as well as any supervisory action (to be) undertaken by you.

Therefore, it would be greatly appreciated if you could as soon as possible either provide us with respective information in written form or, as an alternative, if we could set up a telephone conference.

Yours sincerely

Daniel Mestek, LL.M.
Bundesanstalt f�r Finanzdienstleistungsaufsicht
Referat BA 16: Aufsicht �ber ausl�ndische Banken aus Amerika, Schweiz, Asien (ohne arabische Staaten), Australien
Federal Financial Supervisory Authority
Section BA 16: Supervision of foreign banks from the USA, Switzerland, Asia (excluding the Arab states) and Australia
Graurheindorfer Str. 108
53117 Bonn
Fon: +49(0)228 4108-3787
Fax: +49(0)228 4108-63787
e-mail: daniel.mestek@bafin.de

CHIEF INVESTMENT OFFICE - EXECUTIVE MANAGEMENT REPORT

January 2011

Chief Investment Office

Financial Summary

	January Actuals
MTM	113
NII	63
Security Gains (Losses)	18
Other Revenue	(36)
Total CIO Revenues	158
Total CIO Expenses (Ex IC, Ex FX)	15
Overhead Ratio	9.74%
FX Hedging Reduction to Expense Benefit/(Loss)	(6)
MSR	(10)
COLI/BOLI	16

- January MTM P&L gain of $113mm primarily driven by:
  - MTM gains on Agency Preferred, Credit CLOs and Fixed Income positions

- January Other Revenue of $(36)mm primarily due to:
  - ($38)mm cost to market adjustment on AM whole loans, offset in AM

Total Return Summary

Total Economic Return	130
Cost of Capital [1]	15
TAA Expenses (Ex IC, Ex FX)	7
Pre Tax SVA	109
ROE	111%
3 month average Aggregate VaR95	62
Stress	471
EOP Capital (with MSR)[2]	1,156

[1] Assumes 15% cost of capital
[2] EOP capital includes firmwide diversification

January:
TAA Returns of $155mm due to:

- Credit: Continuation of the rally in ABS markets across all asset classes. Tighter spreads on CLOs have benefited the position
- Europe: Positioned to capture short end European interest rate market sell-off and curve flattening due to stronger economic data and reduced risk in peripheral Europe markets
- Asia: Driven by FX gains in KRW and increased deposit rates in balances in the PBOC
- North America: Primarily driven by credit and muni spreads tightening
- MSR: Loss of ($10)mm due to convexity offset by duration.

2125

Chief Investment Office Financial Supplement

$ in millions

	Quarter 1 2011 Forecast	Quarter 4 2010 Actuals	Quarter 3 2010 Actuals	Quarter 2 2010 Actuals	Quarter 1 2010 Actuals	
Revenue						[redacted]
Total MTM	134	192	236	(207)	329	
Security G/(L)	75	1,207	100	957	699	
Total Other Revenue*	(48)	(133)	(113)	(58)	(43)	
Non Interest Revenue	**161**	**1,286**	**222**	**691**	**985**	
Total NII	642	279	742	1,142	1,465	
Total Net Revenue	**803**	**1,545**	**964**	**1,834**	**2,449**	
Expenses						
Compensation Expense (ex IC)	26	20	(11)	53	18	
Noncompensation Expense	30	28	25	23	26	
Total Non Interest Expense (ex IC ex FX)	**56**	**48**	**14**	**76**	**43**	
Overhead Ratio ex IC	6.95%	3.08%	1.46%	4.12%	1.77%	
COLI/BOLI	40	25	65	103	68	
MSR	113	(109)	57	120	98	

* Other Revenue includes FX Hedging Reduction to Expenses

MTM Revenue by Region					
NA MTM	35	27	26	5	27
Europe	39	13	12	11	35
Asia	23	33	76	(10)	30
Global Credit Core	3	81	(12)	(19)	120
Global Credit Investments	20	26	61	62	73
Global Management	38	(1)	2	(0)	1
TAA MTM	**157**	**178**	**165**	**49**	**286**
Accounting Related Adjustments:					
(-) MTM NII/Exp	(38)	(54)	(52)	(70)	(89)
MTM ex. MTM NII/Exp	**119**	**125**	**113**	**(21)**	**198**
FX Hedging MTM	-	(1)	29	(34)	42
Agency Preferred	-	10	5	(49)	14
Bank Preferred	19	9	116	(104)	102
EMEA CDS Hedges	(5)	63	(20)	26	-
TDR	-	(16)	2	(25)	(2)
Other SAA MTM	-	2	(9)	0	(25)
SAA MTM	**14**	**68**	**94**	**(152)**	**89**
Total MTM Revenue	**134**	**192**	**236**	**(207)**	**329**

2126

CIO Financial Income - January Actuals

$ in millions

	Actuals January
<u>NII</u>	
NA	1
International	70
DNQ	-
Cash Capital Adj	(17)
Global Management	-
Initiatives	-
Total TAA NII	55
Total SAA NII	13
FX Hedging NII - Capital	12
FX Hedging NII - Rev/Exp	2
Total FX Hedging NII	13
[illegible]	[illegible]
<u>MTM</u>	
TAA - Realized	80
(-) MTM NII/Exp - Realized	(22)
TAA - Remaining	-
TAA MTM	58
SAA MTM	49
FX Hedging MTM	6
[illegible]	[illegible]
<u>Other Revenue</u>	
Intercompany Brokerage Fees	(0)
Cost to Market Adjustment	(38)
DRD Tax Gross-Up	1
FX Hedging Other	3
Other	(1)
[illegible]	[illegible]
FX Hedging Reduction to Expense	(6)
FASB Ineffectiveness	(18)
Securities Gains/(Losses)	16
[illegible]	[illegible]
COLI/BOLI	16
MSR	(10)
[illegible]	[illegible]

2127

Corporate Recovery Portfolio Financial Supplement

$ in millions

	Quarter 1 2011 Forecast	Quarter 4 2010 Actuals	Quarter 3 2010 Actuals	Quarter 2 2010 Actuals	Quarter 1 2010 Actuals	[redacted]
Revenue						
Total MTM	-	30	93	49	28	
Security G/(L)	-	16	(0)	34	(89)	
Total Other Revenue	-	(3)	(6)	(1)	(1)	
Non Interest Revenue	-	42	87	82	(63)	
Total NII	24	25	32	37	40	
Total Net Revenue	24	67	119	118	(23)	

MTM Revenue by Portfolio							
ARS	-	-	1	1	(0)	-	0
IB Recovery Portfolio	-	8	35	36	10	(8)	(10)
WaMu	-	21	57	12	18	(21)	(18)
WaMu FX	-	-	-	-	-	-	-
Total MTM	-	30	93	49	28	(30)	(28)

2128

CRP Financial Income - January Actuals

$ in millions

	Actuals January
NII	
ARS	1
IB Recovery Portfolio	4
WaMu	2
Total CRP NII	8
MTM	
ARS	-
IB Recovery Portfolio	8
WaMu	12
Total CRP MTM	20
Other Revenues	
Securities Gains/(Losses)	8
Other Revenue	(1)
Impairment	-
Total CRP Other Revenues	7
Total CRP Revenues	36

2129

CIO Expense Analysis- Summary

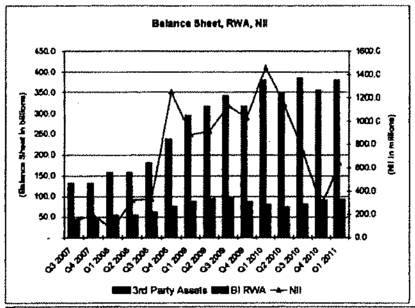
(Expenses in $ millions)

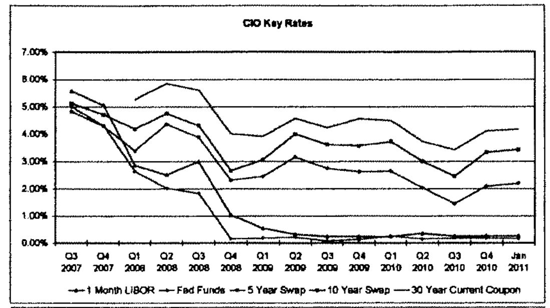
	Actuals January	
Controllable Expenses		
Salary and Benefits	6.0	[1]
Prof and Outside Services	0.4	[2]
Tech and Comm(Market Data, Voice, BB)	0.8	[3]
Travel and Entertainment	0.1	
Employee Related Expenses	0.1	
Total Other	0.1	
Total Controllable Expenses	7.5	
Non Controllable Expenses		
PWC Fees	0.1	
Other Audit	0.0	
OCC Fees	2.9	
Prof and Outside Services	3.0	
Occupancy	0.8	
Depreciation/Amortization of Assets	0.2	
General Insurance	0.1	
Sundry/VAT/Franchise Tax	0.6	[4]
UK Bank Levy	-	[5]
Sundry/VAT/General Insurance	0.6	
Allocations		
Total Allocations	2.8	
Total Non Controllable Expenses	7.4	
[redacted]	[redacted]	
Special Investment Group (includes PE)	0.5	[6]
Retirement Plan	0.4	
[redacted]	[redacted]	
CIO Expenses		
SAA Expenses	8.4	
TAA Expenses	6.6	
Headcount:		
Employee Headcount	356	
Contractor Headcount	10	
CIO, ex. Treasury Support	366	
Employee Headcount	106	
Contractor Headcount	6	
Treasury Support	112	
Total Headcount	478	

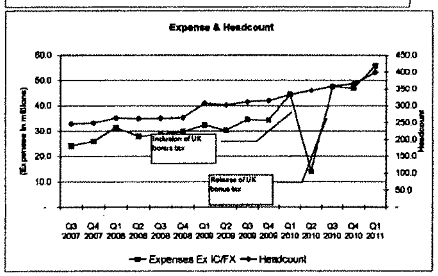
Notes

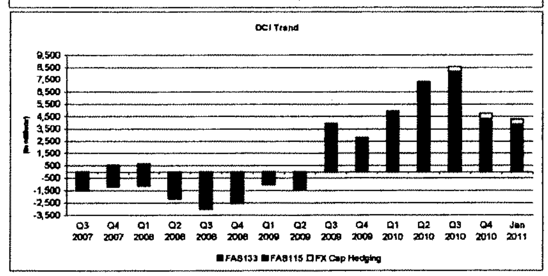
[1] UKIO on 2010 IC payout in January planned at $2.4mm has been deferred to February.
[2] Brokerage expenses are $0.2mm lower than plan.
[3] Purchased software and telecomm are $0.1mm lower than plan.
[4] Sundry taxes are $0.2mm over plan due to strong FX gains in China and higher revenues in Canada.
[5] Corporate has deferred booking UK Bank Levy Tax until 2H 11. CIO January plan was $972k.
[6] SIG did not incur any deal related legal costs in January vs. plan of $0.5mm.

Historical Trends



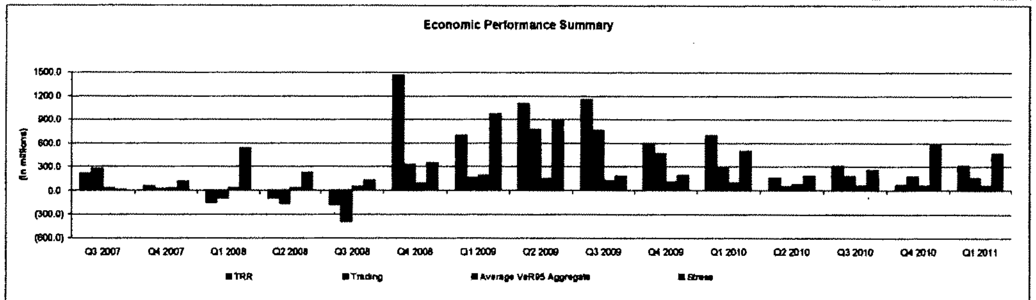


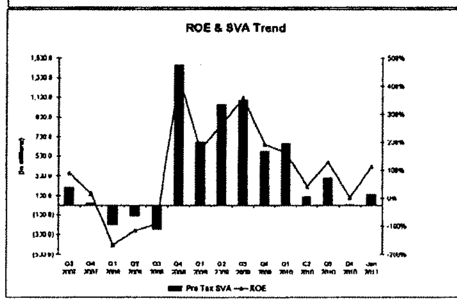


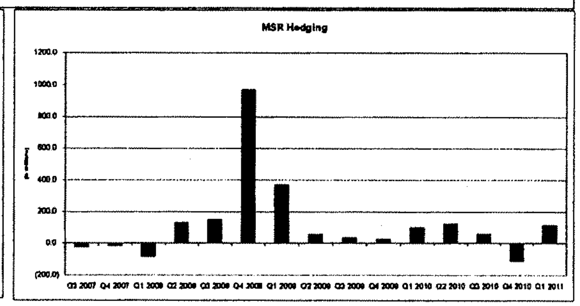


2131

Historical Trends







2132

— = Redacted by the Permanent Subcommittee on Investigations

CIO Balance Sheet - Regional View

as of January 31st, 2011

Balance Sheet - Spot Balances (3rd Party)

(in $ Billions)

	Discretionary					
	North America	Europe	Asia	SAA	CRP	Total
Trading Account Securities	3.1	17.9	3.2	[redacted]		38.9
Fed Funds Sold/Resales	-	1.4	1.4	-	-	2.8
Investment Securities	0.9	22.7	11.7	[redacted]		296.2
Interbank Placings	-	-	4.9	-	-	4.9
Cash & Due from Banks	0.5	-	0.1	[redacted]		0.6
Whole Loans Mortgages	0.0	(0.0)	0.0	[redacted]	-	11.2
Other Assets	0.2	0.2	0.1	[redacted]		1.6
Total 3rd Party Assets	4.7	42.2	21.4	[redacted]		354.2

Balance Sheet - RWA Balances

(in $ Billions)

	Discretionary					
	North America	Europe	Asia	SAA	CRP	Total
Trading Account Securities	[illegible]	[illegible]	[illegible]	[redacted]		[illegible]
Fed Funds Sold/Resales	-	-	-	-	-	-
Investment Securities	0.5	3.5	[illegible]	[redacted]		51.7
Interbank Placings	-	-	3.0	-	-	3.0
Cash & Due from Banks	-	[illegible]	[illegible]	-		-
Whole Loans Mortgages	-	-	-	[redacted]	-	2.6
Other Assets	0.3	0.4	0.2	[redacted]	-	1.9
Total	1.4	17.9	7.0	[redacted]		86.2

2133

	3-Jan	4-Jan	5-Jan	6-Jan	9-Jan	10-Jan	11-Jan	12-Jan	13-Jan	16-Jan	17-Jan	18-Jan	19-Jan
Synthetic Credit	-2,331,403	-9,405,131	11,489,046	-6,118,207	-8,161,497	-1,147,064	223,462	-3,552,588	-1,328,679	-1,474,654	538,245	1,531,279	-2,497,903

20-Jan	23-Jan	24-Jan	25-Jan	26-Jan	27-Jan	30-Jan	31-Jan	1-Feb	2-Feb	3-Feb	6-Feb	7-Feb	8-Feb	9-Feb
-5,824,024	-14,937,654	-18,663,381	-5,349,602	-1,609,067	-3,637,880	-22,790,129	-5,320,915	11,899,066	-2,476,245	800,677	-3,633,327	-749,985	-23,773,934	-4,114,971

10-Feb	13-Feb	14-Feb	15-Feb	16-Feb	17-Feb	20-Feb	21-Feb	22-Feb	23-Feb	24-Feb	27-Feb	28-Feb	29-Feb	1-Mar
1,044,270	-5,029,818	-1,756,535	-3,310,361	2,787,722	151,612	1,402	-3,547,248	-5,258,735	-1,144,086	-5,248,999	-7,575,866	-2,894,309	-14,744,318	15,808,609

2-Mar	5-Mar	6-Mar	7-Mar	8-Mar	9-Mar	12-Mar	13-Mar	14-Mar	15-Mar	16-Mar	19-Mar	20-Mar	21-Mar	22-Mar
-878,902	1,171,999	3,161,395	1,264,716	1,154,204	-4,565,697	-838,406	-55,325	-3,654,838	-730,181	-3,864,759	-3,368,891	-43,553,294	701,825	-1,786,282

23-Mar	26-Mar	27-Mar	28-Mar	29-Mar	30-Mar	Q1 Total	2-Apr	3-Apr	4-Apr	5-Apr	10-Apr	11-Apr	12-Apr	13-Apr
-12,555,383	-32,426,419	-44,740,604	-50,685,464	-49,996,238	-319,192,503	-718,672,193	11,615,112	-10,407,844	-11,100,155	-9,517,665	-415,342,049	-6,301,198	-4,809,755	-50,629,714

16-Apr	17-Apr	18-Apr	19-Apr	20-Apr	23-Apr	24-Apr	25-Apr	26-Apr	27-Apr	30-Apr	1-May	2-May	3-May
-37,415,502	9,948,665	-28,338,553	-29,239,630	-32,236,022	-161,148,061	-81,602,918	-187,629,766	-162,235,258	15,364,325	-222,070,242	-794,944	-52,404,248	-91,590,554

4-May	7-May	8-May	9-May	10-May	11-May	14-May	15-May	Q2 Total	YTD 2012 Total
-103,250,854	-58,065,892	-195,248,051	-108,126,095	-36,461,805	-570,159,849	-227,592,775	-119,236,467	-2,976,027,784	[illegible]

▬▬ = Redacted by the Permanent Subcommittee on Investigations

2011 CA QUARTERLY SUMMARY
Global Chief Investment Office 4th Quarter CA summary
4th Quarter

LEVEL 1	Chief Investment Office	AMT	Hatzopoulos, Alexander X
LEVEL 2	CIO	AMT DIRECT	McManus, William K
QUARTER	4	STATUS	Approved

SUMMARY OF ACTIVITIES

STAKEHOLDER MEETINGS

Meetings are held with Internal Audit on a regular basis with Key stakeholders within CIO globally including Senior Management (BCC's w/ Ina Drew), Operations (Phil Lewis, Alison Giovannetti and Dave Alexander), Market Risk (Peter Weiland), and Technology (Joe Coleman).

North America

CIO continues to manage the investment portfolio in line with interest rate risk sensitivities transfer priced by Treasury and market opportunity

The firm's duration of equity is (5.4) years, and (2.5) years including credit spread duration.

Overall Control Environment

All North America 2011 audits rated satisfactory

All CIO applications rated 'Good' or 'Excellent' under the Application Security Assessment process

All North America Sox financial testing on schedule at 100% as of December 31, 2011

No errors with material financial impact in 2011

Ongoing technology initiative to increase capability and streamline operating environment on track (APPIA)

Firm wide increased focus on key operating/ reputational risks & information security

[redacted]

CIO Technology:

From a project perspective, the APPIA project (to migrate trades off of IB systems on to a suite of CIO owned systems) is making good progress. No significant issues were raised by Audit in Q4. Some of the key accomplishments in Q4 include: FAS 133 Debt/Hedge Migration – Non USD Debt and Fair Value Swaps – November 2nd 2011; EMEA Treasury Risk Transfer Swap Migration – November 9th 2011; EMEA ABS/CLO Phase1 Migration – November 15th 2011; Asia Securities Migration Phase 2 (Hong Kong, China, Mumbai, Taiwan, Malaysia) - November 18th 2011; Differential Discounting Implementation – December 3rd 2011. Key in-flight projects include: EMEA ABS/CLO Phase2 Migration – January 2012; Core/APPIA Integration for TBA's & Specified Pools – First Quarter 2012. Remaining Migrations include: Asia Securities Migration – Phase 3 (Tokyo, Sydney, Manila, Seoul, Jakarta) - First Quarter 2012; North America Toronto Branch Swaps and Securities Migration – First Quarter 2012; EMEA CTS Migration – First Quarter 2012; IRFE to Athena FX Capital Hedging Migration – Second Quarter 2012 (No CIO technical work involved); Asia Credit books off of Pyramid - TBD 2012; TRPL for ASIA- TBD 2012; MSR Migration from Kapital - will most likely be pushed into 2013 given current prioritization and staffing levels.

From a production support perspective, the Business Process Index (BPI), which is used to measure the availability of the CIO

= Redacted by the Permanent Subcommittee on Investigations

applications, remains stable at the 99% level. From a risk and control perspective, CORE, Shrek, TEA, Primus and Poplar are in scope for SOX testing. CIO Technology is on target to meet the firm-wide targets of 100% completion by January 31, 2011. There were no deficiencies identified to date. CIO/Treasury applications in scope for the Monetary Authority of Singapore (MAS) remediation effort include: Shrek, Primus, TEA, TFA, GFRS, and SLWeb. CIO/Treasury is making good progress at the end of Q4, 2011.

EMEA

Audit Continued to hold periodic meetings with key stakeholders in CIO. The Q3 2011 BCC was held in early November 2011. CIO Continues to manage the investment portfolio in line with interest rate risk sensitivities transfer priced by Treasury and market opportunity.

Going into the new year, the plan is to expand the derivatives trading book to nominal of at least $47billion by the end of January 2011. The CIO international balance sheet currently has $160bln of assets. The aim is to increase the income these assets generate. The respective credit limits and all other limits have to be increased accordingly. This is currently being reviewed by the relevant people in Market and Credit risk.

The change to Differential Discounting to OIS curve since November 2011 has had a positive impact of $12mln at year end.

EMEA Tactical (TRR) for Q4 was $1.09 billion YTD, which is strong performance across all businesses. Credit Investments have strong results driven by strong performance in mezzanine paper and continued tightening of CLO spreads

SAA Portfolio: CIO's ABS portfolio has a value of approx. $30. 7billion, with around 47% of such assets represented by RMBS (originated in UK and Netherlands). Cio has unwound long term debt and Govt. Bonds in countries such as Spain and Portugal during the last quarter.

New Business- [redacted]

APPIA Migrations - the ABS/CLO migration from CONCORDE/ASIS to PRIMUS/OPICS is underway. An initial 28 trades were migrated in mid November and a parallel run over month end. There were issues relating to the bulk uploader of the trades into the new system. These required manual intervention. Subsequently, a further 10 trades were migrated in early December to ensure that this issues was addressed. Both sets of trades had a parallel run over month end and year end with no issues. The plan is to migrate the remaining population on 24th January 2012. The migration is being audited as part of the CIO Credit Targeted review currently underway.

Regulatory Reform: Volker rule: Business has completed comprehensive mapping of desk level risk management products and strategies to firm wide structural risks and will focus on conducting risk management activities that are clearly related to underlying firm wide structural activities.

ASIA

Key NBIAs - Asia

[redacted]

▬ = **Redacted by the Permanent Subcommittee on Investigations**

[redacted]

METRICS AND MONITORING

Market Risk Limits and Total Return and Trading Metrics summaries are reviewed by audit. In addition, weekly metrics for operations are monitored by audit. Weekly metrics consist of , P & L variances, cancel and amended trades, market limits and transaction volume. No significant issues noted in Q4. Operational KPIs and P&L are primarily monitored through the BCC process.

Chief Investment Office highlights Q4 2011:

- TAA Returns of $457 MM:
- Credit: CDX HY positions were set up to take advantage of key bankruptcy credit related events which resulted in windfall gains for credit book.
- ABS and CLO markets were relatively quiet during the wider market volatility period and CIO continue to benefit from significant amortizations and carry.
- Europe: Markets have remained volatile with overhanging concern around European debt issues and its political and economic impact on the region.
- CIO profited from the widening of US asset swaps, but incurred losses in the structural management book from widening on long positions and in the FX portfolio on managibg down-side risk.
- Asia: Gains driven by increase in NII from long securities positions mainly in HK, Singapore, Indonesia, Korea, India, and China.
- FX gains from cross-currency appreciation in Singapore and currency appreciation in China
- North America: FX gains in long USD positions as EUR weakened vs USD. Fixed income CMBS spreads tightened on the quarter and Preferreds were marked higher as equity market rallied. Gains from long equity positions as S&P was up 11.15% for the quarter.
- MSR: Loss of $174 MM primarily attributed to duration, offset by MBS Basis.

EMEA CIO participates in a weekly MIS call with MO Audit attends as part of CA. There is a review operational weekly KPI's and back office metrics including trade capture and volumes, P&L and Risk sign-off, FOBO Reconciliations, nostro breaks and system. There were no significant operational issues for Q4.

Asia

- **Asia CIO** tabled MO and BO metrics in the quarterly BCC, which includes trade volumes, cancel and amends, late trades, P&L and Risk sign-off, FOBO Reconciliations, nostro breaks, etc. No significant items were noted by Audit during Q4 2011.

ISSUE FOLLOW-UP

Through CA activities, Audit tracks the entry of all audit issues and related action plans into Phoenix, monitors the progress through completion of action plans and subsequent closure of issues in Phoenix. A monthly analysis of open action plans is prepared and follow up with action plan owners performed by audit before the end of each month.

North America

No new issues or action plans have been added for this quarter.

EMEA

2 new business identified issues and action plans have been added for this quarter:

- **Transfer pricing rates between CIO & Treasury for REPOs**: Technology are working on providing an automated solution to ensure that OPICs receives the correct transfer pricing rate on a daily basis. This solution will ensure that any re-rates on the repos between Treasury and CIO are in sync so that there are no P&L impact at month end to analyse and adjust for. Action plan is due for completion February 2012.

- **GLRS Substantiation Review** :There is inadequate documentation of CIO EMEA substantiation procedures incl. the methodology used to substantiate each type of GL a/c. Thus, GLRS Substantiation methods used by CIO EMEA personnel to be reviewed and documented and confirm appropriateness and consistency. ii. Compare substantiation practices used by CIO EMEA to CIO NA and CIO ASIA and address inconsistencies, as determined appropriate. iii. Evaluate the ownership of the substantiation responsibilities and determine whether any changes should be made. Action Plan due for completion on 31 may 2012.

There was an **audit identified issue raised as part of the Capital Hedging audit report** (Report No: G-11/009). There 7 legal entities that were incorrectly included in the capital hedging program and receiving hedge accounting treatment by the CIO despite being correctly reported by the local LECs as having USD functional currencies, disqualifying them from the program.While the amounts being reported all related to FX exposure arising from USD functional currency entities with non-USD equity positions, their removal from the capital hedging program may require reclassification of amounts historically booked to OCI dating back to May 2006, potentially resulting in a net $27 million gain ($21 million loss for the CIO and a $48 million gain for the parent legal entities). Finalization of required reclassifications is pending confirmation of the go-forward accounting treatment of non-functional currency equity positions. The exceptions noted which date back several years are primarily attributable to existing controls not sufficiently ensuring the appropriataness of all LE in the program. The action plan is targeted for completion on 31 March 2012.

Asia

All the issues and action plans raised from the Hong Kong CIO Middle Office and Finance Functions audit (Satisfactory – G-11/005) were complete and Phoenix issues were closed accordingly before target dates.

BUSINESS CHANGES

Asia

- Front office: Two new traders, Teong Hong and Yen Ping Ho joined HK and SG offices in Q4 2011. There were 2 front office trader left the firm (HK and Japan office).

FOLLOW-UPS

EMR AND AUDIT REPORT ISSUES

North America - NA

EMEA - N/A

Asia - N/A

PLAN AND RISK ASSESSMENT CHANGES

CIO Tokyo
This has been deleted from the plan because audit work is to be performed in 2012

CIO Compensation Practices Horizontal
This has been deleted from the plan because audit work is performed by HR audit team

CIO Credit
This has been deleted from the plan because audit work is to be performed in 2012 for CIO.

CIO CSA Horizontal
This has been deleted from the plan because Horizontal not performed in 2011.

CIO ICAAP Horizontal
This has been deleted from the plan because CIO is out of scope for horizontal.

CIO Market Risk Amendment Horizontal
This has been deleted from the plan because Horizontal audit not performed in 2011.

MSR
This has been deleted from the plan because audit work is to be performed in 2012 for CIO.

Resolution and Recovery
This has been deleted from the plan because audit work is to be performed in 2012 for CIO.

Special Investments Group
This has been deleted from the plan because audit work is to be performed in 2012 for CIO

OVERALL COMMENTS
SUMMARY

CHIEF INVESTMENT OFFICE - EXECUTIVE MANAGEMENT REPORT

December 2011

2146

Chief Investment Office

Financial Summary (Corporate View)

	Quarter 1 2011 Actuals	Quarter 2 2011 Actuals	Quarter 3 2011 Actuals	Quarter 4 2011 Actuals	FY 2011 Actuals
MTM	376	130	(593)	330	243
NII	407	645	360	488	1,900
Security Gains (Losses)	90	838	448	(14)	1,363
Other Revenue	(79)	(19)	(62)	(18)	(178)
Total CIO Revenues	794	1,593	153	785	3,318
Total CIO Expenses (Ex IC, FX & RP)	49	77	91	92	309
Overhead Ratio	6.21%	4.81%	59.17%	11.76%	9.29%
FX Hedging Reduction to Expense Benefit/(Loss)	(32)	(59)	(18)	(8)	(117)
MSR	36	21	(183)	(174)	(299)
COLI/BOLI	63	50	39	44	197

- MTM gains of 330mm in Quarter 4 mainly driven by key bankruptcy credit related events resulting in significant gains in the US High Yield CDS book.
- Quarter 4 NII includes one-time $120 mm impact from system changes and differential/OIS change.
- Security losses primarily driven by sales of foreign government and corporate bonds and Other-Than-Temporary-Impairment on Non-Agency RMBS bonds.

Total Return Summary

	Quarter 1 2011 Actuals	Quarter 2 2011 Actuals	Quarter 3 2011 Actuals	Quarter 4 2011 Actuals	FY 2011 Actuals
Total Economic Return	600	310	(468)	231	673
Cost of Capital [1]	58	81	79	85	303
TAA Expenses (Ex IC, Ex FX)	22	23	28	28	101
Pre Tax SVA	520	206	(575)	118	269
ROE	190%	88%	-119%	49%	36%
3 month average Aggregate VaR95	68	64	71	85	72
3 month average Aggregate Stress	671	1,064	851	941	881
EOP Capital (with MSR)[2]	1,231	1,790	1,693	1,770	1,590

[1] Assumes 19% cost of capital

[2] EOP capital includes firmwide diversification

Q4, 2011

Credit: CDX HY positions were set up to take advantage of key bankruptcy credit related events which resulted in windfall gains for our credit book. ABS and CLO markets were relatively quiet during the wider market volatility period and we continue to benefit from significant amortizations and ca

Europe: Markets have remained volatile with everchanging concern around European debt issues and its political and economic impact on the region. We profited from the widening of US asset swaps, but incurred losses in the structural management book from widening on long positions and in the FX portfolio on managing down-side risk.

Asia: Gains driven by increase in NII from long securities positions mainly in HK, Singapore, Indonesia, Korea, India, and China. FX gains from cross-currency appreciation in Singapore and currency appreciation in China

NA: FX gains in long USD positions as EUR weakened vs USD. Fixed income CMBS spreads tightened on the quarter and Preferreds were marked higher as equity market rallied. Gains from long equity positions as S&P was up 11.16% for the quarter.

MSR: Loss of $174 MM primarily attributed to duration, offset by MBS Basis.

2147

Chief Investment Office Financial Supplement [Management View]*

$ in millions

	Quarter 4 2011 Actuals	Quarter 2 2011 Actuals	Quarter 2 2011 Actuals	Quarter 1 2011 Actuals	Quarter 4 2010 Actuals	[redacted]
Revenue						
Total MTM	330	(583)	130	376	192	
Security G/(L)	(14)	448	838	90	1,207	
Total Other Revenue*	(26)	(80)	(78)	(111)	(134)	
Non Interest Revenue	289	(214)	891	355	1,265	
Total NII	488	350	645	407	279	
Total Net Revenue	777	135	1,536	762	1,544	
Expenses						
Compensation Expense (ex IC)	23	21	21	22	19	
Noncompensation Expense	70	69	56	27	29	
Total Non Interest Expense (ex IC, ex FX, ex RP)	92	91	77	49	48	
Overhead Ratio ex IC	11.88%	66.94%	4.99%	6.47%	3.08%	
COLI/BOLI	44	39	50	65	25	
MSR	(174)	(283)	21	36	(109)	

* Other Revenue Includes FX Hedging Reduction to Expenses

MTM Revenue by Region					
NA MTM	19	(186)	62	40	27
Europe	(20)	(44)	(2)	69	13
Asia	50	(36)	18	31	33
Global Credit Core	356	59	17	42	61
Global Credit Investments	5	11	47	120	26
Other	0	-	-	-	(1)
TAA MTM	409	(195)	142	303	179
Accounting Related Adjustments:					
(-) MTM NII/Exp	(82)	(93)	(90)	(72)	(54)
MTM ex. MTM NII/Exp	327	(289)	53	230	125
FX Hedging MTM	36	(42)	14	18	(1)
Agency Preferred	(31)	(33)	42	64	10
Bank Preferred	25	(207)	19	61	9
SAA Rates	0	(17)			
Global Management Account	1	6	5	1	
EMEA CDS Hedges	(32)	(5)	24	(14)	63
French CDS	14	(1)			
TOR	(6)	(14)	(6)	12	(16)
TBA Put Option	0	-	(0)	13	-
HG Mandate	(3)	22	(6)	(7)	4
Other SAA MTM	(1)	(1)	(13)	(2)	(2)
SAA MTM	(33)	(251)	64	128	68
Total MTM Revenue	330	(582)	130	376	192

2148

CIO Financial Income - December YTD Actuals [Management View]

$ in millions
NII
NA
International
Cash Capital Adj
Global Management
Total TAA NII
Total SAA NII
FX Hedging NII - Capital
FX Hedging NII - Rev/Exp
Total FX Hedging NII
[illegible]
MTM
TAA - Realized
(-) MTM NII/Exp - Realized
TAA MTM
SAA MTM
FX Hedging MTM
[illegible]
Other Revenue
Intercompany Brokerage Fees
Cost to Market Adjustment
DRD Tax Gross Up
FX Hedging Other
Other
[illegible]
FX Hedging Reduction to Expense
FASB Ineffectiveness
Securities Gains/(Losses)
[illegible]
COLI/BOLI
MSR
[illegible]

[redacted]

2149

Corporate Recovery Portfolio Financial Supplement

$ in millions

	Quarter 4 2011 Actuals	Quarter 3 2011 Actuals	Quarter 2 2011 Actuals	Quarter 1 2011 Actuals	Quarter 4 2010 Actuals	[redacted]
Revenue						
Total MTM	4	(27)	(33)	85	30	
Security G/(L)	1	11	(1)	11	16	
Total Other Revenue	(2)	(3)	(3)	(2)	(3)	
Non Interest Revenue	4	(19)	(37)	94	42	
Total NII	19	19	21	23	25	
Total Net Revenue	23	0	(16)	117	67	

MTM Revenue by Portfolio					
ARS	(0)	0	-	-	0
IB Recovery Portfolio	6	(16)	(17)	62	8
WaMu	(2)	(11)	(16)	24	21
Total MTM	4	(27)	(33)	85	30

2150

CRP Financial Income - December YTD Actuals

$ in millions

	2011 Actuals Quarter 1	2011 Actuals Quarter 2	2011 Actuals Quarter 3	[illegible]	[illegible]
NII					
ARS	4	4	3	[illegible]	[illegible]
IB Recovery Portfolio	13	12	12	[illegible]	[illegible]
WaMu	6	5	4	[illegible]	[illegible]
Total CRP NII	23	21	19	[illegible]	[illegible]
MTM					
ARS			0	[illegible]	[illegible]
IB Recovery Portfolio	62	(17)	(16)	[illegible]	[illegible]
WaMu	24	(16)	(11)	[illegible]	[illegible]
Total CRP MTM	85	(33)	(27)	[illegible]	[illegible]
Other Revenues					
Securities Gains/(Losses)	11	(1)	11	[illegible]	[illegible]
Other Revenue	(2)	(3)	(3)	[illegible]	[illegible]
Impairment					
Total CRP Other Revenues	9	(4)	8	[illegible]	[illegible]
Total CRP Revenues	117	(16)	0	[illegible]	[illegible]

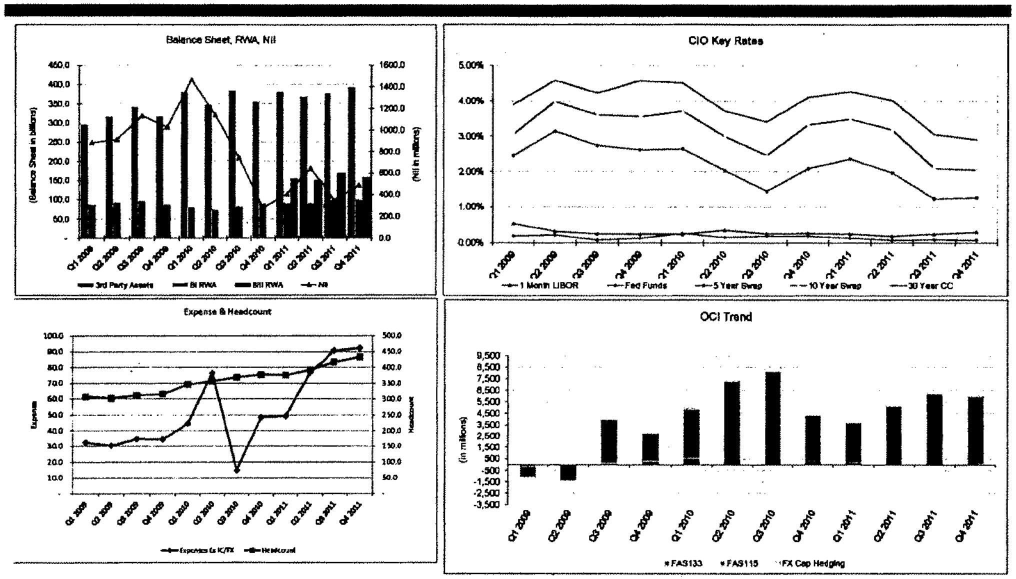
2151

CIO Expense Analysis- Summary

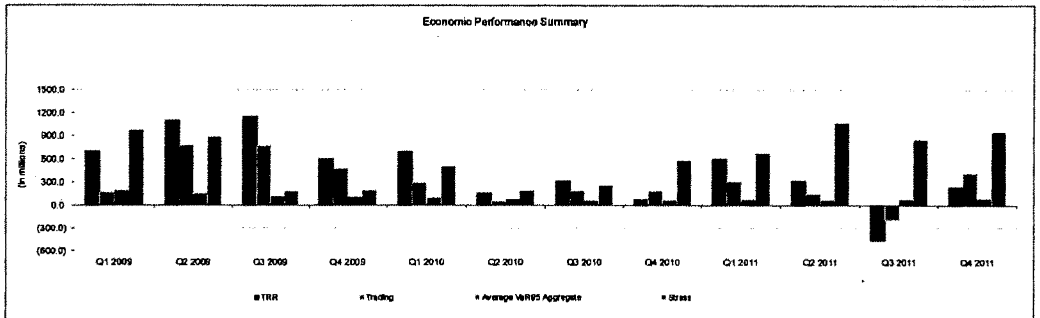
(Expenses in $ millions)

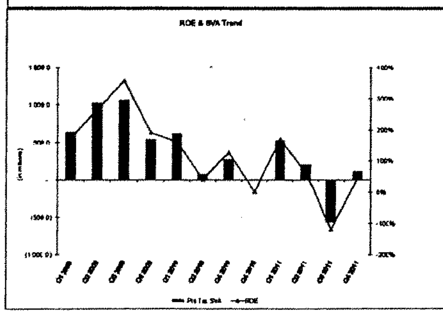
	2010	Actual	Actual	Actual	Actual		Actual		Actual	
	FY Actual	Quarter 1	Quarter 2	Quarter 3	December	B/(W) vs MYF	Quarter 4	B/(W) vs MYF	FY 2011	B/(W) vs MYF
Controllable Expenses										
Salary and Benefits(ex Payroll tax on IC)	61.2	19.4	19.3	20.0	7.2	(0.2)	20.6	0.5	79.4	1.9
Payroll tax on IC	11.5	2.4	1.2	1.4	1.0	(0.5)	1.9	(0.6)	6.9	(0.6)
Prof and Outside Services	6.9	1.5	2.7	1.8	0.8	(0.1)	2.0	0.3	7.9	0.7
Tech and Comm(Market Data, Voice, BB)	9.3	2.5	2.7	2.8	1.0	0.0	2.8	0.3	10.8	0.6
Travel and Entertainment	1.1	0.4	0.6	0.4	0.2	(0.0)	0.4	0.1	1.8	0.0
Employee Related Expenses	1.3	0.3	0.7	0.6	0.1	0.1	0.2	0.2	1.9	(0.1)
Total Other	1.2	0.3	0.3	0.9	6.1	(6.0)	6.3	(6.1)	7.8	(7.0)
Total Controllable Expenses	92.4	28.7	27.5	27.9	16.4	(6.1)	34.3	(5.3)	118.4	(4.3)
Non Controllable Expenses										
Prof and Outside Services/Audit Fees	1.4	0.4	0.4	0.4	0.2	(0.1)	0.4	(0.0)	1.5	(0.0)
Occupancy	8.2	2.3	2.2	2.3	0.8	(0.0)	2.3	(0.0)	9.1	(0.0)
Depreciation/Amortization of Assets	2.5	0.5	0.5	0.5	0.2	0.0	0.6	0.0	2.1	0.1
Deposit Insurance	0.7	-	26.6	28.9	11.9	(2.5)	31.8	(3.6)	87.3	(6.0)
General Insurance	0.8	0.2	0.2	0.2	0.1	(0.0)	0.2	(0.0)	0.7	(0.0)
Sundry/VAT/Franchise Tax	4.4	1.9	2.1	2.1	0.7	(0.3)	2.1	(0.7)	8.1	(1.1)
OCC Fees	38.9	8.8	8.8	9.8	2.9	-	8.8	-	38.2	(1.0)
UK Bank Levy	-	-	-	9.5	1.1	0.7	3.2	2.1	12.7	(2.2)
Sundry/VAT/Insurance/OCC	44.7	10.9	37.8	50.6	16.6	(2.0)	46.0	(2.2)	145.0	(10.4)
Allocations										
Total Allocations	28.9	8.4	8.4	8.9	2.9	(0.0)	8.8	0.0	34.7	0.0
Total Non Controllable Expenses	86.7	22.6	49.2	62.8	20.8	(2.1)	68.1	(2.2)	192.3	(10.3)
[redacted]										
Retirement Plan	3.7	1.2	1.6	1.7	0.6	(0.1)	1.4	(0.1)	5.9	(0.8)
[redacted]										
CIO Expenses										
BAA Expenses	102.6	27.0	54.1	62.5	25.3	(5.7)	64.5	(5.5)	208.1	(10.6)
TAA Expenses	76.6	22.2	22.6	28.1	11.8	(3.2)	27.8	(2.0)	100.7	(4.0)
CRP	2.2	0.3	1.2	0.6	0.1	0.1	0.7	(0.0)	2.8	0.1
Headcount:										
CIO	374	392	412	417	433	17	433	17	433	17

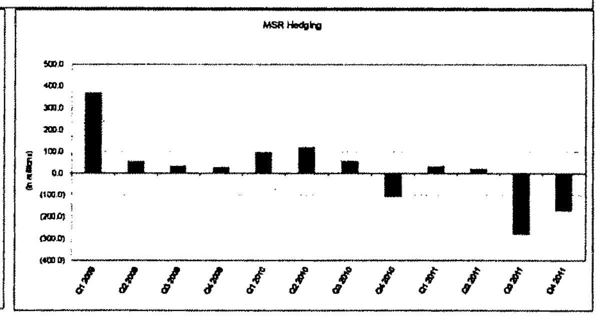
Historical Trends



Historical Trends







2154

CIO Balance Sheet - Regional View

as of December 31st, 2011

Balance Sheet - Spot Balances (3rd Party)

(in $ Billions)

	North America	Europe	Asia	CRP	Total
Investment Securities	171.5	146.5	16.0	0.5	334.5
Trading Account Securities	13.2	16.5	5.4	1.1	36.2
Fed Funds Sold/Resales	0.3	0.6	0.3	-	1.2
Cash & Due from Banks	0.0	0.0	4.8	-	4.8
Whole Loans Mortgages	13.3	0.0	0.0	-	13.3
Other Assets	0.8	1.5	0.4	0.0	2.8
Total 3rd Party Assets	199.2	165.2	26.9	1.6	392.9

Balance Sheet - BI RWA Balances

(in $ Billions)

	North America	Europe	Asia	CRP	Total
Investment Securities	35.1	32.8	3.0	0.2	71.0
Trading Account Securities	3.6	14.3	1.8	1.4	21.2
Fed Funds Sold/Resales	-	-	-	-	-
Cash & Due from Banks	-	-	2.1	-	2.1
Whole Loans Mortgages	2.9	-	-	-	2.9
Other Assets	0.5	0.9	0.2	0.0	1.6
Total	42.2	47.9	7.1	1.7	98.8

Balance Sheet - BIII RWA Balances

(in $ Billions)

	North America	Europe	Asia	CRP	Total
Investment Securities	36.3	41.4	4.2	0.4	82.3
Trading Account Securities	7.1	52.7	3.9	7.0	70.7
Fed Funds Sold/Resales	0.9	-	-	-	0.9
Cash & Due from Banks	-	-	2.0	-	2.0
Whole Loans Mortgages	0.6	-	-	-	0.6
Other Assets	0.3	0.6	0.2	0.0	1.1
Total	45.2	94.7	10.3	7.4	157.6

2155

— = Redacted by the Permanent Subcommittee on Investigations

2012 CA QUARTERLY SUMMARY
Global Chief Investment Office First Quarter CA summary
1st Quarter

LEVEL 1	Chief Investment Office	AMT	Hatzopoulos, Alexander X
LEVEL 2	CIO	AMT DIRECT	McManus, William K
QUARTER	1	STATUS	Approved

SUMMARY OF ACTIVITIES
STAKEHOLDER MEETINGS

North America

CIO continues to manage portfolio positions with significant consideration of Basel III Capital requirements, resolution and recovery impacts, liquidity risk, as well as, enhancing and building out portfolio analytics for the structural asset allocation process.

Liquidity Risk Infrastructure:
Treasury - led initiative to build comprehensive firm-wide liquidity risk infrastructure
CIO engaged in reviewing business requirement and data sourcing definitions and 2012 planning

Differential Discounting:

Implemented successfully in Q4 2012 for Equities in Pyramid and all Fixed Income Products.

GIC Competitive Bidding Process:
Firm - wide initiative to assess risk and related framework by product and region
Submitted formal assessment identifying business lines within the Bank that engage in competitive bidding transactions
Currently looking at consistency of controls across the firm

Regulatory

Volcker Rule:
CIO currently reviewing draft of rule recently released for comment period.
Technology design to tag trades in accordance with mapping documents completed. Final build-out pending final rule release.
Continued emphasis on conducting risk management activities that are clearly related to underlying firm wide structural risks.
Assessing MTM trading activity (# of trades, total notional) relative to underlying structural risk.

EMEA
Audit Continued to hold periodic meetings with key stakeholders in CIO. The Q4 2011 BCC was held in February 2012. CIO Continues to manage the investment portfolio in line with interest rate risk sensitivities transfer priced by Treasury and market opportunity.

For 2012, the business priorities are:
- Managing portfolio positions with significant consideration of Basel III capital, liquidity and resolution and recovery impacts. Particular attention focused on the draft Market Risk NPR
- Implementation of new Finance hierarchy in-line with business requirements
- 2012 SAA Reinvestment program
- Enhancing and building out portfolio analytics for structural asset allocation process
- Expanding local market presence in concert with firm wide international growth initiatives

New Business Initiatives - EMEA

[redacted]

— = Redacted by the Permanent Subcommittee on Investigations

[redacted]

APPIA ABS/CLO Migration

In January 2012, the CIO's international credit portfolio of Asset Backed Securities (ABS) and Collateralized Loan Obligations (CLO) were successfully migrated from IB owned applications (Concorde and ISIS) to the APPIA platform. Approximately 1,800 trades with $101.9bn original notional were migrated in total. In November and December 2011 an initial migration of 38 ABS and CLO positions was performed to assess readiness for the full migration in January and CIO Finance monitored the trades as part of BAU month-end and year-end processes. Audit performed a detailed review of the various aspects of this migration and issued a Satisfactory audit report in March, with no reportable issues noted.

ASIA

Key NBIAs - Asia

[redacted]

Technology projects update: –

1. ***APPIA migration project*** pertains to two sets of products: (a) Swaps and F&O and (b) Fixed Income Securities and Repo.
   - Swaps and F&O – All complete.
   - FI Sec and Repo Phase 1 and 2 – Migrations had been completed.
   - FI Sec and Repo Phase 3 (Japan, Australia, New Zealand, Philippines, Korea and Indonesia) – Migration completed for Phase 3 in Mar 2012. Indonesia roll out will be determined depending on regulatory approval.
2. ***OPICS migration project*** OPICS is selected to be the target platform for money market products (front office to back office). The migration approach was confirmed. Revised migrating timeline is listed as below:
   - Phase 1 – Sept 2012 for Bangkok, Manila, Seoul, China & Vietnam
   - Phase 2 – Mar 2013 for Japan and Singapore
   - Phase 3 – May 2013 for India, Jakarta, HK, Malaysia, NZ, Taipei and Sydney.
3. ***Athena migration project*** Athena team currently working on the replan for cash FX migration and target to communicate the onboarding schedule in late April.

CIO Technology:

From a project perspective, the APPIA project (to migrate trades off of IB systems on to a suite of CIO owned systems) is making good progress. No significant issues were raised by Audit in Q1. Some of the key accomplishments in Q1 include: EMEA ABS/CLO Phase2 Migration (1/24/2012); Core/APPIA Integration for TBA's & Specified Pools (3/2/2012); and Asia Securities Migration Phase

— = Redacted by the Permanent Subcommittee on Investigations

3 (3/16/2012). Key in-flight projects include North America Toronto Branch Swaps and Securities Migration (plan for May) and CORE /APPIA Migration (Working on on-boarding remaining securities in CORE onto APPIA). From a production support perspective, the Business Process Index (BPI), which is used to measure the availability of the CIO applications, remains stable at the 99% level. In February, EMEA Shrek was down less than an hour due to DB log issue. In March DB outages occurred after a long-running stored procedure filled the DB transaction logs. Stored procedure has been optimized, weekend purge jobs restructured, and DB re-indexing jobs now scheduled to run earlier for longer duration. From a risk and control perspective, CORE, Shrek, TEA, Primus and Poplar are in scope for SOX testing. CIO Technology is on target to meet the firm-wide targets of 35% by June 15th.

METRICS AND MONITORING

North America:

Market Risk Limits and Total Return and Trading Metrics summaries are reviewed by audit. In addition, weekly metrics for operations are monitored by audit. Weekly metrics consist of , P & L variances, cancel and amended trades, market limits and transaction volume. No significant issues noted in Q1. Operational KPIs and P&L are primarily monitored through the BCC process.

Chief Investment Office highlights Q1 2012:

SAA Portfolio

The book value of the Strategic Asset Allocation Portfolio decreased from $221B 4Q2011 to $159B for 1Q 2012.

Attributed to:

Sales/Maturities of German/French/Canadian Government Securities
Sales of ABS Credit Card Positions
Transfer of CLO's from EMEA to North America

MTM Overlay portfolio

(Note this portfolio is 99% trading, 1% Held for Investment)

MTM Overlay Portfolio Market Value for 1Q 2012 with a balance of $554M & 4Q 2011 with a balance of $1,233B.

The main drive of the decrease in this portfolio quarter over quarter is:

- Increase in Short US Treasury & Foreign Government debt positions of ($490M)
- Sales of CMBS positions of ($90M)
- Increase in the OCI balance from ($7.4M) to (2.3M) is due to the sale of a Private RMBS position

Corporate Retention Portfolio

The book value of the CRP Portfolio decreased from $2.7B 4Q 2011 to $2.6B $1Q 2012

No significant variances to note.

Market Risk

	12/31/2011	3/31/2012
Level 1 CIO+MSR VAR Limit	[redacted]	
MSR VAR Limit		
Level 2 MSR BPV Limit		
International Equity Vega (long only) only)		
International Equity Vega		

Firmwide stress limit changes. The CIO MTM limit was increased to $1bln and MTM positions in SAA, FX capital Hedging and CRP are now included in this limit.

Redacted by the Permanent Subcommittee on Investigations

The Aggregate limit was increased to $15bln and under this limit they include the stress on the SAA AFS portfolio. A stress limit for open FX exposures in FX Capital hedging was also added at $800mm.

US Defined Pension and OPEB Plans

[redacted]

EMEA CIO participates in a weekly MIS call with MO Audit attends as part of CA. There is a review operational weekly KPI's and back office metrics including trade capture and volumes, P&L and Risk sign-off, FOBO Reconciliations, nostro breaks and system. There were no significant operational issues for Q1, 2012.

Daily P&L is also monitored. Audit noted the as of March 31 MTM losses of over $500mm were experienced in the Credit Core (CDS) book. Further follow-up from audit established that the losses were due to the an increase in spreads on iTraxx. Audit will continue to monitor this portfolio.

Asia

- Asia CIO tabled MO and BO metrics in the quarterly BCC, which includes trade volumes, cancel and amends, late trades, P&L and Risk sign-off, FOBO Reconciliations, nostro breaks, etc. No significant items were noted by Audit during Q1 2012.

ISSUE FOLLOW-UP

North America

Through CA activities, Audit tracks the entry of all audit issues and related action plans into Phoenix, monitors the progress through completion of action plans and subsequent closure of issues in Phoenix. A monthly analysis of open action plans is prepared and follow up with action plan owners performed by audit before the end of each month.

No new issues or action plans have been added for this quarter.

EMEA

There are 3 business identified issues and action plans have been added for this quarter and 1 action plan where the target date has been extended to June 2012 from December 2011.

- **GLRS Substantiation Review** :There is inadequate documentation of CIO EMEA substantiation procedures incl. the methodology used to substantiate each type of GL a/c. Thus, GLRS Substantiation methods used by CIO EMEA personnel to be reviewed and documented and confirm appropriateness and consistency. ii. Compare substantiation practices used by CIO EMEA to CIO NA and CIO ASIA and address inconsistencies, as determined appropriate. iii. Evaluate the ownership of the substantiation responsibilities and determine whether any changes should be made. Action Plan due for completion on 31 May 2012.

- **Model Documentation:** Model documentation is required on SABR, Westend and Primus CMT systems in accordance Model Risk Policy. EMEA CIO to facilitate the overall Model Risk Management process, ensuring updated model inventories and follow-up on required documentation, testing, and other requirements mandated by the CIO Model Risk Oversight Group. Action Plan due for completion on 30 June 2012.

- **Reconciliation of bonds set up in CIOWEB:** Bonds set up in CIOWEB have their Issuer SPN manually attached by whoever is setting up a bond and the incorrect SPN can be selected. This causes downstream risk to calculate incorrectly misstating the positions and risk of CIO. Currently one SPN needs to be set up and mapped for every different ABS tranche that CIOEMEA purchase. The reason for this was a system deficiency in JPM IB that caused SPN to be used as a substitute for ISIN. It has now been agreed that CIOEMEA should now map all ABS tranches from one issuer to one Issuer SPN. This will have the following benefits:
  i) Reduce the current number of Issuer SPNs from 941 to 263
  ii)Eliminate the need to request a new SPN with each tranche purchased

iii)Greater accuracy in ABS to SPN mapping iv)The volume of SPNs previously created also meant that details entered on to the SPN record were often incomplete - the rationalisation of the ABS SPN process should allow more accurate records to be maintained. Action Plan is due for completion on 31 May 2012.

- **Amortization on AFS Portfolio vs. Cash:** Amortizations on the AFS portfolio are calculated at month end as part of the regular control procedures around the AFS portfolio. The cash relating to these amortizations isn't necessarily received in the same month as when the amortization occurred. This generates a break between the amortizations calculated and the cash received which is subsequently unsubstantiated. Detailed analysis on an ISIN basis is undertaken to identity those securities where cash received straddles month and and resolutions for any breaks are assisted by the cash payments team. The resolution was delayed as the ABS migration was delayed last year and resolution was dependent on that. Post ABS securities being migrated onto OPICs in Q1 '12, once the balances have stabilised, further analysis can be undertaken to clear the breaks. Expected resolution date - 2 months post migration. Action Plan currently set for June 2012 completion.

- **CIO Credit-Market Risk and Valuation Practises** issued March 2012 rated Needs Improvement identified the following issues:
  - CIO VCG practices where a number of risk & valuation models have not been reviewed by Model Review Group and included the absence of a formally applied price sourcing hierarchy, insufficient consideration of potentially applicable fair value adjustments (e.g. concentration reserves for significant credit indices positions) and the lack of formally documented/consistently applied price testing thresholds.
  - Stress testing where There is no documented methodology to outline key testing components (e.g. computational method and shock factors used) or assess limitations such as off-line risk measurement, missing risk factors and curves.
  - The SAA book ($140Bn Notional as at 12/31) does not currently feed the firm wide market risk limits and thresholds framework and relevant SAA stress testing results are not measured against corresponding limits.
  - EMEA CIO is currently using unapproved models in the calculation of risk (including VaR) and associated risk measurement methodologies have not been appropriately documented and/or catalogued.
  - The control process around the off-line VaR calculation needs to be enhanced to ensure completeness and accuracy of Credit trade data used in the offline calculation of VaR.

Asia
All the issues and action plans raised from 2011 audit were complete and Phoenix issues were closed accordingly before target dates.

BUSINESS CHANGES

North America: Dave Alexander (CFO), left CIO for RFS and was replaced by David Bjarnason who has announced his resignation and will be transitioning out of this role in the 2nd quarter.

EMEA - David Bjarnason (EMEA Accounting Policy and Control) is leaving the firm in Q2, 2012. There is currently no indication as to whether he'll be replaced.

Asia - N/A

FOLLOW-UPS

EMR AND AUDIT REPORT ISSUES

Through CA activities, Audit tracks the entry of all audit issues and related action plans into Phoenix, monitors the progress through completion of action plans and subsequent closure of issues in Phoenix. A monthly analysis of open action plans is prepared and follow up with action plan owners performed by audit before the end of each month.

No new issues or action plans have been added for this quarter.

PLAN AND RISK ASSESSMENT CHANGES

Not Applicable. No plan or risk changes in 1Q 2012.

OVERALL COMMENTS
SUMMARY
The following audits were completed during 1Q 2012: North America: ASC 815 Hedge Accounting (Satisfactory) EMEA: I. CIO APPIA Systems Migration (Satisfactory) II. CIO Credit- Market Risk & Valuation Practices (Needs Improvement)

From: Kamath, Jairam
To: <Crumlish, Fred>;<Hohl, James>
Sent: 4/19/2012 12:51:47 PM
Subject: CIO and firm VaR excessions - COB 4/17/12

The Firm's 95% 10Q VaR as of cob 04/17/2012 has increased by $6mm from the prior day's VaR to $134mm and continues to breach the $125mm Firm VaR limit for the second consecutive day.

The increase in the Firm's VaR is primarily driven by CIO Synthetic Credit portfolio. Actually, VaR for this portfolio declined slightly from the prior day. The stand alone VaR for CIO is $75mm (vs. $95mm limit),

CIO aggregate stress loss is over 23% of its $15B limit. Also, MtM cs bpv limit is in excession by 1074% and has been in excession for 71 days.

Something to follow up in the next MRR or CIO meeting.

jairam.kamath@occ.treas.gov
Tel: 212-899-1386
BB: 202-368-9193
Fax: 301-433-6238

From: Sabatini, Joseph
To: Regulator\), Anna <Iacucci\>;Regulator\), Fred X <Crumlish \>
CC: <Drew, Ina>;<Hogan, John J.>;<Wilmot, John>;<Goldman, Irvin J>;<Radin, Neila>
Sent: 4/10/2012 6:17:22 PM
Subject: Background and Supporting Data for CIO Discussion of April 9, 2012
Attachments: image002.png

Anna, Fred,

Here is the supporting data and some commentary as you requested from our call yesterday afternoon. As we indicated, you should feel free to contact John Wilmot (212-834-5452), Irv Goldman (212-834-2331) or Ina Drew (212-834-5000) if there are any questions. I would be happy to coordinate any follow up as well (212-648-0082).

Joe

The table below shows major (and total) long and short risk positions in indices - and totals for long and short risk in tranches.

Summary of Positions			LONG	SHORT	Grand Total
Major Index Positions	CDX HY S08 05Y	external	7,853,202,000	-1,362,900,000	6,490,302,000
		internal	120,050,772,331	-111,111,450,331	8,939,322,000
	CDX HY S08 05Y Total		127,903,974,331	-112,474,350,331	15,429,624,000
	CDX IG S09 05Y	external	18,862,584,439	-40,911,107,639	-22,048,523,200
		internal	1,378,820,642,166	-1,388,447,498,966	-9,626,866,800
	CDX IG S09 05Y Total		1,397,683,226,604	-1,429,358,606,604	-31,675,380,000
	CDX IG S09 07Y	external	34,937,540,005	-3,869,096,000	31,068,444,005
		internal	1,159,939,174,565	-1,158,009,466,565	1,929,708,000
	CDX IG S09 07Y Total		1,194,876,714,570	-1,161,878,562,565	32,998,152,005
	CDX IG S09 10Y	external	78,381,380,000	-3,421,154,000	74,960,226,000
		internal	1,578,072,188,019	-1,574,704,274,019	3,367,914,000
	CDX IG S09 10Y Total		1,656,453,568,019	-1,578,125,428,019	78,328,140,000
	ITRAXX MN S09 05Y	external	39,630,987,500	-24,870,950,000	14,760,037,500
		internal	1,650,432,937,345	-1,642,696,637,345	7,736,300,000
	ITRAXX MN S09 05Y Total		1,690,063,924,845	-1,667,567,587,345	22,496,337,500
	ITRAXX MN S09 10Y	external	28,612,411,848	-10,796,366,848	17,816,045,000
		internal	832,410,632,093	-833,151,047,093	-740,415,000
	ITRAXX MN S09 10Y Total		861,023,043,941	-843,947,413,941	17,075,630,000
	ITRAXX MN S16 05Y	external	28,093,325,000	-6,267,625,000	21,825,700,000
		internal	315,479,043,750	-318,937,693,750	-3,458,650,000
	ITRAXX MN S16 05Y Total		343,572,368,750	-325,205,318,750	18,367,050,000
Subtotal of Major Index Positions			7,271,576,821,060	-7,118,557,267,555	153,019,553,505
All other Index Positions			3,220,110,559,079	-3,271,688,007,677	-51,577,448,599
Total of Index Positions			10,491,687,380,138	-10,390,245,275,232	101,442,104,906
Total of Tranche Positions			361,998,489,148	-306,133,417,090	55,865,072,058

The note below describes this credit derivatives activity relative to the overall CIO activity.

The Chief Investment Office has utilized the "synthetic credit portfolio," which is a portfolio of credit derivatives, to construct a hedge against other risks on JPMC's balance sheet. This activity has been part of the CIO portfolio construction and risk management since 2007. The related credit derivative instruments offer an efficient means to establish protection against adverse credit scenarios and "stress events".

This activity is among the key tools utilized by CIO to manage and hedge stress loss risks. The synthetic credit portfolio has benefited the Firm, especially in times of credit market dislocation, sudden spread widening and in the occurrence of defaults, which is typically a catalyst for credit spread widening scenarios.

In Q3 and Q4'11, CIO began to reduce the net stress loss risk profile of the hedges, as more positive macroeconomic data in the US and an improving situation in Europe post LTRO merited a reduction to the stress loss protection of the "synthetic credit portfolio." The book, as a dedicated hedge, continues to be short HY and to provide default protection.

CIO Risk Committee Minutes –March 28th, 2012

Attendees

Chair: Irv Goldman
Co-chair: Ina Drew
Irene Tse
Achilles Macris
Norma Corio
Richard Sabo
Neila Radin
Pete Weiland
Samantha Tocchio
John Wilmot
Phil Lewis

I. Risk Overview

A. VAR: P. Weiland discussed the VAR trend for the first quarter highlighting the large reduction in VAR at the end of January. The reduction was driven by the implementation of a change to the VAR model for the Credit book in London. It was noted that the model change was in line with the VAR methodology recently adopted in the IB and was approved by the model review group.
Action Item: Explanation of relationship between VAR, stress VAR and Capital. The Quantitative research group and the Firmwide Market risk officer to discuss with the CIO business.

B. Stress: The results of the Credit crisis stress scenario were reviewed and P. Weiland commented that the positive benefit experienced from the Credit Tranche book reduced over the quarter and is now negative. This resulted in the overall stress loss increasing by $1.2bln.
Action Item: Develop proposed thresholds, such as stress advisories, for the Retirement Plan.

C. Risk Measures: The key risk positions globally were discussed. It was commented that a trend of exposures would be useful.
Action Item: include a trend of the key risks along with the relevant limits.

II. Risk Limits

A. Risk Limits: The proposed limits framework was presented to the committee noting that a full overhaul of all limits is underway. Over the next few weeks the limits will be discussed with the individual regions and presented back to the group for approval. It was also noted that in addition to the existing limits thresholds will be added, such as CIO specific country risk thresholds. P. Weiland raised the issue regarding the existing Single name limits applied to the investment portfolio. It was noted that some issuers are in excess of the SAA single name limits. It was decided to seek approval to maintain but not increase exposures for issuers currently in excess.
Action Item: MRM to follow up with the regions to consolidate a proposal for all single name limits.

B. Limit Excesses/Change: The Q4 2011 and Q2 2012 to date Limit excesses and changes were reviewed. It was noted that with the limit framework under review a number of the existing limits, such as the Credit spread BPV limits, are no longer appropriate for the current portfolio and will be revised as part of the review.

III. Risk Policies

A. Risk policy Review: P. Weiland noted that Donna Reino has been named new Head of Risk Policy firmwide. In conjunction with the new head of risk policy and the Risk working Group, CIO will review all relevant firmwide policies. The list of policies in scope was attached in the materials.

B. Model risk Procedures: The new CIO Model Procedure document was distributed to the group, noting the appointment of a CIO model risk officer as one of the major changes to the prior version. The policy was approved.

IV. NBIA

A. NBIA Status Update: I. Goldman noted that two NBIAs are currently in progress relating to Whole Loans in Residential and Commercial Real estate. Both NBIAs are in initial stages and require further work.

B. Updated NBIA Document: J. Wilmot discussed an update to the NBIA document to include a Competitive Bidding section. This was incompliance with the Firm wide change. The NBIA change was circulated to the Committee for approval.

V. Operational Risk

A. Internal Audit: The group was updated on the status of the EMEA Credit Audit. An initial draft was published with final close out session to be completed over the next few days. Documentation was listed as one of the audit issues. The Scope of the review to be discussed with the Audit team.
Action Item: Follow up on initial Audit plan scope.

VI. Regulatory

A. Volcker Rule: N. Radin noted that CIO should start to think about how to document conformance with the Policy in preparation for the final rule release, leveraging the format from the IB.
Action Item: Legal to follow up on consistency with colleagues in other businesses.

B. Derivative Activity: The outstanding issue regarding the FAS133 swaps and the novation to the LCH was discussed, noting the delay in resolving this issue exposes the business to counterparty risk in terms of 'wrong way' risk.
Action Item: Include a review of counterparty exposure at the Risk Committee meetings.

VII. Governance

A. Investment Committee: The group discussed establishing a CIO Investment Committee. It was commented that the group would not be responsible for the approval of transactions but would be responsible for vetting deals for appropriateness of investment mandate. The committee members would be a subset of the CIO management committee.
B. Reputational Risk Committee: CIO to establish a Reputational Risk Committee. The possibility of leveraging a resource that currently chairs the IB and OEP committee was discussed.

VIII. Fiduciary and Compliance

A. NDA: I. Goldman discussed the current process which involves the portfolio managers sending requests to Legal and the CIO CRO. The preference to receive a summary from the portfolio managers was discussed.

IX. Other Items

A. Other Risk Businesses: The CIO MRM team performs the risk function for the Global Treasury and Mortgage banking Pipeline/warehouse businesses. Further discussion on whether this function should reside with the CIO Market Risk group.

From: Crumlish, Fred
To: <McLaughlin, Doug>;<Frake, Ron>
Sent: 4/19/2012 5:53:58 PM
Subject: FW: JPM CIO / IG9 "whale" trade

Doug FYI. I thought I did copy you on this.

Ron – just if you're curious.

Prop or not prop, that is the question....

From: Crumlish, Fred
Sent: Tuesday, April 17, 2012 04:33 PM
To: Brosnan, Mike; Belshaw, Sally; Pfinsgraff, Martin; Waterhouse, Scott
Cc: Wilhelm, Kurt; Banks, George; Fursa, Thomas; Hohl, James; Kamath, Jairam; Kirk, Mike; Monroe, Christopher; Swank, Todd; Wong, Elwyn
Subject: JPM CIO / IG9 "whale" trade

On Monday 4/16 OCC and FRB examiners met with Ina Drew and several members of CIO staff and risk management to discuss the JPM synthetic credit book in view of recent press reporting. This message provides a summary of our discussion, followed by a more the detailed summary. It focuses specifically on recent changes to the synthetic credit book.

- JPM's CIO has been using a synthetic credit (credit derivative) portfolio since 2007. It was initially set up to provide income to mitigate other significant credit losses that would surface under a broad credit stress scenario. Since it wasn't possible to tailor a specific hedge to the JPM balance sheet as a whole, this portfolio was constructed. As the investment portfolio grew in 2007-2009, the synthetic credit portfolio was used to hedge stress and jump to default exposures in that portfolio as well.

- CIO's credit derivative position was managed to provide around $1 billion to $1.5 billion income in credit stress scenarios against firm wide losses of $5 billion to $8 billion.

- In late 2011, in view of a change in perception in the state of the economy, CIO managers decided to reduce high-yield (HY) credit protection; however, after the AMR bankruptcy and with Kodak expected to file for bankruptcy, the markets for CIO's HY indices weren't liquid enough to use them to unwind CIO's position.

- The IG 9 index, which is much more liquid than HY indices, includes five "fallen angels" that allowed it to be used to reduce a "good part" of CIO's HY position, so it was used to reduce the HY protection.

- The IG 9 market is not illiquid as it trades around $10 billion daily and spread changes for this index are in line with peer indices. The IG 9 curve has steepened in a move of around 6.5 standard deviations, and there has been strong buying of deferred contracts, implying that the buyers are certain that there will be no defaults in the next 9 months and nearly certain that there will be defaults next year. In view of events, however, JPM is conducting a "post mortem" of the IG 9 situation and its impact and share results with OCC and when completed.

The CIO began using credit derivatives around 2007 as part of its mandate to manage structural balance sheet positions. CIO only uses credit derivatives on indices, not specific names. Initially CIO bought protection (shorted risk) on mortgages, using ABX, and high yield indices to mitigate some of the firm's balance sheet credit exposure. At this time CIO investments were highly concentrated in Agency pass-through mortgage securities, and the structural credit risk was in the lines of business.

Through the financial crisis deposit inflows combined with lower loan demand to leave the firm with significant excess funds. As part of its mandate to invest, when appropriate, in high credit quality, liquid investments, the CIO began purchasing low credit risk, top of the capital structure securities to use the excess funds. While high quality, these investment securities have more credit risk than the U.S. Agency pass-throughs that continued to be held, so that structural credit risk in the investment portfolio increased along with portfolio growth.

Throughout this the CIO continued using index credit default swaps (CDSs) to mitigate some of the structural credit risk in the investment portfolio and the lines of business other than the investment bank, which manages its own credit risk exposure. While there are liquid markets for many credit derivative indices, the markets are not deep enough to fully hedge a multi-trillion dollar balance sheet. CIO's credit derivative position was managed to provide around $1 billion to $1.5 billion income in credit stress scenarios against firmwide losses of $5 billion to $8 billion.

CIO managers decided to reduce the high yield credit derivative protection around Thanksgiving last year. After the AMR bankruptcy filing on November 29, 2011, the firm profited from its credit derivative positions as anticipated, but high yield index derivatives had limited liquidity as demand increased. CIO managers thought that it wouldn't be possible to reduce the high yield credit derivative position by using the indices that created it; the best available hedge product was the IG 9 index, which has good liquidity as an investment grade index and a high yield component as five of the index companies are "fallen angels" i.e., companies that have fallen below investment grade since the index originated. This was the reason that JPMCB began selling IG 9 CDSs; going long IG 9 credit risk (selling CDSs) would neutralize some of the short high yield credit risk position (long CDSs).

JPM provided the CIO notional CDS exposures as requested, along with a summary of the synthetic credit portfolio maturity profile and results of a 10% credit spread widening (CSW). The CIO CDS portfolio includes exposure to JPMC's IB along with third parties. The third-party counterparties are all major banks or broker/dealers. The stress results show that the CDS portfolio net exposure cannot be judged by looking at notional exposures alone. An example given is the iTraxx Main 20Jun13 position; the notional exposure is $28 billion long risk suggesting a loss if credit spreads widen, but the 10% CSW shows a profit of $68 million because of equity tranche protection that is part of the position.

The synthetic credit portfolio position now provides around $434 million income in the credit crisis stress scenario. Very generally, the portfolio risk profile is short high-yield risk against long investment grade risk and short short-duration (to yearend 2012) investment grade risk against long long-duration investment grade risk, i.e. a credit curve flattener. The portfolio VaR was $59.2 million on April 5th. The portfolio is reported in CIO positions and subject to all of the JPMC market risk management systems.

Through the indices used, the portfolio provides credit protection on 588 names. 121 of them are from the IG 9 index, which currently gives an average $146 million jump to default at market recovery gain per name. This position is stable until December 20, 2012 when $32 billion of short-dated protection rolls off along with $4 billion of protection on IG 9 equity tranches, and the average jump to default at market recovery becomes a loss of $572 million per name. Before that happens, CIO managers feel they have time to adjust the portfolio to compensate without roiling the IG 9 market.

In addition to inclusion in the firm-wide stress scenarios, CIO managers routinely run other stress scenarios to assess portfolio performance in a variety of circumstances. The synthetic credit portfolio is seen to provide stress loss protection in an environment of significant credit deterioration with defaults or perception of imminent defaults.

CIO managers have been surprised that the IG 9 market has been so willing to take on and sell so much protection, regardless of what JPMC did. The market is not illiquid as the IG 9 trades around $10 billion daily. The spread changes for this index are in line with peer indices. Many market participants have been strong buyers of deferred contracts, implying that they had complete certainty there would be no defaults in the next 9 months and near certainty that next year there will be defaults. The IG 9 curve has steepened in a move of several standard deviations. CIO managers said that the curve steepening move was around 8.5 standard deviations from the mean. A review of the IG 9 situation is being done, and it will be shared with the OCC and Fed when completed.

–

Attendees:
JPM: CIO attendees: Ina Drew Chief Investment Officer, John Wilmot CIO CFO, Achilles Macris CIO Managing Director EMEA (telephone), Javier Artajo CIO Managing Director EMEA (telephone), Irv Goldman Market Risk Management Managing Director, Pete Weiland Market Risk Management Managing Director, Keith Stephan Market Risk Management Executive Director EMEA (telephone), Greg Baer Managing Director Associate General Counsel, Joe Sabatini Managing Director Head Supervisory Relationship

OCC attendees: Fred Crumlish, James Hohl, Mike Kirk
Fed attendees: Anna Iacucci, two others

- apc

*** If you have received this message in error, please delete the original and all copies, and notify the sender immediately. Federal law prohibits the disclosure or other use of this information. ***

From: Brosnan, Mike
To: <Eccles, Jennifer>
Sent: 5/29/2012 1:03:19 PM
Subject: FW: May 15 CIO

From: Waterhouse, Scott
Sent: Tuesday, May 15, 2012 4:22 PM
To: Brosnan, Mike; Belshaw, Sally
Subject: Fw: May 15 CIO

Not sure if you want these, but here's a more complete summary.

Sent from my BlackBerry Wireless Handheld

From: Crumlish, Fred
Sent: Tuesday, May 15, 2012 04:16 PM
To: Waterhouse, Scott
Cc: Wong, Elwyn; Hohl, James; Kirk, Mike
Subject: May 15 CIO

OCC/FRB/FDIC met with JPM for a daily update on CIO. (Partial list of attendees at end of message). Highlights

� This update wasn�t supported by quantitative information requested yesterday. Bank continues to work on P&L explain and new risk reporting and other information described yesterday, and hope to be in a position to go over this with us later this week. OCC wants a risk dashboard and P&L as a basis for discussion

� Yesterday�s loss was �smaller.� Although daily losses are becoming smaller, the total 2Q loss is now around $3B.

� Company continues to bring new people into CIO, and also borrow risk and middle office personnel from other LOBs to help work through position issues.

� JPM ran CCAR on the position but it generated a 600MM profit d/t different HY and IG spread treatment in CCAR. Company is working on a worse case forecast.

� Mike Cavanaugh provided an overview of his roll regarding identifying what went wrong and what needs to be improved. (Hogan mentioned that he asked all his CRO to go back and review their limits and make sure that they make sense. He wants line of business CROs to discuss with CEO and come back with any changes)

Detailed notes

Bank believes they can provide us with the daily data we wanted on P&L and risk tomorrow. OCC wants a �dashboard� with risk and P&L that can serve as a basis of discussion during updates. OCC also requested daily P&L since the start of the year. Company is working on it and hopes to deliver P&L tomorrow with a risk update later in the week. (SW is providing JPM with the distribution channel for OCC).

Cumulative loss for quarter is $3Bn.

Daily P&L: Size of daily losses shrinking last couple of days so hopefully �blood in water� is improving. Flat early in day then Greeks couldn�t form govt election announced, risk went wider as markets in Europe sold off. P&L -75MM; 40 directional , 32MM of correlation, 40MM of series 9. Some profit from decompression.

Itl government bonds 15 wider to Germany. Sov CDS circa 15 wider.

Not much liquidity today. Took off only 250MM of iTRAXX Main today.

10% CSW changes: Cumulative daily reductions = 171MM reductions, offset by 90MM of drift. Net reduced 83MM. Current risk roughly 209MM for 10% CSW. As shock is held constant, the 10% shift of wider numbers results in a larger exposure.

CS01 went from $51MM to circa $28MM.

No other risk updates.

Bank is very cautious about potential unwinds and is open to reverse inquiries, although there have been a few from banks. Multiple HF inquiries were characterized as information fishing. JPM indicates that if provided a request with pricing and size, JPM will respond.

Portfolio to theoretical relative value is getting closer to normalization; for the six factors excluding directionality. Bank will get back to us with risk numbers and will go thru limit structure and risk information at a near meeting (Thurs or Fri)

Collateral: As of COB of 5/14 is now at 156MM vs 69MM cob. Friday, Itraxx 10 year, moved to $42MM from $10MM. MS largest dispute was $27MM Friday now $46MM. Only MS had escalation calls. Head of MS Fixed Income didn�t mention it today on a call with JPMorgan though. Generally collateral posted as Cash or Treasury bills. Bank will give specifics to counterparty and what is posted. If not cash or TBills the bank will provide with haircuts.

Nothing new on RWA/capital from yesterday. Company is working on.

Stress: Nothing new to report since yesterday. Bank estimates will take a few days to get stress numbers for us. They had running CCAR shocks but this produces a gain of $600MM on portfolio. Compression trade offsets directional losses. (CCAR HY widens more than IG, generating a gain). JPM is working on a 2orst case scenario.

Cost of exit today on capital and income. Still being worked on.

Size of AFS portfolio: Mostly high quality paper.

Dec 31 $331B

Mar 31 340B

May 9 very similar.

JPM is working on updated security detail we provided, but indicated that CIO�s contribution to the liquidity buffer is 20B

Infrastructure and personnel: Nothing new to report. Quick update: Continue to work on data base for historical data; some assistance from CH MO on data staffing. BAU processes enhanced from borrowing staff from Asia to Europe. Market risk borrowing James Dwyer and Arnaldo to help with review. 2 modeling people assisting, 1 for models, one for VAR.

Clearing:

Clearing: Ice: Submit all that they can; most of index positions. Tranches and certain older indices don�t clear. Some cps haven�t on boarded onto Ice, so not 100% of eligible cleared (Citi and some Soc Gen). On net notional basis 72B of total was eligible, 63B ineligible. Gross $116B eligible, and 78% has been cleared. Trades done this week have been submitted to ICE clearing process tonight, will find out on Friday. On Friday expecting this % to go over 80%

Legal Entity booking: JPM walked through back office processes. (Separate paper handout). This included a description of risk transfer from branch to Whitefriars (A Reg K vehicle) as described yesterday. This was done at request of FRB. [redacted]

All margining processes are handled on a net legal entity basis centrally by a group in IB (both for ICE and bilateral). No disputes with ICE b/c post what you have to post. No reconciliation to what ICE asks for vs. what JPM expects to post. Don�t think they look at the data that way�bank will confirm that.

Mike Cavanaugh provided an overview of his roll. He is working to identify breaks in oversight and controls. Work streams are being defined. History fact pattern is one stream; developing picture control environment (valuation, market risk, models, all controls); remediation effort. Can�t put time frame on completion, but would like to have something to have present to investors, and Board.

Hogan directed all CROs are looking at all key metrics, and then will discuss with business CEO and decide if MR thinks they are effective. They will then be review by CRO (Hogan) and CEO.

Bank: Matt Zames, John Hogan, Ashley Bacon, Chetan Bhargiri, Marie Nourie, Canvenaugh, Venkar, others from JPM London on the phone. OCC: Scott Waterhouse, Fred Crumlish, James Hohl, Elwyn Wong, Mike Kirk

FRBNY: Diane Dobbeck and others

FDIC:

JPMORGAN CHASE & CO.

January 7, 2011

Scott N. Waterhouse
Examiner-in-Charge
OCC National Bank Examiners
1166 Avenue of the Americas, 21st fl
New York, New York 10036

Re: Investment Portfolio Examination

Dear Mr. Waterhouse:

We appreciate the time that you and your colleagues have spent reviewing the CIO Investment Portfolio. On the next page, you will find our response to the Matter Requiring Attention (MRA) detailed in your letter dated, December 8, 2010.

Please let us know if you would like to discuss the attached in more detail. We look forward to your feedback.

Sincerely

Ina R. Drew
Chief Investment Officer

cc: Jamie Dimon, Labe Jackson, Barry Zubrow, Steve Cutler, Doug Braunstein, Robert Sullivan (PWC), Kenneth Egan (FDIC), Joseph Bonocore, John Wilmot, Alex Hatzopoulos, Adam Gilbert, Joe Sabatini

JPMorgan Chase & Co.
Management Response to the Investment Portfolio Examination
January 7, 2011

Matters Requiring Attention

[redacted]

Response: CIO will produce a Strategic Asset Allocation ("SAA") Policy document that lays out the existing process and control framework in place around the management of the investment portfolio. The policy will describe:

- Governance structure for the SAA
- Investment review and approval process, including DoE management
- Investment objectives and parameters applied to the portfolio

[redacted]

Response: CIO has commenced preparing minutes of the weekly SAA Investment meetings discussing structural risk and the related management of the investment portfolio. Duration of equity targets (generally in the form of a range) will be documented and appropriately shared at relevant management meetings, including senior ALCO, for additional consideration. The duration of equity target is established by the Chief Investment Officer of the firm and discussed and agreed to with the firm's Chief Executive Officer during periodic business reviews throughout the year and annually with the Board of Directors.

[redacted]

Response: In management of the SAA portfolio, CIO does not set explicit long term asset allocation targets. CIO's investment thesis requires a more timely review since markets have historically been, and we believe will continue to be, volatile. Portfolio requirements are analyzed within the context of the evolving balance sheet and income needs and the macroeconomic environment, and appropriate investments are identified based on satisfaction of those requirements and market opportunities available.

However, we understand the OCC's concern, and with regard to the specific requests:

- Overall portfolio objectives will be articulated in the SAA Policy document.
- "Exposure targets and asset parameters" will be addressed through an SAA risk framework document. The portfolio managers have standards that are agreed to with the Risk team, and a document describing those standards will be made available.

[redacted]

▬ = Redacted by the Permanent Subcommittee on Investigations

Response: CIO has historically maintained a "watch list" which includes below-investment-grade and nonrated securities. The Firm has now established a process of ensuring that all applicable below-investment-grade and nonrated securities are reported by the Firm's Risk Reporting and Finance Group to ensure full compliance with OCC Bulletin 2004-25.

From: Kamath, Jairam
To: Crumlish, Fred; Hohl, James
Sent: 5/7/2012 7:24:09 PM
Subject: RE: CIO Synthetic Position
Attachments: CIO MtM Stress_42612.xlsx

Per the most recent FSI/MaRRS stress report as of 4/26/12, CIO's worst case MtM stress scenario was the Oil Crisis (see attached excerpt). Stress losses of $1.71B exceeded the limit of $1B. Stress loss was driven primarily by the NA Strategic Asset Allocation (SAA) book ($724mm) and the EMEA synthetic credit tranche book ($665mm).

The Oil Crisis scenario assumes:

- Severe (+) shock in oil prices (100% rise in oil, vols increase 60%).
- Large (+) shocks in interest rates (2 yr down 30 bps, 10 yr down 53 bps, vols up 140%) and inflation (details not available).
- Large (-) shocks in equities (down 30%, vol up 10 pts) and EMFX (5%-23% depreciation).
- Small (- or +) shocks in all other asset classes.

jairam.kamath@occ.treas.gov
Tel: 212-899-1386
BB: 202-368-9193
Fax: 301-433-6238

From: Crumlish, Fred
Sent: Monday, May 07, 2012 8:33 AM
To: Kamath, Jairam; Hohl, James
Subject: RE: CIO Synthetic Position

Regarding the CIO, we will need a breakdown of the drivers of significant stress loss numbers . (eg, not just the scenario name, but the specific factor driving the change.)

- apc

From: Kamath, Jairam
Sent: Monday, May 07, 2012 6:38 AM
To: Crumlish, Fred; Hohl, James
Subject: Re: CIO Synthetic Position

That is indeed a whopper. I don't think we get the daily or the weekly PnL reports for CIO.

Chris is working on the weekly summary for last week. He should be sending it out today. Geralynn prepared the summary for the week before that. She was in Excel training last weeK.

From: Crumlish, Fred
Sent: Sunday, May 06, 2012 05:03 PM
To: Hohl, James; Kamath, Jairam
Subject: Re: CIO Synthetic Position

Just got back from chile and saw this. Also didn't see any emails or weekly summary comments since I went on leave..

-apc

OCC
202-439-3938

From: Waterhouse, Scott
Sent: Friday, May 04, 2012 12:03 PM
To: Crumlish, Fred; Hohl, James
Subject: CIO Synthetic Position

Doug Braunstein and John Hogan called to provide an update on the CIO position. They mentioned that if we have been watching the position reports and P&Ls, we would have seen that they have been taking some significant MTM losses over the past few weeks. These losses are on positions established some time ago. Current losses are approximately $1.6 billion. Doug said that over time, the bank has taken 'a couple billion' in gain as an offset to this position.

But at this point, the remaining position is too large and the bank is trying to reduce risk. John said that the long position is sensitive to a 10% widening in the amount of $900MM. This is hedged with a short position in high yields that has a 10% sensitivity of $650MM, giving a net risk to credit spread widening of $250MM. The bank is taking actions now to further reduce the exposure.

Doug said that the CIO will also close out some bond positions to take approximately $1 B in gains to offset this loss.

John said that Ashley Bacon, in his new role as global overseer of market risk, is introducing new risk measures and limits for the CIO.

The bank will publish its Q on Thursday, and Doug expects that they will make some comment in the document.

Doug wants to have a meeting on Wednesday to discuss the history of the position, its performance, and 'glide path' to further reduce the risk. He expects that the position will be down substantially by the time we get together. This meeting will be with the Fed. Fred -- you and James should be prepared to attend. Let's talk Monday about this.

Scott

CIO VALUATION SUMMARY MEMO

March 2012 Month-End Results

April 13, 2012

STRICTLY PRIVATE AND CONFIDENTIAL

2178

JPMORGAN CHASE & CO.

Contents

JPMORGAN CHASE & CO.

CIO EMEA Valuation Results

Credit Indices and Tranches
Based on independent sourced prices and tolerances agreed with the CIO Front office an adjustment of **$(16.9)mm** was required. For March month end the level of the Liquidity Reserve, which represents the illiquidity of off-the run positions, was **$(186.4)mm.**

The credit derivative market has been extremely volatile this month. Initially all sectors of the market tightened on an improved economic climate and a more stable peripheral European picture. However, as Central banks moved away from asset purchase programs and doubts resurfaced about the Spanish economy markets weakened led by the financial sector. We have also seen an out performance by the High Yield indices versus the Investment grade and of the current on-the-run series versus the off-the-runs.

CIO's reserve policy is to include any series more than 4 removed from the current on the run series. Prior to March month end both index and tranche positions of Series 9 of both the ITRAXX and CDX IG were both omitted from the calculation despite qualifying under this criteria as both series were still considered to be liquid. At March month end it was concluded that a reduction in liquidity in the tranches of these series warranted inclusion in the liquidity reserve calculation.

ABS
The majority of our ABS positions (Market Value [redacted] were priced at fair value and required no adjustment. However, an error in the weighted average life of our fixed rate covered bond positions resulted in an adjustment, affecting 14 ISIN's, of $4,557,459 (Details in table below)

[redacted]

▬ = Redacted by the Permanent Subcommittee on Investigations

CIO VALUATION SUMMARY MEMO

JPMORGAN CHASE & CO.

2180

From: Batista, Geralynn
To: <Hohl, James>
CC: <Crumlish, Fred>
Sent: 4/19/2012 7:39:14 PM
Subject: RE: CIO portfolio

Thanks!

From: Hohl, James
Sent: Thursday, April 19, 2012 3:37 PM
To: Batista, Geralynn
Cc: Crumlish, Fred
Subject: CIO portfolio

As part of its ongoing process to incorporate additional exposures into the FSI framework, the AFS portfolio has been added to the CIO Aggregate stress test. The CIO AFS portfolio consists of **$335 million high-quality investment securities with MBS remaining the dominant type while CLOs, corporate bonds, and foreign government issues are significant also. The inclusion of the AFS portfolio** results in a dramatic rise in stress losses (see chart 1 below) that is not comparable to prior periods. . To adjust for this change, the CIO Aggregate loss estimate is subtracted from the series and shown on the "Adjusted" chart (see chart 2 below). 100% of CIO Aggregate losses are assumed to come from the AFS portfolio for simplicity (note that prior week's CIO Aggregate loss contribution to Aggregate Bad Case losses was immaterial).

The above comments reflect the portfolio at year end. We haven't gotten a CIO EMR since then; the January Treasury one didn't include CIO. I'm following up with John Wilmot about the balance sheet and investment portfolio pages that were in the CIO EMR.

From: Kamath, Jairam
To: Crumlish, Fred; Kirk, Mike; Waterhouse, Scott
CC: Hohl, James; Wong, Elwyn
Sent: 5/18/2012 2:38:02 PM
Subject: Re: CIO Reports

I picked up the CIO continuous audit report from the IA intranet yesterday. I'll forward it separately.

----- Original Message -----
From: Crumlish, Fred
Sent: Friday, May 18, 2012 10:30 AM
To: Kirk, Mike; Waterhouse, Scott
Cc: Hohl, James; Wong, Elwyn; Kamath, Jairam
Subject: CIO Reports

Scott - I went into wisdm doc 720660 and BOLDED those items that most directly touch CIO. Sorry, wisdm desktop wont let me download. Sheet is called "reports received.xlsx" and while it is in the IB folder it covers everything. Also, CIO positions wind up in our liquidity reports as well, particularly those pertaining to stress test, cfp, etc. I haven't bolded those.

We had been getting cio emrs but there has been a lag we had asked about.

This spreadsheet doesn't include corporate wide items such as:

Continuous Audit Summaries (quarterly)
Audit reports

The CSA and audit info are probably more important.

Risk Working Group packages
DRPC presentations, as relevant.

Also FASTDATA for investment is provided to the credit examiners.

Of course, there will be a number of new adds. Most obviously the daily info from Hogan meeting

I have cc'd Jairam as he has a lot of detailed knowledge on the reporting infrastructure and process for FSI, Var, and overall market risk including market risk capital.

From: Kirk, Mike
Sent: Friday, May 18, 2012 8:48 AM
To: Waterhouse, Scott; Crumlish, Fred
Cc: Hohl, James; Wong, Elwyn
Subject: RE: Info needed today

Scott,

You may want to have Fred scrub this for what he knows about it. James is not in today, and this is his LOB so he would know the details I am missing. Fred may too.

Regards,
Mike

CIO MIS Frequency Arrival Date
Firm Stress Results Weekly Mid week, week following
MaRRS Stress Reports Weekly Mid week, week following
CIO AFS Securities List Quarterly
CIO Info in Treasury Weekly Appendix Weekly
CIO Monthly Valuation Deck Monthly
Firmwide Risk Daily Market Risk Limits and VaR Reports Daily T+2 *
Firmwide Model Risk Report Monthly

Level 1 EMR Monthly 3rd week of following month
Leve 2 EMR Monthly 3rd week of following month
Daily P&L Daily Estimate on T, revised on T+1 **

* Produced T+1, released T+2; we get when firm distribution occurs
** Not sure what we were getting precrisis

CIO Limits Frequency Unit Limit

[redacted] = Redacted by the Permanent Subcommittee on Investigations

All of CIO

Aggregate VaR (MTM, Cost, etc.)
CIO D T [redacted]
CIO North America D T [redacted]
CIO International D T [redacted]
Combined CIO & MSR (e) (f) D T [redacted]

Mark To Market VaR
CIO D T 160,000
CIO North America D T 22,000
CIO International D T 160,000

Stress Loss Advisories
Max Stress Loss - Corporate Scenarios
Aggregate D T [redacted]
MTM M T [redacted]

Non Statistical Limits
EMEA
Credit Spread BPV D T [redacted]
Credit Spread 10% CSW D T [redacted]

STOP LOSS ADVISORIES
Aggregate
One Day D T 100,000
Five Day D T 150,000
Twenty Day D T 150,000

MTM
One Day D T 60,000
Five Day D T 60,000
Twenty Day D T 60,000

REGIONAL LIMITS

STOP LOSS ADVISORIES NA
Aggregate
One Day D T [redacted]
Five Day D T [redacted]
Twenty Day D T [redacted]

MTM
One Day D T [redacted]
Five Day D T [redacted]
Twenty Day D T [redacted]

STOP LOSS ADVISORIES INTERNATIONAL
Aggregate/MTM
One Day D T [redacted]
Five Day D T [redacted]
Twenty Day D T [redacted]

MTM
One Day D T 70,000
Five Day D T 70,000

Twenty Day D T 70,000

From: Waterhouse, Scott
Sent: Friday, May 18, 2012 7:43 AM
To: Crumlish, Fred; Hohl, James; Wong, Elwyn; Kirk, Mike
Subject: Info needed today

We need to prepare two table for the comptroller today.

Table 1 - a list of all MIS we get and when we get it (emr, daily P&L)
Table 2 - a list of all applicable limits

We should get examples of each. I need this ASAP.

From: Kirk, Mike
To: <Fursa, Thomas>;<Wong, Elwyn>;<Banks, George>;<Crumlish, Fred>;<Hohl, James>;<Kamath, Jairam>;<Monroe, Christopher>;<Tomese, Doug>;<Swank, Todd>
Sent: 5/18/2012 12:34:27 PM
Subject: RE: CIO Valuation Summary Memo - March 2012 Month End Results REVISED

They were�that�s the point that the bank missed�.same reserving process should apply.

From: Fursa, Thomas
Sent: Friday, May 18, 2012 7:53 AM
To: Kirk, Mike; Wong, Elwyn; Banks, George; Crumlish, Fred; Hohl, James; Kamath, Jairam; Monroe, Christopher; Tomese, Doug; Swank, Todd
Subject: Re: CIO Valuation Summary Memo - March 2012 Month End Results REVISED

The CDX were marked AFS too? I would imagine these are MTM under FAS 157?

From: Kirk, Mike
Sent: Friday, May 18, 2012 07:28 AM
To: Wong, Elwyn; Banks, George; Crumlish, Fred; Fursa, Thomas; Hohl, James; Kamath, Jairam; Monroe, Christopher; Tomese, Doug; Swank, Todd
Subject: RE: CIO Valuation Summary Memo - March 2012 Month End Results REVISED

They told us about this in the meeting in Mid April.

When we questioned the lack of reserves the bank missed the point, arguing that it was an AFS book and that type of methodology didn�t make sense�

From: Wong, Elwyn
Sent: Thursday, May 17, 2012 8:45 PM
To: Banks, George; Crumlish, Fred; Fursa, Thomas; Hohl, James; Kamath, Jairam; Kirk, Mike; Monroe, Christopher; Tomese, Doug; Swank, Todd
Subject: Re: CIO Valuation Summary Memo - March 2012 Month End Results REVISED

I read the unrevised one. What does that mean I wonder. With the stroke of a pen they added 186 - 31 equal 155 mil? And that's all they have for cds right?

From: Banks, George
Sent: Thursday, May 17, 2012 02:29 PM
To: Crumlish, Fred; Fursa, Thomas; Hohl, James; Kamath, Jairam; Kirk, Mike; Monroe, Christopher; Wong, Elwyn; Tomese, Doug; Swank, Todd
Subject: CIO Valuation Summary Memo - March 2012 Month End Results REVISED

Just received a revised CIO March 2012 Valuation Summary (see attached and also uploaded into WISDM). Appears that they are revising 1Q12 results?

Changes from the previous version highlighted in yellow below:

<<March 2012 Valuation Summary_v2.ppt>> <<R-764165-March_2012_Valuation_Summary_v2.DRF>>

<u>Credit Indices and Tranches (page 5)</u>

Original Text

Based on independent sourced prices and tolerances agreed with the CIO Front office an adjustment of **$(16.9)mm** was required. For March month end the level of the Liquidity Reserve, which represents the illiquidity of off-the run positions, was **$(31.1)mm.**

The credit derivative market has been extremely volatile this month. Initially all sectors of the market tightened on an improved economic climate and a more stable peripheral European picture. However, as Central banks moved away from asset purchase programs and doubts resurfaced about the Spanish economy markets weakened led by the financial sector. High Yield indices have outperformed the Investment grade indices while current on-the-run series outperformed the off-the-runs.

CIO�s reserve policy is to include any series more than 4 removed from the current on the run series. Prior to March month end both index and tranche positions of Series 9 of both the ITRAXX and CDX IG were both omitted from the calculation despite qualifying under this criteria as both series were still considered to be liquid. At March month end it was concluded that a reduction in liquidity in the tranches of these series warranted inclusion in the liquidity reserve calculation

Revised Text

Based on independent sourced prices and tolerances agreed with the CIO Front office an adjustment of **$(16.9)mm** was required. For March month end the level of the Liquidity Reserve, which represents the illiquidity of off-the run positions, was **$(186.4)mm.**

The credit derivative market has been extremely volatile this month. Initially all sectors of the market tightened on an improved economic climate and a more stable peripheral European picture. However, as Central banks moved away from asset purchase programs and doubts resurfaced about the Spanish economy markets weakened led by the financial sector. We have also seen an out performance by the High Yield indices versus the Investment grade and of the current on-the-run series versus the off-the-runs.

CIO�s reserve policy is to include any series more than 4 removed from the current on the run series. Prior to March month end both index and tranche positions of Series 9 of both the ITRAXX and CDX IG were both omitted from the calculation despite qualifying under this criteria as both series were still considered to be liquid. At March month end it was concluded that a reduction in liquidity in the tranches of these series warranted inclusion in the liquidity reserve calculation

George Banks, Jr.

Office of the Comptroller of the Currency

1166 Avenue of the Americas, 21st Floor

New York, NY 10036

t 212.899.1387 | f 301.324.4452 | bb 202.256.1966

george.banks@occ.treas.gov

From: Kirk, Mike
To: <Hohl, James>
Sent: 5/9/2012 7:20:08 PM
Subject: RE: Document1
Attachments: CIO Kirk Edits.docx

James,

Here are my edits. I have no attachment to them whatsoever so feel free to accept or reject as you please.

Regards,

Mike

<<...>>

From: Hohl, James
Sent: Wednesday, May 09, 2012 2:28 PM
To: Kirk, Mike
Subject: Document1

Mike, Here's my first take. Stay off that leg. JCH

<< File: Doc1.docx >>

Regulators met with JPMC senior managers to discuss the CIO synthetic credit (index credit derivatives) portfolio.

- JPMC's 10-Q tomorrow will disclose synthetic credit losses and the possibility of more significant losses to come. Losses since 3/31 are about $1.9B, which are not part of 1Q results.
- The synthetic credit portfolio is being wound down under the control of Risk Management, although this will be a lengthy process.
- JPMC managers have taken actions to improve risk management (i.e. implemented new limit structure to include notional limites) and to prevent a recurrence, and reviews continue to assess the situation and enhance controls.

JPMC CFO Doug Braunstein called a meeting with OCC and Federal Reserve examiners to go over synthetic credit portfolio market losses that will be disclosed in the 1Q2012 10-Q tomorrow and are much larger 2Q to date than they were in 1Q. The synthetic credit portfolio risk-weighted asset grew about $30B in 1Q and another $20B in 2Q so far.

The synthetic credit portfolio held by CIO has $1.9B MTM losses in 2Q2012 to date. The CIO has monetized near $1B of gains from the AFS book that are booked thru the coroporation under securities gains. The notional position of the AFS and firm wide credit synthetic hedge grew significantly during 1Q2012 in a failed attempt to reduce credit risk hedging by repositioning the portfolio. The net result is a large complex position that didn't act as modeled with unexpected correlations and increased volatility that will take time to run down.

The traders wanted to reduce exposure to HY short position they had but market liquidity and perceptions (due to AMR and Kodak BK's plus LTRO) were such that many participants had same view and sufficient liquidity was not available to reduce the short. So traders modeled other indices based upon historical correlations and determined the best course of action was to buy IG indices. Ina Drew noted that the old HY synthetic hedge moved in line with the AFS portfolio prior to these changes being made. John Hogan noted that the firm underestimated the risks and that they would exit the strategy and never reenter it.

The driving issue , according to Doug Braunstein, is the size of the position. Because of the size, any dislocation is magnified, and the ability to exit is hampered.

The CIO global credit 10% credit spread widening (CSW) limit was breached on March 22, 2012. At that time CIO Ina Drew suspended active trading in the instruments and began looking more closely at the drivers of the ongoing limit exception. At first it was thought by the CIO traders that the excess was due to market dislocations that would mean revert; however, by the last week of April it was apparent—after further analysis by others within JPMC, that there were fundamental problems with the portfolio. Further increases to this portfolio, as seen in the reports, were not from new trades, but rather from the convexity of the positions, many of which behave like near or at the money options. Further widening of spreads will exaggerate this problem; conversely, spread narrowing will assist them in derisking.

At this time, Risk Management has control of the synthetic credit portfolio, which will be wound down. While the portfolio does have symmetrical risks, JPMC managers are actively reducing the exposure instead of sitting on it to see if the market will turn around. Ashley Bacon is leading the efforts to actively reduce the 10% CSW exposure by July 4th. Currently, managers are meeting twice daily seven days a week to update and control this process. Two other aspects to winding down the portfolio are managing the risks after significant short positions mature in late December and managing the remaining longer-term positions. Ultimate resolution of the portfolio will take a long time, and there is a possibility of billions more in losses. The glide path of derisking entails three prongs. First, the derisking of delta (10% CSW); second, deciding what to do with HY shorts expiring in Dec; third, more long dated issues related to illiquid risks that they can't do much about. May be more liquidity reserves as a result.

Risk management has assembled six risk categories for the synthetic portfolio and is stressing each of them. There is a risk that the portfolio could lose $2B from here, but these numbers are evolving as risk management better understands the position and as risks are unwound.

Marks of the previous positions were within tolerances. Reserves were taken according to olicies in place in January. These reserves were for liquidity, and totaled $30MM. The bank has since added $150MM to those reserves.

JPMC managers seem likely to "take a breather" in their market efforts after tomorrow's 10-Q filing announces the situation to give the markets time to adjust to the news and any effects to settle down.

A review of the situation is ongoing. To date identified issues include the following. There was poor construction and execution of the hedge reduction strategy, which added to the complexity and size of the position. There was over reliance on historical market relationships, which resulted in excessive price movements when implied correlations increased. There was miscalculation of market and valuation dynamics. There were insufficiently granular limits for the synthetic credit book, particularly a lack of notional limits. It took too long to fully understand the portfolio risks and escalate problems. Finally, the current market environment for these instruments has magnified mistakes.

In addition to Risk Management's active efforts to reduce the portfolio's risk positions and ultimately wind it down as previously described, JPMC has begun taking actions to prevent a similar situation. More granular limits have been put into place. The valuation, control, compliance, and reporting framework have been tightened, and is undergoing further review to strengthen firmwide. An internal audit to assess risk management processes and financial reporting for CIO mark-to-market books is underway.

JPMC attendees
Chief Financial Officer Doug Braunstein
General Counsel Stephen Cutler

Chief Investment Officer Ina Drew
Chief Risk Officer John Hogan
EVP Corporate & Regulatory AffairsBarry Zubrow (telephone)

OCC attendees
Scott Waterhouse, Fred Crumlish, James Hohl, Mike Kirk (telephone)

Fed attendees
Dianne Dobbeck, Anna , the other guy

Regulators met with JPMC senior managers to discuss the CIO synthetic credit (index credit derivatives) portfolio.

- JPMC's 10-Q tomorrow will disclose synthetic credit losses and the possibility of more significant losses to come. Losses since 3/31 are about $1.9B, which are not part of 1Q results.

- The synthetic credit portfolio is being wound down under the control of Risk Management, although this will be a lengthy process.

- JPMC managers have taken actions to improve risk management (i.e. implemented new limit structure to include notional limites) and to prevent a recurrence, and reviews continue to assess the situation and enhance controls.

JPMC CFO Doug Braunstein called a meeting with OCC and Federal Reserve examiners to go over synthetic credit portfolio market losses that will be disclosed in the 1Q2012 10-Q tomorrow and are much larger 2Q to date than they were in 1Q. The synthetic credit portfolio risk-weighted asset grew about $30B in 1Q and another $20B in 2Q so far.

The synthetic credit portfolio held by CIO has $1.9B MTM losses in 2Q2012 to date. The CIO has monetized near $1B of gains from the AFS book that are booked thru the coroporation under securities gains. The notional position of the AFS and firm wide credit synthetic hedge grew significantly during 1Q2012 in a failed attempt to reduce credit risk hedging by repositioning the portfolio. The net result is a large complex position that didn't act as modeled with unexpected correlations and increased volatility that will take time to run down.

The traders wanted to reduce exposure to HY short position they had but market liquidity and perceptions (due to AMR and Kodak BK's plus LTRO) were such that many participants had same view and sufficient liquidity was not available to reduce the short. So traders modeled other indices based upon historical correlations and determined the best course of action was to buy IG indices. Ina Drew noted that the old HY synthetic hedge moved in line with the AFS portfolio prior to these changes being made. John Hogan noted that the firm underestimated the risks and that they would exit the strategy and never reenter it.

The driving issue , according to Doug Braunstein, is the size of the position. Because of the size, any dislocation is magnified, and the ability to exit is hampered.

The CIO global credit 10% credit spread widening (CSW) limit was breached on March 22, 2012. At that time CIO Ina Drew suspended active trading in the instruments and began looking more closely at the drivers of the ongoing limit exception. At first it was thought by the CIO traders that the excess was due to market dislocations that would mean revert; however, by the last week of April it was apparent—after further analysis by others within JPMC, that there were fundamental problems with the portfolio. Further increases to this portfolio, as seen in the reports, were not from new trades, but rather from the convexity of the positions, many of which behave like near or at the money options. Further widening of spreads will exaggerate this problem; conversely, spread narrowing will assist them in derisking.

At this time, Risk Management has control of the synthetic credit portfolio, which will be wound down. While the portfolio does have symmetrical risks, JPMC managers are actively reducing the exposure instead of sitting on it to see if the market will turn around. Ashley Bacon is leading the efforts to actively reduce the 10% CSW exposure by July 4th. Currently, managers are meeting twice daily seven days a week to update and control this process. Two other aspects to winding down the portfolio are managing the risks after significant short positions mature in late December and managing the remaining longer-term positions. Ultimate resolution of the portfolio will take a long time, and there is a possibility of billions more in losses. The glide path of derisking entails three prongs. First, the derisking of delta (10% CSW); second, deciding what to do with HY shorts expiring in Dec; third, more long dated issues related to illiquid risks that they can't do much about. May be more liquidity reserves as a result.

Risk management has assembled six risk categories for the synthetic portfolio and is stressing each of them. There is a risk that the portfolio could lose $2B from here, but these numbers are evolving as risk management better understands the position and as risks are unwound.

Marks of the previous positions were within tolerances. Reserves were taken according to olicies in place in January. These reserves were for liquidity, and totaled S30MM. The bank has since added $150MM to those reserves.

JPMC managers seem likely to "take a breather" in their market efforts after tomorrow's 10-Q filing announces the situation to give the markets time to adjust to the news and any effects to settle down.

A review of the situation is ongoing. To date identified issues include the following. There was poor construction and execution of the hedge reduction strategy, which added to the complexity and size of the position. There was over reliance on historical market relationships, which resulted in excessive price movements when implied correlations increased. There was miscalculation of market and valuation dynamics. There were insufficiently granular limits for the synthetic credit book, particularly a lack of notional limits. It took too long to fully understand the portfolio risks and escalate problems. Finally, the current market environment for these instruments has magnified mistakes.

In addition to Risk Management's active efforts to reduce the portfolio's risk positions and ultimately wind it down as previously described, JPMC has begun taking actions to prevent a similar situation. More granular limits have been put into place. The valuation, control, compliance, and reporting framework hasve been tightened, and is undergoing further review to strengthen firmwide. An internal audit to assess risk management processes and financial reporting for CIO mark-to-market books is underway.

JPMC attendees
Chief Financial Officer Doug Braunstein
General Counsel Stephen Cutler

Chief Investment Officer Ina Drew
Chief Risk Officer John Hogan
EVP Corporate & Regulatory AffairsBarry Zubrow (telephone)

OCC attendees
Scott Waterhouse, Fred Crumlish, James Hohl, Mike Kirk (telephone)

Fed attendees
Dianne Dobbeck, Anna , the other guy

From:	Welch, Robert
To:	<Crumlish, Fred>;<Berg, Jaymin>
CC:	<Swank, Todd>;<Atkins, Glenn>
Sent:	2/9/2012 2:32:29 PM
Subject:	RE: Investment Portfolio AQ Comment for the CA

Sounds great. I'll edit and insert the comment into the AQ section.

Thanks to all.

-----Original Message-----
From: Crumlish, Fred
Sent: Thursday, February 09, 2012 9:31 AM
To: Welch, Robert; Berg, Jaymin
Cc: Swank, Todd; Atkins, Glenn
Subject: RE: Investment Portfolio AQ Comment for the CA

Let's call investment portfolio quality strong in the credit ras.
CIO is the business unit, w/ all JPM. JPMCB is what is booked in the bank. CIO also has some private equity and other non bank eligible things. Jaymin or James Hohl can clarify last years number, but I wouldn't worry about including it in the RAS. Agree we can say it's less than 1%

- apc

*** If you have received this message in error, please delete the original and all copies, and notify the sender immediately. Federal law prohibits the disclosure or other use of this information. ***

▬ = Redacted by the Permanent Subcommittee on Investigations

-----Original Message-----
From: Welch, Robert
Sent: Thursday, February 09, 2012 8:29 AM
To: Crumlish, Fred; Berg, Jaymin
Cc: Swank, Todd; Atkins, Glenn
Subject: RE: Investment Portfolio AQ Comment for the CA

Ok, here are the quarterly classified security figures from FD starting left to right w/ 4Q10- 4Q11.

Other Assets - Securities ('B' or worse, or 'NR') [redacted]
Other Assets - Securities ('D') [redacted]

Say $2.7B of the "portfolio" is below IG = <1%.

Just a point of clarification for me. Last year's comment referenced a $312B CIO portfolio and also referenced the JPMCB portfolio of $307B - (now $354B). I don't know what the difference is.

The below IG figure last year was relative to the CIO portfolio (but) not the JPMCB. (?)

Glenn, I can do the cut and paste. Let me know.

Thanks Jaymin/Fred.
-----Original Message-----
From: Crumlish, Fred
Sent: Thursday, February 09, 2012 7:50 AM
To: Berg, Jaymin
Cc: Swank, Todd; Welch, Robert

Subject: RE: Investment Portfolio AQ Comment for the CA

Thanks Jaymin. Can we say credit quality is "strong"

Bob - If you have the latest fast data, we can put in the percentage classified / criticized,

- apc

*** If you have received this message in error, please delete the original and all copies, and notify the sender immediately. Federal law prohibits the disclosure or other use of this information. ***

-----Original Message-----
From: Berg, Jaymin
Sent: Wednesday, February 08, 2012 5:43 PM
To: Crumlish, Fred
Cc: Swank, Todd
Subject: RE: Investment Portfolio AQ Comment for the CA

Here's a paragraph, let me know if you have questions/comments.

The credit quality of the investment portfolio is satisfactory. The investment portfolio grew by 15% to $354 billion year over year. The portfolio is comprised of 36 percent US government and agency securities, while the remainder is primarily in non-agency MBS/CMBS and foreign debt securities. The representation of US Agency and Treasury securities has decreased from 45% in the prior year due to the CIO's focus on purchasing non-government/agency debt. Low interest rates and prepayment risk have led them to opportunistically look to other asset classes for investment purchases during the year. The portfolio performance during 2011 was good and does not indicate any material credit issues in the investment portfolio. At year end the investment portfolio has $5.5 billion in positive other comprehensive income. During 2011, the portfolio took $76 million in other than temporary impairment (OTTI) write downs, which is the equivalent to .02% of the portfolio.

From: Crumlish, Fred
Sent: Wednesday, February 08, 2012 1:34 PM
To: Berg, Jaymin
Cc: Swank, Todd
Subject: RE: Investment Portfolio AQ Comment for the CA

Well, I just searched last year's core, and there was nothing there - so perhaps we were edited out as a rounding error last year. I copied Todd in case I missed it.

Getting this to me before you leave London would be "ahead" of my heightened expectations....

- apc

*** If you have received this message in error, please delete the original and all copies, and notify the sender immediately. Federal law prohibits the disclosure or other use of this information. ***

From: Berg, Jaymin
Sent: Wednesday, February 08, 2012 1:22 PM
To: Crumlish, Fred
Subject: Re: Investment Portfolio AQ Comment for the CA

Will try and work on it before I leave london so probably tonight or tomorrow night?

Do you have last year's aq section by any chance that you could send?

From: Crumlish, Fred
Sent: Wednesday, February 08, 2012 01:19 PM
To: Berg, Jaymin

Subject: RE: Investment Portfolio AQ Comment for the CA

You really don't want the answer. I am going to fall on the sword so let me know when you think you can do this by.

- apc

*** If you have received this message in error, please delete the original and all copies, and notify the sender immediately. Federal law prohibits the disclosure or other use of this information. ***

From: Berg, Jaymin
Sent: Wednesday, February 08, 2012 12:52 PM
To: Crumlish, Fred
Cc: Hohl, James
Subject: Re: Investment Portfolio AQ Comment for the CA

When do you need this?

From: Crumlish, Fred
Sent: Wednesday, February 08, 2012 12:51 PM
To: Berg, Jaymin
Cc: Hohl, James
Subject: FW: Investment Portfolio AQ Comment for the CA

I always forget about this. We need a short blurb.

- apc

*** If you have received this message in error, please delete the original and all copies, and notify the sender immediately. Federal law prohibits the disclosure or other use of this information. ***

From: Welch, Robert
Sent: Wednesday, February 08, 2012 10:44 AM
To: Crumlish, Fred
Subject: Investment Portfolio AQ Comment for the CA

Hi Fred, was James or someone else on your team going to be able to draft a short blurb on Inv. Port. quality for the AQ section of the Core Assessment this year?

Thanks, Bob

From: Wong, Elwyn
To: Waterhouse, Scott; Kirk, Mike; Crumlish, Fred
CC: Hohl, James
Sent: 5/16/2012 8:24:13 PM
Subject: CS01
Attachments: 1-DIBImage.bmp

Hi Scott

Given how little the Bank has provided us with concrete metrics, my current understanding is the $50 mil Venkat mentioned going to $38 mil yesterday and $34 mil today is the "un-beta adjusted" number -- the equivalent of the -$46.13 number then (this is from the Powerpoint they provided to you)

If true, it is very meaningful. The Achilles heel (no pun intended) was their old analysis showed short HY (+8.51 CS01)) when mapped to IG can have a short equivalent of +42.55 CS01, making them, when beta adjusted, not that long credit risk. As a matter of fact, they were almost "square" at -$4.31

But then again it could be an overshoot the other way, if indeed HY reverts back to some of their old relation to IG - their problem is a huge basis problem.

Elwyn

From: Waterhouse, Scott
Sent: Wednesday, May 16, 2012 4:09 PM
To: Wong, Elwyn; Kirk, Mike; Crumlish, Fred
Cc: Hohl, James
Subject: RE: Raw minutes from 5/16 CIO call

A couple of adds on the names. Question to all of you with knowledge, when Venkat said that CS was down from $50 to $34, how meaningful is that? I.e., how much smoothing (basis, tenor, etc.) goes into that number, if any?

From: Wong, Elwyn
Sent: Wednesday, May 16, 2012 2:59 PM
To: Kirk, Mike; Waterhouse, Scott; Crumlish, Fred
Cc: Hohl, James
Subject: RE: Raw minutes from 5/16 CIO call

From: Kirk, Mike
Sent: Wednesday, May 16, 2012 2:43 PM
To: Waterhouse, Scott; Crumlish, Fred
Cc: Hohl, James; Wong, Elwyn
Subject: Raw minutes from 5/16 CIO call

First half of meeting only. Not present for second meeting.

James and Elwyn, if you can correct any errors that may have made it would be greatly appreciated.

Regards,
Mike

Daily CIO update

Bank: Matt Zames, John Hogan, Ashley Bacon, Chetan Bhargiri, Marie Nourie, Greg Gunselman?, Diane Genova, Venkat (Venkatakrishnan)
OCC: Scott Waterhouse, Fred Crumlish, James Hohl, Elwyn Wong, Mike Kirk
FRBNY: Diane Dobbeck, Marie Davis, Mike ?,
FDIC: Om Arya, John Granis
FSA: Jim ? and other representatives unknown.

P&L data: Still working on report with information that has been requested. Should be shortly. Can provide report with P&L numbers starting tomorrow. P&L and Risk combo with explain will come shortly.

- Will deliver daily P&L from Jan 1 will be delivered by week end.
- P&L on T+1 with explains are possible. T is more challenging, b/c NY closes at 7PM. Trader estimates and verbal P&L can be given daily.
- Monday loss $328.5MM, Tues loss of $76.4MM
- Today's P&L and Market color:
- P&L today ups $45MM. IG 9 out-performed against on the run (otr) and theoretical basket by about 1bp which explains all P&L. Reassuring b/c IG 9 has been underperforming.
- HY and IG did very little, tranche very insignificant.
- Credit indices closed wider by 2 in Europe and 1.5bps in US.
- AM bot $5B of 5 year (otr) Itraxx protection (the main index).
  PM bot some HY risk in US.
  CS01 is now from a peak of $50 mil to $34mil (so yesterday's note should read $38 mil instead of $28 mil)
- CS01 measure started at $50MM with today's trades down to $34MM.
- IG 9 10 year vs. theoretical basket is 7bps rich to basket (-7b to basket).

Collateral: As of Tues, still at $152MM. Across all counterparties except Deutsche Bank (DB) have dropped significantly, but DB has some issues with new trades with ITraxx 17. If DB is wrong number comes down significantly. Morgan Stanley (MS) collateral differences is now only $7MM.

- Valuations to Markit and marks are fairly tight swinging around $25MM.

- Spreads used for tranches the results are reasonable to IB Marks.

- Collateral is paid/Rec in cash (Euro/USD), all counter parties (cp's) have option to exchange Treasuries but mostly done in cash so far Table will be provided with CSA options for each CP.
- No new information on ICE collateral questions.

Updates on follow ups:

- P&L items. Committed to report snapshot for T+1 tomorrow; including FSA. Plus oral statement of T p&L.
- P&L back to Jan 1, due Friday of this week
- P&L Explain + risk metrics report will be end of week this week, at latest. Risk metrics bank uses to manage the book. Bank has this information in variety of forms and Matt and his team wants to clean up and give to FRBNY. Bank will give what they have today to manage the book to the regulators today.
- Basel update will walk regulators to all components of market risk by end of this week.
- CCAR FRBNY has received projections of income. Matt and team are working on risk glide path. Matt wants to look at worst day all the way thru crisis, at numerous confidence intervals, and the glide path will be based upon this. Matt will walk FRBNY thru this by Friday.
- Provide CCAR risk factors by Friday of this week.
- CIO AFS portfolio liquid asset buffer by asset class.
    - Chetan will send what he has now, can send complete list tomorrow.
- Loss to exit portfolio: Matt not comfortable with that number until knows what aggregate stress was to the worst day. Can't answer cost to get out today until sees stress numbers.
- Legal entity P&L explain: Whitefriars. Impacts upon capital on LE. Will give to us tomorrow. Will depend somewhat upon capital stress work in progress.
- Limit review: Will be tomorrow.

Risk Reduction Glide path:

- Immediate objection is to remove directionality. Buying back risk for OTR IG index. Long way from achieving, making some progress on 10% CSW (about 40MM so far from $209mil yesterday(?).
- Think 10% CSW number is fairly accurate. Certain that they need to be selling some every day to reduce risks every day. As Delta is removed will need to get more exact, but a while off from that.

John Hogan committed to giving the regulators what the bank has today to us today, with appropriate caveats until mgt can scrub it.

Bank has collected a list of all dealers and hedge funds that have come back to JPM with axes; some match JPMC's book some don't. Levels are away from mid market. The original risk it is possible that the other side is out there; so more optimistic, but have not consummated a deal.

Mike Kirk
Capital Markets Examiner
Large Bank Supervision
Phone: 212 899-1383
Fax: 301 433-9209

From: Hohl, James
To: Crumlish, Fred; Wong, Elwyn; Kirk, Mike; Waterhouse, Scott
Sent: 5/14/2012 7:46:05 PM
Subject: RE: May 14 minutes

Bank: Mike Cavanagh, John Hogan, Ashley Bacon, Chetan Bhargiri, Matt Zames, Diane Genova
OCC: Scott Waterhouse Fred Crumlish, James Hohl, Elwyn Wong, Mike Kirk
Fed and FDIC

* While JPMC has made and continues to make significant changes to CIO managers and is using firmwide resources to address issues in synthetic credit portfolio, the MTM losses continue with a $330MM loss today.
* New Chief Investment Officer Zames is reviewing all CIO investments to assess future actions. Ashley Bacon is leading efforts to reduce risks from credit derivatives.
* Mike Cavanaugh is leading a review of what happened to strengthen controls.
* Bankers are addressing regulators questions and will provide updates daily at 2 p.m.

P&L today -330MM; directional 70mm; compression high yield vs high grade -120; series 9 -$100 similar to Friday. Part of loss from weakening after Friday's London close to NY Close.

All trades booked with JPMC Bank London Branch facing 3rd parties, then back-to-back with Whitefriars which is a sub of a hold co of Reg-K subs to manage risk; the hold co in turn owned by JPMC Bank. Has to do so because Bank couldn't hold HY

OCC would like a document for each day for P&L and P&L explain dashboard and material position changes.

New trades: Sold CDX OTR that reduced 10CSW risk by $25MM, still working on this. Risk reduction glide path is unchanged today. Key focus is on risk directionality at the moment. Once this gets in line will focus on trying to find other side of the trades. Some information that the client franchise can help find the other side (end user). Market making businesses and market liquidity do not have enough capacity to get JPMC out of the trades, will need assistance from other side of the trades. Not sure what market levels will have to be for market driven appetite of the other sides of these trades to appear.

Wide B/O Friday, less today with little trading. Market is testing to see what JPMC will do. Expect B/O to continue narrowing; however, markets remain likely to move against JPMC.

Looking at AFS book now to identify if there are any securities they "don't like" and may sell. Will know more next week.

Bank will provide an estimate of how AFS sales can cover the synthetic credit portfolio losses. Regulators want to know the effect of changes of the AFS portfolio on the liquidity buffer.

Think market should have reasons to unwind trades b/c JPMC losses are someone's gains so are "hopeful" that can be ability to unwind with counterparts.

Capital and RWA numbers will be provided in a few days once glide path of portfolio is determined. Bank is managing to B3. RWA on the portfolio is increasing at this time. Using market risk rule on the derivatives (bank will confirm). Bank will provide projections of these numbers.

FRBNY wants to know how the RWA is estimated as they understand models are being worked on. Ashley Bacon will follow up.

In process of identifying the amount of risk the bank is willing to hold. Trying to be prudent on how much they spend to unwind. Being cautious until dust settles before deciding how much to unwind because market is reacting to the news.

IG9 and S9 market prices adjusting to news of JPM and reaction to what they or may not do. Tranche market not running away from them though.

Collateral disputes: Nothing dramatic today. As of COB Friday, $69MM outstanding difference. Flat to prior day. Some improvement with MS. At one time widest collateral disputes were $690MM. Morgan Stanley difference was once in excess of $120MM. The largest difference was around mid April.

Improvement was driven by Bank changed their view of the value of the collateral. At the time of original valuation, the bank thought the book was valued correctly, but have changed their view and have agreed to counter party levels.

Part of valuation differences in USD products is due to timing of NY and LDN close. Current MarkIT valuations closed recently. Currently widened to $50MM due to difference in timing between NY and London.

Synthetic credit book is booked in bank branch in London; risk is migrated to JPM Whitefriars. Whitefriars is a bank sub, under holding company sub created for all Reg K subs held under JPMCB NA.

P&L in bank is more likely to be flat, most P&L should be in Whitefriars but JPMC will confirm.

High grade is booked in same place for risk mgt purposes so book is all in one place.

Shrek is a deal booking tool.

Tomorrow bank will walk us thru the operational aspects of the trade for legal booking etc.

Operational aspects: 78% of ICE eligible trades are through ICE. Clearings sent weekly; will send tomorrow and expect back over 80% when done this week. $73B are eligible, $63B are ineligible (don't clear tranches and some of older indices).

Bank briefed FSA again today, description of timeline of events. FSA had similar qs that US regulators have.

One resignation in London MO, getting some help from NY to assist both MO and technology. Very much engaged with IB for knowledge and systems solutions.

CIO will have new CFO, very soon (Marie Nourie). Announcement will be later today. Ian Green (for expertise) is embedded with Ashley Bacon looking at CIO. Chetan Bhargiri named CRO for CIO reporting to Hogan.
Ashley Bacon will run risk in CIO day to day reporting to Zames, will make decisions on RWA on day to day, gathering group of individuals to figure out what went wrong and how to do it better.
Bank will provide a CCAR analysis of the synthetic portfolio.
Don't expect other issues in the rest of CIO. This is largest mark to market portfolio in CIO. CLO book is all very high grade.
Follow ups:
1. How much will it cost to get out today under reasonable assumptions (Bacon)?
2. AFS inventory today and history; and strategies for offsetting strategies (Bhargiri)?
3. How (2) affects liquidity buffer (Tony working for Chetan Bhargiri)
4. P&L Explain (Bacon) and recaps on position (new trades on day). On T basis (based on trader estimate, and will provide info on slippage on T+1
5. Where P&L is booked?
6. B3 RWA for Synthetic Book and confidence of estimate (Norrey and Bhargiri)
7. Market Rule for B1.
8. Stress testing framework, how thinking of risks. Set of defined situations on how look at book. Close to CCAR scenario, and other bad and plausible scenarios (Hogan).
9. Operational Aspects of the portfolio (Phil).

From: Crumlish, Fred
To: Waterhouse, Scott
Sent: 5/31/2012 9:45:06 PM
Subject: Re: QA

No. He spoke of aspects directly impacting me but he may tell you more. Actually I had no surprises..

Said we could have been more aggressive on mra followup. I concurred, gave him my thought process.

Said we could explore "outsize" gains more. (Amr gain) as it may have indicated something to raise suspicions.

Use comparable process for comp risks (us and bank) in my case I told I said I should have had mike or elwyn more involved.

Was pleased with var paper trail and confirm jairam got

Praised wisdm use

Said he couldn't tell if we could have caught this.I said time will tell as we seek more.

-apc

OCC
202-439-3938

----- Original Message -----
From: Waterhouse, Scott
Sent: Thursday, May 31, 2012 05:36 PM
To: Crumlish, Fred
Subject: QA

Anything surprising from Mike?

Sent from my BlackBerry Wireless Handheld

Chief Investment Office

Presentation to the Directors Risk Policy Committee
September 2010

Ina Drew, Chief Investment O

Mandate and Approach

KEY MANDATE: Optimize and protect the Firm's balance sheet from potential losses, and create and preserve economic value over the longer-term.

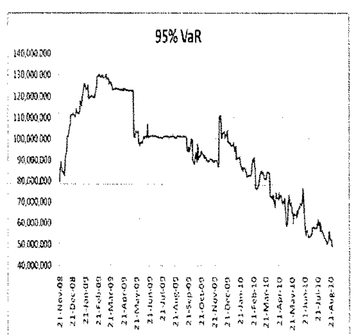
SHORTER *LONGER* INVESTMENT HORIZON

Longer-term Investing | *Strategic Investing & Risk Manage* | *Tactical Investing & Risk Management*

Private Equity	Retirement Plan	Special Investments	[illegible]
Oversight of legacy investments and select new opportunistic investments	Management of US defined benefit pension investments and oversight of 401k	Investment in stressed and distressed opportunities related to undervalued or under-performing JPMC loans	[illegible]
$4bn AUM	$11bn AUM	TBD	[illegible]
Position in run-off mode. YTD PE gains: $400mm	Investments in Fixed Income, Equities, & Alternatives. Projected return 11%	Group in formation – size and scope under review	Allocation of volatile component in mortgage/ high grade credit. Fcst income: $280mm

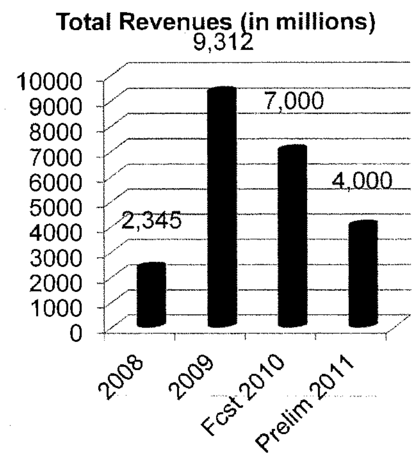
Tactical Positioning

- CIO positions tactically to complement the core investment portfolio.
- One example is a synthetic (or derivative) credit position established in 2008 to protect the Firm from the anticipated impact of a deteriorating credit environment.
- As credit spreads widened, CIO adjusted the position to capture value as credit markets stabilized.
- These positions reached a maximum 95% VaR of $130mm in early 2009, and have since been de-risked to a current VaR level of approximately $50mm, with some further risk reduction anticipated.
- Tactical credit strategies have contributed approximately $2.8bn in economic value from inception, with an average annualized RoE of 100%.



Earnings

- CIO's expertise and product suite have been developed and expanded to produce absolute returns through all business cycles.
- Some volatility of earnings should be expected throughout cycles, particularly at extremes.
- Very low expense base of approximately $300mm, coupled with high returns, produces overhead ratios that range from 3% - 10%.



Regulatory Reform

- CIO activities are not expected to be significantly impacted by Financial Regulatory Reform.
- CIO does not maintain "trading accounts" as defined by Volcker rule:
  - Intent is not to buy and sell to benefit from short-term price movements.
  - Activities are restricted to transactions that are clearly and transparently associated with the Firm's underlying structural risks, and all activities are documented as such.
- Private equity investing will be impacted:
  - Existing investments were planned to roll-off prior to effective date of the rules in any case.
  - New investments in Private Equity will most likely not be permitted in CIO.
  - Retirement Plan investments in private equity and hedge funds are expected to be excluded from restrictions.
- Engaging in preliminary discussions with regulators, in coordination with Firm-wide regulatory reform working group.

CHIEF INVESTMENT OFFICE - EXECUTIVE MANAGEMENT REPORT

December 2011

▬ = Redacted by the Permanent Subcommittee on Investigations

Chief Investment Office

$ in millions

Financial Summary [Corporate View]

	Quarter 1 2011 Actuals	Quarter 2 2011 Actuals	Quarter 3 2011 Actuals	Quarter 4 2011 Actuals	FY 2011 Actuals
MTM	[redacted]				
NII					
Security Gains (Losses)					
Other Revenue					
Total CIO Revenues					
Total CIO Expenses (Ex IC, FX & RP)					
Overhead Ratio					
FX Hedging Reduction to Expense Benefit/(Loss)					
MSR					
COLI /BOLI					

Total Return Summary

Total Economic Return	[redacted]
Cost of Capital[1]	
TAA Expenses (Ex IC, Ex FX)	
Pre Tax SVA	
ROE	
3 month average Aggregate VaR95	
3 month average Aggregate Stress	
ECP Capital (with MSR)[2]	

[1] Assumes 19% cost of capital

[2] ECP capital includes firmwide diversification

Q4, 2011

Credit: CDX HY positions were set up to take advantage of key bankruptcy credit related events which resulted in windfall gains for our credit book. ABS and CLO markets were relatively quiet during the wider market volatility period and we continue to benefit from significant amortizations and ca

Europe: [redacted]

Asia:

NA:

MSR:

2210

		▬ = Redacted by the Permanent Subcommittee on Investigations	

Chief Investment Office Financial Supplement [Management View]*

$ in millions

	Quarter 4 2011 Actuals	Quarter 3 2011 Actuals	Quarter 2 2011 Actuals	Quarter 1 2011 Actuals	Quarter 4 2010 Actuals	Quarter 4 B/(W) Quarter 3 2011 Actuals	Quarter 4 B/(W) Quarter 4 2010 Actuals
Revenue							
Total MTM	330	(563)	130	376	192	892	(138)
Security G/(L)	(14)	448	838	90	1,207	(462)	(1,221)
Total Other Revenue*	(26)	(80)	(78)	(111)	(134)	[illegible]	106
Non Interest Revenue	289	(214)	891	355	1,265	504	(976)
Total NII	488	350	645	407	279	138	209
Total Net Revenue	777	135	1,536	762	1,544	642	(767)
Expenses							
Compensation Expense (ex IC)	23	21	21	22	19	(1)	(4)
Noncompensation Expense	70	69	56	27	29	(1)	(41)
Total Non Interest Expense (ex IC, ex FX, ex RP)	92	91	77	49	48	(2)	(45)
Overhead Ratio ex IC	11.88%	66.94%	4.99%	6.47%	3.08%		
COLI/BOLI	[redacted]						
MSR							

* Other Revenue includes FX Hedging Reduction to Expenses

	Quarter 4 2011 Actuals	Quarter 3 2011 Actuals	Quarter 2 2011 Actuals	Quarter 1 2011 Actuals	Quarter 4 2010 Actuals
MTM Revenue by Region					
NA MTM	19	(186)	62	40	27
Europe	(20)	(44)	(2)	69	13
Asia	50	(36)	18	31	33
Global Credit Core	356	59	17	42	81
Global Credit Investments	5	11	47	120	26
Other	0	-	-	-	(1)
TAA MTM	409	(195)	142	303	179
Accounting Related Adjustments:					
(-) MTM NII/Exp	(82)	(93)	(90)	(72)	(54)
MTM ex. MTM NII/Exp	327	(289)	53	230	125
FX Hedging MTM	[redacted]				
Agency Preferred					
Bank Preferred					
SAA Rates					
Global Management Account					
EMEA CDS Hedges					
French CDS					
TDR					
TBA Put Option					
HG Mandate					
Other SAA MTM					
SAA MTM					
Total MTM Revenue					

2211

Redacted by the Permanent Subcommittee on Investigations

CIO Financial Income - December YTD Actuals [Management View]

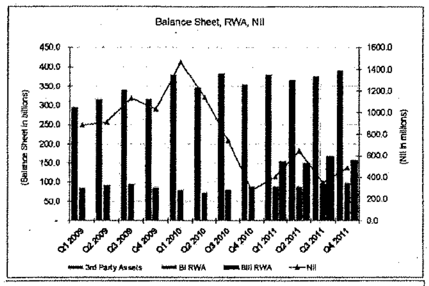
$ in millions

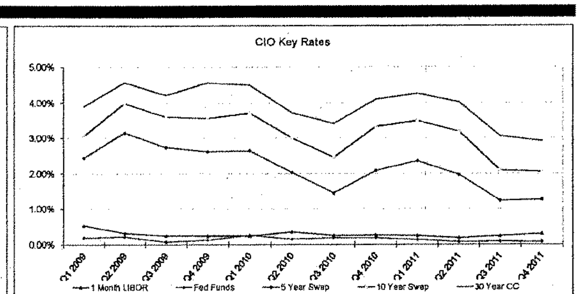
NII	
NA	[redacted]
International	
Cash Capital Adj	
Global Management	
Total TAA NII	[illegible]
Total SAA NII	[illegible]
FX Hedging NII - Capital	[redacted]
FX Hedging NII - RevExp	
Total FX Hedging NII	
[illegible]	
MTM	[illegible]
TAA - Realized	[illegible]
(-) MTM NII/Exp - Realized	[illegible]
TAA MTM	[illegible]
SAA MTM	[illegible]
FX Hedging MTM	[illegible]
[illegible]	[redacted]
Other Revenue	
Intercompany Brokerage Fees	
Cost to Market Adjustment	
BMD Tax Gross-Up	
FX Hedging Other	
Other	
[illegible]	
FX Hedging Reduction to Expense	
FASB Ineffectiveness	
Securities Gains/(Losses)	
[illegible]	
[illegible]	
[illegible]	
[illegible]	

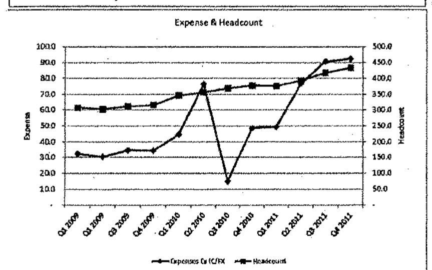
4

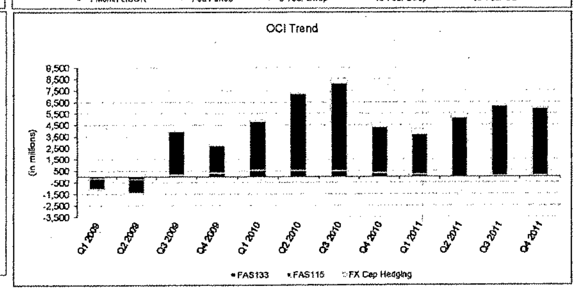
2212

Historical Trends



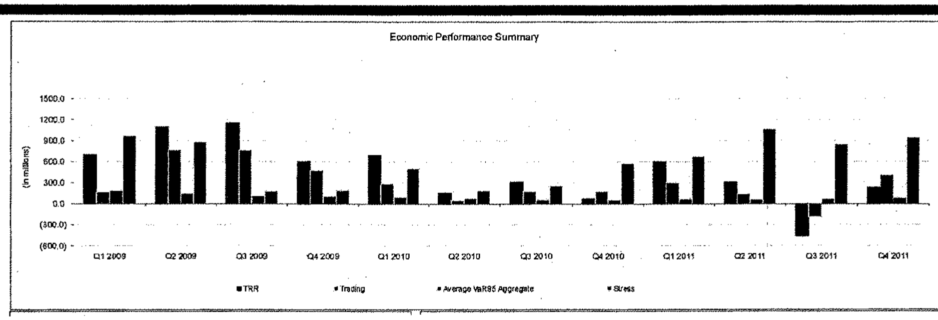






= Redacted by the Permanent Subcommittee on Investigations

Historical Trends



2214

Redacted by the Permanent Subcommittee on Investigations

CIO Balance Sheet - Regional View

as of December 31st, 2011

—— = Redacted by the Permanent Subcommittee on Investigations

Balance Sheet - Spot Balances (3rd Party)
(in $ Billions)

	North America	Europe	Asia	CRP	Total
Investment Securities	171.5	146.5	16.0	0.5	334.5
Trading Account Securities	13.2	16.5	5.4	1.1	36.2
Fed Funds Sold/Resales	[redacted]				
Cash & Due from Banks					
Whole Loans Mortgages					
Other Assets					
Total 3rd Party Assets					

Balance Sheet - BI RWA Balances
(in $ Billions)

	North America	Europe	Asia	CRP	Total
Investment Securities	35.1	32.8	3.0	0.2	71.0
Trading Account Securities	3.6	14.3	1.8	1.4	21.2
Fed Funds Sold/Resales	[redacted]				
Cash & Due from Banks					
Whole Loans Mortgages					
Other Assets					
Total					

Balance Sheet - BIII RWA Balances
(in $ Billions)

	North America	Europe	Asia	CRP	Total
Investment Securities	36.3	41.4	4.2	0.4	82.3
Trading Account Securities	7.1	52.7	3.9	7.0	70.7
Fed Funds Sold/Resales	[redacted]				
Cash & Due from Banks					
Whole Loans Mortgages					
Other Assets					
Total					

2215

CHIEF INVESTMENT OFFICE - EXECUTIVE MANAGEMENT REPORT

April 2012

CIO Balance Sheet/RWA

Quarter 2 Forecast as of 5/09/2012

$ in billions

Investment Portfolio	Fixed/ Floating	Gross Yield	Net Yield[1]	Ave Spread[2]	Invest $bn	Current RWA %	Current RWA	Net Yield/ Reg Cap[3]	Ave Spread/ Reg Cap[4]	FAS 115 OCI 4/30 in mm
North America										
MBS Pass Throughs										
Munis										
Agency CMOs, ARMs & Multi Family										
Agency CMOs Floaters										
Corp Bonds/Foreign Gov Bonds										
Whole Loan										
CMBS,										
CC and SL ABS										
Agencies/Treasuries										
Bank Senior Corporate Debt										
Non-Agency Prime & ALT-A										
Bank Preferreds - Fix										
Covered Bonds										
CLO										
Trust Preferreds - Fix										
Total North America AFS										
Europe										
UK Prime										
Other Corp/Foreign Gov Bonds										
Dutch Prime										
CLO										
HGM										
EM										
Other ABS										
AUD Prime										
Consumer ABS										
German MF										
UK SME										
BE Prime										
Covered Bonds										
UK BTL										
ECA										
CMBS										
Total Europe										
Total Asia										
Reinvestment/Tail Risk										
Total Investment Portfolio										
Dollar Roll Funding (Liability)										
Net Cash Financing										

Redacted by the
Permanent Subcommittee on Investigations

MTM Overlay[4]	Notional	RWA
Credit & Equity - North America	3.8	6.6
Developed Markets Credit	0.2	0.7
International Rates/FX	7.6	7.2
Synthetic Credit	0.0	143.6
Secured Credit	5.6	4.4
Credit & Equity - Asia	4.2	3.9
Total	21.3	166.3

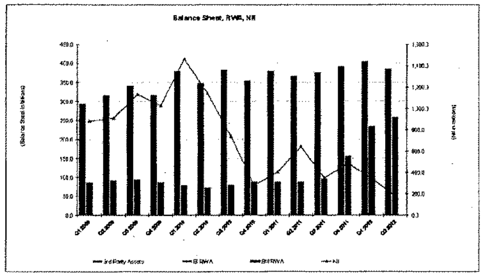
Other Assets[4]	Notional	RWA
Derivatives		
Cash & Deposits w/ Banks		
Other		
Total		
Total CIO		
CRP MTM		
CRP Investment Portfolio		
Total CRP		
Total CIO + CRP		

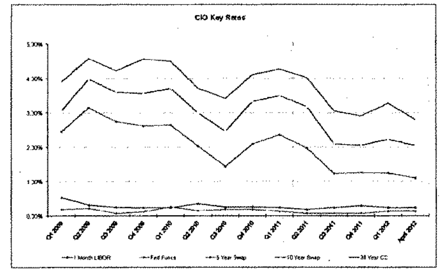
Permanent Subcommittee on Investigations
Redacted by the

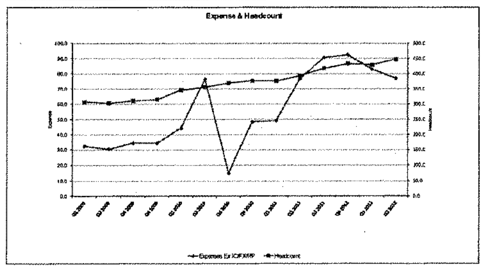
Notes:
[1]Net yield is gross yield net of funding costs.
[2]Average and Current Spread calculated as yield minus swap rate for duration
[3]Average Spread over reg cap used for fixed products
[4]MTM balances represent April Actuals
[5]Capital Ratio 9.5%

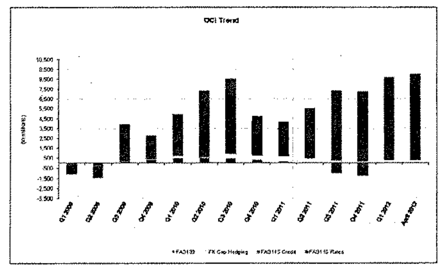
2217

Historical Trends









2012 CA QUARTERLY SUMMARY
Global Chief Investment Office First Quarter CA summary
1st Quarter

LEVEL 1	Chief Investment Office	AMT	Hatzopoulos, Alexander X
LEVEL 2	CIO	AMT DIRECT	McManus, William K
QUARTER	1	STATUS	Approved

SUMMARY OF ACTIVITIES

STAKEHOLDER MEETINGS

North America

CIO continues to manage portfolio positions with significant consideration of Basel III Capital requirements, resolution and recovery impacts, liquidity risk, as well as, enhancing and building out portfolio analytics for the structural asset allocation process.

Liquidity Risk Infrastructure:
Treasury - led initiative to build comprehensive firm-wide liquidity risk infrastructure
CIO engaged in reviewing business requirement and data sourcing definitions and 2012 planning

Differential Discounting:

Implemented successfully in Q4 2012 for Equities in Pyramid and all Fixed Income Products.

GIC Competitive Bidding Process:
Firm - wide initiative to assess risk and related framework by product and region
Submitted formal assessment identifying business lines within the Bank that engage in competitive bidding transactions
Currently looking at consistency of controls across the firm

Regulatory

Volcker Rule:
CIO currently reviewing draft of rule recently released for comment period.
Technology design to tag trades in accordance with mapping documents completed. Final build-out pending final rule release.
Continued emphasis on conducting risk management activities that are clearly related to underlying firm wide structural risks.
Assessing MTM trading activity (# of trades, total notional) relative to underlying structural risk.

EMEA

Redacted by the
Permanent Subcommittee on Investigations

Redacted by the
Permanent Subcommittee on Investigations

APPIA ABS/CLO Migration

In January 2012, the CIO's international credit portfolio of Asset Backed Securities (ABS) and Colleteralized Loan Obligations (CLO) were successfully migrated from IB owned applications (Concorde and ISIS) to the APPIA platform. Approximately 1,800 trades with $101.9bn original notional were migrated in total. In November and December 2011 an initial migration of 38 ABS and CLO positions was performed to assess readiness for the full migration in January and CIO Finance monitored the trades as part of BAU month-end and year-end processes. Audit performed a detailed review of the various aspects of this migration and issued a Satisfactory audit report in March, with no reportable issues noted.

ASIA

Key NBIAs - Asia

Regulatory updates:

Redacted by the
Permanent Sub... ...mittee on Investigations

Technology projects update: –

1. ***APPIA migration project*** pertains to two sets of products: (a) Swaps and F&O and (b) Fixed Income Securities and Repo.
   - Swaps and F&O – All complete.
   - FI Sec and Repo Phase 1 and 2 – Migrations had been completed.
   - FI Sec and Repo Phase 3 (Japan, Australia, New Zealand, Philippines, Korea and Indonesia) – Migration completed for Phase 3 in Mar 2012. Indonesia roll out will be determined depending on regulatory approval.
2. ***OPICS migration project*** OPICS is selected to be the target platform for money market products (front office to back office). The migration approach was confirmed. Revised migrating timeline is listed as below:
   - Phase 1 – Sept 2012 for Bangkok, Manila, Seoul, China & Vietnam
   - Phase 2 – Mar 2013 for Japan and Singapore
   - Phase 3 – May 2013 for India, Jakarta, HK, Malaysia, NZ, Taipei and Sydney.
3. ***Athena migration project*** Athena team currently working on the replan for cash FX migration and target to communicate the onboarding schedule in late April.

CIO Technology:

From a project perspective, the APPIA project (to migrate trades off of IB systems on to a suite of CIO owned systems) is making good progress. No significant issues were raised by Audit in Q1. Some of the key accomplishments in Q1 include: EMEA ABS/CLO Phase2 Migration (1/24/2012); Core/APPIA Integration for TBA's & Specified Pools (3/2/2012); and Asia Securities Migration Phase

3 (3/16/2012). Key in-flight projects include North America Toronto Branch Swaps and Securities Migration (plan for May) and CORE /APPIA Migration (Working on on-boarding remaining securities in CORE onto APPIA). From a production support perspective, the Business Process Index (BPI), which is used to measure the availability of the CIO applications, remains stable at the 99% level. In February, EMEA Shrek was down less than an hour due to DB log issue. In March DB outages occurred after a long-running stored procedure filled the DB transaction logs. Stored procedure has been optimized, weekend purge jobs restructured, and DB re-indexing jobs now scheduled to run earlier for longer duration. From a risk and control perspective, CORE, Shrek, TEA, Primus and Poplar are in scope for SOX testing. CIO Technology is on target to meet the firm-wide targets of 35% by June 15th.

METRICS AND MONITORING

North America:

Market Risk Limits and Total Return and Trading Metrics summaries are reviewed by audit. In addition, weekly metrics for operations are monitored by audit. Weekly metrics consist of , P & L variances, cancel and amended trades, market limits and transaction volume. No significant issues noted in Q1. Operational KPIs and P&L are primarily monitored through the BCC process.

Chief Investment Office highlights Q1 2012:

SAA Portfolio

The book value of the Strategic Asset Allocation Portfolio decreased from $221B 4Q2011 to $159B for 1Q 2012.

Attributed to:

Sales/Maturities of German/French/Canadian Government Securities
Sales of ABS Credit Card Positions
Transfer of CLO's from EMEA to North America

MTM Overlay portfolio

(Note this portfolio is 99% trading, 1% Held for Investment)

MTM Overlay Portfolio Market Value for 1Q 2012 with a balance of $554M & 4Q 2011 with a balance of $1,233B.

The main drive of the decrease in this portfolio quarter over quarter is:

- Increase in Short US Treasury & Foreign Government debt positions of ($490M)
- Sales of CMBS positions of ($90M)
- Increase in the OCI balance from ($7.4M) to (2.3M) is due to the sale of a Private RMBS position

Corporate Retention Portfolio

The book value of the CRP Portfolio decreased from $2.7B 4Q 2011 to $2.6B $1Q 2012

No significant variances to note.

Market Risk

	12/31/2011	3/31/2012
Level 1 CIO+MSR VAR Limit	$145m	$145m
MSR VAR Limit	$90m	$55m
Level 2 MSR BPV Limit	$5m	$4m
International Equity Vega (long only)	$11.5m	$11.5m (temporary limit increase for long only)
International Equity Vega	$4.5m	$4.5m

Firmwide stress limit changes. The CIO MTM limit was increased to $1bln and MTM positions in SAA, FX capital Hedging and CRP are now included in this limit.

The Aggregate limit was increased to $15bln and under this limit they include the stress on the SAA AFS portfolio. A stress limit for open FX exposures in FX Capital hedging was also added at [redacted]

US Defined Pension and OPEB Plans

Redacted by the Permanent Subcommittee on Investigations

ISSUE FOLLOW-UP

North America
Through CA activities, Audit tracks the entry of all audit issues and related action plans into Phoenix, monitors the progress through completion of action plans and subsequent closure of issues in Phoenix. A monthly analysis of open action plans is prepared and follow up with action plan owners performed by audit before the end of each month.

No new issues or action plans have been added for this quarter.

EMEA

There are 3 business identified issues and action plans have been added for this quarter and 1 action plan where the target date has been extended to June 2012 from December 2011.

- **GLRS Substantiation Review**: There is inadequate documentation of CIO EMEA substantiation procedures incl. the methodology used to substantiate each type of GL a/c. Thus, GLRS Substantiation methods used by CIO EMEA personnel to be reviewed and documented and confirm appropriateness and consistency. ii. Compare substantiation practices used by CIO EMEA to CIO NA and CIO ASIA and address inconsistencies, as determined appropriate. iii. Evaluate the ownership of the substantiation responsibilities and determine whether any changes should be made. Action Plan due for completion on 31 May 2012.
- **Model Documentation**: Model documentation is required on SABR, Westend and Primus CMT systems in accordance Model Risk Policy. EMEA CIO to facilitate the overall Model Risk Management process, ensuring updated model inventories and follow-up on required documentation, testing, and other requirements mandated by the CIO Model Risk Oversight Group. Action Plan due for completion on 30 June 2012.
- **Reconciliation of bonds set up in CIOWEB**: Bonds set up in CIOWEB have their Issuer SPN manually attached by whoever is setting up a bond and the incorrect SPN can be selected. This causes downstream risk to calculate incorrectly misstating the positions and risk of CIO. Currently one SPN needs to be set up and mapped for every different ABS tranche that CIOEMEA purchase. The reason for this was a system deficiency in JPM IB that caused SPN to be used as a substitute for ISIN. It has now been agreed that CIOEMEA should now map all ABS tranches from one issuer to one Issuer SPN. This will have the following benefits:
  i) Reduce the current number of Issuer SPNs from 941 to 263
  ii)Eliminate the need to request a new SPN with each tranche purchased

iii)Greater accuracy in ABS to SPN mapping iv)The volume of SPNs previously created also meant that details entered on to the SPN record were often incomplete - the rationalisation of the ABS SPN process should allow more accurate records to be maintained. Action Plan is due for completion on 31 May 2012.

- **Amortization on AFS Portfolio vs. Cash:** Amortizations on the AFS portfolio are calculated at month end as part of the regular control procedures around the AFS portfolio. The cash relating to these amortizations isn't necessarily received in the same month as when the amortization occurred. This generates a break between the amortizations calculated and the cash received which is subsequently unsubstantiated. Detailed analysis on an ISIN basis is undertaken to identity those securities where cash received straddles month end and resolutions for any breaks are assisted by the cash payments team. The resolution was delayed as the ABS migration was delayed last year and resolution was dependent on that. Post ABS securities being migrated onto OPICs in Q1 '12, once the balances have stabilised, further analysis can be undertaken to clear the breaks. Expected resolution date - 2 months post migration. Action Plan currently set for June 2012 completion.

- **CIO Credit-Market Risk and Valuation Practises** issued March 2012 rated Needs Improvement identified the following issues:
  - CIO VCG practices where a number of risk & valuation models have not been reviewed by Model Review Group and included the absence of a formally applied price sourcing hierarchy, insufficient consideration of potentially applicable fair value adjustments (e.g. concentration reserves for significant credit indices positions) and the lack of formally documented/consistently applied price testing thresholds.
  - Stress testing where There is no documented methodology to outline key testing components (e.g. computational method and shock factors used) or assess limitations such as off-line risk measurement, missing risk factors and curves.
  - The SAA book ($140Bn Notional as at 12/31) does not currently feed the firm wide market risk limits and thresholds framework and relevant SAA stress testing results are not measured against corresponding limits.
  - EMEA CIO is currently using unapproved models in the calculation of risk (including VaR) and associated risk measurement methodologies have not been appropriately documented and/or catalogued.
  - The control process around the off-line VaR calculation needs to be enhanced to ensure completeness and accuracy of Credit trade data used in the offline calculation of VaR.

Asia
All the issues and action plans raised from 2011 audit were complete and Phoenix issues were closed accordingly before target dates.

BUSINESS CHANGES

North America: Dave Alexander (CFO), left CIO for RFS and was replaced by David Bjarnason who has announced his resignation and will be transitioning out of this role in the 2nd quarter.

EMEA - David Bjarnason (EMEA Accounting Policy and Control) is leaving the firm in Q2, 2012. There is currently no indication as to whether he'll be replaced.

Asia - N/A

FOLLOW-UPS

EMR AND AUDIT REPORT ISSUES

Through CA activities, Audit tracks the entry of all audit issues and related action plans into Phoenix, monitors the progress through completion of action plans and subsequent closure of issues in Phoenix. A monthly analysis of open action plans is prepared and follow up with action plan owners performed by audit before the end of each month.

No new issues or action plans have been added for this quarter.

PLAN AND RISK ASSESSMENT CHANGES

Not Applicable. No plan or risk changes in 1Q 2012.

OVERALL COMMENTS
SUMMARY
The following audits were completed during 1Q 2012: North America: ASC 815 Hedge Accounting (Satisfactory) EMEA: I. CIO APPIA Systems Migration (Satisfactory) II. CIO Credit- Market Risk & Valuation Practices (Needs Improvement)

From: Berg, Jaymin
To: <Crumlish, Fred>;<Fursa, Thomas>;<Kamath, Jairam>;<Kirk, Mike>;<Monroe, Christopher>;<Wong, Elwyn>;<Hohl, James>;<Tornese, Doug>;<McLaughlin, Doug>
Sent: 3/6/2012 9:39:30 PM
Subject: Market Risk Minutes
Attachments: OCCDMRM-688691.DOCX.DRF

▬ = Redacted by the Permanent Subcommittee on Investigations

<<...>>

Key Takeaways:

- Euro Crisis stress scenario was changed. This caused almost a $2B increase in loss due to the changes in scenario composition (due to nature of shocks chosen).

- Aggregate Stress will be changed in the March DRPC meeting. Due to the inclusion of many more portfolios, utilization will increase dramatically. The current $8B of Aggregate Stress will likely increase to approximately $20B. Limits will be adjusted accordingly.

Minutes:

Methodology

- No changes to VaR methodology

- Euro Crisis methodology changed for stress scenario. The methodology change increased Euro Crisis by $1.886B. See IB Stress – Proposed Changes to Euro Crisis v2.

- Lauren McCaffrey and Ian Greene are the contacts if we want to discuss of shock selection for stress grids. OCC did exam recently.

- The aggregate stress will soon include more books:

  - SAA portfolio, the investment portfolio for the bank (from CIO), will add $10-$12B of utilization. As these are mostly AFS, they are part of aggregate stress and not mark to market stress. SAA is usually OCI (Other Comprehensive Income).

  - PE book will add [redacted] of utilization (includes OEP Partners and 1 or 2 others).

  - A small book from the Commercial Bank.

  - Small Asset Management book (AM Co-invest).

  - FX Capital hedging book (approximately [redacted] The mark to market piece of FX was always included but now accrual positions will also be included. Accrual part is not in trading VaR.

  - More books could be added in the future such as Global treasury book (which is calculated but not included).

Limit Changes

- No changes at IB Level for stress or VaR limits.

- RFS limits were decreased due to model changes that dramatically reduced VaR (from $90mm to $55mm).
- CIO limits are in process of being decreased due to model changes.
- Limits will be reviewed (and approved) in March at the DRPC meeting.
- Firmwide VaR limit will likely not change.

Utilization

- Firmwide VaR averaged $109mm in February versus $126mm in January. The decrease is due to CIO credit tranche methodology changes, which were implemented on January 27th.
- There were no Firm VaR or Stress breaches in Feb.
- Average Firmwide MTM stress in February was $3.5B (vs. a $5.8B limit).
- Average Firmwide Aggregate stress in February was $8.4B (vs. a $9.75B limit).
- No loss days for the Firm or IB using non-certified P&L in Feb.

Projects

- Risk and Finance are working on One Hierarchy Project. They are working to reconcile views (align the hierarchies) between Risk and Finance. Volcker rule requires more detailed risk and return metrics, which is only currently possible at higher levels right now. Aligning Risk and Finance will allow for back-testing at the lower levels. As P&L is currently from Finance and Risk is from VaR, they are not aligned. Alignment must be done in a systematic way.

Other

- MRR reports unmapped portfolios to businesses weekly and monthly.
- Unmapped portfolios have different root causes, such as test data being inadvertently sent or a non-MTM portfolio feeding into MaRRs. Feeds come from risk systems or risk aggregators and feed into MaRRS.
- As mapping used to be in MO (middle office) and Risk MO has merged into Product Control, the responsibility has diminished. JPMC acknowledged that the procedure is too manual and they are trying to build a front end tool to address some of these weaknesses.
- This "Portfolio Mapping Tool" will create a audit trail and allow a workflow for execution of changes – allowing communication between PC and Risk. The tool might begin to rollout in 2 to 3 months (it will be a phased approach.
- JPMC said that minor changes were done to the Market Risk Policy on Limit Changes. Although the date on the Market Risk Limits document is May 18, 2011, JPMC said there were changes made to the document that altered the meeting to align with what is done in practice. However, the policy date was not updated. Examiners asked JPMC to review document and check that it aligns with current practice. This will be discussed at the next MRR meeting.
- JPMC reviewed document that reviewed data capture and quality. The diagram was a system flow diagram which showed Risk Management Systems to MaRRs reconciliation as well as Risk Management Systems to

GL Reconciliation.

Memo

Comptroller of the Currency
Administrator of National Banks

To: File

From: Jaymin Berg

Date: 3/1/2012

JPMC: Lavine Surtani, Matthew Lynch, Thomas Lochtefeld
OCC: Jaymin Berg
Fed: Jonathan Godinger, Glenn Roder, Irene Sanchez, Anna Iacucci,
FDIC: Om Arya

Subject: Market Risk Reporting

Agenda:
Stress and VaR - Firmwide and IB, including breaches to Stress and VaR
Changes/Proposed Changes to:

- Limits
- Organization/Hierarchy
- Definitions of stress scenarios.

Discussion of changes to aggregate stress:

- Newly included items
- Items in discussion
- Items that are not included

Loss days for the month

- Discussion of Unmapped portfolios
  - A large number of new books feeding downstream systems without any supporting docs, risk hierarchy instructions or LOB identifiers and hence sit in suspense and do not feed risk reports. (Continuous audit – 4Q11).
  - What is the current status?

- Confirm that Market Risk Limits Firm-wide Risk Policy has not been updated since 5/18/2011.

- Has there been any progress or documentation on the goal to have fewer front office systems (and hence, fewer feeds into MaRRS)?

▬ = Redacted by the Permanent Subcommittee on Investigations

- Discussion on Data Quality
  - o How is the quality of the data received by MRR ensured?

Key Takeaways:

- Euro Crisis stress scenario was changed. This caused almost a $2B increase in loss due to the changes in scenario composition (due to nature of shocks chosen).
- Aggregate Stress will be changed in the March DRPC meeting. Due to the inclusion of many more portfolios, utilization will increase dramatically. The current $8B of Aggregate Stress will likely increase to approximately $20B. Limits will be adjusted accordingly.

Minutes:

Methodology

- No changes to VaR methodology
- Euro Crisis methodology changed for stress scenario. The methodology change increased Euro Crisis by $1.886B. See IB Stress – Proposed Changes to Euro Crisis v2.
- Lauren McCaffrey and Ian Greene are the contacts if we want to discuss of shock selection for stress grids. OCC did exam recently.
- The aggregate stress will soon include more books:
  - o SAA portfolio, the investment portfolio for the bank (from CIO), will add $10-$12B of utilization. As these are mostly AFS, they are part of aggregate stress and not mark to market stress. SAA is usually OCI (Other Comprehensive Income).
  - o PE book will add [redacted] of utilization (includes OEP Partners and 1 or 2 others).
  - o A small book from the Commercial Bank.
  - o Small Asset Management book (AM Co-invest).
  - o FX Capital hedging book (approximately [redacted] The mark to market piece of FX was always included but now accrual positiosn will also be included. Accrual part is not in trading VaR.
  - o More books could be added in the future such as Global treasury book (which is calculated but not included).

Limit Changes

- No changes at IB Level for stress or VaR limits.
- RFS limits were decreased due to model changes that dramatically reduced VaR (from [redacted]
- CIO limits are in process of being decreased due to model changes.
- Limits will be reviewed (and approved) in March at the DRPC meeting.
- Firmwide VaR limit will likely not change.

Utilization

- Firmwide VaR averaged $109mm in February versus $126mm in January. The decrease is due to CIO credit tranche methodology changes, which were implemented on January 27th.
- There were no Firm VaR or Stress breaches in Feb.
- Average Firmwide MTM stress in February was $3.5B (vs. a $5.8B limit).
- Average Firmwide Aggregate stress in February was $8.4B (vs. a $9.75B limit).

- No loss days for the Firm or IB using non-certified P&L in Feb.

Projects

- Risk and Finance are working on One Hierarchy Project. They are working to reconcile views (align the hierarchies) between Risk and Finance. Volcker rule requires more detailed risk and return metrics, which is only currently possible at higher levels right now. Aligning Risk and Finance will allow for back-testing at the lower levels. As P&L is currently from Finance and Risk is from VaR, they are not aligned. Alignment must be done in a systematic way.

Other

- MRR reports unmapped portfolios to businesses weekly and monthly.
- Unmapped portfolios have different root causes, such as test data being inadvertently sent or a non-MTM portfolio feeding into MaRRs. Feeds come from risk systems or risk aggregators and feed into MaRRS.
- As mapping used to be in MO (middle office) and Risk MO has merged into Product Control, the responsibility has diminished. JPMC acknowledged that the procedure is too manual and they are trying to build a front end tool to address some of these weaknesses.
- This "Portfolio Mapping Tool" will create a audit trail and allow a workflow for execution of changes – allowing communication between PC and Risk. The tool might begin to rollout in 2 to 3 months (it will be a phased approach.
- JPMC said that minor changes were done to the Market Risk Policy on Limit Changes. Although the date on the Market Risk Limits document is May 18, 2011, JPMC said there were changes made to the document that altered the meeting to align with what is done in practice. However, the policy date was not updated. Examiners asked JPMC to review document and check that it aligns with current practice. This will be discussed at the next MRR meeting.
- JPMC reviewed document that reviewed data capture and quality. The diagram was a system flow diagram which showed Risk Management Systems to MaRRs reconciliation as well as Risk Management Systems to GL Reconciliation.

Follow-up Items:

1. Next Meeting Date: April 5, 2012

1. Description

This document describes procedures, roles & responsibilities of CIO's Independent Valuation Control Group ("VCG").

- **VCG responsibilities:** VCG is responsible for ensuring that independently approved price sources / parameters are used to record assets and liabilities and appropriate adjustments / reserves are made when required, due to material differences between VCG and Front Office marks.
- **Frequency of the process**: formal monthly review. Market color obtained more frequently depending upon product.

2. Key people / sources of information

- **Positions and prices that are subject to testing.** Responsibility for the price testing process resides in both CIO's Middle Office and VCG. The CIO Middle Office group is responsible for the completeness and accuracy of positions and prices. VCG is responsible for price testing and determining whether pricing adjustments or reserves are required.
- **Prices / market value for the transactions from external and internal vendors.** (Details on section 6.)
- **Market color information.** (Details on section 4.)

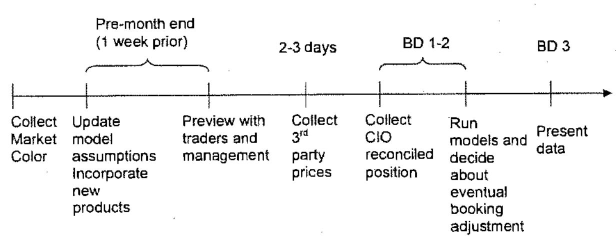
3. Timeline and overview of the independent valuation process

The CIO valuation process utilizes four main methods.

3rd party prices	Independent and reliable direct price feeds	Cash flow models with public recognized tool (e.g.BondStudio)	Internal models developed by CIO

Independent and reliable direct price feeds are the preferred method for assessing valuation. In general, third party prices/broker quotes are considered the next best pricing source. However, in certain markets where stale or unobservable prices are prevalent, alternative methods will be applied to assess valuation. If broker quotes are not available, VCG would look to perform discounted cash flow (DCF) analysis utilizing an approved model such as BondStudio. Finally, given a general absence of data associated with an illiquid market, VCG would recommend the development of an internal model to provide a valuation based on relevant market inputs and standard modeling techniques. Each of these methods is discussed in greater detail later in this document.

The timeline of the independent price testing process is:



4. Market color collection

Market color refers to price or market value information for transactions similar to those CIO has in its portfolio. VCG collects this information daily (depending on the frequency of the source) from internal JPM sources and external dealer & non-dealer sources such as:

- JPM IB color from Inventory offering sheets (mortgage positions).
- JPM IB color from bid lists (mortgage positions).
- JPM IB research from Morgan Markets (mortgage positions).
- Color from CIO front office (all positions).
- Color from CIO VCG collection (excluding above; all sources).
- Dealer (Credit Suisse, Merrill Lynch, Deutsche Bank, Barclays Capital etc.) research for all available products.
- Non-Dealer (rating agencies; government bodies; IMF, non-Financial vendors e.g., ADCO, LPS; academia etc.) research for all available products
- VCG attempts to manually obtain the most recent transaction data in the market that is similar to CIO's transactions with respect to, among other characteristics, risk, maturity, coupon rate and type of product.

5. Product coverage matrix

VCG uses four methods to independently price tested positions based on the hierarchy of sources that is presented in **Appendix 1**.

The details on how independent pricing information is delivered to, and stored by, VCG are included in **Appendix 2**.

6. Third Party Price sources

Independent prices are obtained from various external sources (Markit, Totem, etc.) and applied to CIO positions for price testing purposes. **Appendix 3** provides a comprehensive matrix of independent price sources. An example of an externally-sourced price grid that is used by VCG is included in **Appendix 4**: **VCG grid** is put together using color bond information in a grid of prices for Non-agency.

7. Independent and reliable direct price feeds

The Finance Valuation & Policy Group ("FVP") within the Investment Bank (IB) provides independent pricing to the VCG team for select CIO products. In this case, VCG relies on the IB controls in place regarding the quality of the pricing methodology. In other cases, however, the IB FVP team conducts price testing of select positions on behalf of the CIO VCG team. In either case, the CIO VCG is accountable for the results of price testing (e.g., that the coverage of CIO portfolios is adequate and comprehensive). Refer to **Appendix 7** for a product-level summary that identifies the type of support that the Investment Bank specifically provides to VCG.

Additional product level information that pertains to support provided to VCG by the Investment Bank is as follows:

- **Fixed Rate Agency Residential Mortgage Pools TBAs:**

  For Agency fixed rate MBS pools (either specified or TBAs), the CIO VCG team validates (monthly) a price grid created by IB Middle Office team. The validation is performed using Bloomberg and Barclays pricing information. An example of the grid is on **Appendix 6.**

  VCG does not receive cusip level information for these pools. It is sufficient for CIO VCG to validate the grid and present the total portfolio market value provided by CIO Finance team at the BD3 month end meeting.

  Based on this grid, CIO Middle Office assigns the price to the MBS pools at cusip level.

  If any adjustments are necessary, IB Middle Office sends the adjustment value to CIO VCG for review and ultimately to the Finance team for booking if necessary.

- **Equities and equities derivatives**

  The CIO equity derivatives group is a price taker from PYRAMID (an IB transaction system that uses the standard Black Scholes options pricing model). The prices calculated in PYRAMID are updated bi-weekly with volatility updates from TOTEM (an independent market data survey service).

- **Swaps, exchange trade futures and options:**

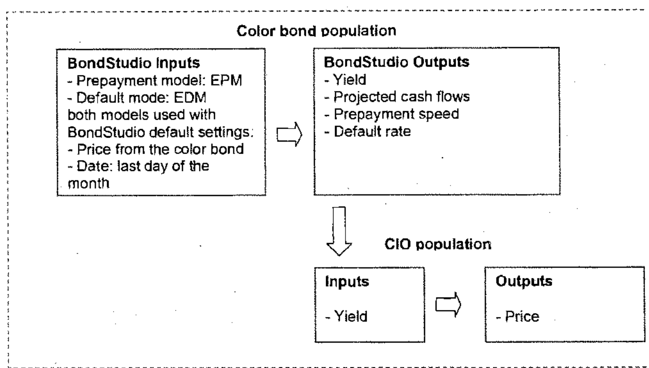
  As a general matter, VCG relies on price testing conducted by IB FVP for these products. CIO VCG ensures that the coverage of CIO products is adequate and comprehensive. However, with the move to Primus in EMEA, CIO VCG will validate inputs that are used to create discount curves and prices used for exchange traded products.

8. Discounted Cash Flow ("DCF") model on BondStudio

For certain products in CIO, the independent price is determined from the discounted cash flow method calculated using BondStudio. The process is comprised of two steps:

BondStudio is a cash flow tool developed by JPM that is also available to external clients such as banks, hedge funds etc.

Since the color bonds function as a proxy for CIO's transactions, VCG uses the color bond market data as inputs to BondStudio in order to calculate yields appropriate for CIO's transactions.



9. Internal models

In cases where a less liquid market exists for a given product, the business may use an internal model to measure fair value (Appendix 3 identifies those products in which the business uses an internal model for such purposes). In this case, it is the responsibility of the business to develop the model, as well as to obtain approval for use from the firm's Model Review Group. However, VCG, as a stakeholder in this process, should ensure that all the necessary inputs to the model are defined and controls around its use are in place.

10. Price testing procedures – select products

Procedures that are followed by VCG to independently estimate fair value of tested positions of select products are outlined in Appendix 6.

11. Incorporation of new products into the price testing process

When a new product is acquired, VCG performs test runs / parallel analyses during the month prior to month end.

12. Preview of price testing results with Front Office & Management

VCG reviews the intermediary results / inputs for valuation with CIO management and Front Office to receive feedback and guidance.

13. Position reconciliation

CIO Middle Office is responsible for generating a file with all CIO positions. In the event of any difference, Middle Office is responsible for investigating the difference and generating an updated file.

14. Presentation of results and adjustment decisions

VCG presents a comparison of Front Office marks and VCG independently sourced prices to the following constituents:

- Front Office
- Finance (regional CFOs, regional and global controllers)
- Operating Risk Management

Price differences above the variance threshold listed below are highlighted. The proposed adjustments are reviewed with the identified constituents. Meeting notes are documented as evidence of the discussions.

15. Price Testing Thresholds

In the case of securities, the VCG price for each CUSIP / ISIN is compared to the Trader price for that same CUSIP / ISIN and a variance ($ market value and % market value) is computed. Thresholds, representing estimates of bid-offer spreads, are applied in assessing the need for price testing adjustments.

In the case of price testing results associated with derivatives and/or other, non-CUSIP-based instruments, a difference between a trader / system mark and VCG mark will be measured. The assessment of whether a price testing adjustment will be passed is determined by considering the size of the positions, the liquidity of the market and whether the price would fall within the normal bid offer spread of the specific market. The basis for price testing adjustments that are judgmentally not passed are documented and explained in a monthly summary that is circulated to senior management.

16. Illiquidity / Concentration Reserves

In assessing the reasonableness of fair value measurements that are subject to testing, VCG will consider whether such measurements appropriately reflect liquidity risk, particularly in the case of instruments for which CIO maintains either a significant / concentrated position and/or if the market for a given instrument can be observed to be less liquid. In this regard, VCG is responsible for calculating / monitoring these reserves and consulting with the business on such estimates (see Appendix 8).

Appendix 1 – Hierarchy of price sources

Month: November 2009
Description of the process: - The hierarchy below was applied to all the cusips. - When the difference between the trader price and VCG price was greater than the threshold and the DCF price would reduce the difference, the DCF price was applied. This final step is performed given that VCG is comfortable with the effectiveness of the DCF price methodology. In addition, VCG has done manual reviews at the cusip level in past months which indicated that the DCF price is a better representation of fair value for the securities.

1) FTID / IDC
2) S&P
3) TREPP
4) Bloomberg Price
5) VCG Grid
6) Discounted Cash Flows

Specifically for Municipals:
1) S&P
2) FTID, the rest of the sequence is the same

Approved by ______________________________

Date of approval: ______________________

Appendix 2 – Price sources details: delivery and storage of information

CIO Technology developed a storage database on IntraspectKm for each of the pricing sources. A corporate email was created for each of the sources and any files attached to the email is downloaded and stored as read only, so the integrity of the data is maintained.

Source	How it is delivered to VCG	Corporate email	Database
FTID/ IDC	CIO technology emails IDC information to VCG.	VCG-IDC@intraspectkm.jpmorganchase.com	https://intraspectkm.jpmorganchase.com/gm/folder-1.11.854989
S&P	2 files at shared drive \\Naeast.ad.jpmorganchase.com\AmerIB$\Cio\S-drive\HPPROD\Aqua\Positions\Aqua\Data\Prices	VCG-SandP@intraspectkm.jpmorganchase.com	https://intraspectkm.jpmorganchase.com/gm/folder-1.11.854994 Sharedrive: \\Naeast.ad.jpmorganchase.com\AmerIB$\Cio\S-drive\HPPROD\Aqua\Positions\Aqua\Data\Prices
TREPP	email from vendor via Trader	VCG-Trepp@intraspectkm.jpmorganchase.com	https://intraspectkm.jpmorganchase.com/gm/folder-1.11.854988
Reuters	from Datawarehouse application	VCG-Reuters-Datawarehouse@intraspectkm.jpmorganchase.com	https://intraspectkm.jpmorganchase.com/gm/folder-1.11.854993
Bloomberg	downloaded on last day of month as of close of business by VCG	VCG-Bloomberg-Prices@intraspectkm.jpmorganchase.com	https://intraspectkm.jpmorganchase.com/gm/folder-1.11.854986
Pricing Direct		VCG-Pricing-Direct@intraspectkm.jpmorganchase.com	https://intraspectkm.jpmorganchase.com/gm/folder-1.11.854992
Brokers	email from brokers	VCG-Broker-Prices@intraspectkm.jpmorganchase.com	https://intraspectkm.jpmorganchase.com/gm/folder-1.11.854981

Appendix 3 – Third Party Pricing Source

	3rd Party price sources						Independent and tradable direct price feeds		
Product	IDC	Brokers	S&P	[illegible]	Bloomberg	VCG grid		OCI	Proprietary Model
RATE PRODUCTS:									
Agency ARMS	X								
Agency CMO	X								
Agency Multi family	X	X							
CDs					X			X	
CMBS				X				X	
Fixed Agency MBS TBAs							Priced by IB		
Fixed Agency MBS specified pool									TBA + Pay up internal (under development)
FRN	X				X				
Munis	X		X		X				
Non-agency	X	X				X		X	
Non-agency re-remic	X							X	
CREDIT PRODUCTS:									
ABS (student loans and cards)	X				X			X	
Agency	X				X				
Bank/agency preferred	X				X				
CLO									Internal model
Corporate debt	X				X				
Covered Bond					X				
OTHERS:									
Student loan and Jefferson County ARS							Priced by IB		
Swaptions								X	
Equities and equities derivatives							Priced by IB		
Exchanged Traded Futures and Options							Priced by IB		
FX							Priced by IB		
FX Options							Priced by IB		
Agency MBS Options									Reviewing model w/FO/MO
TRX							Priced by IB		
CMBX							Priced by IB		
Mandatory auction						X		X	
Prime whole loans									Model under consideration

Appendix 4 – Example of VCG grid

CLASS	NOVEMBER-2009 PRICE	CUSIP COLOR
Non-Agency ARMs Marginal Prime 10/1s	78	17309RAA0
Non-Agency ARMs Marginal Prime 5/1s	65	74958TAB9
Non-Agency ARMs Marginal Prime 5/1s LCF	75	05949CKU9
Non-Agency ARMs Marginal Prime 7/1s	72	92927XAE4
Non-Agency ARMs Marginal Prime 3/1s	60	126694QE1
Non-Agency ARMs Prime 10/1s	85	46630PAY1
Non-Agency ARMs Prime 5/1s	88	466247K51
Non-Agency ARMs Prime 7/1s	84.5	94984GAD9
Non-Agency ARMs Prime 3/1s	68	07387AFV2
Non-Agency ARMs Prime Mandatory Auction	95	
Non-Agency ARMs Vanilla ARMs	88	
Non-Agency BFIO	0	
Non-Agency Fixed Marginal Prime 30yr	72	525205AA8
Non-Agency Fixed Prime 15yr	98	94982FAQ4
Non-Agency Fixed Prime 30yr	85	94984KAA6
Non-Agency Fixed Prime 30yr Floaters	75	
Non-Agency Fixed Prime 30yr Relo	85	
Non-Agency Mezz Classes ARMs	15.5	86362TAG2
Non-Agency Mezz Classes Fixed	22	949837BJ6
Non-Agency Mezz Classes Option ARMs	12	02146YAE6
Non-Agency Paid off	0	
Non-Agency Prepay Penalty & Residuals	0	
Non-Agency ReREMICs ReREMICs 10/1s	99	
Non-Agency ReREMICs ReREMICs 5/1s	99	
Non-Agency ReREMICs ReREMICs Alt-A Fixed	99	
Non-Agency ReREMICs ReREMICs Alt-A Floaters	99	
Non-Agency ReREMICs ReREMICs Prime Fixed	99	
Non-Agency Senior/Super Senior ARMs	88	
Non-Agency Senior/Super Senior Fixed	85	
Non-Agency Senior/Super Senior Option ARMs	51.5	75115GAA6
Non-Agency Senior/Super Senior Subprime Floaters	86	
Non-Agency Tax Residuals	0	
Non-Agency Unknown	0	

Appendix 5 – Example of Fixed Rate Agency Residential Mortgage Pools (specified or TBA) grid

Appendix 6 – Procedure for independently estimating fair value for select products

NA

- **CDs:**

The file provided by Middle Office has the coupon rate in the field "system/trader price", therefore VCG estimates the trader price using Bloomberg and the coupon. VCG also calculates the independent VCG price using Bloomberg and DCF.

EMEA

- **Credit Derivatives:**

Index/Tranche Quoted as Spread

Credit Spread BPV (CSBPV) * Spread Difference

CSBPV = Notional * Duration/10,000

Index/Tranche Quoted as Price

Notional * Price Difference/100

Where we have tranches hedging a main index position, the p/l calculation is a 3 step process

1. Multiply Tranche notional by Tranche delta, multiply by -1, to give the main index equivalent amount of the tranche. Price test (using one of the calculations above dependant on whether quote is spread or price) using the index reference level. Repeat for each tranche.
2. Price test tranche notional, using the tranche levels and the correct calculation from above.
3. Sum the values for each tranche in point 1 and add to the main index position. This is price tested using the Markit v FO price difference.

- **Swaptions:**

CIO Middle Office provides Vega sensitivities for our Swaption positions and the volatilities that have been used to create these numbers. CIO VCG sources independent broker volatilities for and calculates a pricing difference based on these parameters.

Appendix 6 – Procedure for independently estimating fair value for select products (cont'd)

- **CLO:**

In connection with CLOs that are carried by CIO-EMEA, VCG will:

1. Corroborate default rate, recovery rate and recovery lag assumptions through a review of supporting documentation.

2. Evaluate the reasonableness of the proxy that was selected for purposes of establishing the utilized correlation parameter by periodically monitoring the average par subordination of the CLO portfolio as compared to referenced tranche.

3. Assess the reasonableness of the liquidity spread assumptions by:
   - Reviewing the front office analysis that estimates a range within which the selected liquidity spread will be determined.
   - Performing a similar analysis involving other identified proxies (CDXIG bond basis, UK RMBS market)
   - Monitoring broker quotes, other market activity as an alternative means of validating the liquidity spread input

4. Understand the FO rationale for the proposed weighting of CLO Model output, secondary market prices and broker quotes.

Appendix 7

Product	Price Tested by IB FVP	Price Tested by CIO VCG Using IB Data
Equity Derivatives	X	
Swaptions		X
Exchange-traded products[1]	X	
Discount Curves[1]	X	
Securities (Govt & Govt Gtd)		X
Credit Indices & Tranches[2]		X

[1] As we move to the Primus environment this responsibility will transfer to the CIO VCG
[2] This forms a subset of the data used in the price testing process

Appendix 8 – Concentration / Illiquidity Reserves for CDS

Price Discovery (Illiquidity)

Price Discovery reserve is taken under either of the following 2 scenarios:

1. The price (spread) cannot be observed, or
2. The index is off the run (an off the run index is defined as: any index older than 4 series - for example, the current on the run CDX series are 13, therefore, all indices series 9 and older are considered off the run, ITRAXX would be Series 8 and older)

Price Discovery = Net PVBP * sqrt(t) * Spread Volatility in bps

Where: t is the number of business days since the last external trade (capped at 120 days.)

Price Discovery reserve is capped at: 5% Credit Spread Widening

(PVBP * Internal Spread in bps * 0.05)

Concentration

Excess 5yr Equivalent Position * (5Y Duration / 10,000) * sqrt(Liquidation Period) * Spread Volatility in bps

Where

- Excess 5Y Equivalent Position = Net 5yr Equivalent Position - Threshold
- Liquidation Period = Net 5yr Equivalent Position / Average Daily Market Size
- Threshold and Average Daily Market Size are based on the table below:

Index	Daily Volume	Threshold
On The Run Index	3,000,000,000	500,000,000
Off The Run Index	3,000,000,000 * Series Factor	500,000,000 * Series Factor
Series factor = 1 / (On the run series number – Series number) Series factor is floored at 1/10.		

Assumptions

1. The IB policy does not apply to tranches (they calculate a value based on the single name and just pass a pricing adjustment). For this exercise I have applied the index calculations to the tranches.

2. The IB calculates the spread vol using a rating bucketed vol based on a basket of names and apply this number across all indices. They do not calculate using specific name vols which would be more accurate. I need to speak to Pat Hagen to see if we can produce our own number. For purposes of this exercise I have applied the IB vol to ITRAXX, CDX IG & HY.

3. The liquidity calculation contains a variable of when the instrument was last traded. The IB has a maximum of 120 days that they use for all calculations. The rationale is that small trades, done infrequently should not impact the valuation of these trades. As we are more actively trading these instruments in risk reduction mode we may wish to consider a different approach.

4. A cap is placed on the liquidity reserve at 5% of Credit Spread Widening. This is based on a market making business and we can look at whether this is applicable for our style of trading.

From: Brosnan, Mike
To: Eccles, Jennifer
Sent: 8/16/2012 9:55:44 PM
Subject: FW: Important: Update on P&L Marks

From: Brosnan, Mike
Sent: Tuesday, July 10, 2012 1:00 PM
To: Crumlish, Fred; Waterhouse, Scott; Belshaw, Sally
Subject: RE: Important: Update on P&L Marks

Ok. Pls crisply convey during the right page at 4pm meeting.

thx

From: Crumlish, Fred
Sent: Tuesday, July 10, 2012 12:58 PM
To: Brosnan, Mike; Waterhouse, Scott
Subject: Important: Update on P&L Marks
Importance: High

Spoke to D. Genova, attny at JPM, regarding the discomfort they had on marks and results.

Bottom line – Company lost confidence in march marks. new marks increase loss 472mm for March. Company hasn't decided if they should 1) restate or 2) report in 2Q with full disclosure. Currently work with external accountants etc. Decision hasn't been made.

More background -

Junior trader had been under pressure during March as losses mounted to mark the book in a way that minimized them with the view that it would correct by month end. (Traders had been tracking "distance to mid," a number that grew during the quarter along with discomfort and tension on desk).)

At quarter end, junior trader also under pressure. Bottom line is that instead of marking to mid, in most cases longs were marked at offer and shorts as bid.

VCG (independent price testing) had their own mid and a series of thresholds in bps. If marks fell within this range they, weren't questioned. (there was no dollar cap)

Note valuation controls have since been changed.

- apc

JPMorganChase

CONTROLLERS
CORPORATE ACCOUNTING POLICIES

CATEGORY:	1-0100 General Accounting Policies	POLICY NO:	1-0105
SUBJECT:	Fair Value Measurements	EFFECTIVE DATE:	January 1, 2007
		ISSUE DATE:	November 8, 2007

Accounting Policies Contacts: Kathy Ryan (primary)
Victoria Sligar (secondary)

TABLE OF CONTENTS

I. INTRODUCTION

U.S. GAAP requires or permits via an optional election certain assets and liabilities[1] to be recorded at fair value. In September 2006, the FASB issued Statement 157, *Fair Value Measurements* (Statement 157), which provides a single definition and framework for fair value measurements to ensure consistency of application. Statement 157:

JPMorganChase

CONTROLLERS
CORPORATE ACCOUNTING POLICIES

CATEGORY:	1-0100 General Accounting Policies	POLICY NO:	1-0105
SUBJECT:	Fair Value Measurements	EFFECTIVE DATE:	January 1, 2007
		ISSUE DATE:	November 8, 2007

Accounting Policies Contacts: Kathy Ryan (primary)
Victoria Sligar (secondary)

TABLE OF CONTENTS

I. INTRODUCTION

U.S. GAAP requires or permits via an optional election certain assets and liabilities[1] to be recorded at fair value. In September 2006, the FASB issued Statement 157, *Fair Value Measurements* (Statement 157), which provides a single definition and framework for fair value measurements to ensure consistency of application. Statement 157:

- Defines fair value;
- Establishes a three-level hierarchy for fair value measurements based upon the transparency of inputs to the valuation of an asset or liability as of the measurement date;
- Nullifies the guidance in EITF 02-3, which required the deferral of profit at inception of a transaction involving a derivative instrument in the absence of observable data supporting the valuation technique;
- Eliminates large position discounts for financial instruments quoted in active markets;
- Requires consideration of the Firm's own creditworthiness when valuing liabilities; and
- Expands disclosures about instruments measured at fair value.

II. DEFINITION OF TERMS

Fair value
Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

- Represents an exit price. The transaction price, or entry price, may in certain cases represent the exit price but the entry price should not be presumed to represent the fair value of an asset or liability at initial recognition.

Highest and best use
The highest and best use of an instrument is determined based on its use by market participants; where maximum value is derived principally on a standalone basis, the highest and best use of the instrument is "in-exchange"; where the maximum value of the instrument is derived principally through its use in combination with other instruments, its highest and best use is "in-use."

Inputs
Observable—Observable inputs are inputs that reflect the assumptions that market participants use in pricing the asset or liability developed based on market data obtained from sources independent of the Firm. Characteristics of observable inputs include readily available, not proprietary, regularly distributed, and transparent.

Unobservable—Unobservable inputs are inputs that reflect the Firm's own assumptions about the assumptions that market participants would use in pricing the asset or liability developed based on the best information available in the circumstances.

Market participants
Buyers and sellers in the principal (or most advantageous) market. A market participant must be independent (not a related party to JPMC), knowledgeable, able to transact (have the legal and financial capacity to do so), and willing to transact (not forced or otherwise compelled to do so).

Nonperformance risk
Nonperformance risk refers to the risk that the obligation will not be fulfilled and affects the value at which a liability is transferred. Nonperformance risk includes the reporting entity's credit risk as well as settlement risk and may include, in the case of commodities, the risk related to physically extracting and transferring the asset to the delivery point.

Unit of account
The unit of account determines what is being measured by reference to the level at which the asset or liability is aggregated or disaggregated for purposes of applying accounting pronouncements.

III. SCOPE

This policy describes JPMorgan Chase's (JPMC) policy in consideration of FASB Statement No. 157, *Fair Value Measurements*, which was effective January 1, 2007.

Instruments/transactions for which a fair value or fair-value-based measurement may apply but are not subject to this policy include:

- Share based payments accounted for in accordance with FASB Statement No. 123R, *Share Based Payment* (Statement 123R). While certain measurements in Statement 123R are fair-value-based measurements, they may exclude the effects of certain inputs such as conditions, restrictions and other features that would be considered in a fair value measurement under Statement 157.
- Instruments valued in accordance with Accounting Research Bulletin No. 43, *Inventory Pricing*.
- Accounting pronouncements that permit measurements that are based on, or use, vendor-specific objective evidence of fair value.
- Situations where U.S. GAAP provides a practicability exception to the application of fair value, for example:
  - Guarantees accounted for in accordance with FASB Interpretation No. 45 which allows for the use of transaction price (an entry price) to measure fair value at initial recognition. See also Corporate Accounting Policy #1-0108, "Guarantees."
  - Certain disclosures provided in accordance with FASB Statement No.107, *Disclosure about Fair Value of Financial Instruments*, where it is not practical to measure fair value. Corporate Accounting Policies must be consulted where this is determined to be the case.
  - Certain Asset Retirement Obligations accounted for in accordance with FASB Statement No. 143, *Accounting for Asset Retirement Obligations*, where fair value is not readily determinable.
  - Certain Contributions accounted for in accordance with FASB Statement No.116, *Accounting for Contributions Received and Contributions Made*, where contributions cannot be measured with sufficient reliability.

Note: FASB Statement No. 141, *Business Combinations*, requires the use of fair value as the measurement objective, at inception, for certain assets acquired and liabilities assumed in a business combination (for example, intangible assets) and these assets and liabilities are therefore subject to this policy. In certain circumstances, where the valuation techniques applied to the asset or liability may be similar to a fair value measurement but fair value is not explicitly the required measurement objective, this policy does not apply (for example, receivables, notes payable, plant and equipment to be used).

IV. ACCOUNTING POLICY

The focus of this policy is how to arrive at a fair value measurement. This policy does not incorporate guidance regarding which instruments are required to be measured at fair value or which instruments the Firm has made an optional election to measure at fair value.

Fair value measurements
Fair value is the price to sell an asset or transfer a liability in the principal (or most advantageous) market for the asset or liability. The sale or transfer assumes an orderly transaction[2] between market participants. The transaction to sell the asset or transfer the liability is a hypothetical transaction at the measurement date, considered from the perspective of a market participant that holds the asset or owes the liability. Therefore, the objective of a fair value measurement is to determine the price that would be received to sell the asset or paid to transfer the liability at the measurement date (an exit price). Because that exit price objective applies for all assets and liabilities measured at fair value, any fair value measurement requires identification of the following:

a. The particular asset or liability that is the subject of the measurement
b. The valuation premise appropriate for the measurement
c. The principal (or most advantageous) market for the asset or liability
d. The valuation technique(s) appropriate for the measurement, considering the availability of data with which to develop inputs that represent the assumptions that market participants would use in pricing the asset or liability.

A. Valuation Premise

The valuation premise used to measure the fair value of an asset or liability depends on the **highest and best use** by **market participants**. If the maximum value is derived on a standalone basis, then an "in-exchange valuation" should be applied. If the maximum value is derived through its use in combination with other assets or liabilities, then an "in-use valuation" should be applied. Whether the asset or liability is a standalone asset or liability or a group of assets and/or liabilities depends on its **unit of account**. The unit of account determines what is being measured by reference to the level at which the asset or liability is aggregated (or disaggregated) for purposes of applying other relevant accounting guidance.

The in-exchange valuation premise is generally applicable to financial instruments and the in-use valuation premise is generally applicable to nonfinancial assets. However the "in-use valuation" premise may apply to financial instruments in certain circumstances where (1) it is more reflective of the market participant exit price and (2) there is historical evidence to support an "in-use" valuation; for instance, the highest and best use of certain mortgage warehouse loans is considered to be in-use when such warehouse loans are pooled for the purpose of securitization. Detailed discussion of the application of valuation premise to certain financial instruments has been included in Appendix A.

B. Relevant Market

A fair value measurement should reflect an exit price in the *principal market* for the asset or liability. The principal market is the market in which the Firm transacts with the greatest volume or level of activity.

- If there is no principal market, the exit price should reflect the amount that would be received or paid in the *most advantageous market* (the market in which the Firm would maximize the amount that would be received for an asset or minimize the amount that would be paid to transfer a liability).
- If there are multiple markets for the same asset or liability, the most likely exit market should be considered to determine the exit price and the other exit markets do not need to be considered.
- For assets and liabilities where there is little or no trading, or a one-way market, the Firm must make a determination of what a willing counterparty would offer to purchase an asset or assume a liability. The determination of what a willing counterparty would offer to purchase an asset or assume a liability should consider all available market information that the market participants would use to price the asset or liability.

A discussion of the application of principal market to certain financial instruments has been included in Appendix A.

See also discussion of transaction costs below.

C. Valuation/Measurement

Valuation techniques[3] used to measure the fair value of an asset or liability should maximize the use of observable inputs, that is, inputs that reflect the assumptions market participants would use in pricing the asset or liability developed based on market data obtained from independent sources. Valuations must consider current market conditions and available market information and will therefore represent a market-based, not entity specific, measurement.

Fair value should be based on quoted market prices, where available. If listed prices or quotes are not available, then fair value should be based upon internally developed models that use primarily market-based or independently-sourced market parameters, including interest rate yield curves, option volatilities and currency rates. In certain circumstances valuation adjustments must be made to ensure that financial instruments are recorded at fair value. These adjustments should be applied consistently over time and may include:

- Credit valuation adjustments ("CVA") are necessary when the market prices (or parameters) are not indicative of the credit quality of the counterparty.

- Debit valuation adjustments ("DVA") are necessary to reflect the impact of the Firm's own creditworthiness in the valuation of liabilities that are carried at fair value. See further discussion of DVA in Appendix B of this policy. See also discussion of Liability considerations below.

- Liquidity valuation adjustments are necessary when the Firm may not be able to observe a recent market price for financial instruments that trade in inactive (or less active) markets or to reflect the cost of exiting larger-than-normal market-size risk positions. Liquidity adjustments are based upon the following factors:

  - The amount of time since the last relevant pricing point
  - Whether there was an actual trade or relevant external quote
  - The volatility of the principal component of the financial instrument

  Costs to exit larger-than-normal market-size risk positions are determined based upon the size of the adverse market move that is likely to occur during the extended period required to bring a position down to a nonconcentrated level.

  No adjustments may be made to the quoted price for instruments classified within Level 1 of the valuation hierarchy (see discussion of the fair value hierarchy in Section IV.D. of this policy).

- Unobservable parameter valuation adjustments are necessary when positions are valued using internally developed models that use unobservable parameters (parameters that must be estimated and are therefore subject to management judgment) as their basis. Risk-averse market participants generally seek compensation for the uncertainty associated with the cash flows of an asset or liability (risk premium).

- Uncertainties and customization related to loan securitization for loans that are expected to be securitized, fair value is estimated based on observable pricing of asset-backed securities with similar collateral and incorporates adjustments (i.e., reductions) to these prices to account for securitization uncertainties including portfolio composition, market conditions and liquidity.

- Restrictions
  There are generally two types of restrictions:

  Restrictions on sale
  Examples of a restriction on sale include restrictions on private placements, underwriter lock-up, and volume restrictions. An adjustment must be made to the value of the instrument to reflect the price adjustment that a market participant would make due to the lack of marketability. An adjustment for a restriction should be re-evaluated and adjusted appropriately as the time to the expiration of the restriction decreases.

  Note: When a publicly traded security position incorporates both restricted and non-restricted securities, the adjustment for restrictions will be applied only to the restricted shares. For example, securities subject to SEC Rule 144 restrictions may have portions of the position that are unrestricted depending on trading volume. Additionally, SEC Rule 144 shares may be free to trade if a shelf registration has been filed.

Restrictions on use
An example of a restriction on use would include a restriction on the use of a physical asset such as land or a building. An adjustment cannot be taken as a result of the restriction if it is deemed to be a restriction on use.

The determination of whether a restriction should be incorporated in the valuation of an asset or liability requires judgment and consultation with Corporate Accounting Policies.

- Liability considerations—a fair value measurement for a liability assumes (1) that the liability is transferred to a market participant and the liability to the counterparty continues (it is not settled), and (2) that the risk of nonperformance is the same before and after the transfer. Nonperformance risk or the risk that the obligation will not be fulfilled impacts the amount at which a liability would be transferred.

  The adjustment to a valuation for nonperformance risk (or the impact of the Firm's own creditworthiness) is called the Debit Valuation Adjustment or "DVA." See further discussion of DVA in Appendix B of this policy.

D. Valuation Hierarchy

All instruments measured at fair value are required to be classified within a three-level hierarchy that is primarily used for external disclosure purposes. The fair value hierarchy prioritizes inputs to the valuation of an instrument. When the inputs to the valuation fall within different levels of the hierarchy, the level in which the instrument is classified is based on the lowest level significant input to the valuation. Where an instrument is classified within the fair value hierarchy also impacts the Firm's ability to record valuation adjustments, for example, no valuation adjustments may be recorded for instruments classified within Level 1 of the hierarchy.

Detailed below is a description of the hierarchy levels, the Firm's policies associated with the determination of classification, and examples[4] of products included within each of the levels:

Note: Maintenance of documentation to support the level of classification for a product within the fair value hierarchy is the responsibility of the Line of Business Controllers and CFOs.

Level 1—inputs to the valuation methodology are quoted prices (unadjusted) for identical assets or liabilities in active markets.

- An active market is defined as one in which an accurate daily price can be obtained from multiple reliable sources and a fair value measurement (exit price) may be arrived at without adjustment or the use of a model.
- No adjustments may be made to the quoted price for instruments classified within Level 1 (for instance, block discounts [size of position discounts] are prohibited).
- Where a quoted price in an active market is available for the identical asset but is not readily accessible for the individual instrument, the Firm may use an alternative

pricing method (for example, matrix pricing). Where an alternative pricing method is utilized as a practical expedient the instruments must be classified in a lower level of the hierarchy.

Examples of Level 1 instruments:

Highly liquid government bonds, certain mortgage products (for example, residential agency pass-through securities), exchange-traded equities, and exchange-traded derivatives.

Level 2—inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets.
- Quoted prices for identical or similar assets or liabilities in markets that are not active, that is, markets in which there are few transactions for the asset or liability, the prices are not current, or price quotations vary substantially either over time or among market makers (for example, some brokered markets), or in which little information is released publicly (for example, a principal-to-principal market).
- Inputs other than quoted prices that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the financial instrument (for instance, interest rates and yield curves observable at commonly quoted intervals, volatilities, prepayments speeds, loss severities, credit risks, and default rates).
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means (market-corroborated inputs).

There is generally evidence of two-way flow (purchases and sales in the market) for instruments that are classified within Level 2.

Examples of Level 2 instruments:

Common stocks traded and quoted on an inactive market in an emerging country, privately placed bonds whose value is derived from a similar bond that is publicly traded, over-the-counter interest rate swaps valued based on a model whose inputs are observable LIBOR forward interest rate curves, resale and repurchase agreements, warehouse loans, certain collateralized mortgage and debt obligations, certain high-yield debt securities, as well as certain structured liabilities where the inputs to the valuation are primarily based upon readily observable pricing information.

Level 3—inputs to the valuation methodology are unobservable and significant to the fair value measurement. Fair value for Level 3 instruments is based on internally developed models in which there are few, if any, external observations. For transactions in this category, there is rarely a two-way market, and typically there is considerable structuring (making the product largely one-off and JPMC proprietary).

- Unobservable inputs should only be used when observable inputs are not available (inputs are unobservable when they reflect the Firm's own assumptions about the assumptions market participants would use to price the instrument).
- The exit price measurement objective remains the same in Level 3; therefore, the Firm's own data should be adjusted if there is contrary data indicating that market participants would use different assumptions to price the instrument.

- In certain circumstances, an instrument that is classified within Level 3 at inception may become more observable as it approaches maturity. In those cases, when the unobservable component is no longer significant, the instrument will be transferred to Level 2 at that time.

Instruments for which there is an unobservable input are generally classified within Level 3. If there is evidence present to demonstrate that the unobservable inputs are not significant to the valuation through evidence such as two-way market trades, extensive pricing agency data, broker data or other relevant trade information, the instrument may be classified within Level 2.

Examples of Level 3 instruments:

Long-dated commodity swaps where the relevant forward price curve is not directly observable or correlated with observable market data, shares of a privately held company, structured notes with significant unobservable inputs, mortgage servicing rights, retained interests in securitizations, and goodwill.

E. Transaction Costs

The price in the principal (or most advantageous) market used to measure the fair value of an instrument should not include transaction costs. Transaction costs represent incremental direct (i.e., invoiced) costs to transact in the principal or most advantageous market, are not an attribute of the asset or liability being measured, and are reported as direct expenses in the Consolidated Statement of Income with limited exception (see Corporate Accounting Policy #1-0107, "Netting of Assets and Liabilities and Related Income and Expense"). Transaction costs include, but are not limited to, invoiced brokerage and commissions and certain due diligence costs.

Transaction costs which are incorporated within the bid offer spread (i.e., in-the-price brokerage) are reported net within principal transactions and are not separately identified for reporting purposes.

Transaction costs do not include the costs that would be incurred to transport an asset or liability to (or from) the principal (or most advantageous) market. Where location is an attribute of the asset or liability as may be the case for a commodity, the price in the principal or most advantageous market used to measure fair value of the asset or liability should be adjusted for the costs that would be incurred to transport the asset or liability to (or from) its principal (or most advantageous) market.

F. Other Considerations

Cut-off time
For instruments for which quotes are available prices must be obtained at the same time each business day. This includes cases where products are valued using models even though market prices are available in other time zones (for example, when trading across different exchanges). In addition, prices for hedges and the items being hedged must be sourced at the same time of day.

For internal trades between portfolios based in different regions, each side may be priced using the closing price obtained at the appropriate cut-off point in the relevant region.

V. CROSS-REFERENCES

Corporate Accounting Policy #1-0106, "Fair Value Option"
Corporate Accounting Policy #1-0107, "Netting of Assets and Liabilities and Related Income and Expense"
Corporate Accounting Policy #1-0108, "Guarantees"
Corporate Accounting Policy #1-0112, "Consolidation of Variable Interest Entities"
Corporate Accounting Policy #2-0301, "Repurchase/Reverse Repurchase Agreements and Securities Lending and Borrowing"
Corporate Accounting Policy #2-0401, "Trading Securities"
Corporate Accounting Policy #2-0501, "Investment Securities"
Corporate Accounting Policy #2-0502, "Securities Acquired in Loan Satisfactions"
Corporate Accounting Policy #2-0603, "Loan Securitizations"
Corporate Accounting Policy #2-0604, "Commercial Lending Facilities"
Corporate Accounting Policy #2-0605, "Consumer Loan Delinquencies, Nonaccruals, Charge-Offs, Modifications, Reagings, and Recoveries"
Corporate Accounting Policy #2-0701, "Long-Lived Assets (Other than Internal Use Computer Software/Web Site Development)"
Corporate Accounting Policy #2-1005, "Investments in Nonmarketable Equity Securities"
Corporate Accounting Policy #3-0601, "Accounting for Structured Liabilities"
Corporate Accounting Policy #3-0701, "Long-Term Debt"
Corporate Accounting Policy #6-0101, "Accounting for Lending-Related Fees"
Corporate Accounting Policy #6-0102, "Interest Income Recognition"

VI. REFERENCES TO AUTHORITATIVE LITERATURE

FASB Statement No. 107, *Disclosure about Fair Value of Financial Instruments*
FASB Statement No. 115, *Accounting for Certain Investments in Debt and Equity Securities*
FASB Statement No. 123R, *Share Based Payment*
FASB Statement No. 141 *Business Combinations*
FASB Statement No. 143, *Accounting for Asset Retirement Obligations*
FASB Statement No. 157, *Fair Value Measurements*
FASB Statement No. 159, *The Fair Value Option for Financial Assets and Liabilities*
ASR No. 118, *Accounting, Valuation and Disclosure of Investment Securities*
EITF 02-3, *Issues Involved in Accounting for Derivative Contracts Held for Trading Purposes and Contracts Involved in Energy Trading and Risk Management Activities*

APPENDIX A

Fair Value Measurements for Certain Instruments Carried at Fair Value

This Appendix is intended to give further background regarding the fair value measurements for certain instruments carried at fair value. The list is not meant to be all inclusive.

I. Derivatives
- Background
  The Firm makes markets in derivative contracts, transacting with retail and institutional clients as well as other dealers.

- Valuation Premise
  The valuation premise for derivatives is in-exchange. The unit of account is the portfolio.

- Relevant Market
  In general, the dealer market is the Firm's principal market for derivative transactions as the greatest volume of the Firm's derivatives activities occur in the dealer market. In addition the dealer market is the most advantageous exit market for the Firm.

- Valuation/Measurement
  The unit of valuation for derivatives is the portfolio. The starting point for the valuation of a derivatives portfolio is mid market. As a dealer, the Firm can execute at or close to mid market thereby profiting from the difference between the retail and dealer markets. If the Firm cannot exit a position at mid market certain adjustments are taken to arrive at exit price. (See Section IV.C. of this policy for a discussion of valuation adjustments.)

II. Structured Notes/Repos/Resales
- Background
  The Firm issues structured notes[5] as a means to deliver derivative risk to retail and institutional clients that wish to invest in derivative risk in a funded format. Derivative risk, which may include credit risk, interest rate risk, foreign exchange risk, commodity risk and equity risk, is embedded in a debt host contract and issued in the Firm's name. The derivative risk is the primary driver of the profit and loss.

- Valuation Premise
  The valuation premise for structured note is in-exchange. The unit of account is the portfolio.

- Relevant Market
  There is no active secondary market for most structured note products and sales to third parties are rare. Dealers (issuers) will provide indicative quotes for their own paper and will repurchase or unwind with the original counterparty (investor). A dealer generally will not buy instruments issued by others. As such, not all market participants operate on both sides of the structured notes market.

  The principal market for the Firm is the primary (issuance) market for structured notes. Market participants include other dealers (issuers) to whom a liability could be transferred (who take positions on the liability side of their balance sheets).

- Valuation/Measurement
  To estimate the fair value of structured notes, cash flows are evaluated taking into consideration any derivative features and are then discounted using the appropriate market rates for the applicable maturities. As the primary risk in the "funded derivative" is derivative risk, market participants that issue structured notes use the same assumptions in valuation as those used in deriving an exit price in the derivatives market. In the absence of actual data for liability transfers for this product, the hypothetical transaction is based on assumptions in active markets for similar risks (derivative market).

III. Mortgage Loan Warehouses

- Background
  The Firm purchases and originates mortgage loans for securitization. Types of mortgages include: Agency mortgages (conforming mortgages sold to GNMA, FNMA and/or Freddie MAC) Alt-A, Alt-B, subprime and commercial mortgages.

- Valuation Premise
  The unit of account is the mortgage loan. Mortgage warehouse loans are valued using an in-use valuation premise as maximum value, for a mortgage loan expected to be securitized, is derived when combined with other such loans.

- Relevant Market
  The principal market for a product or instrument is the market in which the Firm transacts with the greatest volume or level of activity. The securitization market is the principal market for mortgage warehouse loans as securitization is the primary exit strategy for the Firm.

- Valuation/Measurement
  Fair value is based upon observable pricing of asset-backed securities with similar collateral and incorporates adjustments (i.e., reductions) to these prices to account for securitization uncertainties including portfolio composition, market conditions and liquidity.

Valuation technique
All mortgage warehouse loans should be priced using a mock securitization (bond execution) basis, which is a market approach valuation technique. Under this approach, structuring models (combined with Rating Agency modeling approaches) are used to create representative deal structures, including bond levels by rating with loss coverage amounts and reflect the "offer" side of the market where the securitization take out occurs.

IV. Mortgage Servicing Rights

- Background
  Mortgage servicing rights ("MSRs") represent rights to receive cash payments in connection with performing the tasks required to service pools of previously sold mortgage loans. These cash payments include, but are not limited to, negotiated servicing fees, interest earned on escrow balances, late fees, and float earnings on principal/interest payments.

- Valuation Premise
  Pooling of MSRs maximizes value to the market participants by both creating less uncertainty in the cash inflows and permitting the market participant to benefit from cost synergies that occur in servicing more mortgage loans. As a result of these benefits, market participants see more value for MSRs that are pooled in a portfolio than they would for individual servicing contracts. Consequently, the highest and best use of MSRs from the perspective of marketplace participants is in-use.

- Relevant Market
  MSRs are not traded actively with readily observable prices; sales are typically negotiated and brokered privately between entities. Trading volume is infrequent and unlike the brokering of a financial asset, the entities transacting must have a servicing platform and be able to perform the required servicing.[6] Sales of MSRs are also subject to approval by investors in the mortgage-backed securities issued when the underlying loans were securitized. Based on the above, the principal market for MSRs, for the Firm, is a hypothetical market where the market participants have extensive servicing capabilities and benefit from certain cost economies of scale.

- Valuation/Measurement
  The valuation of MSRs is generally estimated by calculating the present value of the estimated net future servicing cash flows to be received over the life of the servicing contract. The net cash flows are comprised of servicing revenues less related costs of servicing. The maximization of MSR value must either increase the cash inflows or decrease the costs of servicing.

APPENDIX B

JPMC Implementation of DVA

(See also discussion of liability considerations in Section IV.C. of this policy.)

In order to incorporate the effect of changes in the Firm's creditworthiness in derivative valuations, and because there is no industry standard for such calculations, the Firm developed its DVA methodology utilizing assumptions that it believes other market participants would use to value liabilities due by the Firm.

Specifically, the Firm leveraged its current Credit Valuation Adjustment (CVA) methodology used to calculate and record the effect of counterparty credit risk for derivative receivables. The CVA is derived by calculating an expected positive exposure (EPE) at time of counterparty default (including certain collateral assumptions) and applying to it the counterparty's credit spread or a proxy thereof and a standard default recovery rate to arrive at an adjustment for credit. Similarly, DVA is calculated as expected negative exposure (ENE) x JPMC's market credit spread and a standard recovery assumption. Details for each of these key inputs follow.

Expected Negative Exposure (ENE)
The basic building block for DVA is Expected Negative Exposure (ENE); that is, what the Firm would expect to owe derivative counterparties at the time of its default. This is computed by first generating possible scenarios[7] of underlying market factors and averaging over all portfolio market-to-market values, treating positive values as zero. These scenarios take into account the impact of legally enforceable netting agreements and existing collateral agreements with the counterparty as well as collateral agreements which are probable of being enacted in the event of a significant deterioration in the Firm's credit standing.

Legally enforceable netting agreements

The Firm has master netting agreements in place with virtually all derivative counterparties. Upon default or termination of any one contract, a master netting agreement provides for the net settlement of all contracts with the counterparty through a single payment in a single currency. The netting provisions in the agreement are legally enforceable and as such would serve as a mitigant (a reduction) to ENE to the extent that the Firm had positive exposure to the respective counterparty for other derivative contracts. An important assumption that the Firm makes for both CVA and DVA is that the Firm would net settle all deals where possible. The Firm believes that this assumption is well corroborated by its behavior and the behavior of other market participants. The Firm also believes that the incorporation of netting agreements into the DVA calculation is supported by paragraph 15 of Statement 157 which indicates that the terms of credit enhancements related to a liability should be incorporated in the value of that liability. Although it deals with presentation, Paragraph 21 of FIN 39 also acknowledges that credit risk is best reflected by net amounts under a master netting agreement.

Existing collateral arrangements with counterparties

Consistent with the Firm's approach regarding master netting agreements, the Firm incorporates the existence of collateral agreements in deriving the ENE. The Firm assumes that a counterparty to which an assignment was being made would demand credit protection comparable to that obtained by the transferor, thus requiring reflection in the exit price.

Probable collateral arrangements

In an idiosyncratic default scenario, the Firm also considers the probability of new credit enhancements being required at the time of the credit event.[8] This assumption impacts the exposure (ENE) to the Firm's counterparties as the Firm's credit deteriorates.

As the Firm heads to default idiosyncratically, in order to maintain its derivatives franchise the Firm would likely be required by its counterparties to either enter into unilateral collateral agreements where there are none, or to renegotiate existing collateral agreements to terms more favorable to the Firm's clients. For modeling purposes, the assumption is that a unilateral collateral agreement, in favor of the client, would be put into place. Consideration of the impact of probable credit enhancements within the valuation appropriately prevents the recognition of a gain that would not be realized due to the imposition of a new collateral agreement.

While it is clear that derivative counterparties impacted by the Firm's credit deterioration would request additional credit support, there is also evidence suggesting that market participants faced with a call for additional collateral would also respond by posting collateral in order to protect their derivative franchise. The Firm notes that several firms have established AAA-rated entities to house their derivatives activity for precisely this reason.

JPMC Credit Spread

The second major component of the DVA calculation is the Firm's credit spread. An observable market indicator of the Firm's creditworthiness, the credit spread is the sum of (a) the market risk premium (reflecting the market's perception of the Firm's credit risk or the systemic risk) and (2) the real probability of default (the idiosyncratic entity-specific risk factor).

The Firm currently uses counterparty credit spreads from the credit default swap market to calculate the CVA. Credit default swap spreads assume a recovery assumption. Many of the Firm's competitors also use credit spreads to assess the credit risk associated with counterparty receivables. It is therefore reasonable to assume that market participants would similarly include the Firm's observable credit spread as a key input in derivative valuations.

The Firm's CVA methodology is based on the best evidence of how sophisticated market participants value the credit risk inherent in derivative transactions. The DVA methodology applies the same logic where the Firm is in a payable (versus receivable) position. In order to validate the reasonableness of the methodology and how credit would be considered in the transfer of a liability, the Firm considered recent transactions where the impact of the counterparty's creditworthiness was clearly considered in the unwind price of a derivative receivable. The Firm believes that where an entity is required to assess its own creditworthiness for liabilities which it records at fair value, an adjustment similar to that applied for counterparty creditworthiness is appropriate and, although based on limited historical evidence, supportable. The Firm believes that this methodology will also be validated by the pricing of future unwinds/assignments and as such, the Firm believes that its calculation of DVA—the product of the ENE, the JPMC credit spread, and a standard recovery rate—produces an exit price consistent with that derived by a market participant.

Other considerations - DVA for structured notes

In order to assess nonperformance risk for structured notes, the Firm leveraged the current DVA methodology applied to derivatives with limited modification. Modifications were based on the following:

- Cash flows on derivatives may be either positive (inflows) or negative (outflows), whereas cash flows on a structured note are all outflows. As a result, for structured notes, the equivalent of the ENE (within the derivative calculation) is the libor flat discounted cash flows for the note.
- Due to operational constraints, the DVA methodology for structured notes assumes that there is only one cash outflow which happens at maturity, similar to a zero coupon note.

The DVA methodology for structured notes is based on readily available information (data) for the underlying structured notes. The data required is: 1. fair value of the structured note in its entirety (excluding the impact of the Firm's credit) and 2. the expected maturity of the instrument.[9] The methodology calculates an adjustment to the fair value based upon the Firm's survival probability at the expected maturity date of the instrument. The formula is as follows:

$$DVA = FV * (1\text{-}SP(EM,RR))*(1\text{-}RR)$$

- FV: the model-based fair value of the instrument as reported on the Firm's books and records (exclusive of the Firm's credit spread). The fair value represents the expected negative outflows as described below.
- SP(EM,RR) is the Firm's survival probability at the note's expected maturity EM, which is the equivalent of the JPMC credit spread X a recovery rate RR.

The Firm's use of CDS spreads to calculate the DVA for structured notes is principally based on the substance of the instruments being valued. Structured notes can be viewed as funded derivatives or hybrid instruments that are similar in many ways to derivatives. As market participants within the hypothetical wholesale market for structured notes would include other dealers; and as other dealers generally incorporate an adjustment for credit risk into the fair value (exit price) of derivatives using liquid/observable CDS spreads; the Firm has consistently used CDS spreads to value similar risks within the structured note population.

Nonrecurring Fair Value Measurements

Certain assets, liabilities and unfunded commitments are measured at fair value on a nonrecurring basis; that is, the instruments are not measured at fair value on an ongoing basis but are subject to fair value adjustments in certain circumstances (for example, when there is evidence of an impairment or there is a lower of cost or fair value adjustment.)

Examples of instruments that are subject to nonrecurring fair value adjustments include:

- Held-for-sale loans or commitments carried at lower of cost or fair value; see Corporate Accounting Policy #2-0604, "Commercial Lending Facilities."
- Held-for-investment (accrual) loans that are impaired and are written down to fair value based on the fair value of the underlying collateral, or based on an observable market price; see Corporate Accounting Policy #2-0611, "Allowance for Credit Losses."
- Equity investments accounted for either at cost or under the equity method; see Corporate Accounting Policy #2-1005, "Investments in Nonmarketable Equity Securities."
- Goodwill and other intangible assets; see Corporate Accounting Policy #2-1004, "Intangible Assets and Goodwill."
- Long-lived assets including real estate, fixed assets, assets under operating leases, and capitalized software; see Corporate Accounting Policies #s 2-0701 to 2-0705, "Premises and Equipment."

ENDNOTES

[1] The fair value option may also be applied to selected unrecognized firm commitments and written loan commitments.

[2] An orderly transaction assumes exposure to the market for a period prior to the measurement date to allow for marketing activities that are usual and customary for transactions involving such instruments; it is not a forced transaction (for example, a forced liquidation or distress sale).

[3] Valuation techniques may include:

Market approach
The market approach uses prices and other relevant information generated by market transactions involving identical or comparable assets or liabilities and may include use of matrix pricing or market multiples derived from a set of comparables.

Income approach
The income approach uses valuation techniques to convert future amounts (for example, cash flows or earnings) to a single present amount (discounted). Valuation techniques include present value techniques; option pricing models, such as Black-Scholes-Merton formula (a closed-form model) and binomial model (a lattice model) which incorporate present value techniques, and the multi-period excess earnings method, which is used to measure fair value of certain intangible assets.

Cost approach
The cost approach is based on the amount that currently would be required to replace the service capacity of an asset (otherwise known as current replacement cost)

[4] The examples provided are generalized across asset classes. Classification within the valuation hierarchy is based on a review of the products and the related facts and circumstances including the significance of any unobservable inputs to the valuation methodology.

[5] Within this appendix, the term "structured note" is used to refer structured notes, structured repo and structured resales.

[6] Another consideration is that even for an entity with servicing capability, the size of the servicing operations may not provide adequate economies of scale in its own servicing cost structure.

[7] The final ENE is a weighted average of the results from the two default scenarios (a systemic default and an idiosyncratic default).

[8] In the systemic default scenario it is much less clear that the Firm's counterparties will be able to impose or change collateral agreements in their favor, thus incremental collateral has not been considered.

[9] Underlying data collected from the businesses include carrying value, expected maturity and Legal Entity (to determine the application of the bank versus holding company spread).

From: Williams, Julie
To: Curry, Thomas
CC: Nash, Paul
Sent: 6/29/2012 3:15:58 AM
Subject: JPMC Trades and the Volcker Rule Proposal
Attachments: JPMC Application of Volcker Rule.docx

I'm attaching a draft memo that addresses the question you raised re how the Volcker Rule statute and proposed regulations would apply to the JPMC trading activities in the news. I'd welcome talking more about this. My big take-away is that trying to capture what is okay and not okay with detailed regulatory requirements is futile and ineffective. There is a crucial role for supervisory judgments that needs to be escalated.

From: Venkatakrishnan, CS <cs.venkatakrishnan@jpmorgan.com>
Sent: Mon, 02 Apr 2012 21:53:53 GMT
To: Hogan, John J. <John.J.Hogan@jpmorgan.com>; Goldman, Irvin J <irvin.j.goldman@jpmchase.com>; Bacon, Ashley <Ashley.Bacon@jpmorgan.com>
CC: Vigneron, Olivier X <olivier.x.vigneron@jpmorgan.com>
Subject: FW: CIO DAY 1

John/Ashley/Irv: Below is an update from Olivier. One source of model difference is that the capital models operate at the level of individual names but the CIO's desk models operate at the level of indices --- so the effect of name concentrations may be captured differently. We are pursuing the impact and further modeling of this. Venkat

---

From: Vigneron, Olivier X
Sent: Monday, April 02, 2012 3:15 PM
To: Venkatakrishnan, CS
Subject: CIO DAY 1

Hi Venkat,

Main takeaways:

- Book comprises index trades only (tranches+ plain indices). All modelling done on the index spread, single names are assumed homogeneous and homogeneous pool model is then used to price tranches and generate index delta. Historical regression also gives them a beta adjusted delta for HY vs IG.
- Key takeaway 1: approximation around the dispersion of single names a key source of discrepancies when submitting portfolio to large single name shocks (as does IRC/CRM). More work to quantify impact of this approximation.
- Key takeaway 2: we need to load the book on a "bottom up" single name modelling approach that can give single name default exposures, as well as a CSW computation that is comparable to the Credit Trading desk for example.

Action points:

- To discuss modelling merits of CIO and its feedback on our IRC spread modelling with the model research group (will start with Matthias A. who has been involved by Anil).
- To model in Lynx (tool developed by credit trading team) the CIO portfolio. Preliminary dummy trades loaded. Tool is ring fenced (i.e. only I will have access). However I will check with Javier before loading the real notionals tomorrow that he is fine for me to go ahead with this.

Risk update:

On my CSW estimate sent yesterday for March 7^{th} position, I missed the Xover trades, here is the updated estimate when including them:

Estimated All Tranches:	-45m CSW
Estimated CDX indices:	-350m CSW
Estimated ITRX indices:	-280m CSW
Estimated HY CDX:	+400m CSW
Estimated FinSub + Xover:	+150m CSW

Total: -125m CSW long (March 7th)

Face notional by maturity buckets and IG/HY split.

25bn short in 1Y IG
15bn short in 2Y HY,
17bn short 5Y HY
135bn long in 5Y IG

Olivier

From: Venkatakrishnan, CS
Sent: 30 March 2012 22:30
To: Vigneron, Olivier X
Subject: FW: CIO 10% CSW

Please see below and let's make sure we speak daily on this! Merci, Venkat

---

From: Hogan, John J.
Sent: Friday, March 30, 2012 5:28 PM
To: Venkatakrishnan, CS
Subject: RE: CIO 10% CSW

OK thanks Venkat—keep me posted please

From: Venkatakrishnan, CS
Sent: Friday, March 30, 2012 5:27 PM
To: Hogan, John J.
Subject: CIO 10% CSW

John: CIO's 10% CSW by my group's model estimate is long 245mm of risk; their own models (run by Weiland) quote $145mm. I don't understand the difference in the models and don't know how good a measure of risk 10%CSW is for their book. But I spoke to Ashley and we agree that 10%CSW has been trending up for CIO, by either their model or ours. Once Olivier spends time in the portfolio, we should get a better idea. I also sense from speaking with Javier that CIO are worried that they may now have to shed tranche risk in a tight market. I don't know how real this worry is but I wanted to make you aware. I will get a daily download from Olivier and keep you and Ashley posted (Ashley is out next week). I may myself go to London mid-week. Venkat

Please see the CSW10 results for original CIO portfolio and the split portfolio for March 21st.

Corp Portfolio						
COB	*10-Jan-12*	*18-Jan-12*	*25-Jan-12*	*31-Jan-12*	*28-Feb-12*	*21-Mar-12*
CSW10 (MM)	7.2	73.7	80.6	62.2	150.1	245.2

21-Mar-12	Corp Portfolio	CIO Index Portfolio	Combined Portfolio
CSW10 (MM)	245.2	252.8	7.6

This following is based on the latest split I received from Patrick Hagan this morning.

21-Mar-12	Corp Portfolio	CIO Index Portfolio	Combined Portfolio
CSW10 (MM)	245.2	213.5	31.7

From: Huang, Yuan X
Sent: Friday, March 30, 2012 10:02 AM
To: Venkatakrishnan, CS
Cc: Jia, Keith
Subject: FW: Mar-21 risk report for CIO and benchmark indices

We have the CSW10 results for a few days (see row 24 "Spread_10PcntUp"). If the date you are interested is not included (ex, Mar-7th), we can generate the results in about half an hour.

Regards,
Yuan

From: Jia, Keith
Sent: Thursday, March 29, 2012 11:46 AM
To: Huang, Yuan X
Cc: Bangia, Anil K
Subject: RE: Mar-21 risk report for CIO and benchmark indices

6-day risk report.

From: Huang, Yuan X
Sent: Wednesday, March 28, 2012 2:56 PM
To: Jia, Keith
Cc: Bangia, Anil K
Subject: Mar-21 risk report for CIO and benchmark indices

O

MEMORANDUM

Comptroller of the Currency
Administrator of National Banks

Washington, DC 20219

To: Patti Spellacy, Congressional Affairs Specialist

From: Michael L. Brosnan, Senior Deputy Comptroller, Large Bank Supervision

Date: **N\A**

Subject: Response to Senate Banking Committee: Large Bank Supervision

Purpose

This memo responds to your request for information to complete the hearing record for the United State Senate's Committee on Banking, Housing, and Urban Affairs in regards to the Comptroller's testimony before the committee on June 6, 2012.

Response from Large Bank Supervision

Questions for the Honorable Thomas J. Curry, Comptroller of the Currency, Office of the Comptroller of the Currency, from Senator Vitter:

1. At what point in the process of JPMorgan making this trade and the public reporting of the losses did the OCC examiners become aware of this trade?

   The OCC knew the bank was planning to modify its position; however, we were not fully aware of the manner in which management chose to do that, or the rapid build-up in the size or complexity of the bank's CDS positions in the first quarter of 2012. Bank reports did not initially fully identify and convey measurements of the change in risk, and bank executive management did not understand the full impact of the new exposures. Unexpected losses were first identified in late March. The CEO of the CIO explained that these were an anomaly in market prices and that the market would "mean-revert." Profit and loss volatility increased in early April leading up to the "London Whale" article on April 6, 2012. We spoke with bank management various times in April and obtained more detailed information on the position as press reports appeared about its positions in the market. At the time, management indicated the situation was managed and under control. We advised bank management to keep us informed and notify us of material changes. The OCC began discussing additional follow up actions. From that time forward, the losses became larger and the explanation of market anomaly was less viable. On May 4, management contacted the OCC EIC to notify him of the changed assessment and the magnitude of losses realized during the second half of April.

2. Does the OCC examine each of these trades as they occur? If not, how does the OCC monitor the risk that the banks it supervises is undertaking?

   The OCC does not examine individual trades (or loans) as they occur. Our role is not to approve or manage the bank's risk positions. Rather, we assess the risk management and controls over the bank activities. Large banks assume varied and complex risks that warrant a risk-oriented supervisory approach. Under this approach, examiners focus on a bank's risk appetite and the limits and controls that are designed and implemented to identify and control the risks they assume. The OCC recognizes that banking is a business of taking risks in order to earn a profit. However, when risk is not properly managed, the OCC directs bank management to take corrective action. In all cases, the OCC's primary concern is that the bank operates in a safe and sound manner and maintains capital, reserves and liquidity commensurate with its risk.

   Bank management is responsible for managing risks. The OCC focuses on whether a bank has a sound risk management system. A sound program will identify risk, measure risk, monitor risk, and control risk.

   Through a combination of discussions with management supported by review of Board and management reports, examination activities are targeted based on assessment of risk. OCC examiners evaluate policies, procedures, activities and performance.

   In this case, the bank had an experienced management team with a long history of satisfactory performance. However, a rapid change in risk-taking behavior by the line of business (and risk management and measurement tools that were insufficient for and not consistent with the risk being taken) resulted in failure to identify and manage the higher risk exposure. The CIO activities were not, historically, considered to be high risk and the bank's primary CDS activities as dealer are in the Investment Bank, not the separate and distinct CIO. The CIO's historical mandate had been primarily to manage interest rate and other bank wide risks and invest the excess of deposits over loans in various investment securities. The limit and control infrastructure of the CIO was not built for the type of activity and trading volume in synthetic credit positions that occurred in the first quarter of 2012. What occurred was a rapid change in the risk behavior and risk-taking that the existing control infrastructure was not able to identify or manage.

3. How many trades does JPMorgan have of this magnitude and what are the possibilities, given Europe and a softening domestic economy that a number of these bets go bad at the same time?

Trading in these instruments historically occurs primarily in the Investment Bank, where the controls are appropriate for the risk and activity. We do not believe that other such significant positions exist in the company. Stress testing for a variety of stress scenarios occurs regularly, and both European and domestic considerations are among those analyzed.

Questions for the Honorable Thomas J. Curry, Comptroller of the Currency, Office of the Comptroller of the Currency, from Ranking Member Shelby:

1. In the wake of the JPMorgan loss there has been a lot of discussion about hedging activities. Many financial institutions develop hedging strategies with interest rate and credit derivatives to hedge volatility.
   a. What is the oversight process for banks who hedge risk and how are these hedges examined?

      As banking is a risk taking business, we fully expect that banks will take actions to reduce or eliminate unwanted risk exposures. Hedging actions can take place on a transaction-by-transaction basis, or on a portfolio basis. Transaction hedging is easier to define and understand as one can see the risk additive transactions being offset by risk reduction transactions.

      The concept is the same for portfolio hedging, but the measurement of the correlation between the portfolio of risk and the hedge is more difficult to document, as the hedging instrument is not always the specific offset to the underlying risk. Similar to transaction hedging, we look to understand the nature of the portfolio of risk, how its value changes with price or rate changes. We then look to see how the hedge performs in similar situations. We expect bank reports to document and support a strong negative correlation between the risk position and the hedge.

   b. How do you determine whether a particular activity is or is not really "hedging"?

      A hedge position must be offsetting some existing risk exposure. Bank risk reports need to identify the underlying position and document its sensitivity to price or rate movements.

2. Given the complexities identified during the hearing with determining whether or not a trade is a hedge or a proprietary trade, it appears the real issue is whether a trade threatens the safety and soundness of the bank.

   a. How do you determine whether the trade presents risks to the safety and soundness of a bank?

      A trade (or trading position consisting of multiple trades) would present risks to the safety and soundness of a bank if the loss exposure materially impacted the earnings and capital of the bank. We evaluate risk measures, position reports, and limits (including VAR and others established to guard against illiquid or concentrated positions) to ensure that the risk appetite is reasonable and would not pose a material threat to earnings or capital. Controls should also be in place and be tested regularly to ensure that risk-takers operate within their limits.

Based on the information available at this time, JPMC's earnings are capable of absorbing the potential losses from its trading positions with no adverse impact to capital. The potential losses do not pose a threat to the solvency of the bank.

b. If a trade does present such risks, what authority do you have to stop or prevent the trade from occurring?

The OCC has a wide-range of supervisory tools that it can use to address an unsafe and unsound position that threatens the bank including a temporary cease and desist order. A temporary Cease and Desist Order is an interim order issued by the OCC pursuant to its authority under 12 USC 1818(c) and is used to impose measures that are needed immediately pending resolution of a final Cease and Desist Order. Such orders are typically used only when immediately necessary to protect the bank against ongoing or expected harm. A Temporary Cease and Desist Order may be challenged in U.S. district court within 10 days of issuance, but is effective upon issuance and remains effective unless overturned by the court or until a final order is in place.

Questions for The Honorable Thomas J. Curry, Comptroller of the Currency, Office of the Comptroller of the Currency, from Senator Brown:

During the June 6th hearing, Mr. Gruenberg agreed that "historically, including to the present day, the biggest risk of banking is the lending activity that is inherent to the banking process."

In testimony before the Subcommittee on Financial Institutions and Consumer Protection on May 9th, the former Chief Economist of the Senate Committee on Banking, Housing, and Urban Affairs stated:

> "In a remarkably understated 2007 annual inspection report on Citigroup, the Federal Reserve Bank of New York observed that '[m]anagement did not properly identify and assess its subprime risk in the CDO trading books, leading to significant losses. Serious deficiencies in risk management and controls were identified in the management of Super Senior CDO positions and other subprime-related traded credit products.' By the end of 2008 Citigroup had written off $38.8 billion related to these positions and to ABS and CDO securities it held in anticipation of constructing additional CDOs."

Testimony of Marc Jarsulic, Chief Economist, Better Markets, Inc., before the Senate Committee on Banking Housing and Urban Affairs Subcommittee on Financial Institutions and Consumer Protection, "Is Simpler Better? Limiting Federal Support for Financial Institutions" 9, May 9, 2012.

According to accounts of the hearings held by the Financial Crisis Inquiry Commission, two witnesses agreed that CDOs were responsible for Citigroup's financial difficulties:

> "[Former Citigroup chief executive Charles] Prince ultimately blamed much of Citi's problems on CDOs, which he said were complex and entirely misunderstood. He said the company, its risk officers, regulators and credit rating agencies believed CDOs were low-risk activities. As it turned out, they resulted in $30 billion worth of losses...
>
> "[Former Comptroller of the Currency John] Dugan, too, put much of the blame on CDOs, partly as a way of defending his own agency. He said the bank, which the Office of the Comptroller of the Currency oversaw, did not damage the holding company, while Citi's securities broker-dealers, which managed the CDOs and were overseen by the Securities and Exchange Commission, were at fault.
>
> 'The overwhelming majority of Citi's mortgage problems did not arise from mortgages originated by Citibank,' Dugan said. 'Instead, the huge mortgage losses arose primarily from the collateralized debt obligations structured by Citigroup's securities broker-dealer with mortgages purchased from third parties.'"

Cheyenne Hopkins, *No One Was Sleeping as Citi Slipped*, AM. BANKER, Apr. 8, 2010.

Do you agree with the New York Fed, the former Comptroller of the Currency, the former Chief Economist of the Senate Banking Committee, and the former CEO of Citigroup that CDOs were a substantial cause of Citigroup's financial difficulties in 2008, resulting in significant support from the federal government, including capital injections from the Treasury Department, debt guarantees from the FDIC, and loans from the Federal Reserve?

Yes. Excessive risk-taking in sub-prime collateralized debt obligations (CDOs) was a substantial cause of Citigroup's financial difficulties in 2008.

Questions for the Honorable Thomas J. Curry, Comptroller of the Currency, Office of the Comptroller of the Currency, from Chairman Johnson:

1. Mr. Curry, in response to my question during the hearing about the risk management of JP Morgan Chase & Co. (JPMorgan), you stated that the Office of the Comptroller of the Currency (OCC) is reviewing "what exactly transpired with the trading operation within the CIO's office, and…looking to make sure that there were appropriate limits and controls on those activities in that area and how they compared to other areas within the organization." Two weeks later, you stated that "we do believe, as a preliminary matter, that there are apparent serious risk management weaknesses or failures at the bank. We're attempting…to continue to examine the root causes for those failures and to determine whether or not there are other weaknesses in the bank besides the CIO."

   Do you have any further preliminary conclusions on your review of the bank's risk management?

   What gaps have you identified as supervisors?

   Please provide additional detail about what you meant by "serious risk management weaknesses or failures at the bank."

   How many staff members are ordinarily involved in supervising JPMorgan, especially with regard to the company's risk management, and how many additional staff have you dedicated to this review?

   The OCC's supervisory team includes approximately 65 full time onsite examiners who are responsible for reviewing nearly all facets of the bank's activities and operations, including commercial and retail credit, mortgage banking, trading and other capital markets activities, asset liability management, bank technology and other aspects of operational risk, audit and internal controls, and compliance with the Bank Secrecy Act, anti-money laundering laws, and the Community Reinvestment Act. These onsite examiners are supported by additional subject matter experts from across the OCC. All these examiners are essentially involved in supervising the risk management practices of JPMorgan as risk management systems are in place throughout the bank's operations to identify, measure, monitor, and control risk.

   We have one dedicated examiner who directly oversees the CIO with support of a team of capital markets specialists representing 8 FTEs to review specific capital markets areas depending on the topic. We have added staff on assignment from our London team, our Risk Analysis Division (quantitative experts), as well as received assistance from our Office of Chief Accountant.

When do you expect to complete your review? Do you have any further preliminary conclusions on your review of the bank's risk management? What gaps have you identified as supervisors?

Preliminary conclusions and gaps identified are as follows, although we continue to assess this matter:

- Oversight of the Chief Investment Office was unsatisfactory. The board and management failed to ensure that an adequate risk management and control structure was in place. The control infrastructure was inadequately staffed and supported. The Board and executive management were unaware of the change in risk in the synthetic credit portfolio.
- Traders built significant risk positions in the synthetic credit book over the course of the first quarter 2012, with most risk assumed in mid-to-late March. The book became very large, complex, illiquid, and difficult to manage. Risk will remain elevated for an extended period as traders work to reduce unwanted exposures.
- Model control practices in CIO were unsatisfactory. The VAR model was poorly implemented and had not received final approval. Valuation control practices were unsatisfactory. Traders intentionally misstated closing prices to cushion losses mid month and month end control processes failed to identify mismarked position.
- Risk Management was ineffective and irrelevant. Limits were inadequate for the nature of the risk. Business level limits were deemed inadequate by management and, in effect, ignored.
- Audit did not identify the lack of relevant risk limits nor the rapid increase in risk. A material control deficiency was reported for the first quarter prompting a restatement of earnings.
- The company is implementing corrective actions. An entirely new CIO senior management group is in place and is undertaking an end-to-end review of all CIO processes and practices. Firm wide risk management and processes are also being evaluated and new committees and processes are being put in place.

Please provide additional detail about what you meant by "serious risk management weaknesses or failures at the bank."

Serious risk management weaknesses or failures at the bank that we had identified at the time of the hearing include, for example:

- The rapid build-up of CDS positions in the first quarter of 2012 and bank reports that did not fully describe the change in risk resulted in bank management not understanding the full impact of the new exposures.

- The first line of defense failed given the rapid change in the risk behavior and risk-taking by the line of business resulting in the inability to identify and manage the higher risk exposure.

- The second line of defense, independent Risk Management, was aware of the strategy being adopted and failed to ensure reporting that captured the risk these positions and establish appropriate risk limits.

- The third line of defense, internal audit, failed to identify the rapidly growing positions being taken in the first quarter that resulted in the losses during its first quarter review.

- The unanticipated risk exposure cast doubt on the effectiveness of the bank's model validation process and the independent review process, specifically its updated Value at Risk (VAR) model. However, the VAR model is only one measure of risk and it was not designed to control an active trading desk or the positions undertaken by the CIO in 2012. Separate and distinct limits are needed to identify, measure, report, and control other risks and these limits were inappropriate for these activities. The limit and control infrastructure of the CIO was not built for the type of activity and trading volume in synthetic credit positions that occurred in the first quarter of 2012.

How many staff members are ordinarily involved in supervising JPMorgan, especially with regard to the company's risk management, and how many additional staff have you dedicated to this review?

The OCC's supervisory team includes approximately 65 full time onsite examiners who are responsible for reviewing nearly all facets of the bank's activities and operations, including commercial and retail credit, mortgage banking, trading and other capital markets activities, asset liability management, bank technology and other aspects of operational risk, audit and internal controls, and compliance with the Bank Secrecy Act, anti-money laundering laws, and the Community Reinvestment Act. These onsite examiners are supported by additional subject matter experts from across the OCC. All these examiners are essentially involved in supervising the risk management practices of JPMorgan as risk management systems are in place throughout the bank's operations to identify, measure, monitor, and control risk.

We have one dedicated examiner who directly oversees the CIO with support of a team of capital markets specialists representing 8 FTEs to review specific capital markets areas depending on the topic. We have added staff on assignment from our London team, our Risk Analysis Division (quantitative experts), as well as received assistance from our Office of Chief Accountant.

When do you expect to complete your review?

We expect to have largely completed our review by early August, though we also expect to still have follow-up on certain issues beyond that timeframe.

2. In testimony, you stated that "in hindsight, if the reporting were more robust or granular, we believe we may have had an inkling of the size and potential complexity and risk of the position." You also stated before this Committee, that the "concentrated nature of the trading and the illiquidity of [the trading] are red flags that are clearly apparent now." What requirements or guidelines does the OCC have for granularity of reporting, and what does the OCC plan to require in the future as a result of these events? What role do concentrations and liquidity of positions play in your assessment of trading risks, and how will the OCC ensure that it can capture such red flags in its supervision?

What requirements or guidelines does the OCC have for granularity of reporting, and what does the OCC plan to require in the future as a result of these events?

We expect risk reports to accurately present the nature and level(s) of risk taken and compliance with approved limits.

What role do concentrations and liquidity of positions play in your assessment of trading risks, and how will the OCC ensure that it can capture such red flags in its supervision?

We consider both concentrations and position liquidity when we assess trading activities. We expect that risk limits and controls fully address the nature of risks being undertaken. In instances where there is limited market liquidity, or excessive concentrations, we expect limits to address the risk and that appropriate valuation adjustments are made.

4. You indicated that because you may not have been given adequate or accurate information by bank management, your supervisory abilities were limited, and that "quality supervision is dependent on the quality of information available to examiners." What is the role of institution-generated information in your agency's assessment of an institution's risk management? Please describe the process and importance of how your agency independently verifies that any information a company provides is accurate.

The role of institution-generated information in the OCC's assessment is critical in our assessment of the bank's risk profile and risk management processes. We assess management's process to develop and maintain management information systems (MIS) that will ensure information is timely, accurate, and pertinent. This assessment not only includes the processes to develop and test new MIS, but also the reliability of this information through the bank's quality assurance process at the line of business level and the independent reviews performed by the bank's Risk Management and audit functions. We check to confirm that the scope and frequency of these independent reviews include verification procedures for the quality of MIS. In addition, the examiners through ongoing supervision and target examinations perform transactional testing that confirms the accuracy of critical MIS relied upon by bank management and tbe regulators.

Clearly there were fails in all these aspects of financial and risk reporting and control. There should have been on-going review by the bank's risk management and audit functions that at least flagged this area for higher-level attention as it changed during the first quarter.

You stated before this Committee that "it does not appear that the [OCC] met the heightened expectations" of "strong risk management and audit." Please explain what these heightened expectations are, and what steps you are taking to ensure the OCC meets them.

The comptroller's intent was that *the bank* did not meet the OCC's heightened expectations for strong risk management and audit functions. The OCC set higher expectations for our large banks as part of our lessons learned from the financial crisis. The comptroller described the OCC's heightened expectations in his testimony before the U.S. Senate's Committee on Banking, Housing, and Urban Affairs on June 6, 2012, including comments on strong risk management and audit. We have communicated the importance of meeting these expectations to our large banks and their Boards of Directors. We are monitoring, evaluating, and discussing with bank management the bank's progress in working towards the heightened expectations and we use the following rating table and scale each quarter:

1. Board Willingness to Provide Credible Challenge	
2. Talent Management and Compensation	
3. Risk Appetite – Defining and Communicating Across the Company	
4. a. Development and Maintenance of Strong Audit Function b. Development and Maintenance of Strong Risk Management Function	
5. Sanctity of the National Bank Charter	

Rating scale (A-D) for each of the five heightened expectations.

- "A" indicates the expectation is met.
- "B" indicates the expectation is generally met, or is anticipated being met within 12 months.
- "C" indicates material steps remain to meet expectation but management has demonstrated a willingness and ability to meet the expectation. Completion expected to be greater than 12 months.
- "D" indicates material steps remain to meet expectation and management is either unwilling or unable to meet the expectation in the near- to medium-term.

The OCC will use its supervisory tools including informal or formal enforcement actions to ensure each large bank achieves a strong risk management and audit function.

5. At the Committee's hearing where Jamie Dimon, Chairman of the Board, President and Chief Executive Officer of JPMorgan testified, Mr. Dimon indicated that while the company has a compensation clawback policy in place, that authority has not been exercised. For the largest national banks the OCC regulates, are you aware of any bank exercising a clawback of compensation when major mistakes are made? Is it important for Boards of Directors of national banks to utilize their clawback authority to deter other employees from making the same mistakes, and correct some of the misaligned pay incentives we saw leading up to the recent financial crisis?

We are not aware of the use of clawbacks to date in large national banks. As conveyed in the Interagency Guidance on Sound Incentive Compensation Policies (OCC Bulletin 2010-24), the OCC believes Boards of Directors should use clawback authority under appropriate circumstances. JPMC notified us and subsequently has announced tbat it plans to clawback compensation from the individuals directly responsible for the CIO losses. The bank's investigation into the matters is ongoing and additional clawbacks may be coming. The OCC will review these decisions to ensure they are appropriate.

From: Wong, Elwyn
To: Waterhouse, Scott
CC: Crumlish, Fred; Hohl, James
Sent: 5/11/2012 3:16:38 PM
Subject: CDX IG Series 18 vs CDX HY vs CDX IG 9

Hi Scott,

Per your request:

- Based on my understanding, CIO was trying to pare down their long protection (short credit risk) in HY. To do so, they would sell protection (long credit risk)
- They were of the opinion that HY was cheap and IG was rich. So they took the basis risk by continuing to be long HY protection and short IG protection as a proxy.
- JPMorgan Research has the same opinion even on today's research piece:

- They went short protection on two things: IG series 9 and "IG others" (latter as described in their presentation to you)
- There are two new series every year. The current series number is 18 for both IG and HY. So IG series 9 was first traded 4 ½ yrs ago in Sept 2007. These are static indices in that if names defaulted and for whatever reason IDSA eligible dealer poll decided to include or exclude certain names in the next series, that composition of constituents varies from series to series. CIO said IG Series 9 had a few fallen angels which served as a good proxy for reducing their HY protection.
- IG series 9 would not be traded if not for the fact that this was the on-the-run series right in the middle of the financial crisis and so to this day people trade it for legitimate hedging of legacy positions. But clearly it is less liquid than Series 18
- The matter is further complicated by the only people willing to take the opposite side to buy protection referencing IG series 9 were hedge funds. They would only do it on forward basis: something like 9 months forward for 1 year (ending in 1 yr 9 months). The rationale for this is economy is zig-zagging right now with no imminent default but default will pick up further down the road when things slow down again. So an off-the-run series, a known position and a forward, somewhat "bespoke" trade, did them in.

Irrespective, here is a good general measure:
CDX IG Series 18 trades on a spread basis with a 100 bp coupon . CDX HY series 18 trades on a price basis with a 500 bp coupon. Converting the latter back to yield:

IG has blown out more than HY. If this relationship holds for JPM's long protection in HY and short protection in IG, they lose money. 3/27 was the first day Series 18 traded. The relative performance could be more marked going further back when these trades were put on.

(Note: IG series 9 started in the days before the introduction of a coupon onto the index. So it was and is trading on a no coupon, spread basis.)

I will see if I can find anything on liquidity or performance further back.

Elwyn

From: Wong, Elwyn
To: Kamath, Jairam
CC: Crumlish, Fred; Kirk, Mike; Waterhouse, Scott; Hohl, James
Sent: 6/8/2012 1:53:20 PM
Subject: FW: Weekly Capital and RWA Schedule
Attachments: Capital & LTE Weekly 6-01-12.pdf

Synthetic Credit Spot RWA est[1]	May 29th
VaR (Reg)	17
Stress VaR	37
IRC	24
CRM	18
Mkt Risk	96

Hi Jairam,

The above report has (new) carve-out for the Credit Derivative Portfolio. It looks like it is a new thing and in the footnotes it said it is subject to revision anyway.

Do you know if this is something we could have gotten in the past? Reason I ask is because in the SEC briefing, CIO was known to be struggling to understand why RWA went up despite their risk "reducing" strategy and Venkat had been asked to help even as early as February.

Yet... they were piling on trades particularly in Feb and Mar:

I retrieved from the last page of Daily Firmwide VaR Report (CIO section in Excel)

CS01 excession (granted un-beta adjusted CS01) -- a Level 2 limit which requires Ina Drew's and Irv Goldman's signoff
Jan 31: 184% , in excess for 17 days
Feb 29: 507%, in excess for 37 days
Mar 30: 937%, in excess for 59 days

Limit is $5mil. Jan avg usage is $8.9 mil, Feb is $22 mil, Mar is $38 mil. It's a monotonic increase

Peter Weiland will be meeting us today at 2:00 pm and I will pose that question. Hogan already said as it was not Level 1, he did not see it. He agreed it was a serious breakdown.

Elwyn

Elwyn

From: Waterhouse, Scott
Sent: Thursday, June 07, 2012 12:44 PM
To: Crumlish, Fred; Wong, Elwyn; Kirk, Mike; Hohl, James
Subject: FW: Weekly Capital and RWA Schedule

From: Gillis, David KF [mailto:david.kf.gillis@jpmchase.com]
Sent: Thursday, June 07, 2012 11:38 AM
To: Dianne.Dobbeck@ny.frb.org; 'Needham, Catherine'; 'Arya, Om P.'; Waterhouse, Scott; Waterhouse (Regulator), Scott X
Cc: Genova, Diane M.; Hill, Erin; Gunselman, Gregg B
Subject: Weekly Capital and RWA Schedule

Confidential

As requested, attached please find the JPMC Weekly Capital Update, Weekly RWA Update, and Spot Assets by LOB, dated 6/1/2012. These materials are subject to continuing internal review. I will send you an updated weekly report tomorrow and each Friday afternoon thereafter.

Please contact me at 212-648-0362 with any questions. Thank you.

David Gillis

▬ = Redacted by the Permanent Subcommittee on Investigations

David K.F. Gillis
Managing Director & Associate General Counsel

J.P. Morgan
270 Park Avenue, 38th Fl., New York, New York 10017
david.kf.gillis@jpmorgan.com (**Tel:** 212.648.0362) **Cell:** [redacted]2 **Fax:** 917.463.0170

REVISED - DRAFT (5/24/12)

SYNTHETIC CREDIT DAILY RISK REPORT

2287

May 24, 2012

STRICTLY PRIVATE AND CONFIDENTIAL

J.P.Morgan

Executive summary

P&L ($000s)

	Estimate	Actual	Actual vs. Estimate
5/24/2012	($82,962)		
5/23/2012	($119,427)	($116,681)	$2,746

Long credit risk (10% CSW, $mm)

	CSW10%	Trading	Portfolio lengthening	Net change	Since 30-Apr	% Chg. 30-Apr
Current[1]	(170.5)	5.2	N/A	5.2	122.2	(41.7%)
23May	(175.6)	(16.8)	(16.6)	(33.5)	117.0	(40.0%)
30-Apr	(292.6)	261.9	(139.7)	122.2	0.0	--

Note: CSW 10%: **negative** figures denote **long** risk position
[1] Expected today

Collateral ($mm)

	Description	Current	Prior day
Total (CIO - counterparty)		-$29	-$48
Largest counterparty	MS	17	13
Largest instrument	CDXIG S09 05Y 00-03	27	18

Note: **negative/positive** collateral position denotes **lower/higher** valuation relative to counterparty

Trades

- Bought protection €1,400mm iTraxx Main S17 5y
- Bought protection $1,250mm CDX IG S18 5y
- Sold protection $495mm CDX HY S18 5y

Summary commentary

- New trades decreased risk in 10%CSW terms by $5.2mm (new trade activity only, does not include changes due to market moves)
- P&L $(83)mm driven by:
  - Widening of S9 in US and Europe $(69)mm
  - Widening of CDX IG 9 12/17 vs. OTR IG S18 5y
  - Widening of iTraxx Main S9 vs. OTR S17 5y

2288

Risk summary (Includes New Trades 24May)

($mm)	Notional	5Y eqv. OTR Eqv	CS01	Beta Adj. CS01	10% CSW	DoD Change 5yr eqv.	DoD Change CS01	DoD Change CSW10%	Change since 4/30/12 CS01	Change since 4/30/12 CSW10%	Beta [1]
CDX IG	46,315	59,566	(28.7)	(32.6)	(495)	(750)	0.4	4.3	9.9	11.9	1.00
CDX HY	(275)	(20,626)	7.0	38.5	443	584	(0.2)	(13.2)	(1.4)	(18.1)	5.50
ITRAXX MN	85,647	25,901	(10.8)	(16.2)	(280)	(1,762)	0.8	14.1	12.8	127.6	1.50
ITRAXX XO	(8,437)	(8,052)	2.7	15.0	185	0	0.0	0.0	(0.4)	(1.5)	5.50
ITRAXX FINSUB	(2,816)	358	(0.2)	(0.7)	(11)	0	0.0	0.0	0.4	13.4	4.50
Direct Single Name	800	531	(0.3)	(1.7)	(21)	531	(0.3)	(20.6)	(0.3)	(20.6)	6.92
Total	122,930	57,249	(29.9)	2.9	(170)	(1,397)	0.7	(15.4)	21.4	122.1	

[1] *CDX IG S09 05Y uses a beta of 0.5*

[1] Table shown includes notional and risk factors for both Indices and tranches combined
Note: **Positive/Negative** notional data denotes **long/short** risk; **Positive/Negative** CS01 denotes **short/long risk**
Betas are computed off on the run IG (S18)

Risk factors[1] (cob 5/24/12)

	Risk Factors: Underlying CS01 ($mm)	Directionality CS01 ($mm)	Curve CS01 ($mm)	OTR/OFR CS01 ($mm)	HG/HY CS01 ($mm)	Correlation ($/10% change) Super Senior	Correlation ($/10% change) Equity/Mezz
CDX IG	(28.7)	3.9	7.8	(22.4)	–	(123.8)	115.4
Itraxx Main	(10.8)	–	5.0	(13.9)	(10.8)	(132.5)	(33.2)
CDX HY	7.0	–	(0.4)	(0.0)	7.0	7.5	38.7
Itraxx XO	2.7	–	–	–	2.7	–	–
Itraxx Finsub	(0.2)	–	0.3	–	(0.2)	–	–
Subtotal	(29.9)	3.9	12.7	(36.3)	(1.2)	(248.8)	120.9

	Beta
CDX HY/IG	6.40
Itraxx XO/Main	3.80

Market summary[2] (cob 5/24/12)

		Spread 5/24/12	5/23/12	5/22/12	4/30/12	3/30/12	Basis to Theoretical (bps spd) 5/23/12	1w	1m
CDX IG	S18 5 yr	117.5	116.5	118.5	94.7	91.5	(4.1)	(3.9)	1.7
	S9 5yr	81.0	86.4	86.4	66.1	70.8	(6.1)	3.0	9.5
	S9 10yr	159.5	159.2	158.2	119.4	113.1	(1.9)	4.3	13.7
CDX HY	S18 5 yr	670.0	676.6	674.8	579.7	578.9	25.8	(21.8)	28.5
iTraxx Main	S17 5yr	174.5	181.0	171.5	140.5	125.0	7.6	0.4	13.9
	S9 10yr	211.5	218.0	209.0	170.5	151.0	(1.9)	0.5	16.2
iTraxx Xover	S17 5yr	717.5	743.0	710.0	650.0	613.0	31.9	(0.7)	21.7

Source: Market data - J.P. Morgan Investment Bank (as of New York close)
[2] Estimated based on end of day levels, may fluctuate based on end-of-day trading and volatility

2289

Notional overview

2290

CDX IG vs. HY

Notional ($mm) (cob 5/24/12)

	Notional
IG 9	48,460
Other IG	4,155
High Yield	(18,044)

Notional ($mm) (cob 4/30/12)

	Notional
IG 9	82,460
Other IG	(14,500)
High Yield	(20,609)

Change

	Notional
IG 9	(34,000)
Other IG	18,655
High Yield	2,565

iTraxx Main vs. Crossover

Notional ($mm) (cob 5/24/12)

	Notional
iTraxx Main	31,663
iTraxx XO	(6,704)

Notional ($mm) (cob 4/30/12)

	Notional
iTraxx Main	54,948
iTraxx Cross Over	(6,864)

Change

	Notional
iTraxx Main	(23,286)
iTraxx XO	160

Tranche positions

Notional ($mm) (cob 5/24/12)

	Total	Equity	Mezz	Senior
IG 9	(5,940)	(1,355)	(33,020)	28,435
IG 9 5 yr	*(22,400)*	*(3,570)*	*(18,560)*	*(270)*
IG	(360)	(195)	(265)	100
HY	17,769	4,291	4,183	9,295
iTraxx	36,395	(3,230)	440	39,165

Notional ($mm) (cob 4/30/12)

	Total	Equity	Mezz	Senior
IG 9	(5,940)	(1,355)	(33,020)	28,435
IG 9 5 yr	*(22,400)*	*(3,570)*	*(18,560)*	*(270)*
IG	(340)	(195)	(245)	100
HY	17,789	4,291	4,203	9,295
iTraxx	36,395	(3,230)	440	39,185

Change

	Total
IG 9	0
IG 9 5 yr	*0*
IG	(20)
HY	(20)
iTraxx	0

Other positions

Notional ($mm) (cob 5/24/12)

	Long	Short
FinSub	2,411	(4,649)
LCDX	4,075	(1,688)

Notional ($mm) (cob 4/30/12)

	Long	Short
FinSub	3,061	(4,649)
LCDX	4,075	(1,688)

Change

	Long	Short
FinSub	(650)	0
LCDX	0	0

Memo: IG 9 exposure (by maturity)

Notional ($mm) (cob 5/24/12)

	Notional
IG S09 05Y	(32,723)
IG S09 07Y	34,193
IG S09 10Y	46,989
IG9	48,460

Notional ($mm) (cob 4/30/12)

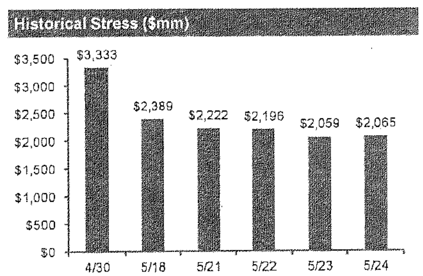
	Notional
CDX IG S09 05Y	(32,723)
CDX IG S09 07Y	34,193
CDX IG S09 10Y	80,989
IG9	82,460

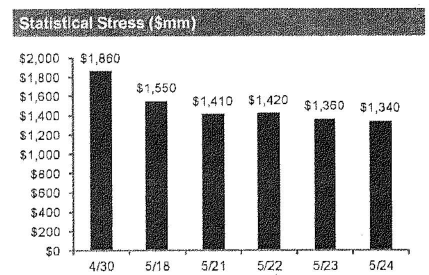
Change

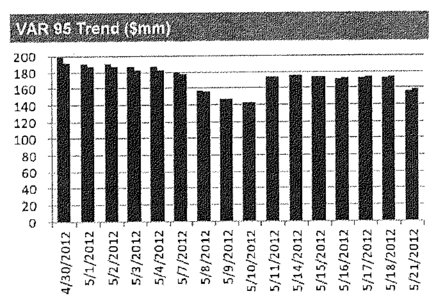
	Notional
IG S09 05Y	0
IG S09 07Y	0
IG S09 10Y	(34,000)
IG9	(34,000)

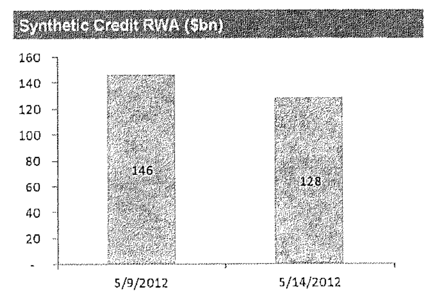
Note: **Positive/Negative** notional data denotes **long/short** risk

Synthetic credit book – key metrics









2291

Summary of Synthetic Credit Book – historical stress

- Pricing to equilibrium: In addition to below risk factors, some indices will lose value as they move from richness to fairness
- Synthetic credit book exposed to **six risk factors** – Each factor represents a directional exposure
- In the short-to-medium term, **these exposures can be partially mitigated** – But not eliminated

Risk Factor	Description of when position loses money	5/24/12 Historical worst single day	4/30/12 Historical worst single day
1. Credit spread widening (Directionality)	If **credit spreads widen** across markets	$296mm	$3,200mm
2. Maturity mismatch (Curve)	If credit spreads of **long-maturity positions get wider** relative to short-maturity positions	0mm	89mm
3. High Yield vs. Investment Grade	If **high yield positions outperform** investment grade positions relative to their portfolio weighting	2,072mm	1,441mm
4. Illiquidity of older Indices / Tranches (On-the-Run vs. Off-the-Run)	If **credit spreads of the older index** (the "off-the-run" index) **widen** relative to more-recently issued indices (the more "on the run" indices)	43mm	1,085mm
5. "Super senior" debt vs. "equity" positions (Tranches)	If there is an **increase in the correlation** implied between **defaults among names within the tranches**	505mm	505mm
6. Default risk (Risk on individual names)	If **credit events happen to companies** for which we have "sold protection"	NA	NA
	Portfolio worst day	**$2,065mm**	**$3,333mm**
	Sum of worst case	**$2,915mm**	**$6,320mm**

2292

Summary of Synthetic Credit Book – statistical stress

- Pricing to equilibrium: In addition to below risk factors, some indices will lose value as they move from richness to fairness
- Synthetic credit book exposed to **six risk factors** – Each factor represents a directional exposure
- In the short-to-medium term, **these exposures can be partially mitigated** – But not eliminated

Risk Factor	Description of when position loses money	5/24/12 95%ile loss potential[1]	4/30/12 95%ile loss potential[1]
1. Credit spread widening (Directionality)	If **credit spreads widen** across markets	$170mm	$710mm
2. Maturity mismatch (Curve)	If credit spreads of **long-maturity positions get wider** relative to short-maturity positions	140mm	160mm
3. High Yield vs. Investment Grade	If **high yield positions outperform** investment grade positions relative to their portfolio weighting	1,080mm	810mm
4. Illiquidity of older Indices / Tranches (On-the-Run vs. Off-the-Run)	If **credit spreads of the older index** (the "off-the-run" index) **widen** relative to more-recently issued indices (the more "on the run" indices)	500mm	1,400mm
5. "Super senior" debt vs. "equity" positions (Tranches)	If there is an **increase in the correlation** implied between **defaults among names within the tranches**	490mm	490mm
6. Default risk (Risk on individual names)	If **credit events happen to companies** for which we have "sold protection"	291mm	291mm
	Est. total diversified 95% loss potential	**$1,340mm**	**$1,860mm**

2293

Synthetic Credit risk factors details

Sensitivity analysis

Scenario	Sigma	Loss ($mm)
90.0% percentile	1.28	1,100
95.0% percentile	**1.64**	**1,340**
97.5% percentile	1.96	1,560
99.9% percentile	3.09	2,360
Downside Case A[1]	N/A	2,671
Downside Case B[2]	N/A	4,415

Assumptions behind analysis

- **Credit spread widening** (Directionality) - Net directional loss estimate assumes correlation based on 1yr data
- **Maturity mismatch** (Curve)
  - Volatility measured as relative movement of longer maturity spread vs. shorter maturity spread adjusted for overall drift
  - Combined across asset classes assuming zero correlation
- **High Yield vs. Investment Grade**
  - Volatility based on relative spread movement netted for overall directionality
  - Assumes zero correlation between these differences for US and Europe
- **Illiquidity of older Indices/Tranches** (On-the-run/Off-the run risk)
  - Series 9 is assumed as the off-the-run position
  - Risks are combined assuming zero correlation
- **"Super senior" debt vs. "equity" positions** (Tranches) - Risk factor based on extreme movements of correlation as seen during the credit crisis
- **Default risk** (Risk on individual names) – Exposure based on comprehensive simulation of default risk using capital model
- **Diversified sum** - All above risk measures combined assuming zero correlation

[1] Diversified sum of 95.0% percentile; [2] Diversified sum of 99.9% percentile

2294

International Synthetic & Secured Credit Risk Summary

Index	CS01	OTR 5Y Equiv	10%CSW	50%CSW	Lrg Fltn Selloff	WE Default01	WE CorrUp1%	IR01	Equity Delta	Equity Gamma	Equity Vega
CDX HY	7,189,078	-21,210,778,316	455,779,574	2,165,749,657	3,400,956,502	85,776,980	5,895,062	-160,610			
CDX LCDX	-22,297	261,859,933	-343,595	-2,402,218	-5,755,123	3,668,752	-215,663	-11,994			
CDX IG	-29,048,901	60,315,937,567	-499,065,248	-2,371,150,190	-3,654,184,613	255,570,347	3,632,608	870,156			
ITRAXX MN	-11,571,954	27,663,151,668	-293,776,445	-1,542,434,071	-2,636,286,984	346,943,852	-20,824,129	290,210			
ITRAXX XO	2,718,474	-8,052,169,619	185,064,678	840,770,034	1,208,737,524	110,213,772	0	-116,001			
ITRAXX FINSUB	-152,741	357,599,046	-11,100,100	-48,063,100	-54,598,924	87,972,436	0	4,036			
ITRAXX FINSEN	278,332	-689,788,178	8,382,819	39,859,734	64,894,732	14,015,191	0	-15,339			
SOVX WE	0	0	0	0	0	0	0	0			
Single Names	-251,096	800,000,000	-20,582,334	-102,911,669	-118,702,226	-344,856,193	0	0			
Equities	0	0	0	0	0	0	0	0	850,979	74,908	9,534
Synthetic Total	-30,861,107	59,445,812,101	-175,640,650	-1,020,581,824	-1,794,939,111	559,305,139	-11,512,120	858,467	850,979	74,908	9,534
Investments MTM	-1,773,996		-54,921,831	-274,609,153	-256,210,339						
Investments AFS	-29,522,730		-463,865,737	-2,319,328,684	-2,163,933,663						
Investments Total	-31,296,726		-518,787,567	-2,593,937,837	-2,420,144,002	0	0	0	0	0	0
EMEA Credit Total	-62,157,833		-694,428,218	-3,614,518,661	-4,215,083,112	559,305,139	-11,512,120	858,467	850,979	74,908	9,534

Commentary – COB 23-May:

Synthetic Credit:

- Long credit risk -30.9mm CS01 (+1.3mm) / -176mm 10%CSW (-19mm)
- Credit Crisis / Large Flattener Sell-off $-1.79bn (-145mm)
- Indices 5% wider across regions; HY & XO compressing , and off-the-run S9 curves steeper in both regions

Secured Credit (MTM & AFS) :

- Long credit risk -519mm 10%CSW; -31.3mm CS01
- Large Flattener sell-off stress scenario loss -2.42bn

Notes:

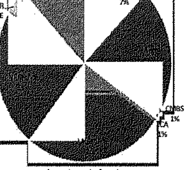
(1) Risk does not reflect the option on IG.9.10y vs. IG.18.5Y sold to client. Option grants client the right, but not obligation, to sell JPM $17bn of CDX IG 9 10Y protection and to buy $17bn of CDX IG 18.5Y protection from JPM. The spread on the CDX IG9 will be 49 bps above the bid level of the spread on the CDX IG18 at the time of exercise. The option is an American option and may be exercised at any time up to expiry at 11a.m. EST, 29 June, 2012.

(2) Tables below do not include single name positions

Core Strategic	Ccy Notional	OTR 5Y Equiv USD	CS01	WE Corr1%	10%CSW	50%CSW	WE Default01	LFS Stress
ITRAXX MN Outright	611,041,501	4,690,801,545,068	-14,113,909	0	-332,597,552	-1,590,763,558	1,009,800	-2,498,995,410
ITRAXX MN Hedge	32,251,525,000	-1,189,306,338,059	3,569,111	0	112,614,288	521,203,414	-197,814,893	694,459,593
ITRAXX MN 00-03	-3,230,000,000	-18,219,728,021	8,176,102	-8,390,114	127,399,152	563,811,435	559,324,298	913,438,727
ITRAXX MN 03-06	-550,000,000	-1,815,129,724	847,000	-673,350	14,530,506	69,367,214	18,777,891	120,004,920
ITRAXX MN 06-09	715,000,000	4,098,387,245	-1,152,634	1,360,677	-23,857,720	-107,407,033	-14,270,231	-167,643,713
ITRAXX MN 09-12	695,000,000	1,776,503,352	-728,955	383,477	-15,133,777	-72,021,002	-5,540,915	-118,160,217
ITRAXX MN 12-22	-420,000,000	-137,843,513	78,650	234,832	1,065,043	7,492,383	494,609	19,962,437
ITRAXX MN 22-100	39,185,000,000	18,413,908,601	-8,247,410	-13,539,640	-177,796,445	-924,118,024	-14,036,535	-1,509,353,321
ITRAXX MN Total	69,457,566,501	27,663,151,668	-11,571,954	-20,824,129	-293,776,445	-1,542,434,071	346,943,852	-2,636,286,984
CDX IG Outright	-62,317,699,995	5,626,931,467,254	-30,282,013	0	-520,765,150	-2,560,461,080	321,547,205	-3,973,406,934
CDX IG Hedge	115,682,450,000	665,150,587,414	-5,700,977	0	-31,348,729	-164,018,695	-554,454,282	-409,774,912
CDX IG 00-03	-1,550,000,000	-6,397,984,802	3,901,565	4,635,165	20,376,369	127,388,442	460,109,704	300,826,612
CDX IG 03-07	-1,550,000,000	-169,751,848	309,684	76,754	3,888,721	21,931,039	10,370,533	47,196,679
CDX IG 07-10	-1,525,000,000	3,305,833,782	-1,409,451	1,112,002	-24,384,366	-109,769,229	-12,240,931	-164,618,071
CDX IG 10-15	-6,855,000,000	-7,082,126,000	3,757,091	-43,674	57,657,581	208,617,278	24,406,409	493,053,204
CDX IG 15-30	-23,355,000,000	-8,453,198,099	4,132,038	3,712,212	63,287,095	340,818,133	14,275,145	808,186,530
CDX IG 30-100	28,435,000,000	7,443,980,009	-3,778,052	-5,847,405	-59,654,300	-315,228,194	-8,507,108	-545,002,371
CDX IG Total	47,064,750,005	60,315,937,567	-29,048,901	3,632,608	-499,065,248	-2,371,150,190	255,570,347	-3,654,184,613
CDX HY Outright	-25,585,800,000	-10,726,877,643,365	7,183,646	0	451,603,305	2,103,033,034	168,817,498	3,246,147,664
CDX HY Hedge	7,007,100,000	-4,959,610,546,717	3,305,804	0	138,614,368	675,494,541	-45,327,892	1,149,840,907
CDX HY 00-10	0	0	0	0	0	0	0	0
CDX HY 10-15	4,290,500,000	261,222,437	-401,214	4,343,863	-20,101,931	-67,008,363	103,782,122	-80,508,080
CDX HY 15-25	1,193,000,000	8,087,798,481	-2,207,163	3,258,033	-83,999,991	-384,865,189	-126,714,539	-625,403,514
CDX HY 25-35	2,990,000,000	962,733,604	-375,045	-467,320	-15,763,977	-82,586,123	-7,116,876	-147,430,499
CDX HY 35-100	8,295,000,000	754,584,064	-316,951	-1,239,314	-14,572,199	-78,515,242	-4,463,224	-141,688,977
CDX HY Total	-810,200,000	-21,210,778,316	7,189,078	5,895,062	455,779,574	2,165,749,657	85,776,980	3,400,956,502
CDX LCDX Outright	51,350,000	16,688,750,000	-4,066	0	-55,793	-276,615	-187,029	-520,726
CDX LCDX Hedge	-1,738,750,000	-565,418,750,000	138,772	0	1,890,274	9,372,787	6,353,696	17,642,313
CDX LCDX 05-08	0	0	0	0	0	0	0	0
CDX LCDX 08-12	0	0	0	0	0	0	0	0
CDX LCDX 12-15	110,000,000	201,313,780	-27,731	-28,325	-386,138	-2,055,061	-262,175	-4,102,757
CDX LCDX 15-100	3,965,000,000	830,992,233	-129,242	-187,338	-1,791,938	-8,442,479	-2,244,940	-18,773,953
CDX LCDX Total	2,386,600,000	261,859,933	-22,297	-215,663	-343,595	-2,402,218	3,668,752	-5,755,123
ITRAXX XO	-6,704,250,000	-8,052,169,619	2,718,474	0	185,064,678	840,770,034	110,213,772	1,208,737,524
ITRAXX FINSUB	-2,238,000,000	357,599,046	-152,741	0	-11,100,100	-48,063,100	87,972,436	-54,598,924
ITRAXX FINSEN	-548,125,000	-689,788,178	278,332	0	8,382,819	39,859,734	14,015,191	64,894,732
SOVX WE	0	0	0	0	0	0	0	0
Grand Total	[illegible]	58,645,812,101	-30,810,011	-11,512,120	-155,058,316	-917,670,154	904,181,332	-1,676,235,887

Core Strategic	Ccy Not 23-May-12	Ccy Not 22-May-12	Daily Change	Weekly Change	Since 30-Apr	10%CSW 23-May-12	10%CSW 22-May-12	Daily Change	Weekly Change	Since 30-Apr
ITRAXX MN Outright	611,041,501	1,101,541,501	-290,500,000	-6,533,500,000	-18,278,509,500	-332,597,552	-330,680,500	-1,917,053	31,386,536	110,765,230
ITRAXX MN Hedge	32,251,525,000	32,211,025,000	40,500,000	3,533,500,000	-3,708,025,000	112,614,288	112,448,313	165,975	-2,893,906	31,237,628
ITRAXX MN 00-03	-3,230,000,000	-3,230,000,000	0	0	-10,000,000	127,399,152	128,145,882	-746,730	620,256	18,268,972
ITRAXX MN 03-06	-550,000,000	-550,000,000	0	0	0	14,530,506	14,220,534	310,032	-97,878	2,895,140
ITRAXX MN 06-09	715,000,000	715,000,000	0	0	0	-23,857,720	-23,969,169	111,449	442,103	-953,171
ITRAXX MN 09-12	695,000,000	695,000,000	0	0	0	-15,133,777	-14,965,294	-168,483	130,738	-1,762,508
ITRAXX MN 12-22	-420,000,000	-420,000,000	0	0	0	1,065,043	901,436	163,608	60,490	768,289
ITRAXX MN 22-100	39,185,000,000	39,185,000,000	0	0	225,000,000	-177,796,445	-168,808,850	-8,987,595	-3,429,017	-54,272,213
ITRAXX MN Total	69,457,566,501	69,707,566,501	-250,000,000	-3,000,000,000	-21,773,333,500	-293,776,445	-282,707,648	-11,068,797	26,199,245	106,865,568
CDX IG Outright	-62,317,699,995	-61,301,999,995	-1,015,700,000	-3,160,250,000	-18,235,300,000	-520,765,150	-521,185,207	-7,579,943	48,276,451	1,728,234
CDX IG Hedge	115,682,450,000	118,366,750,000	-2,684,300,000	-2,972,750,000	1,640,300,000	-31,348,729	-32,948,493	1,601,764	2,260,822	-22,504,018
CDX IG 00-03	-1,550,000,000	-1,550,000,000	0	0	0	20,376,369	18,309,112	2,067,257	994,603	12,631,774
CDX IG 03-07	-1,550,000,000	-1,550,000,000	0	0	-20,000,000	3,888,721	3,357,196	532,525	143,705	1,336,411
CDX IG 07-10	-1,525,000,000	-1,525,000,000	0	0	0	-24,384,366	-23,375,360	-1,009,006	-870,428	-4,253,687
CDX IG 10-15	-6,855,000,000	-6,855,000,000	0	0	0	57,657,581	53,762,722	3,894,859	4,002,979	15,965,290
CDX IG 15-30	-23,355,000,000	-23,355,000,000	0	0	0	63,287,095	57,791,510	5,495,585	7,549,351	20,913,405
CDX IG 30-100	28,435,000,000	28,435,000,000	0	0	0	-59,654,300	-55,117,137	-4,537,163	-10,357,996	-23,672,188
CDX IG Total	47,064,750,005	50,764,750,005	-3,700,000,000	-6,333,000,000	-14,815,000,000	-499,065,248	-499,521,501	456,254	52,857,584	2,468,305
CDX HY Outright	-25,585,800,000	-26,709,800,000	1,124,000,000	1,696,700,000	609,850,000	451,603,305	462,915,720	-11,312,415	-31,831,459	3,021,040
CDX HY Hedge	7,007,100,000	7,121,100,000	-114,000,000	-186,700,000	1,370,150,000	138,614,368	132,110,003	6,504,364	4,097,546	13,109,953
CDX HY 00-10	0	0	0	0	0	0	0	0	0	0
CDX HY 10-15	4,290,500,000	4,290,500,000	0	0	0	-20,101,931	-20,894,894	792,964	-2,451,806	4,618,076
CDX HY 15-25	1,193,000,000	1,193,000,000	0	0	-20,000,000	-83,999,991	-81,116,941	-2,883,051	-191,983	-19,520,431
CDX HY 25-35	2,990,000,000	2,990,000,000	0	0	0	-15,763,977	-14,528,596	-1,235,381	-109,406	-4,007,471
CDX HY 35-100	8,295,000,000	8,295,000,000	0	0	0	-14,572,199	-13,259,694	-1,312,505	99,688	-4,217,016
CDX HY Total	-810,200,000	-1,820,200,000	1,010,000,000	1,510,000,000	1,960,000,000	455,779,574	465,225,598	-9,446,024	-30,387,408	-7,585,852
CDX LCDX Outright	51,350,000	51,350,000	0	-187,250,000	-220,250,000	-55,793	-56,114	321	213,660	283,223
CDX LCDX Hedge	-1,738,750,000	-1,738,750,000	0	187,250,000	220,250,000	1,890,274	1,901,146	-10,872	-207,516	-556,230
CDX LCDX 05-08	0	0	0	0	0	0	0	0	0	0
CDX LCDX 08-12	0	0	0	0	0	0	0	0	0	0
CDX LCDX 12-15	110,000,000	110,000,000	0	0	0	-386,138	-401,632	15,494	25,859	53,426
CDX LCDX 15-100	3,965,000,000	3,965,000,000	0	0	0	-1,791,938	-1,649,871	-142,067	96,436	-748,377
CDX LCDX Total	2,386,600,000	2,386,600,000	0	0	0	-343,595	-206,470	-137,124	48,769	-967,958
ITRAXX XO	-6,704,250,000	-6,701,250,000	0	100,000,000	185,000,000	185,064,678	183,314,367	1,750,311	-6,490,171	-7,274,030
ITRAXX FINSUB	-2,238,000,000	-2,238,000,000	0	-250,000,000	-650,000,000	-11,100,100	-11,215,432	115,332	5,450,811	13,435,463
ITRAXX FINSEN	-548,125,000	-548,125,000	0	0	-600,000,000	8,382,819	8,093,641	289,178	58,554	9,103,069
SOVX WE	0	0	0	0	-60,000,000	0	0	0	0	448,349
Grand Total	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-155,058,316	-137,017,446	-18,040,870	47,937,592	121,482,883

Asset	MV ($mm) MTM	MV ($mm) AFS	MV ($mm) Total	CS01 ($mm) MTM	CS01 ($mm) AFS	CS01 ($mm) Total	10%CSW ($mm) MTM	10%CSW ($mm) AFS	10%CSW ($mm) Total	Lrg Fltn Selloff ($mm) MTM	Lrg Fltn Selloff ($mm) AFS	Lrg Fltn Selloff ($mm) Total	WTD Change ($mm) MV	WTD Change ($mm) CS01	WTD Change ($mm) CS10%
ABS AUTO	0	2,454	2,454	0.0	-0.4	-0.4	0.0	-7.5	-7.3	0	-33	-33	-12	+0.0	+0.1
ABS CC	30	1,075	1,105	-0.0	-0.2	-0.2	-0.5	-4.6	-5.1	-2	-21	-24	-27	+0.0	+0.0
ABS OTHER	0	14	14	0.0	-0.0	-0.0	0.0	-0.2	-0.2	0	-1	-1	0	+0.0	+0.0
NON PRIME	9	481	490	-0.0	-0.3	-0.3	-0.7	-12.2	-12.9	-3	-57	-60	-12	+0.0	+0.1
SME	78	1,261	1,338	-0.0	-0.4	-0.4	-0.4	-7.0	-7.4	-2	-33	-35	-18	+0.0	+0.1
ABS Total	115	5,286	5,401	-0.0	-1.3	-1.4	-1.3	-31.2	-32.7	-7	-145	-153	-119	+0.0	+0.3
EM CLO	0	419	419	0.0	-0.2	-0.2	0.0	-4.3	-4.3	0	-19	-19	-0	+0.0	+0.0
EU CLO	1,669	5,890	7,559	-0.5	-1.3	-1.9	-17.0	-24.2	-41.2	-78	-113	-192	-53	+0.0	+0.8
US CLO	2,694	18,934	21,619	-0.8	-4.9	-5.6	-17.4	-99.1	-116.5	-91	-452	-543	-16	-0.1	-1.3
CLO Total	4,363	25,244	29,596	-1.3	-6.5	-7.7	-34.4	-127.4	-161.8	-180	-594	-755	-119	-0.1	-1.2
SNG CMBS	0	321	321	0.0	-0.1	-0.1	0.0	-1.9	-1.9	0	-9	-9	-0	+0.0	+0.0
UK CMBS	0	0	0	0.0	0.0	0.0	0.0	0.0	0.0	0	0	0	-0	+0.0	+0.2
CMBS Total	436	928	1,363	-0.2	-0.2	-0.4	-4.2	-4.8	-9.0	-20	-22	-42	-8	+0.0	+0.3
ECA	0	925	925	0.0	-0.3	-0.3	0.0	-3.0	-3.0	0	-14	-14	-0	+0.0	+0.0
ECA Total	0	925	925	0.0	-0.3	-0.3	0.0	-3.0	-3.0	0	-14	-14	-0	+0.0	+0.0
UK PRIME	21	27,990	28,010	-0.0	-6.5	-6.5	-1.2	-95.0	-96.1	-5	-442	-450	-290	+0.0	+0.8
NE PRIME	83	24,349	24,431	-0.1	-7.2	-7.3	-2.8	-99.9	-102.6	-12	-466	-478	-293	+0.1	+1.2
OTHER PRIME	20	2,719	2,738	-0.0	-0.8	-0.8	-0.8	-14.4	-15.2	-4	-67	-71	-59	+0.0	+0.2
RMBS Total	124	55,061	55,187	-0.1	-14.5	-14.6	-4.6	-209.2	-213.8	-21	-976	-998	-643	+0.1	+2.0
TDR	379	0	379	-0.2	0.0	-0.2	-7.4	0.0	-7.4	-35	0	-35	-4	+0.0	+0.1
TDR Total	379	0	379	-0.2	0.0	-0.2	-7.4	0.0	-7.4	-35	0	-35	-4	+0.0	+0.1
UK BTL	49	1,254	1,303	-0.0	-0.8	-0.9	-2.7	-28.4	-31.1	-13	-132	-145	-4	+0.0	+0.1
UK BTL Total	49	1,254	1,303	-0.0	-0.8	-0.9	-2.7	-28.4	-31.1	-13	-132	-145	-4	+0.0	+0.1
CB	0	12,973	12,973	0.0	-5.8	-5.8	0.0	-59.8	-59.8	0	-279	-279	-78	+0.0	+0.4
CB Total	0	12,973	12,973	0.0	-5.8	-5.8	0.0	-59.8	-59.8	0	-279	-279	-78	+0.0	+0.4
Inv Total	5,457	101,370	106,828	-1.8	-29.5	-31.3	-54.9	-483.9	-538.8	-256	-2,164	-2,420	-910	+0.1	+2.1



Investments Assets

J.P.Morgan

Credit & Equity Index Monitor

Index	Series	Maturity	23/05/2012 Spot	Mode CoD	Bps CoW	CoM	YTD
ITRAXX MN	OTR	05Y	181.00	+9.50	+2.75	+39.50	+8.50
ITRAXX FINSUB	OTR	05Y	504.00	+24.00	+24.00	+93.00	-1.00
ITRAXX FINSEN	OTR	05Y	299.50	+19.50	+6.00	+52.50	+27.00
ITRAXX SOVXWE	OTR	05Y	317.00	+8.00	+14.00	+42.00	-50.00
ITRAXX XO	OTR	05Y	743.00	+33.00	+0.50	+82.00	-1.50
CDX IG	OTR	05Y	118.50	+0.00	-0.50	+20.75	-0.01
CDX HY	OTR	05Y	676.62	+1.81	-18.86	+72.75	+19.34
FTSE100	OTR	05Y	5266.41	-136.87	-171.21	-452.48	-433.50
DJ EURO STOXX 5	OTR	05Y	2134.05	-58.80	-41.29	-188.86	-215.84
S&P 500	OTR	05Y	1318.86	+2.23	-5.94	-71.83	+41.56
NASDAQ 100	OTR	05Y	2547.08	+1.65	-33.67	-91.65	+225.12
NIKKEI 225	OTR	05Y	8556.60	-172.69	-244.57	-1004.41	-3.51
HANG SENG	OTR	05Y	18786.19	-252.96	-473.64	-1860.10	+58.88

Index Curve Monitor

ITRAXX MN S09	03Y	05Y	07Y	10Y	3/5	5/7	5/10	3/10
Spot	26.60	164.50	193.50	218.00	138.00	29.00	53.50	191.50
Day	26.50	155.00	184.00	209.00	+9.50	+0.00	-0.50	+9.00
Week	26.50	162.25	194.25	216.75	+2.25	-3.00	+0.00	+2.25
Month	26.50	111.50	149.50	173.50	+43.00	-9.00	-8.50	+44.50
Year	26.50	170.50	189.50	196.50	-6.00	+10.00	+27.50	+21.50

CDX IG S09	03Y	05Y	07Y	10Y	3/5	5/7	5/10	3/10
Spot	0.00	86.43	118.20	159.16	86.43	31.77	72.73	159.16
Day	0.00	86.43	118.20	158.16	+0.00	+0.00	+0.99	+0.99
Week	0.00	85.41	116.19	150.05	+1.02	+0.99	+7.49	+8.50
Month	0.00	69.07	94.50	121.89	+17.36	+5.51	+19.90	+37.27
Year	0.00	126.90	137.72	146.64	-40.47	+20.94	+57.99	+12.57

CDX HY S10	03Y	05Y	07Y	10Y	3/5	5/7	5/10	3/7
Spot	0.00	317.07	464.08	581.83	317.07	147.01	264.76	581.83
Day	0.00	317.54	461.87	577.51	-0.47	+2.08	+4.78	+119.96
Week	0.00	343.08	477.79	596.00	-26.01	+12.30	+11.76	+104.04
Month	0.00	279.96	416.56	522.67	+37.11	+10.01	+21.84	+164.37
Year	0.00	496.13	534.15	585.60	-179.06	+106.95	+175.26	+47.66

ITRAXX FINSUB OTR	05Y	10Y	5/10
Spot	504.00	513.00	8.00
Day	480.00	489.00	+8.00
Week	480.00	489.00	+8.00
Month	411.00	424.00	-4.00
Year	506.00	500.00	+14.00

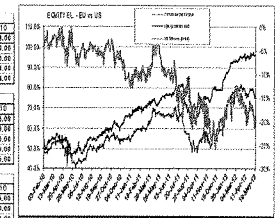
ITRAXX FINSEN OTR	05Y	10Y	5/10
Spot	299.50	314.50	15.00
Day	280.00	295.00	+0.00
Week	293.50	308.50	+0.00
Month	247.00	262.00	+0.00
Year	272.50	272.50	+15.00

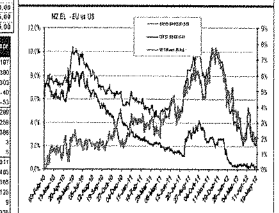
ITRAXX XO OTR	05Y	10Y	5/10
Spot	743.00	738.00	-5.00
Day	710.00	705.00	+0.00
Week	742.50	737.50	+0.00
Month	561.00	871.00	-15.00
Year	744.50	714.50	+25.00

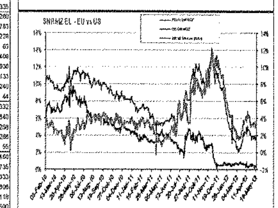
Maturity	Product		Ccy Notional EUR	OTR 5Y Equiv USD	CS01	Avg Spr
20-Dec-12	ITRAXX MN S08 05Y		(0)	(0)	0	133
	ITRAXX MN S08 05Y	03-06	0	1,487	(4)	378
	ITRAXX MN S08 05Y	06-09	0	0	(0)	(14)
	ITRAXX MN S08 05Y	09-12	0	0	(0)	44
	ITRAXX MN S08 05Y	12-22	0	0	0	26
20-Jun-13	ITRAXX MN S09 05Y		18,912,375,000	6,124,701,680	(2,312,809)	156
	ITRAXX MN S09 05Y	00-03	(2,050,000,000)	(16,100,630,305)	7,538,947	5,354
	ITRAXX MN S09 05Y	03-06	(360,000,000)	(580,120,595)	305,479	618
	ITRAXX MN S09 05Y	06-09	340,000,000	189,330,245	(81,083)	93
	ITRAXX MN S09 05Y	09-12	244,000,000	95,309,311	(38,799)	58
	ITRAXX MN S08 05Y	12-22	(126,000,000)	(20,454,595)	9,384	37
	ITRAXX MN S08 05Y	22-100	7,106,000,000	261,871,699	(118,865)	8
20-Jun-14	ITRAXX MN S15 03Y		(2,509,300,000)	(1,597,487,570)	720,947	159
	ITRAXX MN S15 03Y	00-03	(70,000,000)	(382,544,847)	178,917	3,820
	ITRAXX MN S15 03Y	03-06	16,000,000	43,313,397	(19,550)	935
	ITRAXX MN S15 03Y	22-100	300,000,000	32,983,981	(14,876)	14
20-Jun-15	ITRAXX MN S09 07Y		5,360,000,000	4,407,683,338	(1,989,169)	188
	ITRAXX MN S09 07Y	00-03	(870,000,000)	(3,009,981,232)	1,358,820	4,384
	ITRAXX MN S09 07Y	03-06	(180,000,000)	(851,400,305)	384,284	1,361
	ITRAXX MN S09 07Y	06-09	(25,000,000)	301,928,923	6,620	738
	ITRAXX MN S09 07Y	09-12	180,000,000	473,831,581	(213,808)	598
	ITRAXX MN S09 07Y	12-22	(450,000,000)	(647,835,865)	292,308	182
	ITRAXX MN S09 07Y	22-100	11,325,000,000	2,959,914,279	(1,297,579)	31
20-Jun-16	ITRAXX MN S16 05Y		4,090,250,000	4,204,384,667	(1,924,673)	174
	ITRAXX MN S16 05Y	00-03	(360,000,000)	(1,237,848,451)	568,647	3,381
	ITRAXX MN S16 05Y	22-100	1,860,000,000	837,903,876	(370,172)	43
20-Dec-16	ITRAXX MN S06 10Y		30,250,000	86,307,807	(38,859)	211
	ITRAXX MN S06 10Y	00-03	(115,000,000)	(357,403,622)	180,265	4,239
	ITRAXX MN S06 10Y	03-06	150,000,000	515,331,785	(351,761)	1,727
	ITRAXX MN S06 10Y	06-09	20,000,000	1,204,932,238	(153,488)	1,028

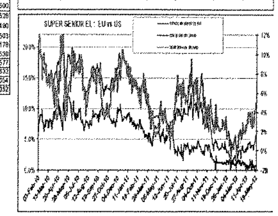
Maturity	Product	Cy Notional USD	OTR 5Y Equiv USD	CS01	Avg Spr
20-Dec-12	CDX IG S09 05Y	-32,772,550,000	-3,034,704,350	1,848,209	93
	CDX IG S09 05Y 00-03	-3,570,000,000	-9,301,310,908	8,008,703	5,762
	CDX IG S09 05Y 03-07	-1,396,000,000	-301,092,619	148,779	53
	CDX IG S09 05Y 07-10	-2,846,000,000	-77,109,407	37,773	8
	CDX IG S09 05Y 10-15	-2,905,000,000	-34,079,913	18,759	3

Maturity	Product	Cy Notional USD	OTR 5Y Equiv USD	CS01	Avg Spr
20-Jun-12	CDX HY S08 05Y	10,386,500,000	253,366,954	-124,944	107
	CDX HY S08 05Y 10-15	-1,565,000,000	-286,458,139	210,978	8,300
	CDX HY S08 05Y 15-25	-1,416,000,000	-89,994	23	303
	CDX HY S08 05Y 25-35	665,000,000	0	-0	-40
	CDX HY S08 05Y 35-100	-100,000,000	-2,035	-7	-51









BANK PROPRIETARY AND/OR TRADE INFORMATION

OCC-SPI-00088644

Agenda

	Page
Appendix	**10**

2297

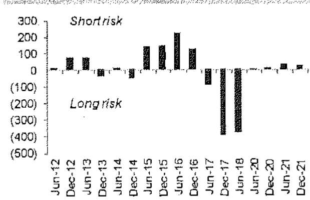
Curve exposure (Investment Grade CDX and iTraxx Series 9) (cob 5/23/12)

DRAFT (5/24/12)

Risk depiction

Overall

Curve exposure detail (10% CSW, $mm)



Exposure & P&L

Daily ($000)	WTD	Since 4/30
0	(95,059)	(1,373,947)

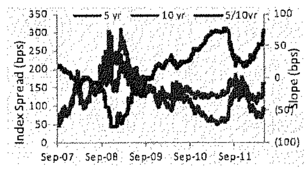
Above P&L based on an indicative attribution model and may not match representative trade P&L estimation

Commentary

- Our curve risk arises from the portfolio being short risk in lesser maturities (Pre Dec 2016) and long risk in greater maturities (post Dec 2016)
- Our exposure to this is approximately $6mmm loss per bp in steepening in IG9 with a forward long of $34mm

US CDX IG 9

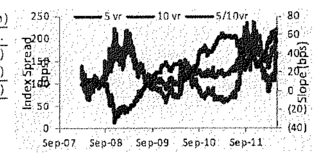
	Notional ($bn)		PV	10% CSW ($mm)	
Maturity	Current	Delta Adj.	($mm)	Spot	Day Chg.
Dec. '12	($33)	($142)	$456	$70	$2.1
Dec. '17	47	56	(2,653)	(396)	(14.3)
			Net	(466)	(12.2)



($mm)	Dec '12	Dec '17	Slope	His. Loss	His. Gain
CS01	$7.8	($25.1)	($32.9)	($107)	$4,861
Spread	86bps	159bps	73bps	76bps	(75bps)

(mm)	Dec. '12	Dec. '17
Notional	($32,723)	$46,989
Volumes		
1Week Total	8,603	20,631
1M Daily Avg.	1,972	2,314
Since 4/30	39,433	41,990
Days to Liquidation	83	102
(20% daily avg. vol.)		

	Notional (€bn)		PV	10% CSW ($mm)	
Maturity	Current	Delta Adj.	($mm)	Spot	Day Chg.
Jun. '13	€17	(€31)	$1,641	$78	($1.4)
Jun. '18	13	27	(2,303)	(377)	(6.6)
			Net	(454)	(8.0)



($mm)	Dec '12	Dec '17	Slope	His. Loss	His. Gain
CS01	$5.0	($17.3)	($22)	($201)	$1,957
Spread	165bps	218bps	54bps	63bps	(34bps)

(mm)	Jun. '13	Jun. '18
Notional	€16,912	€12,985
Volumes		
1Week Total	7,873	2,214
1M Daily Avg.	1,171	317
Since 4/30	22,542	5,932
Days to Liquidation	72	205
(20% daily avg. vol.)		

[1] PV represents balance sheet carrying value

INTERNAL USE ONLY

J.P.Morgan

APPENDIX

2298

Investment Grade vs. High Yield (Compression) (cob 5/23/12)

DRAFT (5/24/12)

Risk depiction

Overall

Compression exposure detail

Decompression 10% CSW	$mm
CDX IG	(499)
CDX HY/LCDX	455
ITRAXX MN/FINSEN/SOVX	(285)
ITRAXX XO/FIN SUB	174

Exposure & P&L

P&L ($000s)	Daily	WTD	Since 4/30
Compression	-	(144,921)	(436,564)
CDX IG vs. HY	-	(134,901)	(133,124)
iTraxx MN vs. XO	-	(9,045)	(321,601)
Other	-	(975)	18,161

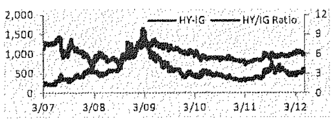
Above P&L based on an indicative attribution model and may not match representative trade P&L estimation

Commentary

- We are long Investment Grade and Short High Yield such that we lose if High Yield widens (narrows) less (more) than a ratio of 5:1 to Investment Grade

US example (CDX)

($mm)	CDX IG (S17/S18)	CDX HY (S17)
Maturity	3/21/2017	12/20/2016
Notional	$47,727	($7,101)
CS01	(22.2)	2.4
10% CSW	(267.8)	156.1
CSW 10% Change		
Close of Day	6.1	0.2
Close of Week	(162.2)	(9.3)
Since April 30	(141.5)	(6.7)

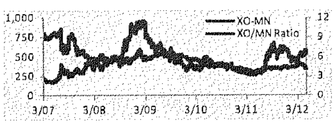


		Current	Historical	
($mm)	CS01	Spread	Loss	Gain
IG (S17/S18)	(22.2)	118		
HY (S17)	2.4	677	($487.5)	$1,000.5
IG vs. HY ratio		**5.71x**	**4.00x**	**9.23x**

($mm)	CDX IG (S17/S18)	CDX HY (S17)
Notional	$47,727	($7,101)
Volumes		
1Week Total	139,034	21,372
1M Daily Avg.	21,033	3,136
Since 4/30	400,944	57,842
Days to Liquidation *(20% daily avg. vol.)*	11	11

Europe example (iTraxx)

($mm except notional)	iTraxx MN (S16/S17)	iTraxx XO (S16)
Maturity	3/21/2017	12/20/2016
Notional	(€1,444)	(€4,917)
CS01	1.3	2.0
10% CSW	23.5	138.1
CSW 10% Change		
Close of Day	3.1	1.2
Close of Week	28.5	(4.8)
Since April 30	187.9	(6.8)



		Current	Historical	
($mm)	CS01	Spread	Loss	Gain
MN (S16/S17)	1.3	181		
XO (S16)	2.0	743	($191.3)	$2,170.2
MN vs. XO ratio		**4.10x**	**3.58x**	**10.08x**

(€mm)	iTraxx MN (S16/S17)	iTraxx XO (S16)
Notional	(€1,444)	(€4,917)
Volumes		
1Week Total	80,692	20,712
1M Daily Avg.	13,647	4,139
Since 4/30	255,086	75,378
Days to Liquidation *(20% daily avg. vol.)*	1	6

2299

Off-the-run index risk (cob 5/23/12)

Risk depiction

Overall

	Notional ($bn)		PV	CS01 ($mm)	
	Current	Delta Adj.	($mm)	Spot	Day Chg.
CDX IG9	46,989	55,960	(2,653)	(25)	0.5
iTraxx S9	16,340	34,572	(2,303)	(17)	0.4
Total	63,329	90,533	(4,956)	(42)	0.9

Exposure & P&L

Daily ($000s)	WTD	Since 4/30
(3,315)	(52,282)	(136,391)

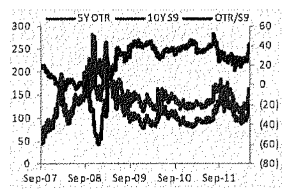
Above P&L based on an indicative attribution model and may not match representative trade P&L estimation

Commentary

- This refers to the risk that we hold large, concentrated positions in off-the-run indices in IG CDX and iTraxx

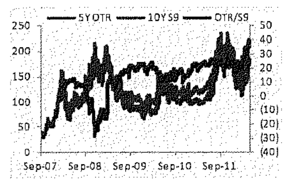
US example (CDX)

($mm)	IG 9 10yr	IG 18 5yr
CS01	(25.1)	(18.6)
Change		
Close of Day	0.5	1.9
Close of Week	16.9	(13.0)
Since April 30	20.0	(10.1)



($mm)	IG 9 10yr	IG 18 5yr
Notional	$46,989	$39,389
Volumes		
1Week Total	20,631	139,034
1M Daily Avg.	2,314	21,033
Since 4/30	41,990	400,944
Days to Liquidation	102	9
(20% daily avg. vol.)		

($mm)	MN S9 10yr	MN S17 5 yr
CS01	(17.3)	6.9
Change		
Close of Day	0.4	(0.0)
Close of Week	0.3	0.6
Since April 30	1.9	10.8



(€mm)	MN S9 10yr	MN S17 5 yr
Notional	€16,340	(€15,380)
Volumes		
1Week Total	2,214	80,692
1M Daily Avg.	317	13,647
Since 4/30	5,932	255,086
Days to Liquidation	258	6
(20% daily avg. vol.)		

[1] PV represents balance sheet carrying value

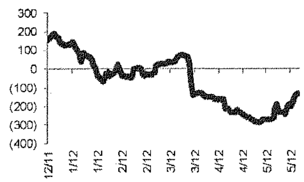
2300

Directionality (cob 5/23/12)

DRAFT (5/24/12)

10% CSW ($mm) | **Exposure & P&L** | **Commentary**

Overall

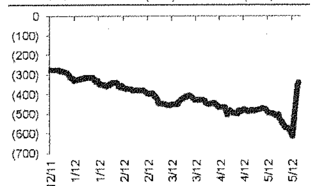


12/31/11	4/30/12	5/23/12
153	(293)	(155)

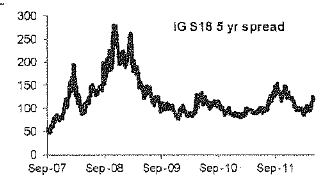
Daily ($000s)	WTD	Since 4/30
0	638	(370,055)

Above P&L based on an indicative attribution model and may not match representative trade P&L estimation

US (CDX)

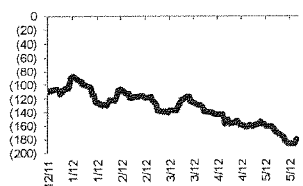


12/31/11	4/30/12	5/23/12
(279)	(480)	(361)

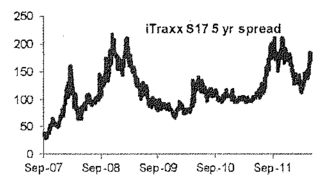


12/31/11	4/30/12	5/23/12
120	95	118

Europe (iTraxx)



12/31/11	4/30/12	5/23/12
(110)	(159)	(185)



12/31/11	4/30/12	5/23/12
173	141	181

2301

Tranche Risk (cob 5/23/12)

Risk depiction

Correlation 10% shift[1]

Overall

Index name	Tranches	Total
CDX.IG Junior	0-30%	124
CDX.IG Super Senior	30-100%	(164)
CDX.IG Total		(41)
CDX.HY Junior	0-35%	37
CDX.HY Super Senior	35-100%	8
CDX.HY Total		45
iTraxx Junior	0-22%	(28)
iTraxx Super Senior	22-100%	(150)
iTraxx Total		(178)
Grand total		**(174)**

US

	Long IG 9 Super Sr. 10yr	Short 0-30
10% Corr 01	(18)	25
Change		
Week To Date	0.12	-0.06
Since April 30	-2.92	0.32

Europe

	Long iTraxx 9 Super 10yr	Short 0-22
10% Corr 01	-15	11
Change		
Week To Date	0.30	0.16
Since April 30	-0.70	-0.70

Exposure & P&L

Daily ($000s)	WTD	Since 4/30
TBU	TBU	TBU

Above P&L based on an indicative attribution model and may not match representative trade P&L estimation

Graphs of 10% correlation shift

Theoretical max gain/loss based on 10% Corr and Spread graph

Commentary

CIO Vol traded since Apr 30th

Implied Daily, weekly P/L

2302

[1] Correlation data as of COB 4/4

2303

Default profile (cob 5/23/12)

Total exposure

Overall

Portfolio	# of names	# Names w/ default loss risk	P&L given default Avg.	P&L given default Max	# Names w/ default gain risk	P&L given default Avg.	P&L given default Max.
Portfolio (today)	675	90	($42)	($253)	585	$156	$639
Portfolio *(post Dec. '12)*	672	258	(240)	(599)	414	133	639
IG9 only (today)	121	0	0	0	121	260	553
IG9 only *(post Dec. '12)*	121	121	(460)	(599)	0	0	0

Top 5 exposures

US

Loss: Pre December 2012	($mm)	Loss: Post December 2012	($mm)	Gain: Pre December 2012	($mm)	Gain: Post December 2012	($mm)
1. H. J. Heinz Company	(253.0)	1. Capital One Bank (Usa), National	(598.6)	1. R.R. Donnelley & Sons Company	552.8	1. Brunswick Corporation	265.1
2. Boston Scientific Corporation	(245.9)	2. Goodrich Corporation	(536.4)	2. Liz Claiborne, Inc.	532.6	2. The New York Times Company	251.1
3. Directv Holdings Llc	(239.3)	3. Mcdonald'S Corporation	(533.7)	3. Gannett Co., Inc.	532.3	3. The Tjx Companies, Inc.	235.6
4. Nabors Industries, Inc.	(232.6)	4. Baxter International Inc.	(533.6)	4. Lennar Corporation	531.5	4. Dean Foods Company	231.6
5. The Gap, Inc.	(222.1)	5. Bristol-Myers Squibb Company	(532.6)	5. Belo Corp.	530.2	5. Temple-Inland Inc.	222.7

Europe

Loss: Pre June 2013	($mm)	Loss: Post June 2013	($mm)	Gain: Pro June 2013	($mm)	Gain: Post June 2013	($mm)
1. Imperial Chemical	(1.5)	1. Imperial Chemical	(1.5)	1. Gas Natural Sdg, S.A	638.7	1. Gas Natural Sdg, S.A	638.7
2. Altadis Sa	(1.4)	2. Altadis Sa	(1.4)	2. Gdf Suez	580.6	2. Gdf Suez	580.7
3. Hanson Limited	(0.1)	3. Royal & Sun Alliance Insurance Plc	(0.5)	3. Unicredit, Societa Per Azioni	507.2	3. Banca Monte Dei Paschi Di Siena S.P.A	465.9
4. L'Air Liquide Societe Anonyme Pour L'Etude Et L'Exploitation Des Procedes	(0.0)	4. The Royal Bank Of Scotland N.V.	(0.4)	4. Banca Monte Dei Paschi Di Siena S.P.A	489.9	4. Banco Bilbao Vizcaya Argentaria, Sociedad Anonima	461.0
5. Deutsche Bahn Aktiengesellschaft	(0.0)	5. Hanson Limited	(0.1)	5. Banco Bilbao Vizcaya Argentaria, Sociedad Anonima	485.8	5. Unicredit, Societa Per Azioni	458.8

Limits

Summary

Limit ($mm)	Usage 5/23/12	Synthetic Limit
CS01 Unadjusted		
CDX.HY	7.2	8.6
CDX.LCDX	(0.0)	1.8
CDX.IG	(29.0)	39.4
iTraxx MN	(11.6)	23.7
iTraxx XO	2.7	3.3
iTraxx Finsub	(0.2)	0.6
iTraxx Finsen	0.3	0.5
CSW10%		
CDX.HY	455.8	496.0
CDX.LCDX	(0.3)	0.1
CDX.IG	(499.1)	549.0
iTraxx MN	(293.8)	434.0
iTraxx XO	185.1	201.0
iTraxx Finsub	(11.1)	27.0
iTraxx Finsen	8.4	12.0
Large Index Notionals		
CDX.IG.9.7Y	34.2	34.2
CDX.IG.9.10Y	47.0	81.0
iTraxx S9 7Y	5.4	5.4
iTraxx S9 10Y	13.0	13.0

Limit ($mm)	Usage 5/23/12	Synthetic Limit
VaR	156.9	180.0
Compression		
US Compression Limit	455.4	496.0
EUR Compression Limit	174.0	174.0
Tranche Limits		
10% Corr Shift	(174.0)	175.0
Steepen10%		
CDX.HY	(80.2)	64.0
CDX.LCDX	0.2	0.5
CDX.IG	(419.8)	436.0
iTraxx MN	(171.3)	265.0
iTraxx XO	58.8	65.0
iTraxx Finsub	(22.4)	30.0
iTraxx Finsen	4.2	6.0

2304

Differences summary

CIO Credit Collateral differences

By counterparty ($mm)

Counterparty	Sum of MTM	Sum of CP MTM	Sum of MTM Diff
CA	(32)	(32)	0
BBVASA	0	0	0
BNPP	382	391	(9)
BOA	35	43	(9)
BPLC	(105)	(103)	(2)
CBKAG	(1)	(2)	0
CGML	(6)	(7)	1
CITI	(115)	(129)	14
CSI	(207)	(208)	0
CSX	(54)	(52)	(2)
DBKAG	384	379	5
GSI	(27)	(26)	(1)
HSBCEU	12	9	3
HSBCUS	(7)	(9)	2
MLI	5	5	(0)
MSCS	130	113	17
MSIL	(95)	(92)	(3)
NOMURAIP	124	128	(5)
RBSPLC	74	74	0
SGCIB	(43)	(21)	(22)
UBSAG	(130)	(111)	(19)
Total	323	352	(29)

By instrument ($mm)

Instrument	Sum of MTM	Sum of CP MTM	Sum of MTM Diff
CDX IG S09 10Y 00-03	(1,410)	(1,392)	(18)
iTRAXX MN S06 10Y 06-09	56	66	(10)
CDX HY S09 05Y 15-25	(9)	(2)	(6)
CDX HY S08 05Y 10-15	27	15	12
iTRAXX MN S09 10Y 22-100	(604)	(604)	(0)
CDX IG S09 05Y 00-03	428	401	27
CDX IG S18 05Y	22	11	11
CDX IG S09 10Y 10-15	232	221	11
CDX HY S11 07Y	(17)	(16)	(2)
CDX IG S09 10Y 15-30	50	41	9
Other	1,548	1,611	(63)
Total	323	352	(29)

CIO PV Differences with MarkIT pricing

Index ($mm)[1]

	MarkIT PV Change	PV Exceeding Cap[1]
Series 09 Index	140.3	121.5
Other Index	(142.9)	(138.9)
Subtotal	(2.6)	(17.4)
By Family		
CDX IG	144.4	
CDX HY	(162.9)	
iTRAXX MN	(0.1)	
iTRAXX XO	1.3	
Chg. in OnTR 5Y	(17.4)	

Tranche ($mm)[1]

	MarkIT PV Change	PV Exceeding Cap[1]
Series 09 Index	17.8	14.7
Other Index	10.4	3.7
Subtotal	28.2	18.4
By Family		
CDX IG	52.3	
CDX HY	(22.1)	
iTRAXX MN	(0.1)	
Chg. due to OnTR 5Y	30.2	

Pricing tolerance[1]

Position Type	Position Type	Independent Source	Notes
Index – IG	½ bps	Markit	Aggregate max.: $50mm
Index – HY	1 bps	Markit	Aggregate max.: $50mm
Tranche	$2mm	Dealer quotes	Per position

Note: as of 5/23/12

[1] Negative number implies marks are too low – P&L adjusted upward to cap; Positive number implies marks are too high – P&L reduced to cap

2305

New trades

May 24, 2012

Date	#	Risk	Notional	Product	Maturity	Counterparty	Traded Price	Traded Spread	Previous Day Price	Previous Day Spread	Closing Price	Closing Spread (bps)
24-May-12	1	LONG	15,000,000	CDX HY S18 05Y	20-Jun-17	JPMCB NY CDS (HY In	93.06		92.625		93.31	
24-May-12	2	LONG	50,000,000	CDX HY S18 05Y	20-Jun-17	JPMCB NY CDS (HY In	92.75		92.625		93.31	
24-May-12	3	LONG	25,000,000	CDX HY S18 05Y	20-Jun-17	JPMCB NY CDS (HY In	93.00		92.625		93.31	
24-May-12	4	SHORT	(500,000,000)	CDX IG S18 05Y	20-Jun-17	BOA CHARLOTTE		119.50		122.25		118.00
24-May-12	5	LONG	50,000,000	CDX HY S18 05Y	20-Jun-17	SOCGEN	93.38		92.625		93.31	
24-May-12	6	SHORT	(50,000,000)	CDX HY S18 05Y	20-Jun-17	DEUTSCHE LDN	93.38		92.625		93.31	
24-May-12	7	LONG	25,000,000	CDX HY S18 05Y	20-Jun-17	JPMCB NY CDS (HY In	93.38		92.625		93.31	
24-May-12	8	LONG	10,000,000	CDX HY S18 05Y	20-Jun-17	JPMCB NY CDS (HY In	93.44		92.625		93.31	
24-May-12	9	LONG	65,000,000	CDX HY S18 05Y	20-Jun-17	JPMCB NY CDS (HY In	93.50		92.625		93.31	
24-May-12	10	LONG	50,000,000	CDX HY S18 05Y	20-Jun-17	NOMURA LDN	93.31		92.625		93.31	
24-May-12	11	LONG	85,000,000	CDX HY S18 05Y	20-Jun-17	JPMCB NY CDS (HY In	93.56		92.625		93.31	
24-May-12	12	LONG	40,000,000	CDX HY S18 05Y	20-Jun-17	JPMCB NY CDS (HY In	93.44		92.625		93.31	
24-May-12	13	LONG	20,000,000	CDX HY S18 05Y	20-Jun-17	JPMCB NY CDS (HY In	93.38		92.625		93.31	
24-May-12	14	LONG	50,000,000	CDX HY S18 05Y	20-Jun-17	JPMCB NY CDS (HY In	93.50		92.625		93.31	
24-May-12	15	LONG	25,000,000	CDX HY S18 05Y	20-Jun-17	JPMCB NY CDS (HY In	93.31		92.625		93.31	
24-May-12	16	LONG	50,000,000	CDX HY S18 05Y	20-Jun-17	BARCLAYS NY	93.38		92.625		93.31	
24-May-12	17	LONG	25,000,000	CDX HY S18 05Y	20-Jun-17	SOCGEN	93.25		92.625		93.31	
24-May-12	18	LONG	250,000,000	CDX IG S18 05Y	20-Jun-17	CITIBANK NY		117.63		122.25		118.00
24-May-12	19	SHORT	(250,000,000)	CDX IG S18 05Y	20-Jun-17	NOMURA LDN		118.00		122.25		118.00
24-May-12	20	SHORT	(500,000,000)	CDX IG S18 05Y	20-Jun-17	BNP LDN		117.99		122.25		118.00
24-May-12	21	LONG	250,000,000	CDX IG S18 05Y	20-Jun-17	BARCLAYS NY		118.00		122.25		118.00
24-May-12	22	LONG	250,000,000	ITRAXX MN S17 05Y	20-Jun-17	BOA CHARLOTTE		183.25		180.00		173.60
24-May-12	23	SHORT	(150,000,000)	ITRAXX MN S17 05Y	20-Jun-17	CITIBANK NY		174.75		180.00		173.60
24-May-12	24	LONG	200,000,000	ITRAXX MN S17 05Y	20-Jun-17	BNP LDN		182.75		180.00		173.60
24-May-12	25	SHORT	(250,000,000)	ITRAXX MN S17 05Y	20-Jun-17	BNP LDN		180.00		180.00		173.60
24-May-12	26	SHORT	(250,000,000)	ITRAXX MN S17 05Y	20-Jun-17	BNP LDN		176.00		180.00		173.60
24-May-12	27	SHORT	(500,000,000)	ITRAXX MN S17 05Y	20-Jun-17	BNP LDN		176.50		180.00		173.60
24-May-12	28	SHORT	(250,000,000)	ITRAXX MN S17 05Y	20-Jun-17	BNP LDN		177.00		180.00		173.60
24-May-12	29	SHORT	(250,000,000)	ITRAXX MN S17 05Y	20-Jun-17	BNP LDN		182.00		180.00		173.60
24-May-12	30	LONG	50,000,000	ITRAXX MN S17 05Y	20-Jun-17	JPMCB - LON - CORP INDEX		183.00		180.00		173.60
24-May-12	31	SHORT	(250,000,000)	ITRAXX MN S17 05Y	20-Jun-17	CITIBANK NY		176.75		180.00		173.60

2306

Daily price testing – Index

CIO PV Differences with MarkIT pricing

COB: 2012-05-23

Product	USD Factored Notional ($ mm)	Credit Spread BP Value ($ mm)	Price Type	CIO Quote (LON Close)	Markit Quote (NY/LON Close)	ICE Quote (NY/LON Close)	MarkIT Spread Difference	MarkIT PV Change ($ mm)	PV Exceeding Cap ($ mm)
							Total Index	**(2.57)**	**(17.38)**
Series 09 Index								**140.29**	**121.54**
CDX IG S09 10Y	45,485	(22.68)	spread	162.8	158.8	159.1	(3.9)	88.50	77.16
CDX IG S09 07Y	33,099	(8.31)	spread	121.8	117.9	118.1	(3.9)	31.99	27.84
CDX IG S09 05Y	(31,675)	1.84	spread	89.8	85.6	85.2	(4.1)	(7.57)	(6.65)
ITRAXX MN S09 05Y	21,283	(2.29)	spread	162.9	164.1	162.9	1.1	(2.57)	(1.42)
ITRAXX MN S09 10Y	16,340	(8.66)	spread	220.3	217.1	220.3	(3.2)	27.52	23.18
ITRAXX MN S09 07Y	6,733	(1.97)	spread	194.8	193.6		(1.2)	2.42	1.43
Other Index								**(142.86)**	**(138.93)**
CDX IG S18 05Y	39,389	(18.90)	spread	122.3	118.3	118.3	(4.0)	74.76	65.31
CDX HY S08 05Y	15,430	(0.12)	price	100.1	100.1	100.1	(25.8)	3.09	2.97
CDX IG S17 05Y	8,338	(3.65)	spread	115.1	111.1	111.3	(3.9)	14.37	12.54
CDX HY S09 05Y	5,606	(0.33)	price	100.3	100.4	100.3	(10.1)	3.34	3.01
CDX HY S11 07Y	3,703	(1.15)	price	98.6	98.7		(2.4)	2.81	1.66
CDX HY S11 05Y	994	(0.15)	price	101.1	101.1	101.2	(5.2)	0.79	0.64
CDX IG S08 07Y	434	(0.09)	spread	166.8	135.1	135.0	(31.7)	2.74	2.70
CDX HY S18 05Y	340	(0.13)	price	92.6	93.2	93.2	(15.3)	1.96	1.83
CDX IG S16 10Y	302	(0.23)	spread	150.3	143.3	142.6	(7.0)	1.60	1.49
CDX IG S14 10Y	257	(0.18)	spread	139.8	133.9	135.1	(5.9)	1.07	0.98
CDX IG S15 10Y	(54)	0.04	spread	141.8	137.3	140.1	(4.4)	(0.18)	(0.16)
CDX HY S14 03Y	(73)	0.01	price	101.8	101.4		28.8	0.23	0.22
CDX HY S08 07Y	(180)	0.04	price	98.4	98.6		(13.5)	(0.48)	(0.44)
CDX IG S07 07Y	(704)	0.11	spread	128.8	142.8		14.1	1.54	1.48
CDX LCDX S10 05Y	(1,165)	0.13	price	101.5	101.5		2.5	0.31	0.25
CDX HY S10 07Y	(2,049)	0.58	price	100.6	100.9		(11.0)	(6.37)	(5.79)
CDX HY S16 05Y	(6,562)	2.20	price	96.4	97.0	97.1	(19.3)	(42.49)	(40.28)
CDX HY S17 05Y	(6,887)	2.44	price	93.9	94.6	94.5	(17.6)	(42.95)	(40.51)
CDX IG S14 05Y	(7,657)	2.33	spread	89.3	86.3	87.8	(2.9)	(6.84)	(5.68)
CDX HY S10 05Y	(9,134)	0.98	price	101.8	101.8	101.8	(2.4)	(2.37)	(1.39)
CDX HY S15 05Y	(9,618)	2.96	price	97.9	98.5	98.6	(19.3)	(57.12)	(54.15)
CDX HY S14 05Y	(11,977)	3.30	price	99.3	99.7	99.8	(14.7)	(48.62)	(45.32)
CDX IG S15 05Y	(17,159)	6.01	spread	99.8	96.4	97.0	(3.4)	(20.29)	(17.28)

APPENDIX

2307

Daily price testing (cont'd) – Index

CIO PV Differences with MarkIT pricing

COB: 2012-05-23

Product	USD Factored Notional ($ mm)	Credit Spread BP Value ($ mm)	Price Type	CIO Quote (LON Close)	Markit Quote (NY/LON Close)	ICE Quote (NY/LON Close)	MarkIT Spread Difference	MarkIT PV Change ($ mm)	PV Exceeding Cap ($ mm)
							Total Index	(2.57)	(17.38)
Other Index								(142.86)	(138.93)
CDX IG S16 05Y	(18,229)	7.19	spread	109.8	106.0	105.8	(3.8)	(27.19)	(23.60)
ITRAXX MN S16 05Y	13,563	(5.65)	spread	180.4	180.3	180.4	(0.1)	0.38	-
ITRAXX MN S15 05Y	5,110	(1.92)	spread	182.7	183.1	182.7	0.4	(0.69)	-
ITRAXX FINSUB S14 05Y	1,642	(0.48)	spread	503.0	502.5		(0.5)	0.23	-
ITRAXX FINSUB S16 05Y	1,316	(0.52)	spread	525.0	523.8		(1.2)	0.62	0.36
ITRAXX MN S15 07Y	1,114	(0.58)	spread	201.0	198.7		(2.3)	1.35	1.06
ITRAXX MN S06 10Y	100	(0.04)	spread	221.0	227.3		6.3	(0.25)	(0.23)
ITRAXX FINSUB S17 05Y	76	(0.03)	spread	503.0	501.2		(1.8)	0.06	0.04
ITRAXX FINSUB S07 05Y	(117)	0.00	spread	588.0	477.3		(110.7)	(0.10)	(0.10)
ITRAXX XO S17 05Y	(547)	0.19	spread	738.6	739.1	738.6	0.5	0.09	-
ITRAXX FINSUB S15 05Y	(573)	0.19	spread	519.0	514.9		(4.1)	(0.75)	(0.66)
ITRAXX FINSUB S08 05Y	(664)	0.04	spread	445.0	431.7		(13.3)	(0.50)	(0.48)
ITRAXX FINSEN S17 05Y	(690)	0.29	spread	298.5	295.9		(2.6)	(0.75)	(0.61)
ITRAXX FINSUB S12 05Y	(977)	0.22	spread	481.5	484.6		3.1	0.69	0.58
ITRAXX FINSUB S10 05Y	(1,391)	0.21	spread	461.0	460.9		(0.1)	(0.02)	-
ITRAXX MN S16 10Y	(1,667)	1.24	spread	195.6	194.9	195.6	(0.6)	(0.79)	(0.17)
ITRAXX XO S15 05Y	(1,702)	0.54	spread	652.3	653.8	652.3	1.5	0.80	0.27
ITRAXX MN S15 10Y	(2,054)	1.46	spread	201.1	202.7	201.1	1.6	2.36	1.63
ITRAXX FINSUB S09 05Y	(2,129)	0.22	spread	438.0	443.4		5.4	1.20	1.08
ITRAXX MN S15 03Y	(3,535)	0.71	spread	159.0	155.4		(3.6)	(2.54)	(2.19)
ITRAXX XO S16 05Y	(6,188)	2.04	spread	706.3	707.3	706.3	1.0	1.94	-
ITRAXX MN S17 05Y	(15,380)	7.01	spread	180.0	180.0	180.0	0.0	0.10	-
By Family				Change in the OnTR 5Y Contract				(17.37)	
CDX IG	51,826	(36.51)	spread	122.3	118.3	118.3	(4.0)	144.44	
CDX HY	(20,327)	10.63	price	92.6	93.2	93.2	(15.3)	(162.92)	
ITRAXX MN	41,607	(10.68)	spread	180.0	180.0	180.0	0.0	(0.15)	
ITRAXX XO	(8,437)	2.76	spread	738.6	739.1	738.6	0.5	1.26	

2308

APPENDIX

Daily price testing – Tranche

CIO PV Differences with MarkIT pricing

COB: 2012-05-23

Product	USD Factored Notional ($ mm)	Credit Spread BPValue ($ mm)	Price Type	CIO Quote (LON Close)	Adj Tranche Priced (based on Ref Index)	Independent Quote	Index Spread Change	MarkIT PV Change ($ mm)	PV Exceeding Cap ($ mm)
							Total Tranche	**28.24**	**18.40**
Series 09 Tranche								**17.82**	**14.69**
CDX IG S09 10Y 30-100	16,565	(2.54)	upfront+100	(3.4)	(3.4)		(3.9)	9.92	7.92
CDX IG S09 07Y 30-100	11,121	(0.47)	upfront+100	(2.2)	(2.2)		(3.9)	1.82	-
CDX IG S09 10Y 00-03	2,018	(4.81)	upfront+500	72.9	73.8		(3.9)	18.76	16.76
CDX IG S09 10Y 07-10	775	(1.85)	upfront+500	8.4	9.3		(3.9)	7.22	5.22
CDX IG S09 10Y 03-07	60	(0.19)	upfront+500	29.9	31.0		(3.9)	0.74	-
CDX IG S09 07Y 03-07	(215)	0.39	upfront+500	6.6	7.1		(3.9)	(1.50)	-
CDX IG S09 05Y 30-100	(260)	0.00	upfront+100	(0.6)	(0.6)		(4.1)	(0.00)	-
CDX IG S09 07Y 00-03	(331)	1.11	upfront+500	55.0	55.9		(3.9)	(4.29)	(2.29)
CDX IG S09 07Y 07-10	(365)	0.26	upfront+500	(5.8)	(5.5)		(3.9)	(1.02)	-
CDX IG S09 05Y 03-07	(1,395)	0.19	upfront+500	(2.5)	(2.5)		(4.1)	(0.80)	-
CDX IG S09 07Y 10-15	(1,970)	0.76	upfront+100	0.4	0.5		(3.9)	(2.93)	(0.93)
CDX IG S09 10Y 10-15	(1,960)	2.74	upfront+100	11.0	11.5		(3.9)	(10.69)	(8.69)
CDX IG S09 05Y 07-10	(2,045)	0.03	upfront+500	(2.9)	(2.9)		(4.1)	(0.14)	-
CDX IG S09 05Y 00-03	(2,719)	5.88	upfront+500	17.8	18.2		(4.1)	(24.16)	(22.16)
CDX IG S09 05Y 10-15	(2,905)	0.02	upfront+100	(0.6)	(0.6)		(4.1)	(0.07)	-
CDX IG S09 10Y 15-30	(3,800)	2.36	upfront+100	1.3	1.5		(3.9)	(9.20)	(7.20)
CDX IG S09 07Y 15-30	(6,965)	1.01	upfront+100	(1.6)	(1.5)		(3.9)	(3.88)	(1.88)
CDX IG S09 05Y 15-30	(12,215)	0.04	upfront+100	(0.6)	(0.6)		(4.1)	(0.17)	-
ITRAXX MN S09 10Y 22-100	20,777	(7.05)	spread	70.0	73.4		(3.2)	22.39	20.39
ITRAXX MN S09 07Y 22-100	14,252	(1.82)	spread	33.5	35.4		(1.2)	2.23	0.23
ITRAXX MN S09 05Y 22-100	8,935	(0.15)	spread	9.5	9.9		1.1	(0.17)	-
ITRAXX MN S09 10Y 00-03	1,422	(1.19)	upfront+500	73.7	74.3		(3.2)	3.78	1.78
ITRAXX MN S09 10Y 06-09	478	(0.77)	upfront+300	30.8	31.9		(3.2)	2.46	0.46
ITRAXX MN S09 05Y 06-09	428	(0.09)	upfront+300	(2.3)	(2.2)		1.1	(0.11)	-
ITRAXX MN S09 05Y 09-12	352	(0.04)	spread	60.5	62.8		1.1	(0.05)	-
ITRAXX MN S09 10Y 09-12	296	(0.39)	spread	620.0	630.4		(3.2)	1.25	-
ITRAXX MN S09 07Y 09-12	227	(0.19)	spread	421.5	432.6		(1.2)	0.24	-
ITRAXX MN S09 10Y 12-22	195	(0.16)	spread	308.5	316.4		(3.2)	0.50	-
ITRAXX MN S09 10Y 03-06	6	(0.02)	upfront+500	41.7	42.8		(3.2)	0.06	-

APPENDIX

2309

Daily price testing (cont'd) – Tranche

CIO PV Differences with MarkIT pricing

COB: 2012-05-23

Product	USD Factored Notional ($ mm)	Credit Spread BP Value ($ mm)	Price Type	CIO Quote (LON Close)	Adj Tranche Priced (based on Ref Index)	Independent Quote	Index Spread Change	MarkIT PV Change ($ mm)	PV Exceeding Cap ($ mm)
Total Tranche								**28.24**	**18.40**
Series 09 Tranche								**17.82**	**14.69**
ITRAXX MN S09 07Y 06-09	(31)	0.00	upfront+300	12.6	13.2		(1.2)	(0.00)	-
ITRAXX MN S09 05Y 12-22	(157)	0.01	spread	34.5	36.1		1.1	0.01	-
ITRAXX MN S09 07Y 03-06	(201)	0.31	upfront+500	22.8	23.5		(1.2)	(0.38)	-
ITRAXX MN S09 05Y 03-06	(453)	0.39	upfront+500	1.8	1.9		1.1	0.43	-
ITRAXX MN S09 07Y 12-22	(566)	0.26	spread	189.0	195.5		(1.2)	(0.32)	-
ITRAXX MN S09 07Y 00-03	(843)	0.98	upfront+500	64.4	65.0		(1.2)	(1.20)	-
ITRAXX MN S09 05Y 00-03	(3,712)	6.31	upfront+500	40.9	41.2		1.1	7.08	5.08
Other Tranche								**10.42**	**3.70**
CDX HY S10 05Y 35-100	3,744	(0.05)	price	105.2	105.2		(2.4)	0.13	-
CDX HY S09 05Y 35-100	3,051	(0.01)	price	102.9	102.9		(10.1)	0.08	-
CDX LCDX S10 05Y 15-100	2,852	(0.11)	price	104.9	104.9		2.5	(0.26)	-
CDX HY S10 05Y 15-25	2,063	(1.22)	price	91.6	91.6		(2.4)	2.94	0.94
CDX HY S10 07Y 35-100	1,452	(0.19)	price	111.0	110.9		(11.0)	2.14	0.14
CDX HY S10 07Y 10-15	1,360	(0.38)	price	7.3	7.1		(11.0)	4.19	2.19
CDX HY S11 05Y 15-25	1,015	(0.78)	price	78.2	76.0		(5.2)	4.09	2.09
CDX HY S09 05Y 25-35	875	(0.01)	price	102.9	102.9		(10.1)	0.13	-
CDX HY S08 05Y 25-35	663	(0.00)	price	100.4	100.4		(25.8)	0.01	-
CDX HY S10 05Y 25-35	655	(0.07)	price	103.8	103.8		(2.4)	0.17	-
CDX HY S11 05Y 35-100	508	(0.02)	price	107.1	107.0		(5.2)	0.09	-
CDX HY S11 05Y 10-15	405	(0.19)	price	13.6	12.2		(5.2)	0.97	-
CDX HY S10 07Y 15-25	385	(0.39)	price	56.4	56.0		(11.0)	4.26	2.26
CDX HY S08 07Y 25-35	282	(0.08)	price	104.3	104.1		(13.5)	1.10	-
CDX HY S10 07Y 25-35	265	(0.17)	price	96.1	95.9		(11.0)	1.83	-
CDX HY S11 05Y 25-35	250	(0.05)	price	104.3	103.7		(5.2)	0.27	-
CDX HY S10 05Y 10-15	232	(0.15)	price	20.8	20.7		(2.4)	0.36	-
CDX HY S08 07Y 15-25	225	(0.19)	price	84.5	84.0		(13.5)	2.54	0.54

APPENDIX

2310

Daily price testing (cont'd) – Tranche

CIO PV Differences with MarkIT pricing

COB: 2012-05-23

Product	USD Factored Notional ($ mm)	Credit Spread BP Value ($ mm)	Price Type	CIO Quote (LON Close)	Adj Tranche Priced (based on Ref Index)	Independent Quote	Index Spread Change	MarkIT PV Change ($ mm)	PV Exceeding Cap ($ mm)
							Total Tranche	28.24	18.40
Other Tranche								10.42	3.70
CDX IG S07 07Y 07-10	110	(0.04)	upfront+500	(4.0)	(4.6)		14.1	(0.56)	-
CDX LCDX S10 05Y 12-15	110	(0.03)	price	102.9	102.3		2.5	(0.07)	-
CDX HY S08 07Y 35-100	109	(0.01)	price	108.9	108.9		(13.5)	0.10	-
CDX IG S15 05Y 15-100	100	(0.01)	upfront+25	0.2	0.2		(3.4)	0.05	-
CDX HY S11 07Y 35-100	96	(0.02)	price	110.4	110.4		(2.4)	0.04	-
CDX HY S08 07Y 10-15	47	(0.04)	price	32.1	31.5		(13.5)	0.56	-
CDX HY S11 07Y 10-15	17	(0.00)	price	6.4	6.5		(2.4)	0.01	-
CDX HY S07 07Y 15-25	-	(0.01)	price	92.5	96.0		33.7	(0.22)	-
CDX HY S07 07Y 35-100	-	(0.00)	price	106.6	106.8		33.7	(0.01)	-
CDX IG S07 07Y 15-30	-	0.00	upfront+100	(1.2)	(1.3)		14.1	0.00	-
CDX IG S07 07Y 30-100	-	(0.00)	upfront+100	(1.3)	(1.3)		14.1	(0.01)	-
CDX IG S08 07Y 03-07	-	0.00	upfront+500	6.4	12.6		(31.7)	(0.01)	-
CDX IG S08 07Y 07-10	-	0.00	upfront+500	(5.3)	(3.0)		(31.7)	(0.07)	-
CDX IG S08 07Y 10-15	-	(0.00)	upfront+100	(0.4)	0.4		(31.7)	0.01	-
CDX IG S08 07Y 30-100	-	(0.00)	upfront+100	(1.7)	(1.6)		(31.7)	0.01	-
CDX IG S10 05Y 03-07	-	0.00	upfront+500	(2.5)	(2.3)		(4.2)	(0.00)	-
CDX IG S10 05Y 07-10	-	(0.00)	upfront+500	(4.9)	(4.9)		(4.2)	0.00	-
CDX HY S11 07Y 15-25	(30)	0.02	price	49.8	50.1		(2.4)	(0.06)	-
CDX HY S09 05Y 10-15	(71)	0.06	price	31.8	32.7		(10.1)	(0.62)	-
CDX HY S08 05Y 35-100	(94)	0.00	price	100.4	100.4		(25.8)	(0.00)	-
CDX IG S15 05Y 00-03	(195)	0.66	upfront+500	36.0	36.6		(3.4)	(2.24)	(0.24)
CDX IG S08 07Y 15-30	(375)	0.04	upfront+100	(1.8)	(1.5)		(31.7)	(1.15)	-
CDX HY S08 05Y 10-15	(812)	0.19	price	98.4	93.9		(25.8)	(4.89)	(2.89)
CDX HY S09 05Y 15-25	(1,055)	0.33	price	99.4	99.7		(10.1)	(3.33)	(1.33)
CDX HY S08 05Y 15-25	(1,410)	0.01	price	100.3	100.2		(25.8)	(0.21)	-
ITRAXX MN S15 07Y 22-100	2,517	(0.84)	spread	65.5	68.8		(2.3)	1.96	-
ITRAXX MN S15 05Y 22-100	2,454	(0.49)	spread	45.5	47.5		0.4	(0.18)	-
ITRAXX MN S15 03Y 22-100	378	(0.02)	spread	15.5	17.1		(3.6)	0.07	-
ITRAXX MN S06 10Y 03-06	189	(0.23)	upfront+500	41.6	41.2		6.3	(1.45)	-
ITRAXX MN S06 10Y 06-09	25	(0.11)	upfront+300	28.9	28.5		6.3	(0.70)	-

2311

Daily price testing (cont'd) – Tranche

CIO PV Differences with MarkIT pricing

COB: 2012-05-23								Total Tranche	28.24	18.40
Product	USD Factored Notional ($ mm)	Credit Spread BP Value ($ mm)	Price Type	CIO Quote (LON Close)	Adj Tranche Priced (based on Ref Index)	Independent Quote	Index Spread Change	MarkIT PV Change ($ mm)	PV Exceeding Cap ($ mm)
Other Tranche								10.42	3.70
ITRAXX MN S15 03Y 03-06	13	(0.02)	upfront+500	9.5	10.3		(3.6)	0.06	-
ITRAXX MN S06 10Y 09-12	-	(0.00)	spread	633.0	615.0		6.3	(0.02)	-
ITRAXX MN S06 10Y 12-22	-	(0.01)	spread	299.5	291.6		6.3	(0.09)	-
ITRAXX MN S06 10Y 22-100	-	(0.00)	spread	64.8	62.5		6.3	(0.03)	-
ITRAXX MN S07 10Y 06-09	-	(0.00)	upfront+300	28.4	29.2		6.6	(0.02)	-
ITRAXX MN S07 10Y 09-12	-	(0.00)	spread	615.5	623.4		6.6	(0.01)	-
ITRAXX MN S07 10Y 12-22	-	(0.00)	spread	285.0	291.2		6.6	(0.00)	-
ITRAXX MN S07 10Y 22-100	-	0.00	spread	64.3	66.6		6.6	0.01	-
ITRAXX MN S15 03Y 00-03	(68)	0.15	upfront+500	47.8	48.8		(3.6)	(0.55)	-
ITRAXX MN S06 10Y 00-03	(131)	0.12	upfront+500	74.8	74.5		6.3	0.78	-
ITRAXX MN S15 07Y 03-06	(245)	0.43	upfront+500	34.5	35.7		(2.3)	(1.00)	-
ITRAXX MN S15 05Y 00-03	(327)	0.42	upfront+500	61.5	62.1		0.4	0.15	-
ITRAXX MN S15 07Y 00-03	(371)	0.40	upfront+500	68.5	69.3		(2.3)	(0.93)	-
By Family				**Change due to the OnTR 5Y Index**				30.17	
CDX HY	14,226	(3.41)	price	92.6	93.2	93.2	(15.3)	52.33	
CDX IG	(6,987)	5.59	spread	122.3	118.3	118.3	(4.0)	(22.11)	
ITRAXX MN	45,815	(3.83)	spread	180.0	180.0	180.0	0.0	(0.05)	

2312

APPENDIX

Volume and activity update

DTCC weekly information

Series	Gross notional ($mm)		Weekly activity ($mm)		% of notional traded	
	Untranched	Tranched	Untranched	Tranched	Untranched	Tranched
CDX IG S09	818,852	557,464	31,954	7,851	3.90%	1.41%
iTraxx MN S09	618,556	522,199	17,076	12,705	2.77%	2.43%
CDX IG S18	390,008	N/A	221,241	N/A	56.73%	N/A
iTraxx MN S16	292,720	N/A	7,532	N/A	2.57%	N/A
iTraxx MN S17	351,346	N/A	197,567	N/A	56.23%	N/A
CDX IG S17	239,782	2,100	19,678	137	8.21%	6.50%
CDX IG S16	178,415	N/A	697	N/A	0.39%	N/A
CDX IG S15	174,828	8,303	866	N/A	0.50%	N/A
CDX HY S17	72,421	650	4,924	N/A	6.80%	N/A
CDX HY S10	71,049	45,217	722	130	1.02%	0.29%
iTraxx XO S16	63,828	N/A	1,110	N/A	1.74%	N/A
iTraxx XO S17	72,023	N/A	47,157	N/A	65.48%	N/A
CDX HY S09	52,839	34,355	673	40	1.27%	0.12%
iTraxx FinSub S17	25,771	N/A	4,904	N/A	19.03%	N/A

Source: DTCC (week ending 5/18/12)

2313

DRAFT (5/22/12)

SYNTHETIC CREDIT DAILY RISK REPORT

May 22, 2012

STRICTLY PRIVATE AND CONFIDENTIAL

J.P.Morgan

Executive summary

DRAFT (5/22/12)

P&L ($000s)	
5/21/2012	
(140,725)	estimate

Long credit risk (10% CSW, $mm)

	CSW10%	Trading	Portfolio lengthening	Net change	Since 30-Apr	% Chg. 30-Apr
Current[1]	(160.1)	N/A	N/A	0.0	132.6	(45.3%)
21May	(160.1)	51.8	(7.7)	44.0	132.6	(45.3%)
30-Apr	(292.6)	258.1	(125.5)	132.6	0.0	--

Collateral ($mm)

	Description	Current	Prior day
Total (CIO - counterparty)		$42	-$3
Largest counterparty	MS	27	11
Largest instrument	Other	23	-9

Glidepath (to be updated)

Action	Target	Achieved
Reduced directionality	Sell $110mm 10% CSW IG in US and Europe	$216mm ($35.6bn)
Reduce compression risk	$60mm 10% CSW in US	
	Sell 11.5bn IG	($10.2bn)
	Buy $3bn HY	$0.5bn
Reduce basis trades across existing inventory	Buy EUR3.7bn of FinSub	(€0.4bn)
	Sell EUR2.9bn iTraxx XO	€0.1bn
Roll partially liquid OTR index to more liquid on-the-run	Convert EUR 18.4bn of iTraxx MN S16 to S17	(€1.6bn)

Trades

- Bought protection €100mm FINSUB S17 5y
- Sold protection $500m CDX HY S 14,16, 17, 5y maturity
- Bought protection €1,750mm iTraxx MN S16 5y

Summary commentary

- New trades reduced risk in 10%CSW terms by $87mm (new trade activity only, does not include changes due to market moves)
- P&L $(140.7)mm driven by:
  - Underperformance of IG9 12/17 vs. OTR 5y (45mm)
  - Compression in US HY vs. IG (61mm)
  - IG tranches (10mm), as equity curves steepened and super senior widened

Representative trade P&L ($mm)

	Spread (bps) 5/21	Spread (bps) 5/18	CS01 ($mm)	Spread change	P&L ($000s)
CDX IG S09 trade					
Directionality					33,628
On/Off the run					(61,201)
Curve					16,244
Total CDX IG S09 trade (A)					**(11,329)**
iTraxx S09 trade					
Directionality					23,453
On/Off the run					4,806
Curve					(146)
Total iTraxx S09 trade (B)					**28,113**
Inv Grade vs HY (US)					
Long: CDX IG S17 05Y	116	114	(3.6)	(2,231)	8,069
Long: CDX IG S18 05Y	122	120	(20.8)	(1,985)	41,278
Short: CDX HY S17 05Y	682	666	2.5	(15,717)	(38,608)
Subtotal					10,737
Inv Grade vs HY (Europe					
Long: ITRAXX MN S16 05Y	181	179	(5.6)	(1,525)	8,600
Short: ITRAXX MN S17 05Y	180	178	6.9	(1,872)	(12,825)
Short: ITRAXX XO S10 05Y	714	706	2.1	(7,606)	(15,766)
Subtotal					(19,991)
Total IG vs. HY (C)					**(9,254)**
Tranche					
ITRAXX 5yr 0-3 vs. 10y 22-100					7,494
CDX HY 5yr 10-15 vs. 15-25					(17,705)
Total Tranche (D)					**(10,211)**
Total selected trades (A+B+C+D)					**(2,681)**

SYNTHETIC CREDIT DAILY RISK REPORT

INTERNAL USE ONLY [1] Expected today

J.P.Morgan

OCC-SPI-00089239

Risk and market summary (cob 5/21/12)

Risk summary[1]

($mm)	Notional	5Y eqv. OTR Eqv	CS01	10% CSW	DoD Change 5yr eqv.	DoD Change CS01	DoD Change CSW10%	Change since 4/30/12 CS01	Change since 4/30/12 CSW10%
CDX IG	51,515	64,281	(30.9)	(511)	836	1.3	37.4	7.7	(4.0)
CDX HY	(1,870)	(22,410)	7.6	485	834	(0.2)	0.5	(0.8)	24.1
ITRAXX MN	89,013	28,405	(11.9)	(300)	(7,301)	4.2	65.9	11.7	107.2
ITRAXX XO	(8,589)	(8,301)	2.8	191	18	(0.0)	0.3	(0.4)	4.7
ITRAXX FINSUB	(2,666)	556	(0.2)	(14)	(131)	0.1	2.2	0.3	10.2
Direct Single Name	800	800	(0.2)	(19)	800	(0.2)	(19.2)	(0.2)	(19.2)
Total	129,789	62,866	(32.6)	(160)	(4,820)	5.0	86.9	18.7	132.5
Memo: CDX IG S09	*(32,723)*	*(3,666)*	*1.9*	*17*	*77*	*(0.1)*	*0.6*	*(0.2)*	*2.7*

Risk factors

	Risk Factors: Underlying CS01 ($mm)	Directionality CS01 ($mm)	Curve CS01 ($mm)	OTR/OFR CS01 ($mm)	HG/HY CS01 ($mm)	Correlation ($/10% change) Super Senior	Correlation ($/10% change) Equity/Mezz
CDX IG	(30.9)	17.9	8.2	(22.1)	--	(123.8)	115.4
Itraxx Main	(11.9)	(1.3)	5.1	(14.1)	--	(132.5)	(33.2)
CDX HY	7.6	--	(0.4)	0.0	7.6	7.5	38.7
Itraxx XO	2.8	--	--	--	2.8	--	--
Itraxx Finsub	(0.2)	(0.2)	0.3	(0.5)	--	--	--
Subtotal	(32.6)	16.4	13.1	(36.7)	10.4	(248.8)	120.9

	Beta
CDX HY/IG	**6.40**
Itraxx XO/Main	**3.80**

Market summary[2]

		Spread 5/21/12	Spread 5/18/12	Spread 5/17/12	Spread 4/30/12	Spread 3/30/12	Basis to Theoretical (bps spd) 5/18/12	Basis to Theoretical (bps spd) 1 week	Basis to Theoretical (bps spd) 1 month
CDX IG	S18 5 yr	118.0	123.2	123.0	94.7	91.5	(1.9)	(2.4)	3.1
	S9 5yr	87.5	92.2	89.4	68.1	70.8	(7.0)	7.1	5.2
	S9 10yr	158.0	160.4	156.2	119.4	113.1	(3.4)	1.1	12.7
CDX HY	S18 5 yr	671.0	720.7	715.2	579.7	578.9	64.0	33.1	43.5
iTraxx Main	S17 5yr	180.5	182.3	181.5	140.5	125.0	6.9	4.0	11.8
	S9 10yr	218.5	219.8	219.0	170.5	151.0	(3.2)	3.7	13.5
iTraxx Xover	S17 5yr	744.0	756.5	751.5	650.0	613.0	25.6	5.8	19.2

Source: Market data - J.P. Morgan Investment Bank (as of New York close)

[1] TBU – table shown includes notional and risk factors for both indices and tranches combined

[2] Estimated based on end of day levels, may fluctuate based on end-of-day trading and volatility

DRAFT (5/22/12)

Notional overview

Columns: Notional ($mm) (cob 5/21/12) | Notional ($mm) (cob 4/30/12) | Change

CDX IG vs. HY

Notional ($mm) (cob 5/21/12)

	Notional
IG 9	48,460
Other IG	9,355
High Yield	(19,639)

Notional ($mm) (cob 4/30/12)

	Notional
IG 9	82,460
Other IG	(14,500)
High Yield	(20,609)

Change

	Notional
IG 9	(34,000)
Other IG	23,855
High Yield	970

iTraxx Main vs. Crossover

Notional ($mm) (cob 5/21/12)

	Notional
iTraxx Main	33,313
iTraxx XO	(6,804)

Notional ($mm) (cob 4/30/12)

	Notional
iTraxx Main	54,948
iTraxx Cross Over	(6,864)

Change

	Notional
iTraxx Main	(21,636)
iTraxx XO	60

Tranche positions

Notional ($mm) (cob 5/21/12)

	Total	Equity	Mezz	Senior
IG 9	(5,940)	(1,355)	(33,020)	28,435
IG 9 5 yr	*(22,400)*	*(3,570)*	*(18,560)*	*(270)*
IG	(360)	(195)	(265)	100
HY	17,769	4,291	4,183	9,295
iTraxx	36,395	(3,230)	440	39,185

Notional ($mm) (cob 4/30/12)

	Total	Equity	Mezz	Senior
IG 9	(5,940)	(1,355)	(33,020)	28,435
IG 9 5 yr	*(22,400)*	*(3,570)*	*(18,560)*	*(270)*
IG	(340)	(195)	(245)	100
HY	17,789	4,291	4,203	9,295
iTraxx	36,395	(3,230)	440	39,185

Change

	Total
IG 9	0
IG 9 5 yr	*0*
IG	(20)
HY	(20)
iTraxx	0

Other positions

Notional ($mm) (cob 5/21/12)

	Long	Short
FinSub	2,561	(4,649)
LCDX	4,075	(1,688)

Notional ($mm) (cob 4/30/12)

	Long	Short
FinSub	3,061	(4,649)
LCDX	4,075	(1,688)

Change

	Long	Short
FinSub	(500)	0
LCDX	0	0

Memo: IG 9 exposure (by maturity)

Notional ($mm) (cob 5/21/12)

	Notional
IG S09 05Y	(32,723)
IG S09 07Y	34,193
IG S09 10Y	46,989
IG9	48,460

Notional ($mm) (cob 4/30/12)

	Notional
CDX IG S09 05Y	(32,723)
CDX IG S09 07Y	34,193
CDX IG S09 10Y	80,989
IG9	82,460

Change

	Notional
IG S09 05Y	0
IG S09 07Y	0
IG S09 10Y	(34,000)
IG9	(34,000)

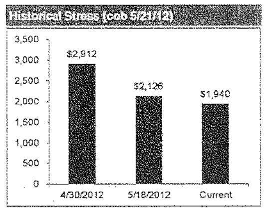
DRAFT (5/22/12)

Synthetic credit book – key metrics

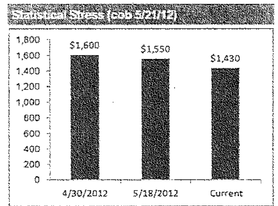
P/L ($bn, estimate)

	P/L
MTD	(2.1)
QTD	(3.5)
YTD	(4.2)

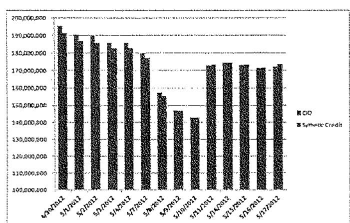
Historical Stress (cob 5/21/12)



Statistical Stress (cob 5/21/12)



VAR 95 Trend



RWA

May 9 Basel 2.5 RWA ($B)

	Standalone RWA			ProRata RWA		
	RWM	CIO	Synthetic Credit	RWM	CIO	Synthetic Credit
VaR+SR	[redacted]	26.6	25.9	[redacted]	16.1	14.2
StressVaR		90.5	90.0		77.0	66.9
IRC		53.0	53.0		47.0	45.7
CRM		20.9	20.9		19.3	19.3
Total		191.3	190.8		161.4	146.1

[illegible]

	[illegible]			[illegible]		
[illegible]	[redacted]	[illegible]	[illegible]	[redacted]	[illegible]	[illegible]
[illegible]		[illegible]	[illegible]		[illegible]	[illegible]
[illegible]		[illegible]	[illegible]		[illegible]	[illegible]
[illegible]		[illegible]	[illegible]		[illegible]	[illegible]
[illegible]		[illegible]	[illegible]		[illegible]	[illegible]

[redacted] = Redacted by the Permanent Subcommittee on Investigations

DRAFT (5/22/12)

Summary of Synthetic Credit Book – historical stress

- Pricing to equilibrium: In addition to below risk factors, some indices will lose value as they move from richness to fairness
- Synthetic credit book exposed to **six risk factors** – Each factor represents a directional exposure
- In the short-to-medium term, **these exposures can be partially mitigated** – But not eliminated

Risk Factor	Description of when position loses money	5/21/12 Historical worst single day	4/30/12 Historical worst single day
1. Credit spread widening (Directionality)	If **credit spreads widen** across markets	$1,006mm	$162mm
2. Maturity mismatch (Curve)	If credit spreads of **long-maturity positions get wider** relative to short-maturity positions	37mm	89mm
3. High Yield vs. Investment Grade	If **high yield positions outperform** investment grade positions relative to their portfolio weighting	3,005mm	3,921mm
4. Illiquidity of older Indices / Tranches (On-the-Run vs. Off-the-Run)	If **credit spreads of the older index** (the "off-the-run" index) **widen** relative to more-recently issued indices (the more "on the run" indices)	68mm	1,252mm
5. "Super senior" debt vs. "equity" positions (Tranches)	If there is an **increase in the correlation** implied between **defaults among names within the tranches**	505mm	502mm
6. Default risk (Risk on individual names)	If **credit events happen to companies** for which we have "sold protection"	NA	NA
	Portfolio worst day	**$1,940mm**	**$2,912mm**
	Sum of worst case	**$4,620mm**	**$5,927mm**

SYNTHETIC CREDIT DAILY RISK REPORT

 OCC-SPI-00089239

DRAFT (5/22/12)

Summary of Synthetic Credit Book – statistical stress

- Pricing to equilibrium: In addition to below risk factors, some indices will lose value as they move from richness to fairness
- Synthetic credit book exposed to **six risk factors** – Each factor represents a directional exposure
- In the short-to-medium term, **these exposures can be partially mitigated** – But not eliminated

Risk Factor	Description of when position loses money	5/21/12 95%ile loss potential[1]	4/30/12 95%ile loss potential[1]
1. Credit spread widening (Directionality)	If **credit spreads widen** across markets	$640mm	$430mm
2. Maturity mismatch (Curve)	If credit spreads of **long-maturity positions get wider** relative to short-maturity positions	140mm	160mm
3. High Yield vs. Investment Grade	If **high yield positions outperform** investment grade positions relative to their portfolio weighting	1,030mm	1,130mm
4. Illiquidity of older indices / Tranches (On-the-Run vs. Off-the-Run)	If **credit spreads of the older index** (the "off-the-run" index) **widen** relative to more-recently issued indices (the more "on the run" indices)	490mm	850mm
5. "Super senior" debt vs. "equity" positions (Tranches)	If there is an **increase in the correlation** implied between **defaults among names within the tranches**	490mm	500mm
6. Default risk (Risk on individual names)	If **credit events happen to companies** for which we have "sold protection"	291mm	291mm
	Est. total diversified 95% loss potential	**$1,430mm**	**$1,600mm**

J.P.Morgan

DRAFT (5/22/12)

Synthetic Credit risk factors details

Sensitivity analysis

Scenario	Sigma	Loss ($mm)
90.0% percentile	1.28	1,170
95.0% percentile	**1.64**	**1,430**
97.5% percentile	1.96	1,670
99.9% percentile	3.09	2,550
Downside Case A[1]	N/A	3,081
Downside Case B[2]	N/A	5,175

Assumptions behind analysis

- **Credit spread widening** (Directionality) - Net directional loss estimate assumes correlation based on 1yr data
- **Maturity mismatch** (Curve)
  - Volatility measured as relative movement of longer maturity spread vs. shorter maturity spread adjusted for overall drift
  - Combined across asset classes assuming zero correlation
- **High Yield vs. Investment Grade**
  - Volatility based on relative spread movement netted for overall directionality
  - Assumes zero correlation between these differences for US and Europe
- **Illiquidity of older Indices/Tranches** (On-the-run/Off-the run risk)
  - Series 9 is assumed as the off-the-run position
  - Risks are combined assuming zero correlation
- **"Super senior" debt vs. "equity" positions** (Tranches) - Risk factor based on extreme movements of correlation as seen during the credit crisis
- **Default risk** (Risk on individual names) – Exposure based on comprehensive simulation of default risk using capital model
- **Diversified sum** - All above risk measures combined assuming zero correlation

[1] Diversified sum of 95.0% percentile; [2] Diversified sum of 99.9% percentile

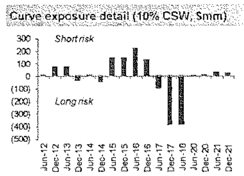
Curve exposure (Investment Grade CDX and iTraxx Series 9)

DRAFT (5/22/12)

Risk depiction | **Exposure & P&L** | **Commentary**

Overall

Curve exposure detail (10% CSW, $mm)



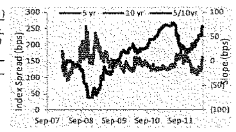
Daily ($000)	WTD	Since 4/30
(53,621)	(53,621)	(1,332,509)

Above P&L based on an indicative attribution model and may not match representative trade P&L estimation

- Our curve risk arises from the portfolio being short risk in lesser maturities (Pre Dec 2016) and long risk in greater maturities (post Dec 2016)
- Our exposure to this is approximately $8mmm loss per bp in steepening in IG9 with a forward long of $34mm

US CDX IG 9

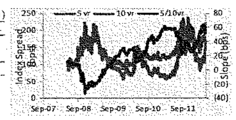
	Notional ($bn)		PV	10% CSW ($mm)	
Maturity	Current	Delta Adj.	($mm)	Spot	Day Chg.
Dec. '12	($33)	($149)	$468	$73	($2.0)
Dec. '17	47	55	(2,563)	(390)	256.1
			Net	(462)	254.1



($mm)	Dec '12	Dec '17	Slope	His. Loss	His. Gain
CS01	$8.2	($25.1)	($33.3)	($191)	$4,840
Spread	87bps	158bps	70bps	76bps	(75bps)

(mm)	Dec. '12	Dec. '17
Notional	($32,723)	$46,989
Volumes		
1Week Total	0	13,224
1M Daily Avg.	1,697	1,696
Since 4/30	30,830	28,892
Days to Liquidation	96	139
(20% daily avg. vol.)		

	Notional (€bn)		PV	10% CSW ($mm)	
Maturity	Current	Delta Adj.	($mm)	Spot	Day Chg.
Jun. '13	€17	(€27)	$1,681	$79	$1.7
Jun. '18	13	27	(2,334)	(382)	1.2
			Net	(461)	2.8



($mm)	Dec '12	Dec '17	Slope	His. Loss	His. Gain
CS01	$5.1	($17.6)	($23)	($250)	$1,940
Spread	167bps	219bps	52bps	63bps	(34bps)

(mm)	Jun. '13	Jun. '18
Notional	€16,912	€12,985
Volumes		
1Week Total	3,284	2,375
1M Daily Avg.	929	247
Since 4/30	16,656	4,372
Days to Liquidation	91	262
(20% daily avg. vol.)		

[1] PV represents balance sheet carrying value

Investment Grade vs. High Yield (Compression)

DRAFT (5/22/12)

SYNTHETIC CREDIT DAILY RISK REPORT

Overall

Risk depiction

Compression exposure detail

Decompression 10% CSW	$mm
CDX IG	(511)
CDX HY/LCDX	484
ITRAXX MN/FINSEN/SOVX	(292)
ITRAXX XO/FIN SUB	177

Exposure & P&L

P&L ($000s)	Daily	WTD	Since 4/30
Compression	(55,821)	(55,821)	(347,464)
CDX IG vs. HY	(61,084)	(61,084)	(59,307)
iTraxx MN vs. XO	6,450	6,450	(306,106)
Other	(1,187)	(1,187)	17,949

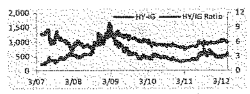
Above P&L based on an indicative attribution model and may not match representative trade P&L estimation

Commentary

- We are long Investment Grade and Short High Yield such that we lose if High Yield widens (narrows) less (more) than a ratio of 5:1 to Investment Grade

US example (CDX)

($mm)	CDX IG (S17/S18)	CDX HY (S17)
Maturity	3/21/2017	12/20/2016
Notional	$52,177	($7,271)
CS01	(24.4)	2.5
10% CSW	(290.8)	160.5
CSW 10% Change		
Close of Day	(191.9)	(9.1)
Close of Week	(187.5)	(5.6)
Since April 30	(164.4)	(2.3)

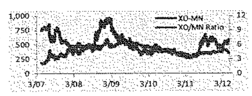


		Current	Historical	
($mm)	CS01	Spread	Loss	Gain
IG (S17/S18)	(24.4)	118		
HY (S17)	2.5	678	($507.4)	$1,008.3
IG vs. HY ratio		**5.75x**	**4.00x**	**9.23x**

($mm)	CDX IG (S17/S18)	CDX HY (S17)
Notional	$52,177	($7,271)
Volumes		
1Week Total	125,133	18,045
1M Daily Avg.	17,968	2,646
Since 4/30	316,892	44,671
Days to Liquidation	15	14
(20% daily avg. vol.)		

[illegible]

($mm except notional)	iTraxx MN (S16/S17)	iTraxx XO (S16)
Maturity	3/21/2017	12/20/2016
Notional	(€1,194)	(€5,017)
CS01	1.2	2.1
10% CSW	21.2	143.3
CSW 10% Change		
Close of Day	16.2	(0.3)
Close of Week	76.0	1.4
Since April 30	165.6	(1.6)



		Current	Historical	
($mm)	CS01	Spread	Loss	Gain
MN (S16/S17)	1.2	181		
XO (S16)	2.1	744	($203.5)	$2,230.5
MN vs. XO ratio		**4.12x**	**3.58x**	**10.08x**

(€mm)	iTraxx MN (S16/S17)	iTraxx XO (S16)
Notional	(€1,194)	(€5,017)
Volumes		
1Week Total	83,546	21,696
1M Daily Avg.	12,225	3,903
Since 4/30	209,001	63,372
Days to Liquidation	8	6
(20% daily avg. vol.)		

DRAFT (5/22/12)

Off-the-run index risk

Overall

Risk depiction

	Notional ($bn)		PV	CS01 ($mm)	
	Current	Delta Adj.	($mm)	Spot	Day Chg.
CDX IG9	46,989	55,308	(2,563)	(25)	16.2
iTraxx S9	16,581	35,001	(2,334)	(18)	(0.1)
Total	63,570	90,309	(4,897)	(43)	16.1

Exposure & P&L

Daily ($000s)	WTD	Since 4/30
(18,239)	(18,239)	(102,348)

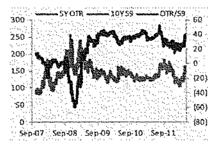
Above P&L based on an indicative attribution model and may not match representative trade P&L estimation

Commentary

- This refers to the risk that we hold large, concentrated positions in off-the-run indices in IG CDX and iTraxx

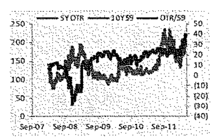
US example (CDX)

($mm)	IG 9 10yr	IG 18 5yr
CS01	(25.1)	(20.8)
Change		
Close of Day	16.2	(16.1)
Close of Week	17.1	(15.2)
Since April 30	20.0	(12.2)



($mm)	IG 9 10yr	IG 18 5yr
Notional	$46,989	$43,839
Volumes		
1Week Total	13,224	125,133
1M Daily Avg.	1,696	17,968
Since 4/30	28,892	316,892
Days to Liquidation	139	12
(20% daily avg. vol.)		

($mm)	MN S9 10yr	MN S17 5 yr
CS01	(17.6)	6.9
Change		
Close of Day	(0.1)	0.0
Close of Week	0.4	3.5
Since April 30	1.6	10.7



(€mm)	MN S9 10yr	MN S17 5 yr
Notional	€16,581	(€15,287)
Volumes		
1Week Total	2,375	83,546
1M Daily Avg.	247	12,225
Since 4/30	4,372	209,001
Days to Liquidation	335	6
(20% daily avg. vol.)		

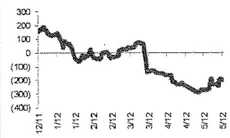
[1] PV represents balance sheet carrying value

Directionality

DRAFT (5/22/12)

10% CSW ($mm)	Exposure & P&L	Commentary

Overall

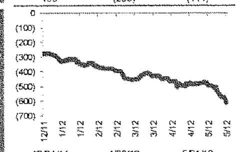


12/31/11	4/30/12	5/21/12
153	(293)	(141)

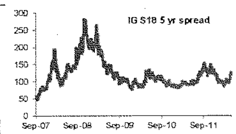
Daily ($000s)	WTD	Since 4/30
4,649	4,649	(366,044)

Above P&L based on an indicative attribution model and may not match representative trade P&L estimation

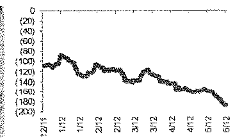
US (CDX)



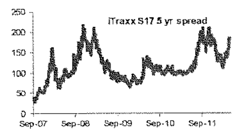
12/31/11	4/30/12	5/21/12
(279)	(480)	(356)



12/31/11	4/30/12	5/21/12
120	95	118



12/31/11	4/30/12	5/21/12
(110)	(159)	(187)



12/31/11	4/30/12	5/21/12
173	141	181

Tranche Risk

SYNTHETIC CREDIT DAILY RISK REPORT

Risk depiction

Overall

Correlation 10% shift[1]

Index name	Tranches	Total
CDX IG Junior	0-30%	122
CDX IG Super Senior	30-100%	(163)
CDX IG Total		(41)
CDX HY Junior	0-35%	34
CDX HY Super Senior	35-100%	7
CDX HY Total		41
iTraxx Junior	0-22%	(32)
iTraxx Super Senior	22-100%	(157)
iTraxx Total		(188)
Grand total		**(188)**

US

	Long IG 9 Super Sr. 10yr	Short 0-30
10% Corr 01	(17)	25
Change		
Week To Date	-2.10	0.27
Since April 30	-2.60	0.50

Europe

	Long iTraxx 9 Super 10yr	Short 0-22
10% Corr 01	-15	11
Change		
Week To Date	-0.67	-0.39
Since April 30	-0.89	-0.90

Exposure & P&L

Daily ($000s)	WTD	Since 4/30
TBU	TBU	TBU

Above P&L based on an indicative attribution model and may not match representative trade P&L estimation

Graphs of 10% correlation shift

Theoretical max gain/loss based on 10% Corr and Spread graph

Commentary

CIO Vol traded since Apr 30th

Implied Daily, weekly P/L

[1] Correlation data as of COB 4/4

DRAFT (5/22/12)

Default profile

Total exposure

Overall

Portfolio	# of names	# Names w/ default loss risk	P&L given default Avg.	P&L given default Max	# Names w/ default gain risk	P&L given default Avg.	P&L given default Max.
Portfolio (today)	675	61	($34)	($212)	614	$145	$615
Portfolio *(post Dec. '12)*	672	222	(264)	(679)	450	124	615
IG9 only (today)	121	0	0	0	121	233	481
IG9 only *(post Dec. '12)*	121	121	(485)	(679)	0	0	0

Top 5 exposures

US

Loss

Pre December 2012	($mm)	Post December 2012	($mm)
1. L-3 Communications Corporation	(212.4)	1. Wyeth Llc	(679.3)
2. Celestica Inc.	(191.6)	2. Comcast Cable Communications, Llc	(677.7)
3. Allied Waste North America, Inc.	(170.9)	3. Rohm And Haas Company	(670.2)
4. Fairfax Financial Holdings Limited	(167.9)	4. Rio Tinto Alcan Inc.	(665.1)
5. Alltel Corporation	(113.8)	5. Wells Fargo & Company	(635.8)

Gain

Pre December 2012	($mm)	Post December 2012	($mm)
1. R.R. Donnelley & Sons Company	481.5	1. Brunswick Corporation	266.7
2. Radian Group Inc.	431.9	2. The New York Times Company	253.5
3. Liz Claiborne, Inc.	416.9	3. The Tjx Companies, Inc.	235.3
4. Gannett Co., Inc.	414.0	4. Dean Foods Company	231.0
5. Lennar Corporation	413.8	5. Temple-Inland Inc.	224.3

Europe

Loss

Pre June 2013	($mm)	Post June 2013	($mm)
1. Imperial Chemical	(1.6)	1. Imperial Chemical	(1.5)
2. Altadis Sa	(1.5)	2. Altadis Sa	(1.5)
3. Hanson Limited	(0.1)	3. Royal & Sun Alliance Insurance Plc	(0.6)
4. L'Air Liquide Societe Anonyme Pour L'Etude Et L'Exploitation Des Procedes	(0.0)	4. The Royal Bank Of Scotland N.V.	(0.5)
5. Deutsche Bahn Aktiengesellschaft	(0.0)	5. Hanson Limited	(0.1)

Gain

Pre June 2013	($mm)	Post June 2013	($mm)
1. Gas Natural Sdg, S.A	615.1	1. Gas Natural Sdg, S.A	615.1
2. Gdf Suez	553.5	2. Gdf Suez	553.5
3. Unicredit, Societa Per Azioni	483.3	3. Edp - Energias De Portugal, S.A	452.3
4. Banca Monte Dei Paschi Di Siena S.P.A	469.4	4. Portugal Telecom International Finance B.V.	448.4
5. Banco Bilbao Vizcaya Argentaria, Sociedad Anonima	462.3	5. Banca Monte Dei Paschi Di Siena S.P.A	445.4

Limits

Summary

Limit ($mm)	Usage 5/21/12	Synthetic Limit	Limit ($mm)	Usage 5/21/12	Synthetic Limit
CS01 Unadjusted			**VaR**	158.5	180.0
CDXHY	7.6	8.6			
CDXLCDX	(0.0)	1.8	**Compression**		
CDXIG	(30.9)	39.4	US Compression Limit	484.5	496.0
iTraxx MN	(11.9)	23.7	EUR Compression Limit	176.9	174.0
iTraxx XO	2.8	3.3			
iTraxx Finsub	(0.2)	0.6	**Tranche Limits**		
iTraxx Finsen	0.3	0.5	10% Corr Shift	(188.2)	175.0
CSW10%			**Steepen10%**		
CDXHY	484.8	496.0	CDXHY	(69.4)	64.0
CDXLCDX	(0.3)	0.1	CDXLCDX	0.1	0.5
CDXIG	(510.7)	549.0	CDXIG	(430.1)	436.0
iTraxx MN	(300.1)	434.0	iTraxx MN	(175.2)	265.0
iTraxx XO	191.3	201.0	iTraxx XO	61.2	65.0
iTraxx Finsub	(14.3)	27.0	iTraxx Finsub	(25.3)	30.0
iTraxx Finsen	8.5	12.0	iTraxx Finsen	4.3	6.0
Large Index Notionals					
CDXIG.9.7Y	34.2	34.2			
CDXIG.9.10Y	47.0	81.0			
iTraxx S9 7Y	5.4	5.4			
iTraxx S9 10Y	13.0	13.0			

Differences summary

DRAFT (5/22/12)

CIO Credit Collateral differences

By counterparty ($mm)

Counterparty	Sum of MTM	Sum of CP MTM	Sum of MTM Diff
CA	(33)	(34)	1
BBVASA	0	0	0
BNPP	294	304	(10)
BOA	39	44	(5)
BPLC	(113)	(111)	(2)
CBKAG	(1)	(1)	0
CGML	(7)	(7)	0
CITI	(278)	(284)	6
CSI	(217)	(224)	7
CSX	(60)	(64)	4
DBKAG	397	382	15
GSI	(22)	(34)	12
HSBCEU	16	16	(1)
HSBCUS	(7)	(9)	2
MLI	5	5	(0)
MSCS	111	84	27
MSIL	(96)	(94)	(2)
NOMURAIP	115	115	0
RBSPLC	77	77	0
SGCIB	(32)	(10)	(22)
UBSAG	(121)	(131)	10
Total	67	25	42

By instrument ($mm)

Instrument	Sum of MTM	Sum of CP MTM	Sum of MTM Diff
CDX IG S09 10Y 00-03	(1,419)	(1,416)	(3)
ITRAXX MN S06 10Y 06-09	56	67	(11)
CDX HY S09 05Y 15-25	7	13	(6)
CDX HY S08 05Y 10-15	33	20	13
ITRAXX MN S09 10Y 22-100	(618)	(629)	12
CDX IG S09 05Y 00-03	460	458	1
CDX IG S18 05Y	1	2	(1)
CDX IG S09 10Y 10-15	227	226	1
CDX HY S11 07Y	(48)	(58)	10
CDX IG S09 10Y 15-30	48	45	2
Other	1,320	1,297	23
Total	67	25	42

CIO PV Differences with MarkIT pricing

Index ($mm)[1]

	MarkIT PV Change	PV Exceeding Cap[1]
Series 09 Index	77.6	57.8
Other Index	(139.5)	(130.9)
Subtotal	(61.9)	(73.1)
By Family		
CDX IG	103.1	
CDX HY	(180.2)	
ITRAXX MN	3.3	
ITRAXX XO	(5.7)	
Chg. in OnTR 5Y	(79.5)	

Tranche ($mm)[1]

	MarkIT PV Change	PV Exceeding Cap[1]
Series 09 Index	(1.3)	0.7
Other Index	20.3	15.9
Subtotal	19.0	16.6
By Family		
CDX IG	56.7	
CDX HY	(16.5)	
ITRAXX MN	1.3	
Chg. due to OnTR 5Y	41.5	

Pricing tolerance[1]

Position Type	Position Type	Independent Source	Notes
Index – IG	½ bps	Markit	Aggregate max.: $50mm
Index – HY	1 bps	Markit	Aggregate max.: $50mm
Tranche	$2mm	Dealer quotes	Per position

SYNTHETIC CREDIT DAILY RISK REPORT

INTERNAL USE ONLY

Note: As of 5/17/12

[1] Negative number implies marks are too low – P&L adjusted upward to cap; Positive number implies marks are too high – P&L reduced to cap

J.P.Morgan

Agenda

DRAFT (5/22/12)

New trades

May 21, 2012 (to be updated)

#	Risk	Notional	Product	Maturity	Counterparty	Traded Price	Traded Spread	Previous Day Price	Previous Day Spread	Closing Price	Closing Spread (bps)
1	SHORT	(100,000,000)	ITRAXX FINSUB S17 05Y	20-Jun-17	SOCGEN		514.00				
2	SHORT	(250,000,000)	ITRAXX MN S16 05Y	20-Dec-16	BNP LDN		182.00				
3	SHORT	(250,000,000)	ITRAXX MN S16 05Y	20-Dec-16	BNP LDN		182.00				
4	SHORT	(250,000,000)	ITRAXX MN S16 05Y	20-Dec-16	BNP LDN		182.00				
5	SHORT	(250,000,000)	ITRAXX MN S16 05Y	20-Dec-16	BNP LDN		182.00				
6	SHORT	(250,000,000)	ITRAXX MN S16 05Y	20-Dec-16	BNP LDN		182.00				
7	SHORT	(250,000,000)	ITRAXX MN S16 05Y	20-Dec-16	BNP LDN		182.00				
8	SHORT	(250,000,000)	ITRAXX MN S16 05Y	20-Dec-16	BNP LDN		182.00				
9	LONG	100,000,000	CDX HY S14 05Y	20-Jun-15	BOA CHARLOTTE	98.94					
10	LONG	50,000,000	CDX HY S16 05Y	20-Jun-16	BNP LDN	95.87					
11	LONG	100,000,000	CDX HY S17 05Y	20-Dec-16	BNP LDN	93.92					
12	LONG	200,000,000	CDX HY S17 05Y	20-Dec-16	BOA CHARLOTTE	93.94					

International Synthetic & Secured Credit Risk Summary

Index	CS01	OTR 5Y Equiv	10%CSW	50%CSW	Lrg Flttn Selloff	WE Default01	WE Corr Up 1%	IR01	Equity Delta	Equity Gamma	Equity Vega
CDX HY	7,329,431	-22,400,569,360	434,704,256	2,259,642,935	3,605,410,760	96,416,184	6,029,752	-172,375			
CDX LCDX	-16,068	234,787,756	-265,980	-2,152,237	-5,324,944	2,660,621	-215,401	-12,736			
CDX IG	-30,907,841	64,286,873,010	-510,936,554	-2,427,394,800	-3,742,979,309	234,316,541	4,273,086	817,664			
iTRAXX MN	-11,396,171	28,404,919,343	-200,114,657	-1,576,402,962	-2,695,945,345	348,129,063	-21,151,374	293,930			
iTRAXX XO	2,794,093	-6,300,916,003	191,257,287	866,375,471	1,347,701,843	113,274,471	0	-172,873			
iTRAXX FINSUB	-237,421	556,473,955	-14,320,793	-63,126,598	-76,594,932	82,795,439	0	2,959			
iTRAXX FINSEN	282,724	-896,928,208	8,500,617	40,421,208	65,816,737	14,226,354	0	-16,553			
SOVX WE	0	0	0	0	0	0	0	0			
Single Names	-242,759	900,000,000	-120,889,880	-530,454,122	-150,380,486	-350,560,000		0			
Equities	0	0	0	0	0	0	0	0	914,070	78,574	5,936
FX	0	0	0	0	0	0	0	0			
Synthetic Total	-32,396,041	57,885,319,874	-161,946,628	-993,693,373	-1,737,511,578	580,386,073	-11,063,936	791,519	914,070	78,574	5,936
Investments MTM	-1,794,765		-86,750,252	-372,541,856	-259,842,187						
Investments AFS	-29,849,294		-458,151,453	-2,325,787,415	-2,169,931,669						
Investments Total	-31,434,079		-525,901,545	-2,624,259,220	-2,429,773,836	0	0	0	0	0	0
EMEA Credit Total	-64,010,120		-691,300,480	-3,585,552,458	-4,167,285,514	562,306,073	-11,063,936	791,518	914,070	78,574	9,936

Commentary – COB 21-May:

Synthetic Credit:

- Long credit risk -32.6mm CS01 (+0.8mm) / -161mm 10%CSW (+43mm)
- Credit Crisis / Large Flattener Sell-off $-1.7bn (+323mm)
- Indices 1-2% tighter across regions; HY compressing / XO decompressing , with off-the-run S9 curves steeper in US, flatter in Europe

Secured Credit (MTM & AFS) :

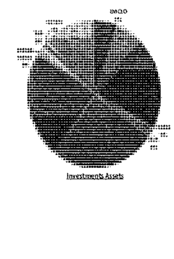
- Long credit risk -521mm 10%CSW; -31.4mm CS01
- Large Flattener sell-off stress scenario loss -2.4bn

NB. Tables below do not include single name positions

Core Strategies	Ccy Notional	OTR 5Y Equiv USD	CS01	WE Corr1%	10%CSW	50%CSW	WE Default01	LFS Stress
iTRAXX MN Outright	5,633,791,501	4,877,717,531,251	-15,943,820	0	-348,925,504	-1,670,781,517	-24,701,638	-2,639,787,383
iTRAXX MN Hedge	28,276,775,000	-1,348,690,022,002	4,176,700	0	122,508,705	569,891,343	-176,436,991	772,061,615
iTRAXX MN 00-03	-3,230,000,000	-18,446,944,211	8,264,319	-8,742,989	129,867,572	563,898,694	364,925,537	978,576,258
iTRAXX MN 03-06	-550,000,000	-1,844,419,952	359,393	-734,693	14,783,362	70,609,397	19,303,436	122,151,600
iTRAXX MN 06-09	715,000,000	4,199,956,574	-1,179,145	1,370,685	-24,362,270	-109,717,650	-16,834,636	-174,404,996
iTRAXX MN 09-12	606,000,000	1,906,721,162	-743,025	395,312	-15,406,474	-73,308,234	-6,873,187	-129,412,535
iTRAXX MN 12-22	-420,000,000	-941,912,042	83,127	241,242	1,100,665	7,722,438	505,512	20,560,780
iTRAXX MN 22-100	39,185,000,000	16,560,738,998	-8,338,549	-13,721,059	-79,662,714	-834,449,151	-56,734,150	-1,697,517,544
iTRAXX MN Total	69,707,566,501	28,404,919,343	-11,396,171	-21,151,374	-200,114,657	-1,576,402,962	348,129,063	-2,695,945,345
CDX IG Outright	-64,444,499,966	5,925,804,517,373	-31,697,431	0	-536,365,347	-2,366,452,470	336,034,066	-4,037,746,102
CDX IG Hedge	122,258,250,000	749,130,565,317	-6,821,447	0	38,090,440	-201,726,909	-365,677,513	-475,108,670
CDX IG 00-03	-1,550,000,000	-6,891,681,079	4,214,185	5,865,293	20,329,279	143,394,829	462,282,706	334,813,745
CDX IG 03-07	-1,250,000,000	-169,104,064	406,780	147,782	3,942,346	22,796,450	9,800,198	50,271,739
CDX IG 07-10	-1,525,000,000	3,317,896,582	-1,475,106	1,173,214	-22,953,756	-107,139,780	-12,295,396	-159,215,100
CDX IG 10-15	-6,035,000,000	-7,692,408,774	3,772,004	47,006	56,906,717	285,964,597	24,500,592	479,792,343
CDX IG 15-30	-23,335,000,000	-8,252,354,189	4,956,902	3,987,298	61,514,918	331,413,994	13,722,102	592,148,307
CDX IG 30-100	28,435,000,000	7,201,644,734	-5,960,255	-5,724,887	-58,878,719	-301,571,845	-6,451,619	-523,513,351
CDX IG Total	51,514,750,005	64,286,873,010	-30,907,841	4,273,086	-510,936,554	-2,427,394,800	234,316,543	-3,742,979,309
CDX HY Outright	-25,754,500,000	-11,115,740,164,177	7,497,720	0	475,335,642	2,209,980,531	156,856,442	3,461,759,998
CDX HY Hedge	5,125,900,000	-5,009,054,251,679	3,371,600	0	145,406,028	708,319,511	-40,587,589	1,206,018,562
CDX HY 00-10	0	0	0	0	0	0	0	0
CDX HY 10-15	4,296,500,000	232,145,720	-344,277	4,224,655	-18,749,220	-61,161,073	109,773,809	-71,171,804
CDX HY 15-25	1,193,000,000	6,056,250,172	-2,169,135	3,500,673	-85,873,501	-391,302,415	-128,157,492	-433,456,105
CDX HY 25-35	2,990,000,000	964,359,948	-374,547	-452,043	-16,342,664	-84,259,015	-7,055,722	-159,444,690
CDX HY 35-100	8,295,000,000	766,871,549	-321,740	-1,272,824	-15,189,029	-81,701,722	-4,431,960	-147,274,489
CDX HY Total	-5,870,290,000	-22,400,565,356	7,629,431	6,029,752	484,734,256	2,259,642,935	96,416,184	3,605,613,702
CDX LCDX Outright	249,600,000	81,128,300,000	-30,052	0	-274,384	-1,306,984	-913,721	-2,558,609
CDX LCDX Hedge	-1,938,000,000	-829,650,000,000	156,335	0	2,129,812	10,566,491	7,091,444	18,871,878
CDX LCDX 05-08	0	0	0	0	0	0	0	0
CDX LCDX 08-12	0	0	0	0	0	0	0	0
CDX LCDX 12-15	110,000,000	254,749,634	-29,132	-29,700	-384,015	-2,092,372	-384,229	-4,165,463
CDX LCDX 15-100	3,965,000,000	900,545,291	-125,252	-189,025	-1,750,476	-8,258,422	-2,251,239	-18,472,752
CDX LCDX Total	2,386,600,000	234,787,756	-16,068	-215,401	-265,980	-2,152,237	3,656,521	-5,324,944
iTRAXX XO	-6,804,250,000	-6,300,916,003	2,794,093	0	191,257,282	866,375,471	113,274,471	1,347,701,843
iTRAXX FINSUB	-2,092,000,000	556,473,955	-237,421	0	-14,330,793	-63,126,598	82,795,439	-76,594,932
iTRAXX FINSEN	-548,125,000	-896,928,208	282,724	0	8,500,617	40,421,208	14,226,354	65,816,737
SOVX WE	0	0	0	0	0	0	0	0
Grand Total	[illegible]	62,006,215,874	-32,353,273	-11,063,936	-160,857,790	-858,632,068	892,896,073	-1,001,921,164

Core Strategies	Ccy Ntl 21-May-12	Ccy Ntl 14-May-12	Daily Change	Weekly Change	Since 30-Apr	10%CSW 21-May-12	10%CSW 18-May-12	Daily Change	Weekly Change	Since 30-Apr
iTRAXX MN Outright	5,033,791,501	10,548,541,501	-5,514,750,000	73,175,000	-10,055,758,000	-348,925,505	-384,063,935	35,138,531	53,125,729	94,377,220
iTRAXX MN Hedge	28,276,775,000	24,514,025,000	3,764,750,000	-7,995,175,000	-9,961,575,000	122,508,705	140,172,720	-17,663,015	27,975,907	45,133,245
iTRAXX MN 00-03	-3,230,000,000	-3,230,000,000	0	0	-30,000,000	129,867,572	128,229,549	1,637,925	6,177,025	28,735,380
iTRAXX MN 03-06	-550,000,000	-550,000,000	0	0	0	14,783,362	14,936,712	-153,359	1,254,127	3,147,935
iTRAXX MN 06-09	715,000,000	715,000,000	0	0	0	-24,362,270	-24,435,406	74,136	-828,702	-1,457,721
iTRAXX MN 09-12	606,000,000	606,000,000	0	0	0	-15,405,474	-15,450,477	45,007	-345,739	-2,084,236
iTRAXX MN 12-22	-420,000,000	-420,000,000	0	0	0	1,100,665	1,136,746	-36,061	30,388	802,910
iTRAXX MN 22-100	39,185,000,000	39,185,000,000	0	0	225,000,000	-179,682,714	-181,376,834	1,694,105	-16,024,517	-56,158,482
iTRAXX MN Total	69,707,566,501	71,457,566,501	-1,750,000,000	-7,878,000,000	-21,521,333,000	-300,114,657	-320,618,904	20,574,248	41,377,854	104,327,354
CDX IG Outright	-64,444,499,966	-60,741,949,966	-3,702,550,000	-1,918,650,000	-11,082,100,000	-536,365,347	-604,209,839	67,844,982	34,342,408	-8,971,952
CDX IG Hedge	122,258,250,000	118,554,700,000	3,703,550,000	226,600,000	8,217,100,000	-38,090,440	-34,116,656	-4,024,245	-6,203,105	-30,238,172
CDX IG 00-03	-1,550,000,000	-1,550,000,000	0	0	0	20,329,273	25,946,613	-2,636,337	3,473,178	15,879,609
CDX IG 03-07	-1,250,000,000	-1,250,000,000	0	0	-20,000,000	3,942,349	4,173,530	-231,096	58,145	1,369,035
CDX IG 07-10	-1,525,000,000	-1,525,000,000	0	0	0	-23,952,734	-24,712,618	759,884	-619,457	-3,622,056
CDX IG 10-15	-6,035,000,000	-6,035,000,000	0	0	0	56,906,717	57,152,243	-245,526	3,072,087	15,764,422
CDX IG 15-30	-23,335,000,000	-23,335,000,000	0	0	0	61,514,918	61,483,857	31,061	6,851,072	18,141,225
CDX IG 30-100	28,435,000,000	28,435,000,000	0	0	0	-56,876,719	-55,640,695	-1,236,024	-6,326,350	-20,044,605
CDX IG Total	51,514,750,005	51,514,750,005	0	-1,692,050,000	-2,885,000,000	-516,665,354	-570,836,245	60,208,694	33,529,329	-9,132,006
CDX HY Outright	-25,754,500,000	-25,509,140,000	754,500,000	791,950,000	431,950,000	475,335,642	495,152,759	-19,816,865	1,250,076	26,752,576
CDX HY Hedge	5,125,900,000	5,436,400,000	-354,500,000	-11,950,000	488,650,000	145,403,339	148,543,856	-1,140,528	10,805,005	18,898,904
CDX HY 00-10	0	0	0	0	0	0	0	0	0	0
CDX HY 10-15	4,296,500,000	4,296,500,000	0	0	0	-18,749,220	-17,673,422	-1,075,764	872,028	5,970,788
CDX HY 15-25	1,193,000,000	1,193,000,000	0	0	-20,000,000	-85,873,501	-86,378,466	504,967	-6,486,981	-21,330,941
CDX HY 25-35	2,900,000,000	2,990,000,000	0	0	0	-16,142,664	-16,518,838	376,174	-1,910,357	-4,966,157
CDX HY 35-100	5,295,000,000	5,295,000,000	0	0	0	-15,189,029	-16,546,653	1,357,123	-1,959,638	-4,824,343
CDX HY Total	-5,870,290,000	-2,329,290,000	454,000,000	750,000,000	900,600,000	484,734,256	504,175,209	-19,494,944	2,555,946	21,406,831
CDX LCDX Outright	249,600,000	249,600,000	0	-22,000,000	-22,000,000	-274,384	-278,955	4,551	36,033	64,717
CDX LCDX Hedge	-1,938,000,000	-1,938,000,000	0	22,000,000	22,000,000	2,129,812	2,185,925	-56,113	-109,846	-318,603
CDX LCDX 05-08	0	0	0	0	0	0	0	0	0	0
CDX LCDX 08-12	0	0	0	0	0	0	0	0	0	0
CDX LCDX 12-15	110,000,000	110,000,000	0	0	0	-394,033	-402,002	9,969	-8,300	45,552
CDX LCDX 15-100	3,965,000,000	3,965,000,000	0	0	0	-1,750,479	-1,698,304	-52,171	-702,232	-705,915
CDX LCDX Total	2,386,600,000	2,386,600,000	0	0	0	-290,980	-213,416	-75,563	-270,409	-913,343
iTRAXX XO	-6,804,250,000	-6,964,250,000	0	0	25,000,000	191,257,282	191,702,596	-445,309	1,817,715	3,548,553
iTRAXX FINSUB	-2,098,000,000	-1,998,000,000	-100,000,000	-100,000,000	-500,000,000	-14,330,763	-16,854,086	2,523,349	2,152,994	10,204,818
iTRAXX FINSEN	-548,125,000	-548,125,000	0	0	-600,000,000	8,500,617	9,602,564	-991,947	326,742	9,223,866
SOVX WE	0	0	0	0	-56,000,000	0	0	0	0	448,349
Grand Total	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-140,337,790	-204,080,212	63,241,522	90,509,961	135,687,420

Asset	MV ($mm) MTM	MV ($mm) AFS	MV ($mm) Total	CS01 ($mm) MTM	CS01 ($mm) AFS	CS01 ($mm) Total	10%CSW ($mm) MTM	10%CSW ($mm) AFS	10%CSW ($mm) Total	Lrg Flttn Selloff ($mm) MTM	Lrg Flttn Selloff ($mm) AFS	Lrg Flttn Selloff ($mm) Total	WTD Change ($mm) MV	WTD Change ($mm) CS01	WTD Change ($mm) CSW10%	WTD Change ($mm) LFS
ABS AUTO	0	2,495	2,495	0.0	-0.6	-0.6	0.0	-1.7	-1.7	0	-34	-34	-9	-0.0	-0.0	-0
ABS CC	30	1,078	1,108	-0.0	-0.2	-0.2	-0.1	-4.0	-4.1	-2	-23	-26	-14	-0.0	-0.0	-0
ABS OTHER	0	14	14	0.0	-0.0	-0.0	0.0	-0.3	-0.3	0	-1	-1	+0	-0.0	-0.0	-0
NON PRIME	10	480	502	-0.0	-0.3	-0.3	-0.3	-12.4	-15.3	-3	-34	-41	+0	-0.0	-0.0	-0
SME	75	1,295	1,373	-0.0	-0.4	-0.4	-0.4	-7.2	-7.8	-2	-33	-35	+2	-0.0	+0.0	+0
ABS Total	124	5,378	5,503	-0.0	-3.3	-3.4	-1.9	-31.5	-33.0	-7	-147	-154	17	-0.0	-0.0	-0
EU CLO	0	439	439	0.0	-0.3	-0.3	0.0	-4.1	-4.1	0	-15	-15	+6	-0.0	+0.0	+0
EM CLO	1,593	6,475	7,068	-0.0	-2.2	-2.3	-17.2	-24.6	-41.8	-86	-115	-201	+14	-0.0	-0.1	-0
US CLO	2,684	18,957	21,640	-0.7	-4.9	-5.5	-17.4	-87.2	-104.6	-61	-425	-526	-4	-0.0	+0.1	+0
CLO Total	4,278	25,855	29,728	-1.3	-6.4	-7.6	-34.7	-121.5	-150.6	-152	-551	-745	+12	-0.0	+0.0	-0
CMBS	441	312	753	-0.2	-0.3	-0.3	-4.5	-2.0	-7.2	-30	-25	-55	+2	-0.0	-0.1	-0
SPG CMBS	0	320	320	0.0	-0.1	-0.1	0.0	-1.9	-1.9	0	-5	-5	+9	-0.0	+0.0	+0
UK CMBS	2	0	0	-0.0	0.0	-0.0	-0.2	0.0	-0.2	-1	0	-1	+9	-0.0	-0.0	-0
CMBS Total	441	630	1,074	-0.2	-0.3	-0.4	-4.5	-4.9	-9.4	-31	-23	-48	+2	-0.0	-0.0	-0
ECA	3	325	328	0.0	-0.3	-0.3	0.0	-3.0	-3.0	0	-14	-14	+9	+0.0	+0.0	+0
ECA Total	3	325	328	0.0	-0.3	-0.3	0.0	-3.0	-3.0	0	-14	-14	+9	+0.0	+0.0	+0
UK PRIME	21	24,195	24,216	-0.0	-6.6	-6.6	-0.2	-40.4	-40.9	-4	-443	-447	-161	-0.0	+0.2	-0
NE PRIME	16	24,783	24,792	-0.1	-7.3	-7.4	-2.5	-191.3	-194.3	-12	-473	-485	+79	-0.0	-0.2	-0
OTHER PRIME	23	2,763	2,786	-0.0	-0.5	-0.6	-0.0	-14.2	-14.3	-4	-67	-71	-23	-0.0	+0.1	+0
RMBS Total	120	53,340	53,771	-0.1	-14.1	-14.6	-1.5	-211.9	-215.1	-23	-983	-1,005	-55	-0.0	+0.1	+0
TOR	395	0	395	-0.2	0.0	-0.2	-7.3	0.0	-7.3	-35	0	-35	+1	-0.0	-0.0	-0
TOR Total	395	0	395	-0.2	0.0	-0.2	-7.3	0.0	-7.3	-35	0	-35	+1	-0.0	-0.0	-0
UK BTL	50	1,257	1,307	-0.0	-0.5	-0.5	-2.8	-31.4	-34.2	-15	-133	-148	+6	-0.0	-0.0	-0
UK BTL Total	50	1,257	1,307	-0.0	-0.5	-0.5	-2.8	-31.4	-34.2	-15	-133	-148	+6	-0.0	-0.0	-0
SP	0	13,670	13,670	0.0	-3.5	-3.5	0.0	-40.2	-40.3	0	-281	-281	+17	-0.0	-0.0	-0
SP Total	0	13,670	13,670	0.0	-2.5	-3.5	0.0	-40.2	-40.3	0	-281	-281	+17	-0.0	-0.0	-0
Inv Total	5,906	102,352	107,766	-1.8	-29.6	-31.4	-53.7	-465.2	-525.9	-260	-2,173	-2,430	-35	-0.0	+0.0	+0



Investments Assets

J.P.Morgan

BANK PROPRIETARY AND/OR TRADE INFORMATION

Credit & Equity Index Monitor

Index	Series	Maturity	21/06/2012 Spot	Mode CoD	Bps CoW	CoM	YTD
ITRAXX MN	OTR	05Y	180.50	-1.75	+11.88	+31.00	+8.00
ITRAXX FINSUB	OTR	05Y	506.00	-13.00	+44.00	+83.00	+1.00
ITRAXX FINSEN	OTR	05Y	298.50	-12.50	+15.50	+35.50	+26.00
ITRAXX SOVXWE	OTR	05Y	316.00	+6.00	+21.00	+33.00	-51.00
ITRAXX XO	OTR	05Y	744.00	-12.50	+28.00	+52.00	-0.50
CDX IG	OTR	05Y	118.00	-5.25	+3.50	+17.00	-0.51
CDX HY	OTR	05Y	678.19	-40.53	+16.12	+46.33	+20.92
FTSE 100	OTR	05Y	5304.48	+36.86	-161.04	-381.09	-395.43
DJ EURO STOXX 5	OTR	05Y	2150.17	+5.47	-51.79	-94.67	-189.73
S&P 500	OTR	05Y	1315.99	+20.77	-22.36	-50.95	+38.69
NASDAQ 100	OTR	05Y	2470.53	+0.00	-137.45	-197.51	+156.57
NIKKEI 225	OTR	05Y	8611.31	+6.00	-362.53	-930.85	+51.20
HANG SENG	OTR	05Y	18922.32	-29.53	-812.72	-1702.07	+195.01

Index Curve Monitor

ITRAXX MN S#9	03Y	05Y	07Y	10Y	3/5	5/7	5/10	3/10
Spot	26.50	167.00	195.50	210.50	140.50	28.50	51.50	182.00
Day	26.50	167.75	197.25	219.75	-0.75	-1.00	-0.76	-5.25
Week	26.50	150.13	165.13	208.13	+16.88	-6.50	-6.24	+19.38
Month	20.50	121.50	158.50	162.50	+45.50	-8.50	-9.50	+36.90
Year	26.50	170.50	189.50	166.50	[illegible]	+9.50	+25.50	+22.80

CDX IG S#9	03Y	05Y	07Y	10Y	3/5	5/7	5/10	3/10
Spot	0.00	97.43	117.69	157.65	97.43	20.26	78.22	157.65
Day	0.00	92.20	122.44	160.41	+6.77	+6.05	+2.11	-2.75
Week	0.00	82.38	112.19	147.75	+5.04	+0.66	+5.34	+10.00
Month	0.00	75.33	99.16	124.34	+14.10	+6.45	+19.41	+33.51
Year	0.00	156.90	137.77	146.64	[illegible]	+55.43	+50.48	+11.02

CDX HY S#9	03Y	05Y	07Y	10Y	3/5	5/7	5/10	3/7
Spot	0.00	357.96	464.14	577.46	357.96	146.18	259.50	377.46
Day	0.00	340.10	458.22	610.77	-30.14	-3.94	-6.12	+79.25
Week	0.00	355.28	421.76	570.10	+2.68	+8.30	+6.60	+174.30
Month	0.00	302.47	443.14	552.82	+55.49	+5.47	+9.06	+134.42
Year	0.00	496.13	534.15	585.60	-178.17	+108.16	+170.63	+43.39

ITRAXX FINSUB OTR	05Y	10Y	5/10
Spot	506.00	515.00	9.00
Day	519.00	528.00	+0.00
Week	462.00	471.00	+0.00
Month	423.00	430.00	-1.00
Year	505.00	500.00	+14.00

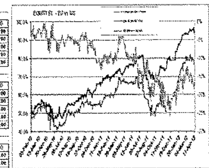
ITRAXX FINSEN OTR	05Y	10Y	5/10
Spot	298.50	313.50	15.00
Day	311.00	326.00	+0.00
Week	280.00	296.00	+0.00
Month	263.00	278.00	+0.00
Year	271.50	272.50	+15.00

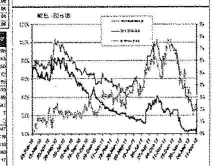
ITRAXX XO OTR	05Y	10Y	5/10
Spot	744.00	738.00	-3.00
Day	756.50	751.50	+0.00
Week	716.00	711.00	+0.00
Month	692.00	702.00	-32.00
Year	744.50	774.50	+25.00

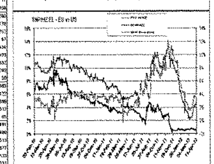
Maturity	Product	Qty Notional EUR	OTR 5Y Equiv. USD	CS01	Avg Spr
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

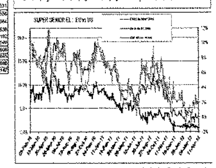
Maturity	Product	Qty Notional USD	OTR 5Y Equiv. USD	CS01	Avg Spr
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Maturity	Product	Qty Notional USD	OTR 5Y Equiv. USD	CS01	Avg Spr
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]









DRAFT (5/22/12)

Daily price testing – Index

CIO PV Differences with MarkIT pricing

COB: 2012-05-21

Product	USD Factored Notional ($ mm)	Credit Spread BP Value ($ mm)	Price Type	CIO Quote (LON Close)	Markit Quote (NY/LON Close)	ICE Quote (NY/LON Close)	MarkIT Spread Difference	MarkIT PV Change ($ mm)	PV Exceeding Cap ($ mm)
							Total Index	**(61.91)**	**(73.07)**
Series 09 Index								**77.62**	**57.83**
CDX IG S09 10Y	45,485	(22.76)	spread	159.6	157.5	157.8	(2.3)	51.44	40.06
CDX IG S09 07Y	33,099	(8.33)	spread	120.0	117.4	117.5	(2.6)	21.68	17.52
CDX IG S09 05Y	(31,675)	1.86	spread	89.3	87.7	87.4	(1.5)	(2.87)	(1.93)
ITRAXX MN S09 05Y	21,596	(2.33)	spread	164.1	164.2	164.1	0.0	(0.06)	-
ITRAXX MN S09 10Y	16,581	(6.79)	spread	220.0	219.3	220.0	(0.8)	6.59	2.20
ITRAXX MN S09 07Y	6,832	(2.01)	spread	194.4	194.0		(0.4)	0.83	-
Other Index								**(139.53)**	**(130.90)**
CDX IG S18 05Y	43,839	(21.06)	spread	120.8	118.1	118.1	(2.7)	56.00	45.47
CDX HY S08 05Y	15,430	(0.13)	price	100.1	100.1	100.1	(13.3)	1.71	1.58
CDX IG S17 05Y	8,338	(3.66)	spread	114.3	111.6	111.5	(2.7)	9.81	7.98
CDX HY S09 05Y	5,686	(0.33)	price	100.4	100.3	100.4	20.2	(6.71)	(6.38)
CDX HY S11 07Y	3,703	(1.15)	price	98.3	98.4		(6.4)	7.30	6.15
CDX HY S11 05Y	994	(0.15)	price	101.0	100.9	101.2	4.4	(0.68)	(0.53)
CDX IG S08 07Y	434	(0.09)	spread	165.3	135.9	134.8	(29.3)	2.55	2.51
CDX IG S16 10Y	302	(0.23)	spread	143.3	141.0	140.3	(2.2)	0.52	0.40
CDX IG S14 10Y	257	(0.18)	spread	131.8	133.2	132.5	1.5	(0.27)	(0.18)
CDX IG S15 10Y	(54)	0.04	spread	133.8	136.3	135.1	2.5	0.10	0.08
CDX HY S14 03Y	(73)	0.01	price	101.5	101.4		5.7	0.04	0.04
CDX HY S08 07Y	(180)	0.04	price	98.3	98.5		(10.9)	(0.38)	(0.35)
CDX HY S18 05Y	(500)	0.19	price	92.5	93.2	93.2	(16.4)	(3.08)	(2.89)
CDX IG S07 07Y	(704)	0.11	spread	127.3	143.5		16.2	1.76	1.73
CDX LCDX S10 05Y	(1,165)	0.13	price	101.6	101.5		11.6	1.48	1.42
CDX HY S10 07Y	(2,049)	0.57	price	100.3	100.7		(16.8)	(9.65)	(9.08)
CDX HY S16 05Y	(6,611)	2.22	price	96.3	96.7	97.0	(12.0)	(26.71)	(24.49)
CDX HY S17 05Y	(7,052)	2.50	price	93.8	94.4	94.5	(15.3)	(38.15)	(35.65)
CDX IG S14 05Y	(7,657)	2.33	spread	91.3	88.5	88.4	(2.8)	(6.50)	(5.33)
CDX HY S10 05Y	(9,134)	0.99	price	101.6	101.7	101.8	(3.8)	(3.71)	(2.73)
CDX HY S15 05Y	(9,618)	2.96	price	97.8	98.2	98.4	(13.2)	(39.14)	(36.18)
CDX HY S14 05Y	(11,977)	3.30	price	99.1	99.5	99.7	(12.0)	(39.41)	(36.12)
CDX IG S15 05Y	(17,159)	6.01	spread	100.8	97.7	97.6	(3.0)	(18.16)	(15.14)

APPENDIX

DRAFT (5/22/12)

Daily price testing (cont'd) – Index

CIO PV Differences with MarkIT pricing

COB: 2012-05-21							Total Index	(61.91)	(73.07)
Product	USD Factored Notional ($ mm)	Credit Spread BP Value ($ mm)	Price Type	CIO Quote (LON Close)	Markit Quote (NY/LON Close)	ICE Quote (NY/LON Close)	MarkIT Spread Difference	MarkIT PV Change ($ mm)	PV Exceeding Cap ($ mm)
Other Index								(139.53)	(130.90)
CDX IG S16 05Y	(18,229)	7.20	spread	109.3	106.8	106.3	(2.5)	(17.69)	(14.09)
ITRAXX MN S16 05Y	13,763	(5.73)	spread	180.3	180.1	180.3	(0.1)	0.86	-
ITRAXX MN S15 05Y	5,185	(1.94)	spread	184.2	183.0	184.2	(1.2)	2.23	1.26
ITRAXX FINSUB S14 05Y	1,666	(0.49)	spread	502.0	507.1		5.1	(2.51)	(2.27)
ITRAXX FINSUB S16 05Y	1,336	(0.53)	spread	523.0	526.7		3.7	(1.97)	(1.71)
ITRAXX MN S15 07Y	1,130	(0.59)	spread	200.6	199.2		(1.4)	0.81	0.52
ITRAXX FINSUB S17 05Y	268	(0.12)	spread	506.0	506.7		0.7	(0.08)	(0.02)
ITRAXX MN S06 10Y	102	(0.04)	spread	220.6	228.5		7.8	(0.32)	(0.29)
ITRAXX FINSUB S07 05Y	(119)	0.00	spread	591.0	468.5		(122.5)	(0.12)	(0.12)
ITRAXX XO S17 05Y	(555)	0.19	spread	743.0	741.0	743.0	(2.0)	(0.38)	(0.19)
ITRAXX FINSUB S15 05Y	(581)	0.19	spread	520.0	520.2		0.2	0.04	-
ITRAXX FINSUB S08 05Y	(674)	0.04	spread	448.0	436.2		(11.8)	(0.46)	(0.44)
ITRAXX FINSEN S17 05Y	(700)	0.29	spread	298.0	298.9		0.9	0.27	0.12
ITRAXX FINSUB S12 05Y	(991)	0.22	spread	487.0	487.7		0.7	0.17	0.05
ITRAXX FINSUB S10 05Y	(1,411)	0.21	spread	477.0	463.2		(13.8)	(2.90)	(2.79)
ITRAXX MN S16 10Y	(1,692)	1.26	spread	195.3	194.6	195.3	(0.7)	(0.86)	(0.24)
ITRAXX XO S15 05Y	(1,727)	0.54	spread	658.3	657.2	658.3	(1.0)	(0.57)	(0.03)
ITRAXX MN S15 10Y	(2,084)	1.47	spread	202.6	203.3	202.6	0.7	1.05	0.31
ITRAXX FINSUB S09 05Y	(2,161)	0.23	spread	457.0	446.8		(10.2)	(2.31)	(2.20)
ITRAXX MN S15 03Y	(3,587)	0.73	spread	158.6	156.6		(2.0)	(1.47)	(1.11)
ITRAXX XO S16 05Y	(5,406)	2.11	spread	709.5	709.5	709.5	-	-	-
ITRAXX MN S17 05Y	(15,287)	6.97	spread	179.6	179.3	179.6	(0.3)	(2.07)	-
By Family				**Change in the OnTR 5Y Contract**				(79.52)	
CDX IG	56,276	(38.75)	spread	120.8	118.1	118.1	(2.7)	103.06	
CDX HY	(21,380)	11.00	price	92.5	93.2	93.2	(16.4)	(180.16)	
ITRAXX MN	42,538	(11.00)	spread	179.6	179.3	179.6	(0.3)	3.26	
ITRAXX XO	(8,699)	2.84	spread	743.0	741.0	743.0	(2.0)	(5.68)	

APPENDIX

DRAFT (5/22/12)

Daily price testing – Tranche

CIO PV Differences with MarkIT pricing

COB: 2012-05-21								Total Tranche	18.95	16.63
Product	USD Factored Notional ($ mm)	Credit Spread BP Value ($ mm)	Price Type	CIO Quote (LON Close)	Adj Tranche Priced (based on Ref Index)	Independent Quote	Index Spread Change	MarkIT PV Change ($ mm)	PV Exceeding Cap ($ mm)
Series 09 Tranche								(1.33)	0.73
CDX IG S09 10Y 30-100	16,565	(2.79)	upfront+100	(3.5)	(3.5)		(2.3)	6.30	4.30
CDX IG S09 07Y 30-100	11,121	(0.50)	upfront+100	(2.2)	(2.2)		(2.6)	1.31	-
CDX IG S09 10Y 00-03	2,018	(4.31)	upfront+500	73.4	73.5		(2.3)	9.73	7.73
CDX IG S09 10Y 07-10	775	(1.82)	upfront+500	8.7	8.9		(2.3)	4.10	2.10
CDX IG S09 10Y 03-07	60	(0.18)	upfront+500	30.5	30.7		(2.3)	0.40	-
CDX IG S09 07Y 03-07	(215)	0.38	upfront+500	7.1	6.9		(2.6)	(0.99)	-
CDX IG S09 05Y 30-100	(260)	0.00	upfront+100	(0.6)	(0.6)		(1.5)	(0.00)	-
CDX IG S09 07Y 00-03	(331)	1.03	upfront+500	56.3	55.9		(2.6)	(2.68)	(0.68)
CDX IG S09 07Y 07-10	(365)	0.26	upfront+500	(5.7)	(5.7)		(2.6)	(0.69)	-
CDX IG S09 05Y 03-07	(1,395)	0.15	upfront+500	(2.6)	(2.5)		(1.5)	(0.23)	-
CDX IG S09 07Y 10-15	(1,970)	0.81	upfront+100	0.3	0.2		(2.6)	(2.11)	(0.11)
CDX IG S09 10Y 10-15	(1,980)	2.74	upfront+100	11.1	11.2		(2.3)	(6.20)	(4.20)
CDX IG S09 05Y 07-10	(2,045)	0.02	upfront+500	(2.9)	(2.9)		(1.5)	(0.04)	-
CDX IG S09 05Y 00-03	(2,719)	6.36	upfront+500	18.7	18.7		(1.5)	(9.79)	(7.79)
CDX IG S09 05Y 10-15	(2,905)	0.02	upfront+100	(0.6)	(0.6)		(1.5)	(0.03)	-
CDX IG S09 10Y 15-30	(3,800)	2.36	upfront+100	1.4	1.4		(2.3)	(5.33)	(3.33)
CDX IG S09 07Y 15-30	(6,965)	1.01	upfront+100	(1.6)	(1.6)		(2.6)	(2.63)	(0.63)
CDX IG S09 05Y 15-30	(12,215)	0.03	upfront+100	(0.6)	(0.6)		(1.5)	(0.05)	-
ITRAXX MN S09 10Y 22-100	21,082	(7.10)	spread	74.9	73.4		(0.8)	5.33	3.33
ITRAXX MN S09 07Y 22-100	14,461	(1.89)	spread	35.7	34.5		(0.4)	0.78	-
ITRAXX MN S09 05Y 22-100	9,066	(0.21)	spread	10.0	9.0		0.0	(0.01)	-
ITRAXX MN S09 10Y 00-03	1,443	(1.20)	upfront+500	74.3	74.2		(0.8)	0.90	-
ITRAXX MN S09 10Y 06-09	485	(0.75)	upfront+300	32.1	31.9		(0.8)	0.56	-
ITRAXX MN S09 05Y 06-09	434	(0.09)	upfront+300	(2.0)	(2.1)		0.0	(0.00)	-
ITRAXX MN S09 05Y 09-12	358	(0.04)	spread	73.0	67.9		0.0	(0.00)	-
ITRAXX MN S09 10Y 09-12	300	(0.38)	spread	643.0	629.1		(0.8)	0.28	-
ITRAXX MN S09 07Y 09-12	230	(0.19)	spread	441.0	429.4		(0.4)	0.08	-
ITRAXX MN S09 10Y 12-22	198	(0.16)	spread	322.5	316.6		(0.8)	0.12	-
ITRAXX MN S09 10Y 03-06	6	(0.02)	upfront+500	43.1	42.9		(0.8)	0.01	-

APPENDIX

DRAFT (5/22/12)

Daily price testing (cont'd) – Tranche

CIO PV Differences with MarkIT pricing

Product	USD Factored Notional ($ mm)	Credit Spread BP Value ($ mm)	Price Type	CIO Quote (LON Close)	Adj Tranche Priced (based on Ref Index)	Independent Quote	Index Spread Change	MarkIT PV Change ($ mm)	PV Exceeding Cap ($ mm)
COB: 2012-05-21							**Total Tranche**	**18.95**	**16.63**
Series 09 Tranche								**(1.33)**	**0.73**
ITRAXX MN S09 07Y 06-09	(32)	0.00	upfront+300	13.8	13.4		(0.4)	(0.00)	-
ITRAXX MN S09 05Y 12-22	(160)	0.01	spread	41.0	38.2		0.0	0.00	-
ITRAXX MN S09 07Y 03-06	(204)	0.30	upfront+500	23.9	23.5		(0.4)	(0.12)	-
ITRAXX MN S09 05Y 03-06	(460)	0.38	upfront+500	2.3	1.9		0.0	0.01	-
ITRAXX MN S09 07Y 12-22	(575)	0.27	spread	200.5	195.4		(0.4)	(0.11)	-
ITRAXX MN S09 07Y 00-03	(856)	0.94	upfront+500	65.4	65.2		(0.4)	(0.39)	-
ITRAXX MN S09 05Y 00-03	(3,767)	5.98	upfront+500	42.4	41.7		0.0	0.15	-
Other Tranche								**20.28**	**15.90**
CDX HY S10 05Y 35-100	3,744	(0.05)	price	105.2	105.2		(3.8)	0.20	-
CDX HY S09 05Y 35-100	3,051	(0.01)	price	102.9	102.9		20.2	(0.19)	-
CDX LCDX S10 05Y 15-100	2,852	(0.12)	price	104.9	104.9		11.6	(1.40)	-
CDX HY S10 05Y 15-25	2,063	(1.28)	price	89.9	90.6		(3.8)	4.81	2.81
CDX HY S10 07Y 35-100	1,452	(0.19)	price	110.6	110.7		(16.8)	3.22	1.22
CDX HY S10 07Y 10-15	1,360	(0.38)	price	6.4	6.6		(16.8)	6.32	4.32
CDX HY S11 05Y 15-25	1,015	(0.82)	price	75.1	75.1		4.4	(3.64)	(1.64)
CDX HY S09 05Y 25-35	875	(0.01)	price	102.9	102.9		20.2	(0.26)	-
CDX HY S08 05Y 25-35	663	(0.00)	price	100.5	100.5		(13.3)	0.01	-
CDX HY S10 05Y 25-35	655	(0.07)	price	103.6	103.7		(3.8)	0.27	-
CDX HY S11 05Y 35-100	508	(0.02)	price	107.0	107.0		4.4	(0.08)	-
CDX HY S11 05Y 10-15	405	(0.17)	price	12.3	12.3		4.4	(0.76)	-
CDX HY S10 07Y 15-25	385	(0.38)	price	54.4	55.2		(16.8)	6.43	4.43
CDX HY S08 07Y 25-35	282	(0.08)	price	103.1	103.8		(10.9)	0.87	-
CDX HY S10 07Y 25-35	265	(0.16)	price	94.4	94.9		(16.8)	2.75	0.75
CDX HY S11 05Y 25-35	250	(0.05)	price	103.7	103.7		4.4	(0.23)	-
CDX HY S10 05Y 10-15	232	(0.14)	price	18.9	19.7		(3.8)	0.54	-
CDX HY S08 07Y 15-25	225	(0.19)	price	81.6	83.5		(10.9)	2.03	0.03

APPENDIX

DRAFT (5/22/12)

Daily price testing (cont'd) – Tranche

CIO PV Differences with MarkIT pricing

COB: 2012-05-21

Product	USD Factored Notional ($ mm)	Credit Spread BP Value ($ mm)	Price Type	CIO Quote (LON Close)	Adj Tranche Priced (based on Ref Index)	Independent Quote	Index Spread Change	MarkIT PV Change ($ mm)	PV Exceeding Cap ($ mm)
							Total Tranche	**18.95**	**16.63**
Other Tranche								**20.28**	**15.90**
CDX IG S07 07Y 07-10	110	(0.04)	upfront+500	(3.9)	(4.6)		16.2	(0.65)	-
CDX LCDX S10 05Y 12-15	110	(0.03)	price	102.3	102.5		11.6	(0.33)	-
CDX HY S08 07Y 35-100	109	(0.01)	price	108.7	108.9		(10.9)	0.06	-
CDX IG S15 05Y 15-100	100	(0.01)	upfront+25	0.3	0.3		(3.0)	0.04	-
CDX HY S11 07Y 35-100	96	(0.02)	price	109.9	110.2		(6.4)	0.11	-
CDX HY S08 07Y 10-15	47	(0.04)	price	28.8	31.0		(10.9)	0.45	-
CDX HY S11 07Y 10-15	17	(0.00)	price	5.8	6.1		(6.4)	0.02	-
CDX HY S07 07Y 15-25	-	(0.01)	price	89.6	95.8		35.6	(0.23)	-
CDX HY S07 07Y 35-100	-	(0.00)	price	106.3	106.8		35.6	(0.01)	-
CDX IG S07 07Y 15-30	-	0.00	upfront+100	(1.2)	(1.3)		16.2	0.00	-
CDX IG S07 07Y 30-100	-	(0.00)	upfront+100	(1.3)	(1.3)		16.2	(0.01)	-
CDX IG S08 07Y 03-07	-	0.00	upfront+500	6.9	12.4		(29.3)	(0.01)	-
CDX IG S08 07Y 07-10	-	0.00	upfront+500	(5.2)	(3.2)		(29.3)	(0.07)	-
CDX IG S08 07Y 10-15	-	(0.00)	upfront+100	(0.5)	0.3		(29.3)	0.01	-
CDX IG S08 07Y 30-100	-	(0.00)	upfront+100	(1.7)	(1.6)		(29.3)	0.01	-
CDX IG S10 05Y 03-07	-	0.00	upfront+500	(2.5)	(2.5)		(0.8)	(0.00)	-
CDX IG S10 05Y 07-10	-	(0.00)	upfront+500	(5.0)	(5.0)		(0.8)	0.00	-
CDX HY S11 07Y 15-25	(30)	0.02	price	47.9	49.1		(6.4)	(0.15)	-
CDX HY S09 05Y 10-15	(71)	0.06	price	30.9	32.6		20.2	1.14	-
CDX HY S08 05Y 35-100	(94)	0.00	price	100.5	100.5		(13.3)	(0.00)	-
CDX IG S15 05Y 00-03	(195)	0.63	upfront+500	37.3	36.9		(3.0)	(1.90)	-
CDX IG S08 07Y 15-30	(375)	0.04	upfront+100	(1.9)	(1.6)		(29.3)	(1.06)	-
CDX HY S08 05Y 10-15	(812)	0.20	price	96.1	93.2		(13.3)	(2.70)	(0.70)
CDX HY S09 05Y 15-25	(1,055)	0.33	price	98.5	99.2		20.2	6.63	4.63
CDX HY S08 05Y 15-25	(1,410)	0.01	price	100.4	100.2		(13.3)	(0.12)	-
ITRAXX MN S15 07Y 22-100	2,554	(0.85)	spread	68.6	66.6		(1.4)	1.17	-
ITRAXX MN S15 05Y 22-100	2,490	(0.50)	spread	48.5	47.3		(1.2)	0.57	-
ITRAXX MN S15 03Y 22-100	363	(0.02)	spread	17.0	16.5		(2.0)	0.04	-
ITRAXX MN S06 10Y 03-06	192	(0.23)	upfront+500	42.9	41.5		7.8	(1.76)	-
ITRAXX MN S06 10Y 06-09	26	(0.11)	upfront+300	30.2	28.7		7.8	(0.86)	-

DRAFT (5/22/12)

Daily price testing (cont'd) – Tranche

CIO PV Differences with MarkIT pricing

COB: 2012-05-21								Total Tranche	18.95	16.63
Product	USD Factored Notional ($ mm)	Credit Spread BP Value ($ mm)	Price Type	CIO Quote (LON Close)	Adj Tranche Priced (based on Ref Index)	Independent Quote	Index Spread Change	MarkIT PV Change ($ mm)	PV Exceeding Cap ($ mm)
Other Tranche								20.28	15.90
ITRAXX MN S15 03Y 03-06	13	(0.02)	upfront+500	10.8	10.4		(2.0)	0.04	-
ITRAXX MN S06 10Y 09-12	-	(0.00)	spread	656.0	614.1		7.8	(0.02)	-
ITRAXX MN S06 10Y 12-22	-	(0.01)	spread	313.5	292.6		7.8	(0.12)	-
ITRAXX MN S06 10Y 22-100	-	(0.00)	spread	69.7	62.8		7.8	(0.04)	-
ITRAXX MN S07 10Y 06-09	-	(0.00)	upfront+300	29.8	30.1		2.6	(0.01)	-
ITRAXX MN S07 10Y 09-12	-	(0.00)	spread	638.5	637.1		2.6	(0.01)	-
ITRAXX MN S07 10Y 12-22	-	(0.00)	spread	299.0	300.2		2.6	(0.00)	-
ITRAXX MN S07 10Y 22-100	-	0.00	spread	69.3	69.9		2.6	0.00	-
ITRAXX MN S15 03Y 00-03	(89)	0.15	upfront+500	49.3	48.9		(2.0)	(0.31)	-
ITRAXX MN S06 10Y 00-03	(132)	0.13	upfront+500	75.4	74.3		7.8	0.98	-
ITRAXX MN S15 07Y 03-06	(249)	0.42	upfront+500	36.1	35.7		(1.4)	(0.55)	-
ITRAXX MN S15 05Y 00-03	(332)	0.43	upfront+500	62.6	62.4		(1.2)	(0.49)	-
ITRAXX MN S15 07Y 00-03	(377)	0.40	upfront+500	69.6	69.3		(1.4)	(0.56)	-
By Family				**Change due to the OnTR 5Y Index**				41.47	
CDX HY	14,226	(3.46)	price	92.5	93.2	93.2	(16.4)	56.68	
CDX IG	(6,987)	6.21	spread	120.8	118.1	118.1	(2.7)	(16.51)	
ITRAXX MN	46,489	(4.37)	spread	179.6	179.3	179.6	(0.3)	1.30	

APPENDIX

DRAFT (5/22/12)

Volume and activity update

DTCC weekly information

	Gross notional ($mm)		Weekly activity ($mm)		% of notional traded	
Series	Untranched	Tranched	Untranched	Tranched	Untranched	Tranched
CDX IG S09	794,674	609,535	15,309	1,764	1.93%	0.29%
iTraxx MN S09	616,379	517,046	13,460	N/A	2.18%	N/A
CDX IG S18	333,402	N/A	141,462	N/A	42.43%	N/A
iTraxx MN S16	296,060	N/A	4,908	N/A	1.66%	N/A
iTraxx MN S17	307,024	N/A	122,968	N/A	40.05%	N/A
CDX IG S17	240,714	1,996	10,196	20	4.24%	1.00%
CDX IG S16	179,638	N/A	563	N/A	0.31%	N/A
CDX IG S15	175,372	8,303	658	N/A	0.38%	N/A
CDX HY S17	72,924	650	2,723	209	3.73%	32.18%
CDX HY S10	70,470	47,280	603	245	0.85%	0.52%
iTraxx XO S16	64,662	N/A	309	N/A	0.48%	N/A
iTraxx XO S17	68,580	N/A	32,567	N/A	47.49%	N/A
CDX HY S09	53,980	35,413	232	80	0.43%	0.23%
iTraxx FinSub S17	24,375	N/A	2,767	N/A	11.35%	N/A

Source: DTCC (week ending 5/11/12)

DRAFT (5/23/12)

SYNTHETIC CREDIT DAILY RISK REPORT

May 23, 2012

2341

STRICTLY PRIVATE AND CONFIDENTIAL

J.P.Morgan

Executive summary

DRAFT (5/23/12)

P&L ($000s)

	Estimate	Actual	Actual vs. Estimate
5/23/2012	($119,427)		
5/22/2012	($21,815)	($26,301)	($4,486)

Long credit risk (10% CSW, $mm)

	CSW10%	Trading	Portfolio lengthening	Net change	Since 30-Apr	% Chg. 30-Apr
Current[1]	(159.5)	(2.5)	N/A	(2.5)	133.1	(45.5%)
22May	(157.1)	(18.0)	(0.7)	(18.7)	135.6	(46.3%)
30-Apr	(292.6)	258.2	(125.1)	133.1	0.0	--

Note: CSW 10%: **negative** figures denote **long** risk position

[1] Expected today

Collateral ($mm)

	Description	Current	Prior day
Total (CIO - counterparty)		$25	-$48
Largest counterparty	MS	32	13
Largest instrument	Other	28	-64

Note: **negative/positive** collateral position denotes **lower/higher** valuation relative to counterparty

Trades

- Bought protection €250mm iTraxx Main S17 5y
- Bought protection $2,100mm CDX IG S18 5y
- Sold protection $510mm CDX HY S18 5y

Summary commentary

- New trades increased risk in 10%CSW terms by $2.5mm (new trade activity only, does not include changes due to market moves)
- P&L $(119.5)mm driven by:
  - Compression $(42)mm globally
  - Widening of IG 9 12/17 vs. OTR IG S18 5y $(49)mm
  - Equity tranche steepening, super senior widening $(25)mm

2342

Risk and market summary

Risk summary[1] (cob 5/23/12)

($mm)	Notional	5Y eqv. OTR Eqv	CS01	Beta Adj. CS01	10% CSW	DoD Change 5yr eqv.	DoD Change CS01	DoD Change CSW10%	Change since 4/30/12 CS01	Change since 4/30/12 CSW10%	Beta [1]
CDX IG	47,065	59,631	(28.9)	(33.0)	(474)	(3,814)	3.3	74.2	9.7	32.9	1.00
CDX HY	(810)	(20,858)	7.2	39.6	435	2,386	(0.6)	(49.7)	(1.2)	(26.1)	5.50
ITRAXX MN	88,631	26,850	(11.3)	(16.9)	(280)	(8,857)	4.8	85.7	12.3	127.0	1.50
ITRAXX XO	(8,555)	(8,140)	2.8	15.5	183	178	0.0	(7.7)	(0.3)	(3.2)	5.50
ITRAXX FINSUB	(2,856)	373	(0.2)	(0.7)	(11)	(315)	0.1	5.3	0.4	13.3	4.50
Direct Single Name	800	511	(0.2)	(1.7)	(20)	511	(0.2)	(20.1)	(0.2)	(20.1)	6.90
Total	125,962	57,865	(30.3)	3.6	(160)	(9,821)	7.3	87.4	21.0	133.0	

[1] CDX IG S09 05Y uses a beta of 0.5

[1] TBU – table shown includes notional and risk factors for both indices and tranches combined

Note: **Positive/Negative** notional data denotes **long/short** risk; **Positive/Negative** CS01 denotes **short/long risk**

Betas are computed off on the run IG (S18)

Market summary[2] (cob 5/23/12)

		Spread 5/22/12	Spread 5/21/12	Spread 5/18/12	Spread 4/30/12	Spread 3/30/12	Basis to Theoretical (bps spd) 5/21/12	Basis to Theoretical (bps spd) 1 week	Basis to Theoretical (bps spd) 1 month
CDX IG	S18 5 yr	118.5	118.0	123.2	94.7	91.5	(5.3)	(6.6)	(0.5)
	S9 5yr	86.0	87.4	92.2	68.1	70.8	(8.9)	(0.1)	4.5
	S9 10yr	158.0	157.7	160.4	119.4	113.1	(4.3)	(1.7)	12.5
CDX HY	S18 5 yr	671.0	678.2	720.7	579.7	578.9	64.0	33.1	43.5
iTraxx Main	S17 5yr	171.5	180.5	182.3	140.5	125.0	3.8	(0.7)	5.8
	S9 10yr	209.0	218.5	219.8	170.5	151.0	(5.3)	(2.7)	8.6
iTraxx Xover	S17 5yr	710.0	744.0	756.5	650.0	613.0	16.9	(10.6)	(2.8)

Source: Market data - J.P. Morgan Investment Bank (as of New York close)

[2] Estimated based on end of day levels, may fluctuate based on end-of-day trading and volatility

2343

Notional overview

2344

CDX IG vs. HY

Notional ($mm) (cob 5/23/12)

	Notional
IG 9	48,460
Other IG	4,905
High Yield	(18,579)

Notional ($mm) (cob 4/30/12)

	Notional
IG 9	82,460
Other IG	(14,500)
High Yield	(20,609)

Change

	Notional
IG 9	(34,000)
Other IG	19,405
High Yield	2,030

iTraxx Main vs. Crossover

Notional ($mm) (cob 5/23/12)

	Notional
iTraxx Main	33,063
iTraxx XO	(6,704)

Notional ($mm) (cob 4/30/12)

	Notional
iTraxx Main	54,948
iTraxx Cross Over	(6,864)

Change

	Notional
iTraxx Main	(21,886)
iTraxx XO	160

Tranche positions

Notional ($mm) (cob 5/23/12)

	Total	Equity	Mezz	Senior
IG 9	(5,940)	(1,355)	(33,020)	28,435
IG 9 5 yr	*(22,400)*	*(3,570)*	*(18,560)*	*(270)*
IG	(360)	(195)	(265)	100
HY	17,769	4,291	4,183	9,295
iTraxx	36,395	(3,230)	440	39,185

Notional ($mm) (cob 4/30/12)

	Total	Equity	Mezz	Senior
IG 9	(5,940)	(1,355)	(33,020)	28,435
IG 9 5 yr	*(22,400)*	*(3,570)*	*(18,560)*	*(270)*
IG	(340)	(195)	(245)	100
HY	17,789	4,291	4,203	9,295
iTraxx	36,395	(3,230)	440	39,185

Change

	Total
IG 9	0
IG 9 5 yr	*0*
IG	(20)
HY	(20)
iTraxx	0

Other positions

Notional ($mm) (cob 5/23/12)

	Long	Short
FinSub	2,411	(4,649)
LCDX	4,075	(1,688)

Notional ($mm) (cob 4/30/12)

	Long	Short
FinSub	3,061	(4,649)
LCDX	4,075	(1,688)

Change

	Long	Short
FinSub	(650)	0
LCDX	0	0

Memo: IG 9 exposure (by maturity)

Notional ($mm) (cob 5/23/12)

	Notional
IG S09 05Y	(32,723)
IG S09 07Y	34,193
IG S09 10Y	46,989
IG9	48,460

Notional ($mm) (cob 4/30/12)

	Notional
CDX IG S09 05Y	(32,723)
CDX IG S09 07Y	34,193
CDX IG S09 10Y	80,989
IG9	82,460

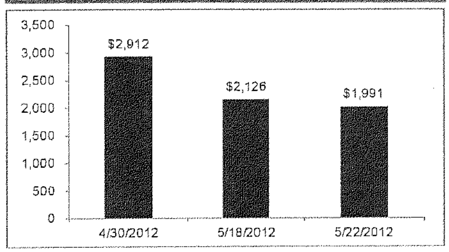
Change

	Notional
IG S09 05Y	0
IG S09 07Y	0
IG S09 10Y	(34,000)
IG9	(34,000)

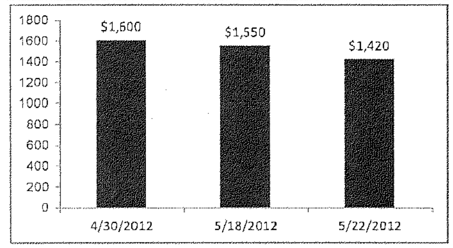
Note: **Positive/Negative** notional data denotes **long/short** risk

Synthetic credit book – key metrics

Historical Stress ($mm)

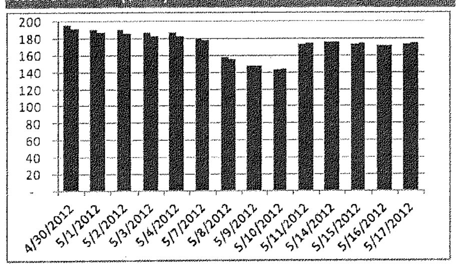


Statistical Stress ($mm)

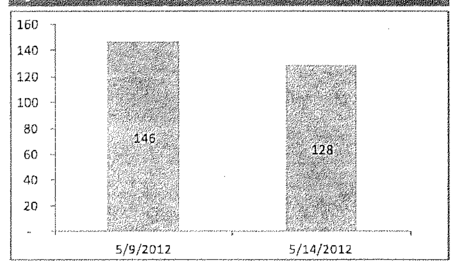


Note: Historical and Statistical Stress use prior methodology. To be updated with new methodology in future distribution.

VAR 95 Trend ($mm)



Synthetic Credit RWA ($bn)



2345

Summary of Synthetic Credit Book – historical stress

- Pricing to equilibrium: In addition to below risk factors, some indices will lose value as they move from richness to fairness
- Synthetic credit book exposed to **six risk factors** – Each factor represents a directional exposure
- In the short-to-medium term, **these exposures can be partially mitigated** – But not eliminated

Risk Factor	Description of when position loses money	5/22/12 Historical worst single day	4/30/12 Historical worst single day
1. Credit spread widening (Directionality)	If **credit spreads widen** across markets	$347mm	$162mm
2. Maturity mismatch (Curve)	If credit spreads of **long-maturity positions get wider** relative to short-maturity positions	0mm	89mm
3. High Yield vs. Investment Grade	If **high yield positions outperform** investment grade positions relative to their portfolio weighting	2,254mm	3,921mm
4. Illiquidity of older Indices / Tranches (On-the-Run vs. Off-the-Run)	If **credit spreads of the older index** (the "off-the-run" index) **widen** relative to more-recently issued indices (the more "on the run" indices)	70mm	1,252mm
5. "Super senior" debt vs. "equity" positions (Tranches)	If there is an **increase in the correlation** implied between **defaults among names within the tranches**	505mm	502mm
6. Default risk (Risk on individual names)	If **credit events happen to companies** for which we have "sold protection"	NA	NA
	Portfolio worst day	**$2,196mm**	**$2,912mm**
	Sum of worst case	**$3,176mm**	**$5,927mm**

Note: 5/22 values under new methodology, 4/30 values under prior methodology. To be updated.

2346

Summary of Synthetic Credit Book – statistical stress

- Pricing to equilibrium: In addition to below risk factors, some indices will lose value as they move from richness to fairness
- Synthetic credit book exposed to **six risk factors** – Each factor represents a directional exposure
- In the short-to-medium term, **these exposures can be partially mitigated** – But not eliminated

Risk Factor	Description of when position loses money	5/22/12 95%ile loss potential[1]	4/30/12 95%ile loss potential[1]
1. Credit spread widening (Directionality)	If **credit spreads widen** across markets	$200mm	$430mm
2. Maturity mismatch (Curve)	If credit spreads of **long-maturity positions get wider** relative to short-maturity positions	150mm	160mm
3. High Yield vs. Investment Grade	If **high yield positions outperform** investment grade positions relative to their portfolio weighting	1,170mm	1,130mm
4. Illiquidity of older Indices / Tranches (On-the-Run vs. Off-the-Run)	If **credit spreads of the older index** (the "off-the-run" index) **widen** relative to more-recently issued indices (the more "on the run" indices)	500mm	850mm
5. "Super senior" debt vs. "equity" positions (Tranches)	If there is an **increase in the correlation** implied between **defaults among names within the tranches**	490mm	500mm
6. Default risk (Risk on individual names)	If **credit events happen to companies** for which we have "sold protection"	291mm	291mm
	Est. total diversified 95% loss potential	**$1,420mm**	**$1,600mm**

Note: 5/22 values under new methodology, 4/30 values under prior methodology. To be updated.

2347

Synthetic Credit risk factors details

Sensitivity analysis

Scenario	Sigma	Loss ($mm)
90.0% percentile	1.28	1,150
95.0% percentile	**1.64**	**1,420**
97.5% percentile	1.96	1,660
99.9% percentile	3.09	2,510
Downside Case A[1]	N/A	2,801
Downside Case B[2]	N/A	4,635

Assumptions behind analysis

- **Credit spread widening** (Directionality) - Net directional loss estimate assumes correlation based on 1yr data
- **Maturity mismatch** (Curve)
  - Volatility measured as relative movement of longer maturity spread vs. shorter maturity spread adjusted for overall drift
  - Combined across asset classes assuming zero correlation
- **High Yield vs. Investment Grade**
  - Volatility based on relative spread movement netted for overall directionality
  - Assumes zero correlation between these differences for US and Europe
- **Illiquidity of older Indices/Tranches** (On-the-run/Off-the run risk)
  - Series 9 is assumed as the off-the-run position
  - Risks are combined assuming zero correlation
- **"Super senior" debt vs. "equity" positions** (Tranches) - Risk factor based on extreme movements of correlation as seen during the credit crisis
- **Default risk** (Risk on individual names) – Exposure based on comprehensive simulation of default risk using capital model
- **Diversified sum** - All above risk measures combined assuming zero correlation

[1] Diversified sum of 95.0% percentile; [2] Diversified sum of 99.9% percentile

2348

International Synthetic & Secured Credit Risk Summary

Index	CS01	OTR 5Y Equiv	10%CSW	50%CSW	Lrg Flin Selloff	WE Default01	WE Corr Up 1%	IR01	Equity Delta	Equity Gamma	Equity Vega
CDX HY	7,671,551	-22,235,426,659	465,225,598	2,214,251,438	3,478,588,659	89,398,840	5,944,729	-102,325			
CDX LCDX	-12,064	198,827,326	-206,470	-1,758,373	-4,608,865	3,871,004	-209,482	-12,140			
CDX IG	-31,166,767	64,352,336,377	-499,521,501	-2,375,947,587	-3,674,129,352	229,835,449	4,532,497	774,222			
ITRAXX MN	-11,404,019	27,168,674,854	-282,707,648	-1,488,678,857	-2,545,171,092	359,004,120	-20,321,986	254,937			
ITRAXX XO	2,820,404	-8,140,499,016	183,314,367	836,298,829	1,205,303,247	114,037,007	0	-99,934			
ITRAXX FNSUB	-162,022	372,726,638	-11,215,432	-49,180,353	-57,641,277	89,012,453	0	842			
ITRAXX FNSEN	266,882	-699,435,220	8,093,641	38,606,117	63,021,441	14,434,048	0	-14,219			
SOVX WE	0	0	0	0	0	0	0	0			
Single Names	-243,447	800,000,000	-19,806,078	-89,480,080	-114,955,256	-358,498,444	0	0			
Equities	0	0	0	0	0	0	0	0	924,539	85,716	10,445
FX	0	0	0	0	0	0	0	0			
Synthetic Total	-32,209,482	61,817,202,300	-166,913,624	-925,687,172	-1,649,597,405	540,694,477	-10,054,222	801,383	924,539	85,716	10,445
Investments MTM	-1,789,390		-55,422,068	-277,110,338	-258,543,945						
Investments AFS	-29,611,551		-465,022,784	-2,325,113,922	-2,169,331,289						
Investments Total	-31,400,941		-520,444,852	-2,602,224,260	-2,427,875,234	0	0	0	0	0	0
EMEA Credit Total	-63,610,423		-677,358,376	-3,528,111,431	-4,077,487,729	540,694,477	-10,064,222	801,383	924,539	85,716	10,445

Commentary – COB 22-May:

Synthetic Credit:

- Long credit risk -32.2mm CS01 (+0.4mm) / -157mm 10%CSW (+4mm)
- Credit Crisis / Large Flattener Sell-off $-1.65bn (+83mm)
- Indices 2-5% tighter across regions; HY compressing / XO decompressing , with off-the-run S9 curves flatter in US, steeper in Europe

Secured Credit (MTM & AFS) :

- Long credit risk -520mm 10%CSW; -31.4mm CS01
- Large Flattener sell-off stress scenario loss -2.43bn

NB. Tables below do not include single name positions

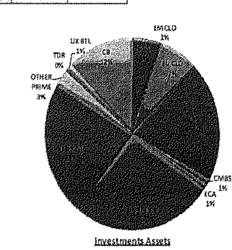
Core Strategic	Ccy Notional	OTR 5Y Equiv USD	CS01	WE Corr 1%	10%CSW	50%CSW	WE Default01	LFS Stress
ITRAXX MN Outright	1,101,541,501	4,720,191,082,825	-14,503,433	0	-339,600,500	-1,504,337,457	-1,628,498	-2,494,486,020
ITRAXX MN Hedge	32,211,025,000	-1,290,298,837,148	3,892,961	0	112,448,313	522,395,853	-200,076,932	692,421,715
ITRAXX MN 00-03	-3,230,000,000	-19,077,314,638	8,828,612	-8,323,401	128,145,882	559,552,199	578,337,934	826,553,956
ITRAXX MN 03-06	-550,000,000	-1,878,448,039	869,520	-650,781	14,220,534	68,126,031	18,536,344	118,094,274
ITRAXX MN 06-09	715,000,000	4,289,611,648	-1,203,211	1,320,313	-23,969,169	-108,116,528	-14,359,660	-168,758,157
ITRAXX MN 09-12	695,000,000	1,316,249,209	-749,782	351,743	-14,965,294	-71,441,369	-6,498,347	-117,371,047
ITRAXX MN 12-22	-420,000,000	-129,235,690	75,626	237,864	901,436	6,982,320	430,268	18,471,413
ITRAXX MN 22-100	39,185,000,000	10,019,206,347	-8,134,311	-13,267,713	-169,808,860	-881,570,905	-13,747,970	-1,520,087,226
ITRAXX MN Total	69,707,566,501	27,168,674,854	-11,404,019	-20,321,986	-282,707,648	-1,488,678,857	359,004,120	-2,545,171,092
CDX IG Outright	61,301,899,995	5,964,130,206,161	-32,001,842	0	-521,105,287	-2,529,470,908	314,398,872	-3,543,995,958
CDX IG Hedge	18,366,760,000	709,726,906,436	-6,046,206	0	-32,949,493	-170,816,803	-567,352,331	-412,857,672
CDX IG 00-03	-1,550,000,000	-6,604,242,464	4,097,667	5,365,680	18,309,112	120,834,286	158,041,926	206,312,552
CDX IG 03-07	-1,550,000,000	-105,551,531	350,450	112,693	3,357,100	19,366,065	8,811,055	42,513,327
CDX IG 07-10	-1,525,060,000	3,324,058,840	-1,495,237	1,072,084	-23,375,369	-165,499,953	-11,562,231	-157,969,702
CDX IG 10-15	-8,855,000,000	-7,490,003,924	3,993,861	92,707	33,762,722	270,507,714	22,954,040	454,133,033
CDX IG 15-30	23,355,000,000	-8,050,292,081	3,962,901	3,460,592	57,791,510	311,705,437	13,111,811	555,019,311
CDX IG 30-100	28,435,000,000	7,233,036,750	-3,898,110	-5,560,904	-55,117,137	-292,071,717	-8,349,615	-506,104,115
CDX IG Total	50,764,750,005	64,352,336,377	-31,166,767	4,532,497	-499,521,501	-2,375,947,587	229,835,449	-3,674,129,352
CDX HY Outright	-26,709,800,000	-11,272,630,535,477	7,712,087	0	462,915,720	2,161,472,531	176,014,218	3,341,570,267
CDX HY Hedge	7,121,100,000	-4,874,328,457,534	3,312,723	0	132,110,003	644,404,988	-46,281,225	1,097,345,769
CDX HY 00-10	0	0	0	0	0	0	0	0
CDX HY 10-15	4,290,500,000	290,954,106	-445,570	4,484,840	-20,994,894	-70,011,540	97,449,509	-84,437,689
CDX HY 15-25	1,193,000,000	6,079,250,618	-2,247,665	3,020,290	-81,115,941	-373,691,604	-126,829,531	-810,263,481
CDX HY 25-35	2,980,000,000	912,002,279	-363,074	-446,989	-14,520,698	-76,282,465	-6,659,750	-136,323,350
CDX HY 35-100	9,295,000,000	692,649,449	-296,951	-1,113,407	-13,259,694	-71,546,472	-4,324,410	-129,303,977
CDX HY Total	-1,820,200,000	-22,235,426,659	7,671,551	5,944,729	465,225,598	2,214,251,438	89,398,840	3,478,588,659
CDX LCDX Outright	51,350,000	16,688,750,000	-4,106	0	-58,114	-278,222	-187,893	-523,667
CDX LCDX Hedge	-1,739,750,000	-565,418,750,000	138,109	0	1,901,146	9,425,236	6,384,843	17,741,954
CDX LCDX 05-08	0	0	0	0	0	0	0	0
CDX LCDX 08-12	0	0	0	0	0	0	0	0
CDX LCDX 12-15	110,000,000	293,171,681	-28,762	-26,365	-401,632	-2,130,323	-264,092	-4,237,651
CDX LCDX 15-100	3,965,000,000	756,102,725	-118,295	-181,107	-1,849,871	-8,774,185	-2,241,893	-17,589,500
CDX LCDX Total	2,386,600,000	198,827,326	-12,064	-209,487	-206,470	-1,758,373	3,871,004	-4,608,865
ITRAXX XO	-6,704,250,000	-8,140,499,016	2,820,404	0	183,314,367	836,298,829	114,037,007	1,205,303,247
ITRAXX FNSUB	-2,238,000,000	372,726,638	-102,022	0	-11,215,432	-49,180,353	89,012,453	-57,641,277
ITRAXX FNSEN	-548,125,000	-699,435,220	266,882	0	8,093,641	38,606,117	14,434,048	63,021,441
SOVX WE	0	0	0	0	0	0	0	0
Grand Total	[illegible]	61,017,202,300	-31,966,035	-10,064,222	-137,017,448	-825,406,702	890,182,921	-1,534,637,240

Core Strategic	Ccy Not 22-May-12	Ccy Not 21-May-12	Daily Change	Weekly Change	Since 30-Apr
ITRAXX MN Outright	1,101,541,501	5,033,791,501	-3,932,250,000	-7,035,550,000	-15,500,008,500
ITRAXX MN Hedge	32,211,025,000	28,279,775,000	3,932,250,000	300,550,000	-6,749,325,000
ITRAXX MN 00-03	-3,730,000,000	-3,730,000,000	0	0	-10,000,000
ITRAXX MN 03-06	-550,000,000	-550,000,000	0	0	0
ITRAXX MN 06-09	715,000,000	715,000,000	0	0	0
ITRAXX MN 09-12	695,000,000	695,000,000	0	0	0
ITRAXX MN 12-22	-420,000,000	-420,000,000	0	0	0
ITRAXX MN 22-100	39,185,000,000	39,185,000,000	0	0	225,000,000
ITRAXX MN Total	69,707,566,501	69,707,566,501	0	-7,658,000,000	-21,523,333,500
CDX IG Outright	-81,301,899,995	-84,444,499,995	3,142,500,000	-4,003,250,000	-15,209,600,000
CDX IG Hedge	118,366,750,000	122,259,250,000	-3,892,500,000	1,570,250,000	4,324,600,000
CDX IG 00-03	-1,550,000,000	-1,550,000,000	0	0	0
CDX IG 03-07	-1,550,000,000	-1,550,000,000	0	0	-20,000,000
CDX IG 07-10	-1,525,000,000	-1,525,000,000	0	0	0
CDX IG 10-15	-6,855,000,000	-6,855,000,000	0	0	0
CDX IG 15-30	-23,355,000,000	-23,355,000,000	0	0	0
CDX IG 30-100	28,435,000,000	28,435,000,000	0	0	0
CDX IG Total	50,764,750,005	51,514,750,005	-750,000,000	-2,433,000,000	-10,915,000,000
CDX HY Outright	-26,709,800,000	-25,764,600,000	-945,200,000	685,200,000	-514,150,000
CDX HY Hedge	7,121,100,000	6,125,900,000	995,200,000	114,800,000	1,484,150,000
CDX HY 00-10	0	0	0	0	0
CDX HY 10-15	4,290,500,000	4,290,500,000	0	0	0
CDX HY 15-25	1,193,000,000	1,193,000,000	0	0	-20,000,000
CDX HY 25-35	2,990,000,000	2,990,000,000	0	0	0
CDX HY 35-100	9,295,000,000	9,295,000,000	0	0	0
CDX HY Total	-1,820,200,000	-1,870,200,000	50,000,000	800,000,000	950,000,000
CDX LCDX Outright	51,350,000	249,600,000	-198,250,000	-220,250,000	-220,250,000
CDX LCDX Hedge	-1,739,750,000	-1,938,000,000	198,250,000	220,250,000	220,250,000
CDX LCDX 05-08	0	0	0	0	0
CDX LCDX 08-12	0	0	0	0	0
CDX LCDX 12-15	110,000,000	110,000,000	0	0	0
CDX LCDX 15-100	3,995,000,000	3,965,000,000	0	0	0
CDX LCDX Total	2,386,600,000	2,386,600,000	0	0	0
ITRAXX XO	-6,704,250,000	-6,804,250,000	100,000,000	100,000,000	185,000,000
ITRAXX FNSUB	-2,238,000,000	-2,088,000,000	-150,000,000	-250,000,000	-650,000,000
ITRAXX FNSEN	-548,125,000	-548,125,000	0	0	-600,000,000
SOVX WE	0	0	0	0	-50,000,000
Grand Total	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Core Strategic	10%CSW 22-May-12	10%CSW 21-May-12	Daily Change	Weekly Change	Since 30-Apr
ITRAXX MN Outright	-339,454,651	-348,925,504	9,470,852	53,388,835	103,848,131
ITRAXX MN Hedge	113,198,335	122,509,705	-9,311,370	4,814,935	31,821,876
ITRAXX MN 00-03	129,776,096	128,867,572	-91,476	4,042,561	20,543,916
ITRAXX MN 03-06	14,772,949	14,783,362	-10,413	402,845	3,137,523
ITRAXX MN 06-09	-24,345,110	-24,362,270	17,160	-184,570	-1,440,561
ITRAXX MN 09-12	-15,394,623	-15,405,474	10,851	38,588	-2,043,354
ITRAXX MN 12-22	1,099,889	1,100,665	-776	-80,528	893,155
ITRAXX MN 22-100	-179,558,149	-179,682,714	128,565	-8,370,032	-56,031,917
ITRAXX MN Total	-299,903,263	-300,114,657	211,395	66,871,418	100,738,748
CDX IG Outright	-534,397,423	-530,305,347	1,957,924	41,704,898	-3,904,030
CDX IG Hedge	-36,777,083	-39,080,003	2,303,020	-2,394,434	-27,036,172
CDX IG 00-03	23,323,273	23,323,273	0	-82,587	15,878,879
CDX IG 03-07	3,842,345	3,842,345	0	448,756	1,380,035
CDX IG 07-10	-23,852,734	-23,852,734	0	-182,564	-3,022,056
CDX IG 10-15	58,956,717	58,956,717	0	2,784,276	15,264,422
CDX IG 15-30	61,514,918	61,514,918	0	8,355,303	19,141,228
CDX IG 30-100	-58,876,719	-58,876,719	0	-7,059,947	-20,044,605
CDX IG Total	-606,304,610	-610,555,654	4,270,044	41,640,053	-3,861,656
CDX HY Outright	477,826,039	475,335,842	2,490,198	-7,094,637	29,243,774
CDX HY Hedge	141,954,986	145,403,328	-3,448,342	10,697,627	18,450,572
CDX HY 00-10	0	0	0	0	0
CDX HY 10-15	-18,748,220	-18,748,220	0	-454,098	5,070,788
CDX HY 15-25	-85,073,501	-85,073,501	0	-2,338,125	-21,303,641
CDX HY 25-35	-18,142,604	-18,142,604	0	-526,873	-4,800,157
CDX HY 35-100	-15,169,529	-15,169,529	0	114,722	-4,804,349
CDX HY Total	483,826,112	484,784,260	-958,144	-561,363	20,450,866
CDX LCDX Outright	-56,432	-274,304	217,872	252,225	282,583
CDX LCDX Hedge	1,911,840	2,129,812	-217,872	-316,462	-534,364
CDX LCDX 05-08	0	0	0	0	0
CDX LCDX 08-12	0	0	0	0	0
CDX LCDX 12-15	-394,013	-394,013	0	6,271	45,552
CDX LCDX 15-100	-1,750,476	-1,750,476	0	-213,358	-706,915
CDX LCDX Total	-288,980	-288,980	0	-270,347	-913,343
ITRAXX XO	188,287,284	191,257,282	-2,969,997	-2,721,865	828,565
ITRAXX FNSUB	-10,253,177	-14,330,753	4,077,576	8,272,627	14,282,386
ITRAXX FNSEN	8,494,629	8,500,617	-5,988	231,801	9,214,878
SOVX WE	0	0	0	0	448,349
Grand Total	-136,251,994	-140,857,790	4,605,796	110,722,477	149,289,215

SYNTHETIC CREDIT DAILY P

Asset	MV ($mm) MTM	MV ($mm) AFS	MV ($mm) Total	CS01 ($mm) MTM	CS01 ($mm) AFS	CS01 ($mm) Total	10%CSW ($mm) MTM	10%CSW ($mm) AFS	10%CSW ($mm) Total	Lrg Fltn Selloff ($mm) MTM	Lrg Fltn Selloff ($mm) AFS	Lrg Fltn Selloff ($mm) Total	WTD Change ($mm) MV	WTD Change ($mm) CS01	WTD Change ($mm) CS10%	WTD Change ($mm) LFS
ABS AUTO	0	2,483	2,488	0.0	-0.5	-0.5	0.0	-7.2	-7.2	0	-34	-34	-3	-0.0	-0.0	-5
ABS CC	31	1,088	1,119	-0.0	-0.2	-0.2	-0.5	-4.6	-5.1	-2	-22	-24	-10	-0.0	-0.0	-0
ABS OTHER	0	14	14	0.0	-0.0	-0.0	0.0	-0.2	-0.2	0	-4	-4	+0	-0.0	-0.0	-0
NON PRIME	31	466	497	-0.0	-0.3	-0.3	-0.7	-12.4	-13.1	-3	-58	-61	-5	-0.0	-0.0	-0
SME	18	1,295	1,373	-0.0	-0.4	-0.4	-0.4	-7.1	-7.5	-2	-33	-35	-1	-0.0	-0.0	-0
ABS Total	110	5,372	5,490	-0.0	-1.3	-1.4	-1.9	-31.6	-33.5	-7	-147	-154	20	-0.0	0.1	-5
EM CLO	0	419	419	0.0	-0.2	-0.2	0.0	-4.1	-4.1	0	-19	-19	+0	+0.0	+0.0	+0
EU CLO	1,491	6,169	7,660	-0.6	-1.3	-2.0	-17.2	-24.6	-41.8	-50	-115	-165	+8	+0.0	-0.0	-8
US CLO	2,884	18,935	21,819	-0.7	-4.7	-5.4	-17.4	-97.1	-114.5	-81	-453	-534	-25	+0.0	+0.2	+1
CLO Total	4,375	25,324	29,699	-1.3	-6.5	-7.8	-34.8	-125.6	-160.4	-102	-627	-748	-17	+0.0	+0.2	+1
GER LF	440	312	753	-0.2	-0.1	-0.3	-4.3	-3.0	-7.3	-20	-14	-34	+1	-0.0	-0.0	-8
SNR CMBS	0	321	321	0.0	-0.1	-0.1	0.0	-1.9	-1.9	0	-9	-9	+0	+0.0	+0.0	+4
UK CMBS	0	0	0	0.0	0.0	0.0	0.0	0.0	0.0	0	0	0	+0	+0.0	+0.2	+1
CMBS Total	440	633	1,073	-0.2	-0.2	-0.4	-4.3	-4.8	-9.1	-20	-23	-43	+1	+0.0	+0.2	+1
ECA	0	925	925	0.0	-0.3	-0.3	0.0	-3.0	-3.0	0	-14	-14	+0	+0.0	+0.0	+8
ECA Total	0	925	925	0.0	-0.3	-0.3	0.0	-3.0	-3.0	0	-14	-14	+0	+0.0	-0.0	+8
UK PRIME	21	28,109	28,130	-0.0	-6.5	-6.5	-1.2	-95.4	-96.6	-6	-445	-451	-198	+0.0	+0.1	+1
NE PRIME	84	24,675	24,759	-0.1	-7.3	-7.4	-2.6	-101.2	-103.8	-12	-472	-484	+30	-0.0	+0.1	-8
OTHER PRIME	20	2,262	2,274	-0.0	-0.8	-0.9	-0.8	-14.6	-15.4	-4	-67	-72	+13	+0.0	-0.0	+0
RMBS Total	126	55,528	55,654	-0.1	-14.7	-14.8	-4.6	-211.2	-215.8	-22	-985	-1,007	-177	+0.0	+0.5	+0
TDR	384	0	384	-0.2	0.0	-0.2	-7.5	0.0	-7.5	-35	0	-35	+1	-0.0	-0.0	-8
TDR Total	384	0	384	-0.2	0.0	-0.2	-7.5	0.0	-7.5	-35	0	-35	+1	-0.0	-0.0	-8
UK BTL	50	1,257	1,307	-0.0	-0.8	-0.9	-2.3	-28.4	-31.2	-13	-133	-145	+0	+0.0	+0.0	+4
UK BTL Total	50	1,257	1,307	-0.0	-0.8	-0.9	-2.3	-28.4	-31.2	-13	-133	-145	+0	+0.0	+0.0	+8
CB	0	13,072	13,072	0.0	-5.9	-5.9	0.0	-89.2	-89.2	0	-281	-281	+21	-0.0	-0.0	-0
CB Total	0	13,072	13,072	0.0	-5.9	-5.9	0.0	-89.2	-89.2	0	-281	-281	+21	-0.0	-0.0	-9
Inv Total	5,497	102,108	107,605	-1.8	-29.6	-31.4	-55.4	-465.0	-520.4	-289	-2,159	-2,428	-198	+0.0	+0.4	+2



Investments Assets

J.P.Morgan

Credit & Equity Index Monitor

			22/05/2012	Mode	Bps		
Index	Series	Maturity	Spot	CoD	CoW	CoM	YTD
ITRAXX MN	OTR	05Y	171.50	-9.00	-2.50	+26.25	-1.00
ITRAXX FINSUB	OTR	05Y	480.00	-26.00	+7.00	+56.00	-25.00
ITRAXX FINSEN	OTR	05Y	280.00	-18.50	-8.00	+23.00	+7.50
ITRAXX SOVXWE	OTR	05Y	309.00	-7.00	+9.00	+26.00	-58.00
ITRAXX XO	OTR	05Y	710.00	-34.00	-23.00	+33.00	-34.50
CDX IG	OTR	05Y	118.50	+0.50	+1.00	+18.75	-0.01
CDX HY	OTR	05Y	674.80	-3.39	-4.61	+54.49	+17.53

FTSE100	OTR	05Y	5403.28	+98.80	-34.34	-306.21	-295.63
DJ EURO STOXX 5	OTR	05Y	2192.85	+42.68	+14.18	-91.23	-157.04
S&P 500	OTR	05Y	1316.63	+0.64	-14.03	-55.34	+39.33
NASDAQ 100	OTR	05Y	2545.43	+66.90	-35.32	-108.07	+223.47
NIKKEI 225	OTR	05Y	8729.29	+117.98	-171.45	-812.88	+109.18
HANG SENG	OTR	05Y	19038.15	+116.83	-855.15	-1585.24	+311.84

Maturity	Product		Cey Notional EUR	OTR 5YEquiv USD	CS01	Avg Spr
20-Dec-12	ITRAXX MN S08 05Y		(0)	(0)	0	133
	ITRAXX MN S08 05Y	00-08	0	1,497	(4)	371
	ITRAXX MN S08 05Y	08-09	0	0	(0)	(14)
	ITRAXX MN S08 05Y	09-12	0	0	(0)	49
	ITRAXX MN S08 05Y	12-22	0	0	0	26
20-Jun-13	ITRAXX MN S09 05Y		18,913,375,000	6,124,701,690	(7,312,609)	164
	ITRAXX MN S09 05Y	00-03	(2,050,000,000)	(16,700,430,309)	7,834,847	5,354
	ITRAXX MN S09 05Y	03-06	(350,000,000)	(603,125,096)	365,410	914
	ITRAXX MN S09 05Y	06-09	346,000,000	186,533,245	(91,363)	93
	ITRAXX MN S09 05Y	09-12	288,000,000	55,308,151	(33,759)	54
	ITRAXX MN S09 05Y	12-22	(125,000,000)	(20,459,599)	9,384	32
	ITRAXX MN S09 05Y	22-100	7,100,000,000	201,871,699	(119,081)	1
20-Jun-14	ITRAXX MN S15 03Y		(2,669,000,000)	(1,507,487,570)	720,947	159
	ITRAXX MN S15 03Y	00-03	(79,000,000)	(302,144,842)	178,917	3,929
	ITRAXX MN S15 03Y	03-06	19,000,000	43,318,887	(18,550)	891
	ITRAXX MN S15 03Y	22-100	300,000,000	32,863,961	(14,870)	11
20-Jun-15	ITRAXX MN S09 07Y		5,350,000,000	4,407,663,338	(1,989,189)	188
	ITRAXX MN S09 07Y	00-03	(075,000,000)	(3,608,981,232)	1,360,928	4,388
	ITRAXX MN S09 07Y	03-06	(160,000,000)	(261,496,308)	384,284	1,361
	ITRAXX MN S09 07Y	06-09	(25,000,000)	381,928,823	9,910	738
	ITRAXX MN S09 07Y	09-12	151,000,000	473,531,581	(213,878)	384
	ITRAXX MN S09 07Y	12-22	(450,000,000)	(647,835,869)	292,398	187
	ITRAXX MN S09 07Y	22-100	15,325,000,000	2,853,014,279	(1,287,679)	36
20-Jun-16	ITRAXX MN S15 05Y		4,960,250,000	4,264,984,887	(1,924,878)	174
	ITRAXX MN S15 05Y	00-03	(260,000,000)	(1,237,846,451)	560,847	3,394
	ITRAXX MN S15 05Y	22-100	1,959,000,000	837,993,079	(370,177)	45
20-Dec-16	ITRAXX MN S06 10Y		39,250,000	88,387,002	(39,839)	211
	ITRAXX MN S06 10Y	00-03	(115,000,000)	(357,403,622)	160,245	4,234
	ITRAXX MN S06 10Y	03-08	158,000,000	515,331,765	(351,761)	1,727
	ITRAXX MN S06 10Y	06-08	20,000,000	1,704,932,238	(153,456)	1,029
	ITRAXX MN S06 10Y	08-12	0	28,328,025	(3,257)	576
	ITRAXX MN S06 10Y	12-22	0	77,823,872	(15,602)	278
	ITRAXX MN S06 10Y	22-100	0	6,139,728	(5,885)	58
	ITRAXX MN S16 05Y		10,777,818,690	12,588,588,485	(5,672,419)	171
20-Jun-17	ITRAXX MN S07 10Y		0	0	(0)	209
	ITRAXX MN S07 10Y	06-09	0	43,193,371	(4,168)	903
	ITRAXX MN S07 10Y	09-12	0	18,409,855	(2,332)	588
	ITRAXX MN S07 10Y	12-22	0	1,730,787	(363)	278
	ITRAXX MN S07 10Y	22-100	0	(1,351,959)	1,248	83
	ITRAXX MN S17 05Y		(11,971,925,000)	(16,219,398,934)	3,994,331	179
20-Dec-17	ITRAXX MN S08 10Y		1	1	(0)	203
	ITRAXX MN S08 10Y	03-06	0	38,390,880	(3,662)	1,563
	ITRAXX MN S08 10Y	06-08	0	66,571,757	(9,892)	945
	ITRAXX MN S08 10Y	08-12	0	66,217,701	(12,047)	673
	ITRAXX MN S08 10Y	12-22	0	44,930,836	(9,312)	287
	ITRAXX MN S08 10Y	22-100	0	23,617,487	(20,710)	85
20-Jun-18	ITRAXX MN S09 10Y		12,894,000,000	19,216,464,165	(3,872,516)	217
	ITRAXX MN S09 10Y	00-03	1,138,000,000	3,529,312,380	(1,728,399)	3,893
	ITRAXX MN S09 10Y	03-06	6,000,000	138,572,135	(25,817)	1,584
	ITRAXX MN S09 10Y	06-09	389,000,000	2,408,858,954	(980,452)	954
	ITRAXX MN S09 10Y	09-12	235,000,000	1,520,953,125	(479,351)	598
	ITRAXX MN S09 10Y	12-22	168,000,000	414,821,681	(200,797)	301
	ITRAXX MN S09 10Y	22-100	18,518,000,000	12,493,383,378	(5,629,467)	70
	ITRAXX MN S15 07Y		605,000,000	1,289,599,407	(599,231)	181
	ITRAXX MN S15 07Y	00-03	(295,000,000)	(1,712,149,733)	547,019	3,551
	ITRAXX MN S15 07Y	03-06	(165,000,000)	(1,176,857,903)	530,650	1,312
	ITRAXX MN S15 07Y	22-100	2,000,000,000	1,511,200,188	(932,013)	84
20-Jun-21	ITRAXX MN S15 10Y		(1,837,200,000)	(3,218,192,366)	1,461,690	392
20-Dec-21	ITRAXX MN S16 10Y		[illegible]	(2,738,539,938)	1,226,015	386
Grand Total			69,701,666,591	27,198,674,854	(11,494,010)	652

Maturity	Product	Cey Notional EUR	OTR 5YEquiv USD	CS01	Avg Spr
20-Jun-17	ITRAXX FINSEN S17 05Y	[illegible]	[illegible]	266,862	277
Grand Total		-348,125,000	899,435,220	266,862	277

Index Curve Monitor

ITRAXX MN					Tranches Slopes Fixed Spread Diffs			
S09	03Y	05Y	07Y	10Y	3/5	5/7	5/10	3/10
Spot	26.50	155.00	184.00	208.00	128.50	29.00	54.00	182.50
Day	26.50	167.00	195.50	219.50	-12.00	+0.50	+2.50	-9.50
Week	26.50	157.50	190.50	213.50	-2.50	-4.00	-2.00	-4.50
Month	26.50	117.25	154.25	177.25	+37.75	-8.00	-6.00	+31.75
Year	26.50	170.50	189.50	196.50	-15.50	+10.00	+28.00	+12.50

CDX IG					Tranches Slopes Fixed Spread Diffs			
S09	03Y	05Y	07Y	10Y	3/5	5/7	5/10	3/10
Spot	0.00	86.43	118.20	158.16	86.43	31.77	71.73	158.16
Day	0.00	87.43	117.69	157.65	-1.00	+1.51	+1.51	+0.51
Week	0.00	84.91	114.69	149.66	+1.52	+1.98	+6.98	+8.50
Month	0.00	71.07	96.93	123.89	+15.36	+5.91	+18.91	+34.27
Year	0.00	126.90	137.72	146.84	-40.47	+20.94	+51.99	+11.53

CDX HY					Tranches Slopes Fixed Spread Diffs			
S10	03Y	05Y	07Y	10Y	3/5	5/7	5/10	3/7
Spot	0.00	317.54	461.87	577.51	317.54	144.33	259.97	577.51
Day	0.00	317.96	404.14	577.48	-0.42	-1.85	+0.47	+113.38
Week	0.00	331.98	466.54	584.53	-14.44	+9.77	+7.42	+110.97
Month	0.00	291.22	432.12	538.18	+26.32	+3.43	+12.01	+145.40
Year	0.00	496.13	534.15	565.60	-178.59	+106.31	+170.50	+43.37

ITRAXX FINSUB			
OTR	05Y	10Y	5/10
Spot	480.00	488.00	8.00
Day	506.00	515.00	+0.00
Week	473.00	482.00	+0.00
Month	424.00	437.00	-4.00
Year	505.00	500.00	+14.00

ITRAXX FINSEN			
OTR	05Y	10Y	5/10
Spot	280.00	285.00	15.00
Day	298.50	313.50	+0.00
Week	288.00	303.00	+0.00
Month	257.00	272.00	+0.00
Year	272.50	272.50	+15.00

ITRAXX XO			
OTR	05Y	10Y	5/10
Spot	710.00	705.00	-5.00
Day	744.00	739.00	+0.00
Week	733.00	728.00	+0.00
Month	677.00	687.00	-15.00
Year	744.50	714.50	+25.00

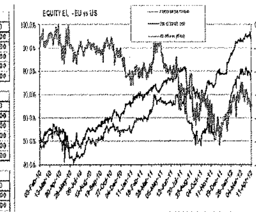
Maturity	Product	Cey Notional USD	OTR 5YEquiv USD	CS01	Avg Spr
20-Dec-12	CDX IG S09 05Y	-32,727,500,000	-3,834,704,355	1,848,209	83
	CDX IG S09 05Y 00-03	-3,670,000,000	-9,301,319,908	9,068,703	3,762
	CDX IG S09 05Y 03-07	-1,396,000,000	-301,022,618	148,779	53
	CDX IG S09 05Y 07-10	-2,046,000,000	-77,109,467	37,773	8
	CDX IG S09 05Y 10-15	-2,906,000,000	-34,078,913	16,788	3
	CDX IG S09 05Y 15-30	-12,215,000,000	-11,785,235	5,801	0
	CDX IG S09 05Y 30-100	-279,000,000	-81,413	-382	-0
20-Jun-13	CDX IG S10 05Y	0	0	-0	91
	CDX IG S10 05Y 03-07	0	-4,054,703	367	260
	CDX IG S10 05Y 07-10	0	171,713	-59	44
20-Dec-13	CDX IG S07 07Y	-730,000,000	-219,806,369	100,588	125
	CDX IG S07 07Y 07-10	110,000,000	54,630,901	-27,212	102
	CDX IG S07 07Y 15-30	0	0	-0	12
	CDX IG S07 07Y 30-100	0	743,040	-1,826	15
20-Jun-14	CDX IG S08 07Y	449,000,000	159,835,239	-69,340	159
	CDX IG S08 07Y 03-07	0	-7,482,800	350	1,083
	CDX IG S08 07Y 07-10	0	-17,060,839	1,085	318
	CDX IG S08 07Y 10-15	0	1,154,810	-339	101
	CDX IG S08 07Y 15-30	-375,000,000	-80,531,339	33,879	25
	CDX IG S08 07Y 30-100	0	860,447	-1,477	20
20-Dec-14	CDX IG S09 07Y	34,193,000,000	16,278,664,518	-8,217,531	115
	CDX IG S09 07Y 00-03	-435,000,000	-1,368,839,727	807,488	3,797
	CDX IG S09 07Y 03-07	-216,000,000	-192,797,657	386,466	730
	CDX IG S09 07Y 07-10	-595,000,000	-387,407,531	207,212	255
	CDX IG S09 07Y 10-15	-1,970,000,000	-1,782,264,323	867,413	101
	CDX IG S09 07Y 15-30	-6,966,000,000	-2,407,454,732	1,214,363	34
	CDX IG S09 07Y 30-100	11,530,000,000	1,135,025,060	-611,931	14
20-Jun-15	CDX IG S14 05Y	-7,857,000,000	-4,836,929,893	2,319,984	84
20-Dec-15	CDX IG S15 05Y	-17,158,550,000	-12,351,418,432	5,980,335	94
	CDX IG S15 05Y 00-03	-109,950,000	-1,207,275,425	589,520	1,791
	CDX IG S15 05Y 15-100	100,000,000	25,585,894	-17,191	29
20-Jun-16	CDX IG S16 05Y	-18,228,750,000	-15,915,913,231	7,154,588	102
20-Dec-16	CDX IG S17 05Y	8,337,500,000	7,822,787,279	-3,932,011	108
20-Jun-17	CDX IG S18 05Y	43,089,000,000	43,089,000,000	-29,530,483	115
20-Dec-17	CDX IG S09 10Y	46,089,000,000	44,369,988,869	-22,661,219	163
	CDX IG S09 10Y 00-03	2,050,000,000	5,413,195,808	-3,480,004	3,511
	CDX IG S09 10Y 03-07	69,000,000	399,846,049	-188,401	1,171
	CDX IG S09 10Y 07-10	775,000,000	3,671,554,973	-1,804,905	650
	CDX IG S09 10Y 10-15	-1,880,000,000	-5,703,614,409	2,810,019	298
	CDX IG S09 10Y 15-30	-3,900,000,000	-5,502,521,373	2,709,068	119
	CDX IG S09 10Y 30-100	17,175,000,000	6,036,680,815	-3,079,635	33
20-Jun-20	CDX IG S14 10Y	257,000,000	381,477,789	-181,762	123
20-Dec-20	CDX IG S15 10Y	-54,000,000	-83,735,612	39,087	127
20-Jun-21	CDX IG S16 10Y	392,000,000	483,315,697	-236,283	150
Grand Total		56,764,750,005	64,352,336,377	-31,168,767	408

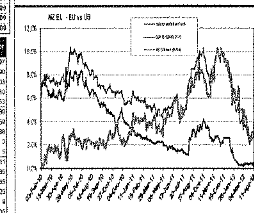
Maturity	Product	Cey Notional USD	OTR 5YEquiv USD	CS01	Avg Spr
20-Jun-13	CDX LCDX S10 05Y	-1,888,400,000	-850,447,080	138,002	137
	CDX LCDX S10 05Y 12-15	110,000,000	283,171,681	-28,787	181
	CDX LCDX S10 05Y 15-100	3,966,000,000	756,103,725	-118,285	25
Grand Total		2,386,600,000	188,827,326	-12,084	122

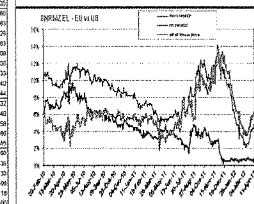
Maturity	Product	Cey Notional EUR	OTR 5YEquiv USD	CS01	Avg Spr
20-Dec-15	ITRAXX XO S14 05Y	0	0	0	[illegible]
20-Jun-16	ITRAXX XO S15 05Y	[illegible]	[illegible]	546,487	525
20-Dec-16	ITRAXX XO S16 05Y	[illegible]	[illegible]	2,081,598	674
20-Jun-17	ITRAXX XO S17 05Y	[illegible]	[illegible]	192,817	706
Grand Total		-6,794,350,000	-3,140,290,016	3,820,404	540

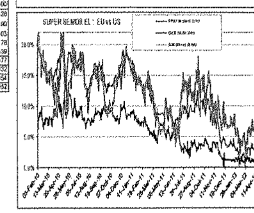
Maturity	Product	Cey Notional USD	OTR 5YEquiv USD	CS01	Avg spr
20-Jun-12	CDX HY S08 05Y	16,388,600,000	253,665,834	-124,046	197
	CDX HY S08 05Y 10-15	-1,965,000,000	-266,408,139	219,975	9,390
	CDX HY S08 05Y 15-25	-1,419,000,000	-69,994	29	303
	CDX HY S08 05Y 25-35	885,000,000	0	-0	-40
	CDX HY S08 05Y 35-100	-109,000,000	-2,035	-7	-53
20-Dec-12	CDX HY S09 05Y	6,850,000,000	659,904,864	-330,650	289
	CDX HY S09 05Y 10-15	-220,000,000	-73,787,590	95,399	17,259
	CDX HY S09 05Y 15-25	-1,055,000,000	-457,823,130	181,997	388
	CDX HY S09 05Y 25-35	875,000,000	30,593,064	-12,723	3
	CDX HY S09 05Y 35-100	3,230,000,000	3,402,027	1,488	5
20-Jun-13	CDX HY S10 05Y	-10,073,550,000	-2,010,330,381	980,467	311
	CDX HY S10 05Y 10-15	690,000,000	186,417,658	-292,905	14,485
	CDX HY S10 05Y 15-25	2,063,000,000	2,910,489,124	-1,343,222	1,165
	CDX HY S10 05Y 25-35	865,000,000	154,978,238	-63,665	125
	CDX HY S10 05Y 35-100	3,005,000,000	93,963,931	-41,275	8
	CDX HY S14 03Y	-75,000,000	-21,275,397	7,805	335
20-Dec-13	CDX HY S07 07Y	-0	-0	0	260
	CDX HY S07 07Y 15-25	0	62,502,339	-6,102	763
	CDX HY S07 07Y 25-35	0	183,199	-48	229
	CDX HY S07 07Y 35-100	0	396,993	-391	63
	CDX HY S11 05Y	1,183,600,000	311,645,750	-152,450	409
	CDX HY S11 05Y 10-15	1,205,000,000	147,580,680	-106,245	14,630
	CDX HY S11 05Y 15-25	1,015,000,000	1,647,051,021	-759,925	2,130
	CDX HY S11 05Y 25-35	250,000,000	124,283,598	-56,760	249
	CDX HY S11 05Y 35-100	530,000,000	47,371,774	-20,304	44
20-Jun-14	CDX HY S08 07Y	-214,960,000	-72,440,419	35,438	332
	CDX HY S08 07Y 10-15	90,050,000	44,827,444	-34,869	5,640
	CDX HY S08 07Y 15-25	225,050,000	698,736,380	-181,848	1,258
	CDX HY S08 07Y 25-35	282,950,000	107,564,706	-78,049	266
	CDX HY S08 07Y 35-100	115,000,000	17,291,917	-7,497	65
20-Jun-15	CDX HY S10 07Y	-2,438,750,000	-1,176,255,230	576,430	460
	CDX HY S10 07Y 10-15	4,549,500,000	271,448,318	-331,408	0,706
	CDX HY S10 07Y 15-25	306,000,000	1,340,837,418	-381,050	2,030
	CDX HY S10 07Y 25-35	263,000,000	404,401,532	-155,937	666
	CDX HY S10 07Y 35-100	1,515,000,000	486,883,123	-207,395	118
	CDX HY S14 05Y	-12,347,000,000	-9,011,234,909	3,305,915	500
20-Dec-15	CDX HY S11 07Y	4,408,000,000	2,349,537,830	-1,149,488	520
	CDX HY S11 07Y 10-15	50,000,000	2,959,737	-3,248	9,490
	CDX HY S11 07Y 15-25	-30,000,000	-57,463,040	21,567	2,603
	CDX HY S11 07Y 35-100	100,000,000	43,541,720	-18,003	178
	CDX HY S15 05Y	-9,915,000,000	-6,086,534,898	2,946,674	539
20-Jun-16	CDX HY S16 05Y	-6,765,000,000	-6,018,543,396	2,207,099	577
20-Dec-16	CDX HY S17 05Y	-7,270,500,000	-6,060,813,450	2,509,602	632
20-Jun-17	CDX HY S18 05Y	-500,000,000	-547,384,459	596,942	654
Grand Total		-1,826,700,000	-27,235,428,639	7,871,551	2,052

Maturity	Product	Cey Notional EUR	OTR 5YEquiv USD	CS01	Avg Spr
20-Jun-12	ITRAXX FINSUB S07 05Y	-93,000,000	-7,183,693	949	663
20-Dec-12	ITRAXX FINSUB S08 05Y	-528,000,000	-86,341,780	38,402	418
20-Jun-13	ITRAXX FINSUB S09 05Y	-1,652,000,000	-570,391,314	226,211	409
20-Dec-13	ITRAXX FINSUB S10 05Y	-1,105,000,000	-492,752,724	209,869	432
20-Dec-14	ITRAXX FINSUB S12 05Y	-776,000,000	-515,566,908	234,514	458
20-Dec-15	ITRAXX FINSUB S14 05Y	1,300,000,000	1,127,425,913	-499,845	474
20-Jun-16	ITRAXX FINSUB S15 05Y	-455,000,000	-431,701,645	187,658	499
20-Dec-16	ITRAXX FINSUB S16 05Y	1,346,000,000	1,209,575,549	-531,339	498
20-Jun-17	ITRAXX FINSUB S17 05Y	60,000,000	76,563,034	-33,311	474
Grand Total		-2,236,000,000	372,726,638	-162,022	487









Agenda

2351

2352

Curve exposure (Investment Grade CDX and iTraxx Series 9) (cob 5/22/12)

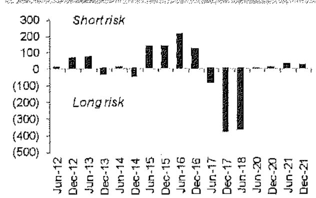
DRAFT (5/23/12)

APPENDIX

Risk depiction

Overall

Curve exposure detail (10% CSW, $mm)



Exposure & P&L

Daily ($000)	WTD	Since 4/30
(42,846)	(95,059)	(1,373,947)

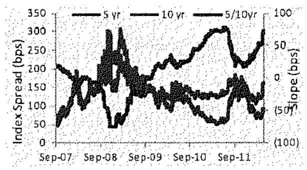
Above P&L based on an indicative attribution model and may not match representative trade P&L estimation

Commentary

- Our curve risk arises from the portfolio being short risk in lesser maturities (Pre Dec 2016) and long risk in greater maturities (post Dec 2016)
- Our exposure to this is approximately $8mmm loss per bp in steepening in IG9 with a forward long of $34mm

US CDX IG 9

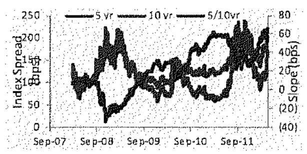
	Notional ($bn)		PV	10% CSW ($mm)	
Maturity	Current	Delta Adj.	($mm)	Spot	Day Chg.
Dec. '12	($33)	($145)	$417	$67	($5.2)
Dec. '17	47	55	(2,410)	(382)	7.7
			Net	(449)	2.6



($mm)	Dec '12	Dec '17	Slope	His. Loss	His. Gain
CS01	$8.1	($25.6)	($33.7)	($143)	$4,951
Spread	86bps	158bps	72bps	76bps	(75bps)

(mm)	Dec. '12	Dec. '17
Notional	($32,723)	$46,989
Volumes		
1Week Total	2,848	18,035
1M Daily Avg.	1,684	2,084
Since 4/30	33,677	36,654
Days to Liquidation	97	113
(20% daily avg. vol.)		

	Notional (€bn)		PV	10% CSW ($mm)	
Maturity	Current	Delta Adj.	($mm)	Spot	Day Chg.
Jun. '13	€17	(€31)	$1,628	$79	$0.1
Jun. '18	13	27	(2,181)	(370)	12.2
			Net	(449)	12.2



($mm)	Dec '12	Dec '17	Slope	His. Loss	His. Gain
CS01	$5.4	($17.7)	($23)	($196)	$2,028
Spread	155bps	209bps	54bps	63bps	(34bps)

(mm)	Jun. '13	Jun. '18
Notional	€16,912	€12,985
Volumes		
1Week Total	6,170	2,381
1M Daily Avg.	1,095	292
Since 4/30	20,277	5,262
Days to Liquidation	77	222
(20% daily avg. vol.)		

[1] PV represents balance sheet carrying value

Investment Grade vs. High Yield (Compression) (cob 5/22/12)

DRAFT (5/23/12)

Risk depiction

Overall

Compression exposure detail

Decompression 10% CSW	$mm
CDX IG	(500)
CDX HY/LCDX	465
ITRAXX MN/FINSEN/SOVX	(275)
ITRAXX XO/FIN SUB	172

Exposure & P&L

P&L ($000s)	Daily	WTD	Since 4/30
Compression	(42,776)	(144,921)	(436,564)
CDX IG vs. HY	(8,568)	(134,901)	(133,124)
iTraxx MN vs. XO	(35,465)	(9,045)	(321,601)
Other	1,257	(975)	18,161

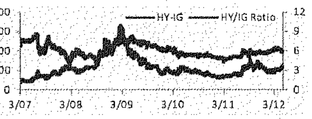
Above P&L based on an indicative attribution model and may not match representative trade P&L estimation

Commentary

- We are long Investment Grade and Short High Yield such that we lose if High Yield widens (narrows) less (more) than a ratio of 5:1 to Investment Grade

US example (CDX)

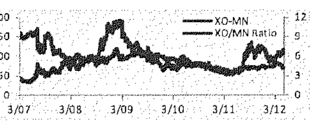
($mm)	CDX IG (S17/S18)	CDX HY (S17)
Maturity	3/21/2017	12/20/2016
Notional	$51,427	($7,271)
CS01	(24.2)	2.5
10% CSW	(273.9)	155.9
CSW 10% Change		
Close of Day	16.8	(4.6)
Close of Week	(169.4)	(11.8)
Since April 30	(147.6)	(6.9)



		Current	Historical	
($mm)	CS01	Spread	Loss	Gain
IG (S17/S18)	(24.2)	118		
HY (S17)	2.5	675	($504.9)	$1,050.2
IG vs. HY ratio		**5.69x**	**4.00x**	**9.23x**

($mm)	CDX IG (S17/S18)	CDX HY (S17)
Notional	$51,427	($7,271)
Volumes		
1Week Total	143,561	23,560
1M Daily Avg.	19,926	3,052
Since 4/30	366,695	54,043
Days to Liquidation *(20% daily avg. vol.)*	13	12

($mm except notional)	iTraxx MN (S16/S17)	iTraxx XO (S16)
Maturity	3/21/2017	12/20/2016
Notional	(€1,194)	(€4,917)
CS01	1.2	2.1
10% CSW	20.4	136.9
CSW 10% Change		
Close of Day	(0.8)	(6.5)
Close of Week	74.0	(6.4)
Since April 30	184.8	(8.0)



		Current	Historical	
($mm)	CS01	Spread	Loss	Gain
MN (S16/S17)	1.2	172		
XO (S16)	2.1	710	($200.6)	$2,121.8
MN vs. XO ratio		**4.14x**	**3.58x**	**10.08x**

(€mm)	iTraxx MN (S16/S17)	iTraxx XO (S16)
Notional	(€1,194)	(€4,917)
Volumes		
1Week Total	93,918	24,605
1M Daily Avg.	13,218	4,141
Since 4/30	236,648	71,540
Days to Liquidation *(20% daily avg. vol.)*	0	6

2353

Off-the-run index risk (cob 5/22/12)

Risk depiction

Overall

	Notional ($bn)		PV	CS01 ($mm)	
	Current	Delta Adj.	($mm)	Spot	Day Chg.
CDX IG9	46,989	55,398	(2,410)	(26)	(0.5)
iTraxx S9	16,569	35,056	(2,181)	(18)	(0.1)
Total	63,558	90,453	(4,592)	(43)	(0.6)

US example (CDX)

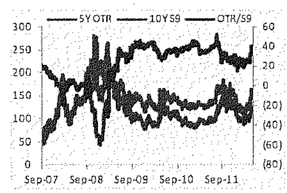
($mm)	IG 9 10yr	IG 18 5yr
CS01	(25.6)	(20.5)
Change		
Close of Day	(0.5)	0.3
Close of Week	16.5	(14.9)
Since April 30	19.5	(12.0)

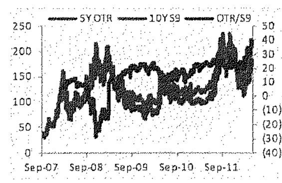
($mm)	MN S9 10yr	MN S17 5 yr
CS01	(17.7)	6.9
Change		
Close of Day	(0.1)	0.0
Close of Week	0.1	3.4
Since April 30	1.5	10.8

Exposure & P&L

Daily ($000s)	WTD	Since 4/30
(3,315)	(52,282)	(136,391)

Above P&L based on an indicative attribution model and may not match representative trade P&L estimation





Commentary

- This refers to the risk that we hold large, concentrated positions in off-the-run indices in IG CDX and iTraxx

($mm)	IG 9 10yr	IG 18 5yr
Notional	$46,989	$43,089
Volumes		
1Week Total	18,035	143,561
1M Daily Avg.	2,084	19,926
Since 4/30	36,654	366,695
Days to Liquidation	113	11
(20% daily avg. vol.)		

(€mm)	MN S9 10yr	MN S17 5 yr
Notional	€16,569	(€15,276)
Volumes		
1Week Total	2,381	93,918
1M Daily Avg.	292	13,216
Since 4/30	5,262	236,648
Days to Liquidation	284	6
(20% daily avg. vol.)		

2354

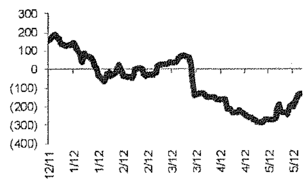
[1] PV represents balance sheet carrying value

 OCC-SPI-00089295

Directionality (cob 5/22/12)

10% CSW ($mm) | **Exposure & P&L** | **Commentary**

Overall

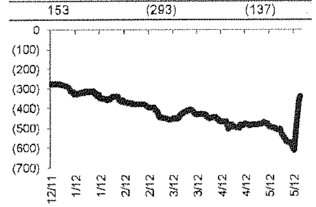


12/31/11	4/30/12	5/22/12
153	(293)	(137)

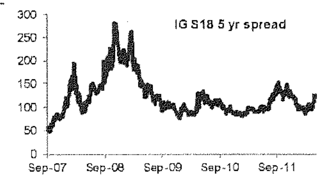
Daily ($000s)	WTD	Since 4/30
(9,207)	638	(370,055)

Above P&L based on an indicative attribution model and may not match representative trade P&L estimation

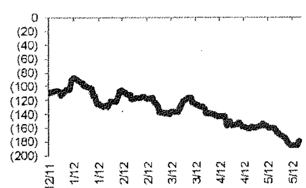
US (CDX)



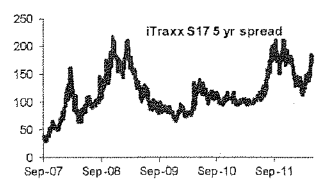
12/31/11	4/30/12	5/22/12
(279)	(480)	(344)



12/31/11	4/30/12	5/22/12
120	95	118



12/31/11	4/30/12	5/22/12
(110)	(159)	(182)



12/31/11	4/30/12	5/22/12
173	141	172

2355

DRAFT (5/23/12)

Tranche Risk (cob 5/22/12)

Risk depiction

Correlation 10% shift[1]

Overall

Index name	Tranches	Total
CDX.IG Junior	0-30%	124
CDX.IG Super Senior	30-100%	(164)
CDX.IG Total		(41)
CDX.HY Junior	0-35%	37
CDX.HY Super Senior	35-100%	8
CDX.HY Total		45
iTraxx Junior	0-22%	(28)
iTraxx Super Senior	22-100%	(150)
iTraxx Total		(178)
Grand total		**(174)**

US

	Long IG 9 Super St. 10yr	Short 0-30
10% Corr 01	(18)	25
Change		
Week To Date	0.12	-0.06
Since April 30	-2.92	0.32

Europe

	Long iTraxx 9 Super 10yr	Short 0-22
10% Corr 01	-15	11
Change		
Week To Date	0.30	0.16
Since April 30	-0.70	-0.70

Exposure & P&L

Daily ($000s)	WTD	Since 4/30
TBU	TBU	TBU

Above P&L based on an indicative attribution model and may not match representative trade P&L estimation

Graphs of 10% correlation shift

Theoretical max gain/loss based on 10% Corr and Spread graph

Commentary

CIO Vol traded since Apr 30th

Implied Daily, weekly P/L

2356

[1] Correlation data as of COB 4/4

Default profile (cob 5/22/12)

Total exposure

Overall

Portfolio	# of names	# Names w/ default loss risk	P&L given default Avg.	P&L given default Max	# Names w/ default gain risk	P&L given default Avg.	P&L given default Max.
Portfolio (today)	675	90	($42)	($253)	585	$156	$639
Portfolio *(post Dec. '12)*	672	258	(240)	(599)	414	133	639
IG9 only (today)	121	0	0	0	121	260	553
IG9 only *(post Dec. '12)*	121	121	(460)	(599)	0	0	0

Top 5 exposures

US

Loss: Pre December 2012	($mm)	Loss: Post December 2012	($mm)	Gain: Pre December 2012	($mm)	Gain: Post December 2012	($mm)
1. H. J. Heinz Company	(253.0)	1. Capital One Bank (Usa), National	(598.6)	1. R.R. Donnelley & Sons Company	552.8	1. Brunswick Corporation	265.1
2. Boston Scientific Corporation	(245.9)	2. Goodrich Corporation	(536.4)	2. Liz Claiborne, Inc.	532.6	2. The New York Times Company	251.1
3. Directv Holdings Llc	(239.3)	3. Mcdonald'S Corporation	(533.7)	3. Gannett Co., Inc.	532.3	3. The Tjx Companies, Inc.	235.6
4. Nabors Industries, Inc.	(232.6)	4. Baxter International Inc.	(533.6)	4. Lennar Corporation	531.5	4. Dean Foods Company	231.6
5. The Gap, Inc.	(222.1)	5. Bristol-Myers Squibb Company	(532.6)	5. Belo Corp.	530.2	5. Temple-Inland Inc.	222.7

Europe

Loss: Pre June 2013	($mm)	Loss: Post June 2013	($mm)	Gain: Pre June 2013	($mm)	Gain: Post June 2013	($mm)
1. Imperial Chemical	(1.5)	1. Imperial Chemical	(1.5)	1. Gas Natural Sdg, S.A.	638.7	1. Gas Natural Sdg, S.A.	638.7
2. Altadis Sa	(1.4)	2. Altadis Sa	(1.4)	2. Gdf Suez	580.6	2. Gdf Suez	580.7
3. Hanson Limited	(0.1)	3. Royal & Sun Alliance Insurance Plc	(0.5)	3. Unicredit, Societa Per Azioni	507.2	3. Banca Monte Dei Paschi Di Siena S.P.A	465.9
4. L'Air Liquide Societe Anonyme Pour L'Etude Et L'Exploitation Des Procedes	(0.0)	4. The Royal Bank Of Scotland N.V.	(0.4)	4. Banca Monte Dei Paschi Di Siena S.P.A	489.9	4. Banco Bilbao Vizcaya Argentaria, Sociedad Anonima	461.0
5. Deutsche Bahn Aktiengesellschaft	(0.0)	5. Hanson Limited	(0.1)	5. Banco Bilbao Vizcaya Argentaria, Sociedad Anonima	485.8	5. Unicredit, Societa Per Azioni	458.8

2357

Limits (cob 5/22/12)

Summary

Limit ($mm)	Usage 5/21/12	Synthetic Limit
CS01 Unadjusted		
CDXHY	7.6	8.6
CDXLCDX	(0.0)	1.6
CDXIG	(30.9)	39.4
iTraxx MN	(11.9)	23.7
iTraxx XO	2.8	3.3
iTraxx Finsub	(0.2)	0.6
iTraxx Finsen	0.3	0.5
CSW10%		
CDXHY	484.8	496.0
CDXLCDX	(0.3)	0.1
CDXIG	(510.7)	549.0
iTraxx MN	(300.1)	434.0
iTraxx XO	191.3	201.0
iTraxx Finsub	(14.3)	27.0
iTraxx Finsen	8.5	12.0
Large Index Notionals		
CDXIG.9.7Y	34.2	34.2
CDXIG.9.10Y	47.0	81.0
iTraxx S9 7Y	5.4	5.4
iTraxx S9 10Y	13.0	13.0

Limit ($mm)	Usage 5/21/12	Synthetic Limit
VaR	158.5	180.0
Compression		
US Compression Limit	484.5	496.0
EUR Compression Limit	176.9	174.0
Tranche Limits		
10% Corr Shift	(188.2)	175.0
Steepen10%		
CDXHY	(69.4)	64.0
CDXLCDX	0.1	0.5
CDXIG	(430.1)	436.0
iTraxx MN	(175.2)	265.0
iTraxx XO	61.2	65.0
iTraxx Finsub	(25.3)	30.0
iTraxx Finsen	4.3	6.0

2358

Differences summary

CIO Credit Collateral differences

By counterparty ($mm)

Counterparty	Sum of MTM	Sum of CP MTM	Sum of MTM Diff
CA	(29)	(29)	0
BBVASA	0	0	(0)
BNPP	355	372	(16)
BOA	55	65	(11)
BPLC	(105)	(97)	(7)
CBKAG	(2)	(1)	(0)
CGML	(6)	(6)	0
CITI	(130)	(141)	12
CSI	(200)	(209)	9
CSX	(48)	(54)	6
DBKAG	399	388	11
GSI	(13)	(29)	17
HSBCEU	12	8	4
HSBCUS	(7)	(10)	3
MLI	5	5	(0)
MSCS	177	145	32
MSIL	(93)	(91)	(2)
NOMURAIP	126	127	(1)
RBSPLC	73	74	(1)
SGCIB	(48)	(29)	(19)
UBSAG	(122)	(110)	(12)
Total	402	377	25

By instrument ($mm)

Instrument	Sum of MTM	Sum of CP MTM	Sum of MTM Diff
CDX IG S09 10Y 00-03	(1,376)	(1,388)	12
ITRAXX MN S06 10Y 06-09	60	70	(10)
CDX HY S09 05Y 15-25	(21)	0	(22)
CDX HY S08 05Y 10-15	28	15	13
ITRAXX MN S09 10Y 22-100	(549)	(558)	9
CDX IG S09 05Y 00-03	412	416	(5)
CDX IG S18 05Y	5	9	(4)
CDX IG S09 10Y 10-15	208	216	(8)
CDX HY S11 07Y	0	(14)	15
CDX IG S09 10Y 15-30	34	37	(3)
Other	1,601	1,574	28
Total	402	377	25

CIO PV Differences with MarkIT pricing

Index ($mm)[1]

	MarkIT PV Change	PV Exceeding Cap[1]
Series 09 Index	(78.6)	(69.2)
Other Index	70.0	63.0
Subtotal	(8.6)	(6.2)
By Family		
CDX IG	(129.1)	
CDX HY	120.7	
ITRAXX MN	(0.2)	
ITRAXX XO	1.5	
Chg. in OnTR 5Y	(7.1)	

Tranche ($mm)[1]

	MarkIT PV Change	PV Exceeding Cap[1]
Series 09 Index	45.9	31.5
Other Index	(54.3)	(29.5)
Subtotal	(8.4)	2.0
By Family		
CDX IG	(37.5)	
CDX HY	20.3	
ITRAXX MN	(0.1)	
Chg. due to OnTR 5Y	(17.2)	

Pricing tolerance[1]

Position Type	Position Type	Independent Source	Notes
Index – IG	½ bps	Markit	Aggregate max.: $50mm
Index – HY	1 bps	Markit	Aggregate max.: $50mm
Tranche	$2mm	Dealer quotes	Per position

Note: as of 5/21/12

[1] Negative number implies marks are too low – P&L adjusted upward to cap; Positive number implies marks are too high – P&L reduced to cap

New trades

May 23, 2012

Date	#	Risk	Notional	Product	Maturity	Counterparty	Traded Price	Traded Spread	Previous Day Price	Previous Day Spread	Closing Price	Closing Spread (bps)
23-May-12	2	LONG	200,000,000	CDX HY S18 05Y	20-Jun-17	JPMCB NY CDS (HY In	92.94		93.75		92.63	
23-May-12	3	LONG	100,000,000	CDX HY S18 05Y	20-Jun-17	JPMCB NY CDS (HY In	92.75		93.75		92.63	
23-May-12	4	LONG	110,000,000	CDX HY S18 05Y	20-Jun-17	JPMCB NY CDS (HY In	92.66		93.75		92.63	
23-May-12	5	LONG	100,000,000	CDX HY S18 05Y	20-Jun-17	JPMCB NY CDS (HY In	92.81		93.75		92.63	
22-May-12	6	LONG	330,000,000	CDX HY S18 05Y	20-Jun-17	JPMCB NY CDS (HY In	93.78		93.75		92.63	
23-May-12	7	SHORT	(250,000,000)	CDX IG S18 05Y	20-Jun-17	SOCGEN		120.75		115.00		122.25
23-May-12	8	SHORT	(250,000,000)	CDX IG S18 05Y	20-Jun-17	BOA CHARLOTTE		121.50		115.00		122.25
23-May-12	9	SHORT	(500,000,000)	CDX IG S18 05Y	20-Jun-17	BOA CHARLOTTE		121.50		115.00		122.25
23-May-12	10	SHORT	(350,000,000)	CDX IG S18 05Y	20-Jun-17	NOMURA LDN		122.00		115.00		122.25
23-May-12	11	SHORT	(250,000,000)	CDX IG S18 05Y	20-Jun-17	SOCGEN		120.75		115.00		122.25
23-May-12	12	SHORT	(500,000,000)	CDX IG S18 05Y	20-Jun-17	SOCGEN		120.50		115.00		122.25
22-May-12	13	SHORT	(250,000,000)	CDX IG S18 05Y	20-Jun-17	SOCGEN		115.50		115.00		122.25
22-May-12	14	SHORT	(250,000,000)	CDX IG S18 05Y	20-Jun-17	SOCGEN		116.00		115.00		122.25
22-May-12	15	SHORT	(250,000,000)	CDX IG S18 05Y	20-Jun-17	CITIBANK NY		116.75		115.00		122.25
22-May-12	16	SHORT	(500,000,000)	CDX IG S18 05Y	20-Jun-17	BARCLAYS NY		116.88		115.00		122.25
22-May-12	17	SHORT	(350,000,000)	CDX IG S18 05Y	20-Jun-17	MS CAP SVC NY		117.25		115.00		122.25
23-May-12	18	SHORT	(250,000,000)	ITRAXX MN S17 05Y	20-Jun-17	BNP LDN		177.75		170.75		180.00
23-May-12	19	SHORT	(250,000,000)	ITRAXX MN S17 05Y	20-Jun-17	BNP LDN		177.75		170.75		180.00
23-May-12	20	LONG	250,000,000	ITRAXX MN S17 05Y	20-Jun-17	NOMURA LDN		181.00		170.75		180.00

2360

Daily price testing – Index

CIO PV Differences with MarkIT pricing

COB: 2012-05-22

Product	USD Factored Notional ($ mm)	Credit Spread BP Value ($ mm)	Price Type	CIO Quote (LON Close)	Markit Quote (NY/LON Close)	ICE Quote (NY/LON Close)	MarkIT Spread Difference	MarkIT PV Change ($ mm)	PV Exceeding Cap ($ mm)
							Total Index	**(8.61)**	**(6.22)**
Series 09 Index								**(78.60)**	**(69.21)**
CDX IG S09 10Y	45,485	(22.86)	spread	153.8	157.7	156.5	3.9	(89.92)	(78.49)
CDX IG S09 07Y	33,099	(8.34)	spread	114.8	117.7	117.0	2.9	(24.50)	(20.33)
CDX IG S09 05Y	(31,675)	1.85	spread	83.5	86.8	86.0	3.3	6.20	5.28
ITRAXX MN S09 05Y	21,581	(2.33)	spread	155.4	155.4	155.4	(0.0)	0.01	-
ITRAXX MN S09 10Y	16,569	(8.85)	spread	212.0	208.8	212.0	(3.3)	28.75	24.33
ITRAXX MN S09 07Y	6,827	(2.01)	spread	185.6	185.1		(0.4)	0.86	-
Other Index								**69.99**	**62.99**
CDX IG S18 05Y	41,489	(20.01)	spread	115.0	118.4	118.3	3.4	(68.38)	(58.37)
CDX HY S08 05Y	15,430	(0.12)	price	100.1	100.1	100.1	(15.9)	1.98	1.85
CDX IG S17 05Y	8,338	(3.67)	spread	108.3	111.5	111.6	3.2	(11.87)	(10.04)
CDX HY S09 05Y	5,686	(0.33)	price	100.5	100.4	100.4	25.2	(8.36)	(8.03)
CDX HY S11 07Y	3,703	(1.16)	price	99.1	98.7		12.3	(14.34)	(13.18)
CDX HY S11 05Y	994	(0.15)	price	101.4	101.2	101.2	12.2	(1.87)	(1.72)
CDX IG S08 07Y	434	(0.09)	spread	159.5	135.4	134.5	(24.1)	2.10	2.05
CDX IG S16 10Y	302	(0.23)	spread	136.5	142.7	142.7	6.2	(1.46)	(1.34)
CDX IG S14 10Y	257	(0.18)	spread	123.8	134.0	134.2	10.2	(1.89)	(1.79)
CDX IG S15 10Y	(54)	0.04	spread	127.5	137.0	138.5	9.5	0.39	0.37
CDX HY S14 03Y	(73)	0.01	price	101.8	101.4		29.5	0.23	0.22
CDX HY S18 05Y	(170)	0.07	price	93.8	93.3	93.3	11.0	0.72	0.65
CDX HY S08 07Y	(180)	0.04	price	98.9	98.6		11.7	0.42	0.38
CDX IG S07 07Y	(704)	0.11	spread	121.5	143.6		22.1	2.42	2.37
CDX LCDX S10 05Y	(1,165)	0.13	price	101.8	101.5		24.8	3.16	3.09
CDX HY S10 07Y	(2,049)	0.58	price	101.1	101.0		5.5	3.21	2.63
CDX HY S16 05Y	(6,562)	2.24	price	97.3	97.1	97.1	7.5	16.80	14.57
CDX HY S17 05Y	(6,887)	2.49	price	95.0	94.6	94.6	9.4	23.41	20.92
CDX IG S14 05Y	(7,657)	2.34	spread	84.0	86.8	86.6	2.8	6.52	5.35
CDX HY S10 05Y	(9,134)	0.99	price	102.0	101.8	101.8	21.7	21.42	20.43
CDX HY S15 05Y	(9,618)	3.00	price	98.8	98.5	98.6	7.2	21.55	18.55
CDX HY S14 05Y	(11,977)	3.34	price	100.0	99.7	99.8	9.3	30.98	27.64
CDX IG S15 05Y	(17,159)	6.04	spread	93.5	96.4	97.0	2.9	17.53	14.51

APPENDIX

2361

Daily price testing (cont'd) – Index

CIO PV Differences with MarkIT pricing

COB: 2012-05-22

Product	USD Factored Notional ($ mm)	Credit Spread BP Value ($ mm)	Price Type	CIO Quote (LON Close)	Markit Quote (NY/LON Close)	ICE Quote (NY/LON Close)	MarkIT Spread Difference	MarkIT PV Change ($ mm)	PV Exceeding Cap ($ mm)
							Total Index	(8.61)	(6.22)
Other Index								69.99	82.99
CDX IG S16 05Y	(18,229)	7.23	spread	102.5	106.1	106.1	3.6	26.15	22.54
ITRAXX MN S16 05Y	13,753	(5.76)	spread	171.2	171.0	171.2	(0.2)	1.15	-
ITRAXX MN S15 05Y	5,181	(1.95)	spread	174.5	174.0	174.5	(0.4)	0.81	-
ITRAXX FINSUB S14 05Y	1,665	(0.50)	spread	474.0	480.2		6.2	(3.07)	(2.82)
ITRAXX FINSUB S16 05Y	1,335	(0.53)	spread	496.0	499.6		3.6	(1.92)	(1.65)
ITRAXX MN S15 07Y	1,129	(0.59)	spread	191.8	190.3		(1.4)	0.84	0.54
ITRAXX MN S06 10Y	102	(0.04)	spread	211.8	218.8		7.0	(0.28)	(0.26)
ITRAXX FINSUB S17 05Y	77	(0.03)	spread	474.0	479.7		5.7	(0.19)	(0.17)
ITRAXX FINSUB S07 05Y	(119)	0.00	spread	559.0	449.5		(109.5)	(0.10)	(0.10)
ITRAXX XO S17 05Y	(555)	0.20	spread	705.5	706.0	705.5	0.5	0.10	-
ITRAXX FINSUB S15 05Y	(581)	0.19	spread	490.0	492.1		2.1	0.41	0.31
ITRAXX FINSUB S08 05Y	(674)	0.04	spread	416.0	409.7		(6.3)	(0.24)	(0.22)
ITRAXX FINSEN S17 05Y	(699)	0.29	spread	280.0	279.7		(0.3)	(0.10)	-
ITRAXX FINSUB S12 05Y	(990)	0.23	spread	452.5	461.3		8.8	2.00	1.89
ITRAXX FINSUB S10 05Y	(1,410)	0.21	spread	432.0	436.7		4.7	1.00	0.89
ITRAXX MN S16 10Y	(1,691)	1.27	spread	186.4	185.5	186.4	(0.9)	(1.13)	(0.50)
ITRAXX XO S15 05Y	(1,726)	0.55	spread	621.0	620.5	621.0	(0.5)	(0.28)	-
ITRAXX MN S15 10Y	(2,083)	1.49	spread	192.8	193.9	192.8	1.1	1.62	0.87
ITRAXX FINSUB S09 05Y	(2,159)	0.23	spread	409.0	418.9		9.9	2.26	2.15
ITRAXX MN S15 03Y	(3,584)	0.73	spread	149.8	147.1		(2.7)	(1.96)	(1.60)
ITRAXX XO S16 05Y	(6,274)	2.11	spread	673.8	672.9	673.8	(0.9)	(1.85)	-
ITRAXX MN S17 05Y	(15,276)	7.02	spread	170.8	170.8	170.8	0.0	0.11	-
By Family				Change in the OnTR 5Y Contract				(7.08)	
CDX IG	53,926	(37.79)	spread	115.0	118.4	118.3	3.4	(129.11)	
CDX HY	(20,837)	10.97	price	93.8	93.3	93.3	11.0	120.69	
ITRAXX MN	42,508	(11.03)	spread	170.8	170.8	170.8	0.0	(0.17)	
ITRAXX XO	(8,555)	2.86	spread	705.5	706.0	705.5	0.5	1.52	

2362

Daily price testing – Tranche

CIO PV Differences with MarkIT pricing

COB: 2012-05-22

Product	USD Factored Notional ($ mm)	Credit Spread BP Value ($ mm)	Price Type	CIO Quote (LON Close)	Adj Tranche Priced (based on Ref Index)	Independent Quote	Index Spread Change	MarkIT PV Change ($ mm)	PV Exceeding Cap ($ mm)
							Total Tranche	(8.40)	1.98
Series 09 Tranche								45.93	31.46
CDX IG S09 10Y 30-100	16,565	(2.63)	upfront+100	(3.5)	(3.6)		3.9	(10.36)	(8.36)
CDX IG S09 07Y 30-100	11,121	(0.50)	upfront+100	(2.2)	(2.2)		2.9	(1.48)	-
CDX IG S09 10Y 00-03	2,018	(4.70)	upfront+500	72.5	72.0		3.9	(18.48)	(16.48)
CDX IG S09 10Y 07-10	775	(1.82)	upfront+500	7.8	7.2		3.9	(7.16)	(5.16)
CDX IG S09 10Y 03-07	60	(0.19)	upfront+500	29.1	28.4		3.9	(0.73)	-
CDX IG S09 07Y 03-07	(215)	0.39	upfront+500	6.0	5.7		2.9	1.13	-
CDX IG S09 05Y 30-100	(260)	0.00	upfront+100	(0.6)	(0.6)		3.3	0.00	-
CDX IG S09 07Y 00-03	(331)	1.11	upfront+500	54.2	53.8		2.9	3.25	1.25
CDX IG S09 07Y 07-10	(365)	0.26	upfront+500	(6.1)	(6.2)		2.9	0.76	-
CDX IG S09 05Y 03-07	(1,395)	0.15	upfront+500	(2.6)	(2.6)		3.3	0.50	-
CDX IG S09 07Y 10-15	(1,970)	0.76	upfront+100	0.1	0.0		2.9	2.24	0.24
CDX IG S09 10Y 10-15	(1,980)	2.75	upfront+100	10.6	10.2		3.9	10.82	8.82
CDX IG S09 05Y 07-10	(2,045)	0.02	upfront+500	(2.9)	(2.9)		3.3	0.08	-
CDX IG S09 05Y 00-03	(2,719)	6.12	upfront+500	17.6	17.3		3.3	20.46	18.46
CDX IG S09 05Y 10-15	(2,905)	0.02	upfront+100	(0.6)	(0.6)		3.3	0.05	-
CDX IG S09 10Y 15-30	(3,800)	2.55	upfront+100	1.2	1.0		3.9	10.02	8.02
CDX IG S09 07Y 15-30	(6,965)	1.01	upfront+100	(1.7)	(1.7)		2.9	2.97	0.97
CDX IG S09 05Y 15-30	(12,215)	0.03	upfront+100	(0.6)	(0.6)		3.3	0.12	-
ITRAXX MN S09 10Y 22-100	21,068	(7.15)	spread	69.8	68.3		(3.3)	23.23	21.23
ITRAXX MN S09 07Y 22-100	14,451	(1.85)	spread	32.4	30.4		(0.4)	0.79	-
ITRAXX MN S09 05Y 22-100	9,060	(0.15)	spread	9.4	8.6		(0.0)	0.00	-
ITRAXX MN S09 10Y 00-03	1,442	(1.21)	upfront+500	73.7	73.6		(3.3)	3.92	1.92
ITRAXX MN S09 10Y 06-09	486	(0.78)	upfront+300	30.8	30.6		(3.3)	2.55	0.55
ITRAXX MN S09 05Y 06-09	434	(0.10)	upfront+300	(2.1)	(2.2)		(0.0)	0.00	-
ITRAXX MN S09 05Y 09-12	357	(0.04)	spread	64.5	58.7		(0.0)	0.00	-
ITRAXX MN S09 10Y 09-12	300	(0.40)	spread	621.5	607.7		(3.3)	1.29	-
ITRAXX MN S09 07Y 09-12	230	(0.20)	spread	417.5	400.1		(0.4)	0.08	-
ITRAXX MN S09 10Y 12-22	198	(0.16)	spread	308.8	303.0		(3.3)	0.51	-
ITRAXX MN S09 10Y 03-06	6	(0.02)	upfront+500	41.8	41.7		(3.3)	0.06	-

APPENDIX

2363

Daily price testing (cont'd) – Tranche

CIO PV Differences with MarkIT pricing

COB: 2012-05-22

Product	USD Factored Notional ($ mm)	Credit Spread BP Value ($ mm)	Price Type	CIO Quote (LON Close)	Adj Tranche Priced (based on Ref Index)	Independent Quote	Index Spread Change	MarkIT PV Change ($ mm)	PV Exceeding Cap ($ mm)
							Total Tranche	**(8.40)**	**1.98**
Series 09 Tranche								**45.93**	**31.46**
ITRAXX MN S09 07Y 06-09	(32)	0.00	upfront+300	12.9	12.3		(0.4)	(0.00)	-
ITRAXX MN S09 05Y 12-22	(160)	0.01	spread	35.0	31.8		(0.0)	(0.00)	-
ITRAXX MN S09 07Y 03-06	(204)	0.31	upfront+500	22.9	22.2		(0.4)	(0.13)	-
ITRAXX MN S09 05Y 03-06	(459)	0.39	upfront+500	1.8	1.2		(0.0)	(0.00)	-
ITRAXX MN S09 07Y 12-22	(574)	0.27	spread	190.0	182.0		(0.4)	(0.11)	-
ITRAXX MN S09 07Y 00-03	(855)	0.99	upfront+500	64.4	63.9		(0.4)	(0.42)	-
ITRAXX MN S09 05Y 00-03	(3,764)	6.41	upfront+500	40.8	39.8		(0.0)	(0.03)	-
Other Tranche								**(54.33)**	**(29.47)**
CDX HY S10 05Y 35-100	3,744	(0.05)	price	105.3	105.3		21.7	(1.15)	-
CDX HY S09 05Y 35-100	3,051	(0.01)	price	102.9	102.9		25.2	(0.20)	-
CDX LCDX S10 05Y 15-100	2,852	(0.11)	price	105.0	105.0		24.8	(2.63)	(0.63)
CDX HY S10 05Y 15-25	2,063	(1.22)	price	91.8	93.1		21.7	(26.48)	(24.48)
CDX HY S10 07Y 35-100	1,452	(0.20)	price	111.3	111.3		5.5	(1.08)	-
CDX HY S10 07Y 10-15	1,360	(0.38)	price	7.6	7.5		5.5	(2.11)	(0.11)
CDX HY S11 05Y 15-25	1,015	(0.79)	price	78.2	77.6		12.2	(9.59)	(7.59)
CDX HY S09 05Y 25-35	875	(0.01)	price	102.9	102.9		25.2	(0.21)	-
CDX HY S08 05Y 25-35	663	(0.00)	price	100.5	100.4		(15.9)	0.01	-
CDX HY S10 05Y 25-35	655	(0.07)	price	103.8	104.1		21.7	(1.54)	-
CDX HY S11 05Y 35-100	508	(0.02)	price	107.1	107.1		12.2	(0.21)	-
CDX HY S11 05Y 10-15	405	(0.19)	price	13.8	13.4		12.2	(2.28)	(0.28)
CDX HY S10 07Y 15-25	385	(0.39)	price	58.5	58.1		5.5	(2.15)	(0.15)
CDX HY S08 07Y 25-35	282	(0.08)	price	104.3	104.8		11.7	(0.95)	-
CDX HY S10 07Y 25-35	265	(0.16)	price	97.2	96.9		5.5	(0.88)	-
CDX HY S11 05Y 25-35	250	(0.05)	price	104.3	104.1		12.2	(0.64)	-
CDX HY S10 05Y 10-15	232	(0.15)	price	20.6	22.1		21.7	(3.23)	(1.23)
CDX HY S08 07Y 15-25	225	(0.19)	price	84.5	85.9		11.7	(2.21)	(0.21)

Daily price testing (cont'd) – Tranche

CIO PV Differences with MarkIT pricing

COB: 2012-05-22

Product	USD Factored Notional ($ mm)	Credit Spread BP Value ($ mm)	Price Type	CIO Quote (LON Close)	Adj Tranche Priced (based on Ref Index)	Independent Quote	Index Spread Change	MarkIT PV Change ($ mm)	PV Exceeding Cap ($ mm)
Total Tranche								**(8.40)**	**1.98**
Other Tranche								**(54.33)**	**(29.47)**
CDX IG S07 07Y 07-10	110	(0.04)	upfront+500	(4.4)	(5.1)		22.1	(0.85)	-
CDX LCDX S10 05Y 12-15	110	(0.03)	price	102.8	102.8		24.8	(0.70)	-
CDX HY S08 07Y 35-100	109	(0.01)	price	108.9	109.1		11.7	(0.09)	-
CDX IG S15 05Y 15-100	100	(0.01)	upfront+25	0.2	0.1		2.9	(0.04)	-
CDX HY S11 07Y 35-100	96	(0.02)	price	110.7	110.8		12.3	(0.21)	-
CDX HY S08 07Y 10-15	47	(0.04)	price	32.1	33.8		11.7	(0.49)	-
CDX HY S11 07Y 10-15	17	(0.00)	price	6.6	6.7		12.3	(0.05)	-
CDX HY S07 07Y 15-25	-	(0.01)	price	92.5	96.0		32.6	(0.21)	-
CDX HY S07 07Y 35-100	-	(0.00)	price	106.6	106.8		32.6	(0.01)	-
CDX IG S07 07Y 15-30	-	0.00	upfront+100	(1.3)	(1.4)		22.1	0.00	-
CDX IG S07 07Y 30-100	-	(0.00)	upfront+100	(1.3)	(1.3)		22.1	(0.01)	-
CDX IG S08 07Y 03-07	-	0.00	upfront+500	5.8	11.3		(24.1)	(0.01)	-
CDX IG S08 07Y 07-10	-	0.00	upfront+500	(5.6)	(3.7)		(24.1)	(0.05)	-
CDX IG S08 07Y 10-15	-	(0.00)	upfront+100	(0.7)	0.0		(24.1)	0.01	-
CDX IG S08 07Y 30-100	-	(0.00)	upfront+100	(1.7)	(1.6)		(24.1)	0.01	-
CDX IG S10 05Y 03-07	-	0.00	upfront+500	(2.6)	(2.6)		2.4	0.00	-
CDX IG S10 05Y 07-10	-	(0.00)	upfront+500	(4.9)	(4.9)		2.4	(0.00)	-
CDX HY S11 07Y 15-25	(30)	0.02	price	51.0	51.3		12.3	0.29	-
CDX HY S09 05Y 10-15	(71)	0.06	price	31.6	35.4		25.2	1.55	-
CDX HY S08 05Y 35-100	(94)	0.00	price	100.5	100.4		(15.9)	(0.00)	-
CDX IG S15 05Y 00-03	(195)	0.64	upfront+500	35.0	34.5		2.9	1.65	-
CDX IG S08 07Y 15-30	(375)	0.04	upfront+100	(1.9)	(1.6)		(24.1)	(0.88)	-
CDX HY S08 05Y 10-15	(812)	0.20	price	98.3	93.5		(15.9)	(3.12)	(1.12)
CDX HY S09 05Y 15-25	(1,055)	0.33	price	99.3	100.7		25.2	6.32	6.32
CDX HY S08 05Y 15-25	(1,410)	0.01	price	100.3	100.2		(15.9)	(0.14)	-
ITRAXX MN S15 07Y 22-100	2,552	(0.84)	spread	68.8	61.4		(1.4)	1.19	-
ITRAXX MN S15 05Y 22-100	2,488	(0.50)	spread	48.5	42.4		(0.4)	0.21	-
ITRAXX MN S15 03Y 22-100	383	(0.02)	spread	17.0	14.2		(2.7)	0.06	-
ITRAXX MN S06 10Y 03-06	191	(0.23)	upfront+500	41.7	40.1		7.0	(1.64)	-
ITRAXX MN S06 10Y 06-09	26	(0.11)	upfront+300	28.9	27.2		7.0	(0.79)	-

2365

Daily price testing (cont'd) – Tranche

CIO PV Differences with MarkIT pricing

COB: 2012-05-22

Product	USD Factored Notional ($ mm)	Credit Spread BP Value ($ mm)	Price Type	CIO Quote (LON Close)	Adj Tranche Priced (based on Ref Index)	Independent Quote	Index Spread Change	MarkIT PV Change ($ mm)	PV Exceeding Cap ($ mm)
							Total Tranche	**(8.40)**	**1.98**
Other Tranche								**(54.33)**	**(29.47)**
ITRAXX MN S15 03Y 03-06	13	(0.02)	upfront+500	10.8	9.2		(2.7)	0.05	-
ITRAXX MN S06 10Y 09-12	-	(0.00)	spread	634.5	589.0		7.0	(0.02)	-
ITRAXX MN S06 10Y 12-22	-	(0.01)	spread	299.8	277.6		7.0	(0.10)	-
ITRAXX MN S06 10Y 22-100	-	(0.00)	spread	64.5	57.2		7.0	(0.03)	-
ITRAXX MN S07 10Y 06-09	-	(0.00)	upfront+300	28.4	27.9		6.9	(0.02)	-
ITRAXX MN S07 10Y 09-12	-	(0.00)	spread	617.0	596.5		6.9	(0.01)	-
ITRAXX MN S07 10Y 12-22	-	(0.00)	spread	285.3	276.1		6.9	(0.00)	-
ITRAXX MN S07 10Y 22-100	-	0.00	spread	64.1	61.5		6.9	0.01	-
ITRAXX MN S15 03Y 00-03	(89)	0.15	upfront+500	49.3	47.4		(2.7)	(0.41)	-
ITRAXX MN S06 10Y 00-03	(132)	0.13	upfront+500	74.8	73.6		7.0	0.88	-
ITRAXX MN S15 07Y 03-06	(249)	0.42	upfront+500	36.1	34.2		(1.4)	(0.59)	-
ITRAXX MN S15 05Y 00-03	(332)	0.43	upfront+500	62.6	61.1		(0.4)	(0.18)	-
ITRAXX MN S15 07Y 00-03	(376)	0.40	upfront+500	69.6	68.3		(1.4)	(0.57)	-
By Family				**Change due to the OnTR 5Y Index**				**(17.24)**	
CDX HY	14,226	(3.41)	price	93.8	93.3	93.3	11.0	(37.49)	
CDX IG	(6,987)	5.94	spread	115.0	118.4	118.3	3.4	20.30	
ITRAXX MN	46,456	(3.89)	spread	170.8	170.8	170.8	0.0	(0.06)	

2366

Volume and activity update

DTCC weekly information

	Gross notional ($mm)		Weekly activity ($mm)		% of notional traded	
Series	Untranched	Tranched	Untranched	Tranched	Untranched	Tranched
CDX IG S09	818,852	557,464	31,954	7,851	3.90%	1.41%
iTraxx MN S09	616,556	522,199	17,076	12,705	2.77%	2.43%
CDX IG S18	390,008	N/A	221,241	N/A	56.73%	N/A
iTraxx MN S16	292,720	N/A	7,532	N/A	2.57%	N/A
iTraxx MN S17	351,346	N/A	197,567	N/A	56.23%	N/A
CDX IG S17	239,782	2,100	19,678	137	8.21%	6.50%
CDX IG S16	178,415	N/A	697	N/A	0.39%	N/A
CDX IG S15	174,828	8,303	866	N/A	0.50%	N/A
CDX HY S17	72,421	650	4,924	N/A	6.80%	N/A
CDX HY S10	71,049	45,217	722	130	1.02%	0.29%
iTraxx XO S16	63,828	N/A	1,110	N/A	1.74%	N/A
iTraxx XO S17	72,023	N/A	47,157	N/A	65.48%	N/A
CDX HY S09	52,839	34,355	673	40	1.27%	0.12%
iTraxx FinSub S17	25,771	N/A	4,904	N/A	19.03%	N/A

2367

Source: DTCC (week ending 5/18/12)

DRAFT (5/25/12)

SYNTHETIC CREDIT DAILY RISK REPORT

May 25, 2012

STRICTLY PRIVATE AND CONFIDENTIAL

J.P.Morgan

Executive summary

DRAFT (5/25/12)

SYNTHETIC CREDIT DAILY RISK REPORT

P&L ($000s)

	Estimate	Actual	Actual vs. Estimate
5/25/2012	($116,598)		
5/24/2012	($82,962)	($68,986)	$13,976

P/L Explain (estimate LDN close)

Total P&L	**($116,598)**
Directional	($4,964)
Compression	($58,172)
Series 09	($26,991)
On/Off Run Basis	($12,368)
Curve/Other	($2,104)
Tranche	($5,687)
IR	($103)
Other P&L	$3,121
VCG Adj	($9,330)

Long credit risk (10% CSW, $mm)

	CSW10%	Trading	Portfolio lengthening	Net change	Since 30-Apr	% Chg. 30-Apr
Current[1]	(173.2)	(2.0)	N/A	(2.0)	119.5	(40.8%)
24May	(171.2)	(17.3)	(0.8)	(18.1)	121.5	(41.5%)
30-Apr	(292.6)	258.1	(138.6)	119.5	0.0	–

Note: CSW 10%; **negative** figures denote **long** risk position; Current data reflects prior day close plus current day trades only

[1] Expected today

Collateral ($mm)

	Description	Current	Prior day
Total (CIO - counterparty)		-$27	-$29
Largest counterparty	MS	15	17
Largest instrument	CDX HY S08 05Y 10-15	13	12

Note: **negative/positive** collateral position denotes **lower/higher** valuation relative to counterparty

Trades

- Bought protection €1,350mm iTraxx Main S17 5y
- Bought protection $1,250mm CDX IG S18 5y
- Sold protection $125mm CDX HY S18 5y
- Sold protection $200mm iTraxx FINSEN S17 5y
- Sold protection $320mm iTraxx XO S17 5y

Summary commentary

- New trades reduced risk in CS01 terms by $1.4mm (new trade activity only, does not include changes due to market moves)
- P&L $(117)mm driven by:
  - Compression in CDX HY vs. CDX IG $(62)mm
  - Underperformance of off-the-run HY $(20)mm
  - Tightening of front-end IG9 $(30)mm

Risk and market summary

DRAFT (5/25/12)

Risk summary[1] (cob 5/25/12)

($mm)	Notional	5Y eqv. OTR Eqv	CS01	Beta Adj. CS01	10% CSW	DoD Change 5yr eqv.	DoD Change CS01	DoD Change Beta Adj CS01	DoD Change CSW10%	Change since 4/30/12 CS01	Change since 4/30/12 Beta Adj. CS01	Change since 4/30/12 CSW10%	Beta [1]
CDX IG	44,055	57,653	(27.9)	(31.8)	(481)	(2,250)	1.1	1.1	12.5	10.7	11.4	25.7	1.00
CDX HY	(103)	(20,473)	7.0	36.6	428	191	(0.1)	(3.4)	(4.3)	(1.4)	(7.7)	(32.5)	5.50
ITRAXX MN	63,931	23,315	(9.7)	(14.5)	(255)	(1,699)	0.8	1.1	13.2	13.9	20.9	152.0	1.50
ITRAXX XO	(7,523)	(7,152)	2.5	13.5	162	880	(0.3)	(1.7)	(20.4)	(0.7)	(3.8)	(24.9)	5.50
CDX LCDX	2,367	244	(0.0)	(0.1)	(0)	0	0.0	0.0	0.0	(0.0)	(0.1)	(0.2)	5.50
ITRAXX FINSEN	(435)	(436)	0.2	0.5	5	252	(0.1)	(0.3)	(3.0)	0.2	0.6	8.0	3.00
ITRAXX FINSUB	(2,810)	364	(0.2)	(0.7)	(11)	0	0.0	0.0	0.0	0.4	1.9	13.3	4.50
SOVX WE	0	0	0.0	0.0	0	0	0.0	0.0	0.0	0.0	0.0	0.4	1.00
Direct Single Name	800	522	(0.2)	(1.7)	(20)	0	0.0	0.0	0.0	(0.2)	(1.7)	(20.5)	7.03
Total	120,299	54,036	(28.4)	3.8	(173)	(2,626)	1.4	1.3	(2.0)	22.9	21.5	119.4	

[1] CDX IG S09 05Y uses a beta of 0.5

[1] Table shown includes notional and risk factors for both indices and tranches combined

Note: **Positive/Negative** notional data denotes **long/short** risk; **Positive/Negative** CS01 denotes **short/long** risk

Betas are computed off on the run IG (S18). Data reflects prior day close plus new trades today.

Risk factors[1] (cob 5/25/12)

	Risk Factors: Underlying CS01 ($mm)	Directionality CS01 ($mm)	Curve CS01 ($mm)	OTR/OFR CS01 ($mm)	HG/HY CS01 ($mm)	Correlation ($/10% change) Super Senior	Correlation ($/10% change) Equity/Mezz
CDX IG	(27.9)	5.1	7.7	(22.7)	--	(123.8)	115.4
Itraxx Main	(9.7)	--	5.2	(13.7)	(9.7)	(132.5)	(33.2)
CDX HY	7.0	--	(0.4)	0.0	7.0	7.5	38.7
Itraxx XO	2.5	--	--	--	2.5	--	--
Itraxx Finsub	(0.2)	--	0.3	--	(0.2)	--	--
Subtotal	(28.3)	5.1	12.8	(36.4)	(0.4)	(248.8)	120.9

Note: Directionality excludes CDX LCDX, iTraxx FINSEN, Direct single names

Market summary[2] (cob 5/24/12) (to be updated)

		Spread 5/24/12	Spread 5/23/12	Spread 5/22/12	Spread 4/30/12	Spread 3/30/12	Basis to Theoretical (bps spd) 5/23/12	Basis to Theoretical (bps spd) 1w	Basis to Theoretical (bps spd) 1m
CDX IG	S18 5 yr	117.5	118.5	116.5	94.7	91.5	(4.1)	(3.9)	1.7
	S9 5yr	81.0	86.4	86.4	68.1	70.8	(6.1)	3.0	9.5
	S9 10yr	159.5	159.2	158.2	119.4	113.1	(1.9)	4.3	13.7
CDX HY	S18 5 yr	670.0	676.6	674.8	579.7	578.9	25.8	(21.8)	28.5
iTraxx Main	S17 5yr	174.5	181.0	171.5	140.5	125.0	7.6	0.4	13.9
	S9 10yr	211.5	218.0	209.0	170.5	151.0	(1.9)	0.5	16.2
iTraxx Xover	S17 5yr	717.5	743.0	710.0	650.0	613.0	31.9	(0.7)	21.7

Source: Market data - J.P. Morgan Investment Bank (as of New York close)

[2] Estimated based on end of day levels, may fluctuate based on end-of-day trading and volatility

SYNTHETIC CREDIT DAILY RISK REPORT

DRAFT (5/25/12)

Notional overview

SYNTHETIC CREDIT DAILY RISK REPORT

	Notional ($mm) (cob 5/25/12)	Notional ($mm) (cob 4/30/12)	Change

CDX IG vs. HY

	Notional (cob 5/25/12)		Notional (cob 4/30/12)		Change: Notional
IG 9	48,460	IG 9	82,460	IG 9	(34,000)
Other IG	1,905	Other IG	(14,500)	Other IG	16,405
High Yield	(17,869)	High Yield	(20,609)	High Yield	2,740

iTraxx Main vs. Crossover

	Notional (cob 5/25/12)		Notional (cob 4/30/12)		Change: Notional
iTraxx Main	30,313	iTraxx Main	54,948	iTraxx Main	(24,635)
iTraxx XO	(5,984)	iTraxx Cross Over	(6,864)	iTraxx XO	880

Tranche positions

cob 5/25/12	Total	Equity	Mezz	Senior
IG 9	(5,940)	(1,355)	(33,020)	28,435
IG 9 5 yr	*(22,400)*	*(3,570)*	*(18,560)*	*(270)*
IG	(360)	(195)	(265)	100
HY	17,769	4,291	4,183	9,295
iTraxx	36,395	(3,230)	440	39,185

cob 4/30/12	Total	Equity	Mezz	Senior
IG 9	(5,940)	(1,355)	(33,020)	28,435
IG 9 5 yr	*(22,400)*	*(3,570)*	*(18,560)*	*(270)*
IG	(340)	(195)	(245)	100
HY	17,789	4,291	4,203	9,295
iTraxx	36,395	(3,230)	440	39,185

Change	Total
IG 9	0
IG 9 5 yr	*0*
IG	(20)
HY	(20)
iTraxx	0

Other positions

	Long (5/25/12)	Short (5/25/12)	Long (4/30/12)	Short (4/30/12)	Change: Long	Change: Short
FinSub	2,411	(4,649)	3,061	(4,649)	(650)	0
LCDX	4,075	(1,688)	4,075	(1,688)	0	0

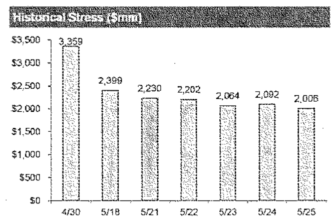
Memo: IG 9 exposure (by maturity)

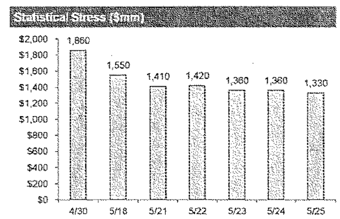
	Notional (cob 5/25/12)		Notional (cob 4/30/12)		Change: Notional
IG S09 05Y	(32,723)	CDX IG S09 05Y	(32,723)	IG S09 05Y	0
IG S09 07Y	34,193	CDX IG S09 07Y	34,193	IG S09 07Y	0
IG S09 10Y	46,989	CDX IG S09 10Y	80,989	IG S09 10Y	(34,000)
IG9	48,460	IG9	82,460	IG9	(34,000)

Note: **Positive/Negative** notional data denotes **long/short** risk

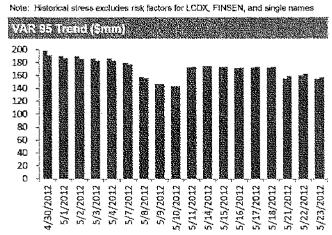
DRAFT (5/25/12)

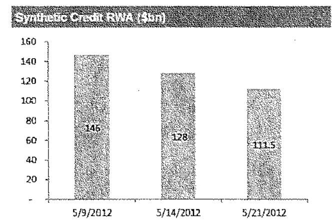
Synthetic credit book – key metrics





Note: Historical stress excludes risk factors for LCDX, FINSEN, and single names





SYNTHETIC CREDIT DAILY RISK REPORT

DRAFT (5/25/12)

Summary of Synthetic Credit Book – historical stress

- Pricing to equilibrium: In addition to below risk factors, some indices will lose value as they move from richness to fairness
- Synthetic credit book exposed to **six risk factors** – Each factor represents a directional exposure
- In the short-to-medium term, **these exposures can be partially mitigated** – But not eliminated

		5/25/12	4/30/12
Risk Factor	Description of when position loses money	Historical worst single day	Historical worst single day
1. Credit spread widening (Directionality)	If **credit spreads widen** across markets	$369mm	$3,253mm
2. Maturity mismatch (Curve)	If credit spreads of **long-maturity positions get wider** relative to short-maturity positions	14mm	89mm
3. High Yield vs. Investment Grade	If **high yield positions outperform** investment grade positions relative to their portfolio weighting	2,077mm	1,441mm
4. Illiquidity of older Indices / Tranches (On-the-Run vs. Off-the-Run)	If **credit spreads of the older index** (the "off-the-run" index) **widen** relative to more-recently issued indices (the more "on the run" indices)	186mm	1,085mm
5. "Super senior" debt vs. "equity" positions (Tranches)	If there is an **increase in the correlation** implied between **defaults among names within the tranches**	505mm	505mm
6. Default risk (Risk on individual names)	If **credit events happen to companies** for which we have "sold protection"	NA	NA
	Portfolio worst day	**$2,006mm**	**$3,359mm**
	Sum of worst case	**$2,966mm**	**$6,373mm**

Note: Historical stress excludes risk factors for LCDX, FINSEN, and single names

DRAFT (5/25/12)

Summary of Synthetic Credit Book – statistical stress

- Pricing to equilibrium: In addition to below risk factors, some indices will lose value as they move from richness to fairness
- Synthetic credit book exposed to **six risk factors** – Each factor represents a directional exposure
- In the short-to-medium term, **these exposures can be partially mitigated** – But not eliminated

Risk Factor	Description of when position loses money	5/25/12 95%ile loss potential[1]	4/30/12 95%ile loss potential[1]
1. Credit spread widening (Directionality)	If **credit spreads widen** across markets	$220mm	$710mm
2. Maturity mismatch (Curve)	If credit spreads of **long-maturity positions get wider** relative to short-maturity positions	140mm	160mm
3. High Yield vs. Investment Grade	If **high yield positions outperform** investment grade positions relative to their portfolio weighting	1,060mm	810mm
4. Illiquidity of older Indices / Tranches (On-the-Run vs. Off-the-Run)	If **credit spreads of the older index** (the "off-the-run" index) **widen** relative to more-recently issued indices (the more "on the run" indices)	510mm	1,400mm
5. "Super senior" debt vs. "equity" positions (Tranches)	If there is **an increase in the correlation** implied between **defaults among names within the tranches**	490mm	490mm
6. Default risk (Risk on individual names)	If **credit events happen to companies** for which we have "sold protection"	291mm	291mm
	Est. total diversified 95% loss potential	**$1,330mm**	**$1,860mm**

SYNTHETIC CREDIT DAILY RISK REPORT

DRAFT (5/25/12)

Synthetic Credit risk factors details

Sensitivity analysis

Scenario	Sigma	Loss ($mm)
90.0% percentile	1.28	1,100
95.0% percentile	**1.64**	**1,330**
97.5% percentile	1.96	1,550
99.9% percentile	3.09	2,340
Downside Case A[1]	N/A	2,711
Downside Case B[2]	N/A	4,475

Assumptions behind analysis

- **Credit spread widening** (Directionality) - Net directional loss estimate assumes correlation based on 1yr data
- **Maturity mismatch** (Curve)
  - Volatility measured as relative movement of longer maturity spread vs. shorter maturity spread adjusted for overall drift
  - Combined across asset classes assuming zero correlation
- **High Yield vs. Investment Grade**
  - Volatility based on relative spread movement netted for overall directionality
  - Assumes zero correlation between these differences for US and Europe
- **Illiquidity of older Indices/Tranches** (On-the-run/Off-the run risk)
  - Series 9 is assumed as the off-the-run position
  - Risks are combined assuming zero correlation
- **"Super senior" debt vs. "equity" positions** (Tranches) - Risk factor based on extreme movements of correlation as seen during the credit crisis
- **Default risk** (Risk on individual names) – Exposure based on comprehensive simulation of default risk using capital model
- **Diversified sum** - All above risk measures combined assuming zero correlation

[1] Diversified sum of 95.0% percentile; [2] Diversified sum of 99.9% percentile

International Synthetic & Secured Credit Risk Summary

Index	CS01	Beta Adj CS01	OTR 5Y Equiv	10%CSW	50%CSW	Lrg Fltn Selloff	WE Default01	WE Corr Up1%	IR01	Equity Delta	Equity Gamma	Equity Vega
CDX HY	7,681,273	38,847,062	-20,994,877,678	432,456,691	2,064,143,312	3,253,986,627	60,347,962	6,138,455	-93,245			
CDX LCDX	-16,528	-107,955	244,136,618	-306,374	-2,219,044	-5,414,977	3,677,772	-213,496	-11,963			
CDX IG	-29,006,014	-32,677,480	59,902,691,199	-460,456,343	-2,344,552,946	-3,621,565,279	256,086,951	3,672,574	847,482			
ITRAXX MN	-10,447,467	-15,671,220	25,014,370,095	-256,458,849	-1,415,598,969	-2,428,743,467	360,992,855	-20,719,846	245,922			
ITRAXX XO	2,766,156	16,208,357	-6,031,127,925	182,031,010	828,520,389	1,194,734,813	111,772,341	0	-103,603			
ITRAXX FINSUB	-156,402	-705,611	364,104,469	-11,170,767	-48,582,358	-55,896,402	87,913,780	0	3,192			
ITRAXX FINSEN	280,111	446,512	-689,891,951	8,248,900	39,268,256	63,988,083	14,086,229	0	-14,693			
SOVX WE	0	0	0	0	0	0	0	0	0			
Single Names	-247,847	-1,709,400	800,000,000	-20,469,237	-102,346,123	-119,127,713	-340,952,283	0	0			
Equities	0	0	0	0	0	0	0	0	0	979,501	100,455	12,861
Synthetic Total	-29,749,819	3,925,845	56,939,846,617	-171,152,057	-963,902,524	-1,717,039,700	572,919,600	-10,422,222	872,887	979,501	100,455	12,861
Investments MTM	-1,773,797	-1,773,797		-54,080,227	-274,651,456	-265,250,140						
Investments AFS	-29,513,864	-29,513,864		-463,718,264	-2,318,501,006	-2,163,249,409						
Investments Total	-31,287,661	-31,287,661		-518,656,493	-2,593,252,464	-2,418,504,549	0	0	0	0	0	0
EMEA Credit Total	-61,037,479	-27,361,816		-689,804,450	-3,577,059,998	-4,136,543,249	572,919,600	-10,422,222	872,887	979,501	100,455	12,861

Commentary – COB 24-May:

Synthetic Credit:

- Long credit risk -29.7mm CS01 (+1.1mm) / -171mm 10%CSW (+4mm)
- Credit Crisis / Large Flattener Sell-off $-1.72bn (+78mm)
- Indices 1-4% tighter across regions; HY decompressing & XO compressing, and off-the-run S9 curves steeper in US, flatter in Europe

Secured Credit (MTM & AFS) :

- Long credit risk -519mm 10%CSW; -31.3mm CS01
- Large Flattener sell-off stress scenario loss -2.42bn

Notes:

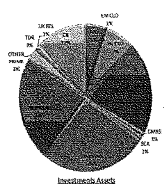
(1) Risk does not reflect the option on IG.9.10y vs. IG.18.5Y sold to client. Option grants client the right, but not obligation, to sell JPM $17bn of CDX IG 9 10Y protection and to buy $17bn of CDX IG 18 5Y protection from JPM. The spread on the CDX IG9 will be 49 bps above the bid level of the spread on the CDX IG 18 at the time of exercise. The option is an American option and may be exercised at any time up to expiry at 11a.m. EST, 29 June, 2012.

(2) Tables below do not include single name positions

Core Strategies	Cry Notional	OTR 5Y Equiv	CS01	WE Corr1%	10%CSW	50%CSW	WE Default01	LFS Stress
ITRAXX MN Outright	-588,358,499	4,558,784,080,984	-13,479,396	0	-353,573,589	-1,590,471,499	5,340,349	-2,354,778,009
ITRAXX MN Hedge	32,251,525,000	-1,204,211,237,955	3,941,922	0	112,073,183	520,264,463	-137,592,917	688,449,617
ITRAXX MN 00-03	-2,776,066,000	-18,961,252,851	9,436,630	-8,220,428	127,356,166	555,206,598	546,731,251	918,006,762
ITRAXX MN 03-06	-580,000,000	-1,626,240,565	839,675	-672,788	13,968,051	60,826,663	18,445,921	136,037,494
ITRAXX MN 06-09	715,000,000	4,150,410,286	-1,140,843	1,347,507	-23,551,392	-106,231,590	-14,147,066	-109,188,287
ITRAXX MN 09-12	695,000,000	1,778,357,338	-733,603	364,512	-14,854,025	-70,817,973	-8,455,767	-116,224,780
ITRAXX MN 12-22	-430,000,000	-121,468,351	74,457	232,385	965,742	6,667,138	449,124	18,416,350
ITRAXX MN 22-100	39,185,000,000	38,049,868,216	-8,926,577	-10,267,084	-170,795,005	-860,751,755	-10,744,349	-1,533,461,416
ITRAXX MN Total	68,057,966,501	25,694,376,065	-16,117,567	-20,218,614	-268,462,948	-1,412,596,965	760,990,855	-2,478,742,441
CDX IG Outright	-83,160,196,965	3,353,905,230,264	-34,020,612	0	-520,464,167	-2,509,981,076	325,958,359	-3,934,239,174
CDX IG Hedge	115,774,960,000	656,658,319,880	-3,695,136	0	-37,032,026	-142,367,036	-555,218,720	-360,556,563
CDX IG 00-03	-1,550,000,000	8,304,431,425	3,786,690	4,625,903	15,776,162	106,489,250	458,513,984	264,008,860
CDX IG 03-07	-1,550,000,000	-151,374,520	383,883	72,087	3,510,702	19,864,299	9,686,560	47,566,799
CDX IG 07-10	-1,525,000,000	3,306,467,136	-1,479,579	1,082,724	-23,898,000	-109,372,914	-12,121,490	-152,652,590
CDX IG 10-15	-6,055,000,000	-7,327,734,527	3,713,660	-17,319	56,921,713	290,517,280	22,847,312	469,098,709
CDX IG 15-30	-23,350,000,000	-6,316,480,029	4,078,654	3,658,476	61,199,696	329,224,427	13,970,868	588,290,331
CDX IG 30-100	28,435,000,000	7,286,918,999	-3,781,050	-5,736,296	-58,346,036	-258,285,818	-8,445,795	-532,961,750
CDX IG Total	46,314,750,000	-39,902,681,199	-25,005,916	3,472,574	-450,435,343	-2,304,552,506	255,089,951	-3,671,565,279
CDX HY Outright	-25,050,800,000	-19,405,055,579,326	7,374,681	0	429,658,130	2,002,388,320	196,646,209	3,986,207,562
CDX HY Hedge	7,007,100,000	-4,509,764,359,557	3,337,865	0	135,294,780	659,324,397	-49,891,391	1,323,821,721
CDX HY 05-10	0	0	0	0	0	0	0	0
CDX HY 10-15	4,290,500,000	293,908,985	-436,777	-4,507,439	-21,059,410	-71,086,538	97,813,287	-80,098,028
CDX HY 15-25	1,190,000,000	5,996,196,878	-2,190,577	3,317,382	-81,249,865	-301,544,567	-125,807,809	-602,856,500
CDX HY 25-35	2,996,000,000	970,121,948	-302,599	-457,140	-14,974,222	-76,596,676	-6,543,415	-146,334,562
CDX HY 35-100	9,295,000,000	740,151,762	-314,964	-1,329,227	-14,177,787	-76,712,617	-4,422,298	-139,582,575
CDX HY Total	-275,200,000	-20,994,627,678	7,981,273	6,138,455	432,466,691	2,064,143,312	90,342,962	3,253,984,627
CDX LCDX Outright	51,350,000	16,688,750,000	-4,086	0	-25,473	-270,074	-387,795	-317,797
CDX LCDX Hedge	-1,739,750,000	-965,419,750,000	130,432	0	1,879,451	9,339,572	6,362,550	17,543,097
CDX LCDX 05-08	0	0	0	0	0	0	0	0
CDX LCDX 08-12	0	0	0	0	0	0	0	0
CDX LCDX 12-15	110,000,000	290,922,562	-21,806	-29,250	-380,137	-2,236,300	-292,199	-4,070,299
CDX LCDX 15-100	3,965,000,000	813,960,135	-126,370	-185,152	-1,747,215	-9,222,952	-2,225,784	-18,589,678
CDX LCDX Total	2,386,600,000	284,136,618	-16,628	-213,496	-306,374	-2,216,044	3,677,772	-5,414,977
ITRAXX XO	-6,704,250,000	-6,031,127,925	2,766,156	0	182,031,010	828,520,389	111,772,341	1,194,734,813
ITRAXX FINSUB	-2,236,000,000	364,104,499	-156,402	0	-11,170,767	-48,582,358	87,913,780	-55,896,402
ITRAXX FINSEN	-548,125,000	-689,891,951	280,111	0	8,248,900	39,268,256	14,086,229	63,988,083
SOVX WE	0	0	0	0	0	0	0	0
Grand Total	[illegible]	56,939,846,617	-29,501,972	-10,422,222	-156,684,730	-481,653,405	913,872,861	-1,558,510,909

Core Strategies	Cry Bal 24-May-12	Cry Bal 23-May-12	Daily Change	Weekly Change	Since 30-Apr	10%CSW 24-May-12	10%CSW 23-May-12	Daily Change	Weekly Change	Since 30-Apr
ITRAXX MN Outright	-588,958,499	811,041,501	-1,400,000,000	-5,535,800,000	-17,075,508,506	-313,573,589	-332,597,552	19,023,968	46,495,006	429,728,298
ITRAXX MN Hedge	32,251,525,000	32,251,525,000	0	7,123,800,000	-5,708,825,000	112,073,183	112,614,288	-541,105	-1,073,290	30,696,723
ITRAXX MN 00-03	-2,776,066,000	-5,256,066,000	0	0	-10,000,000	127,357,166	127,398,152	-41,585	-208,591	18,728,955
ITRAXX MN 03-06	-580,000,000	-580,000,000	0	0	0	13,968,051	14,530,566	-562,515	-399,956	2,332,505
ITRAXX MN 06-09	715,000,000	715,000,000	0	0	0	-23,551,392	-23,857,720	306,328	249,302	-648,545
ITRAXX MN 09-12	695,000,000	695,000,000	0	0	0	-14,854,025	-15,123,777	270,753	621,651	-1,502,256
ITRAXX MN 12-22	-430,000,000	-430,000,000	0	0	0	906,742	1,065,043	-158,301	-726,457	609,598
ITRAXX MN 22-100	39,185,000,000	39,185,000,000	0	0	225,000,000	-170,795,005	-177,266,441	7,091,446	5,423,648	-47,273,271
ITRAXX MN Total	68,657,966,501	69,457,966,501	-1,400,000,000	-3,400,000,000	-23,173,333,506	-268,462,948	-293,776,415	25,307,685	51,094,214	422,173,765
CDX IG Outright	-83,160,196,965	-82,317,669,996	-842,500,000	-2,562,750,000	-17,077,800,000	-520,464,167	-529,709,259	9,308,825	61,944,033	10,064,217
CDX IG Hedge	115,774,950,000	115,682,450,000	92,500,000	2,895,250,000	1,702,800,000	-37,832,026	-41,346,725	4,314,658	7,598,348	-10,109,387
CDX IG 00-03	-1,550,000,000	-1,550,000,000	0	0	0	15,776,162	26,376,369	-4,600,207	5,956,050	8,031,507
CDX IG 03-07	-1,250,000,000	-1,550,000,000	0	0	-20,000,000	3,510,702	3,889,725	-379,023	-301,491	957,302
CDX IG 07-10	-1,525,000,000	-1,525,000,000	0	0	0	-23,898,000	-24,284,949	365,079	-76,226	-3,003,014
CDX IG 10-15	-6,055,000,000	-6,055,000,000	0	0	0	56,921,713	57,637,580	-1,735,066	1,308,158	14,229,416
CDX IG 15-30	-23,350,000,000	-23,350,000,000	0	0	0	61,199,696	63,797,095	-2,187,399	2,418,597	18,833,005
CDX IG 30-100	28,435,000,000	28,435,000,000	0	0	0	-58,346,036	-59,454,060	1,204,274	-5,068,954	-22,362,912
CDX IG Total	46,313,750,000	47,064,750,000	-750,000,000	-5,393,000,000	-15,365,000,000	-450,435,343	-459,993,243	5,579,905	81,496,160	6,048,213
CDX HY Outright	-25,355,800,000	-25,886,800,000	531,000,000	2,201,750,000	1,144,850,000	428,658,130	451,603,566	-22,945,376	-45,358,669	-19,024,135
CDX HY Hedge	7,007,100,000	7,007,100,000	0	-186,750,000	1,875,150,000	135,294,780	138,614,366	-3,149,575	-5,882,500	5,760,376
CDX HY 05-10	0	0	0	0	0	0	0	0	0	0
CDX HY 10-15	4,290,500,000	4,290,500,000	0	0	0	-21,054,410	-20,101,931	-952,479	-3,335,678	2,605,597
CDX HY 15-25	1,190,000,000	1,190,000,000	0	0	-20,000,000	-81,249,600	-83,999,881	2,750,088	4,481,386	-15,777,330
CDX HY 25-35	2,996,000,000	2,996,000,000	0	0	0	-14,974,022	-15,763,877	789,755	1,772,758	-3,617,776
CDX HY 35-100	9,295,000,000	9,295,000,000	0	0	0	-14,177,702	-14,772,199	594,491	1,368,501	-2,872,527
CDX HY Total	-375,200,000	-818,200,000	535,000,000	2,015,000,000	2,435,000,000	432,466,691	455,779,576	-23,312,882	-62,542,355	-36,508,735
CDX LCDX Outright	51,350,000	51,350,000	0	-187,250,000	-226,750,000	-25,473	-55,193	318	212,873	295,547
CDX LCDX Hedge	-1,739,750,000	-1,739,750,000	0	192,250,000	270,250,000	1,879,451	1,890,274	-10,823	-295,178	587,050
CDX LCDX 05-08	0	0	0	0	0	0	0	0	0	0
CDX LCDX 08-12	0	0	0	0	0	0	0	0	0	0
CDX LCDX 12-15	110,000,000	110,000,000	0	0	0	-383,127	-389,138	3,001	76,833	55,676
CDX LCDX 15-100	3,965,000,000	3,965,000,000	0	0	0	-1,767,215	-1,751,938	44,723	88,802	-705,694
CDX LCDX Total	2,386,600,000	2,386,600,000	0	0	0	-306,374	-343,395	37,226	69,231	-530,738
ITRAXX XO	-6,704,250,000	-6,704,250,000	0	100,000,000	185,000,000	182,031,010	185,064,578	-3,033,568	-3,560,638	-5,300,718
ITRAXX FINSUB	-2,236,000,000	-2,236,000,000	0	-250,000,000	-895,000,000	-11,170,767	-11,150,100	-20,667	9,628,122	13,581,798
ITRAXX FINSEN	-548,125,000	-548,125,000	0	0	-400,000,000	8,248,900	8,382,819	-133,920	-330,519	8,969,145
SOVX WE	0	0	0	0	-50,000,000	0	0	0	0	448,349
Grand Total	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-156,684,730	-155,934,716	-4,273,586	45,723,918	126,856,479

Asset	MV ($mm) MTM	MV ($mm) AFS	MV ($mm) Total	CS01 ($mm) MTM	CS01 ($mm) AFS	CS01 ($mm) Total	10%CSW ($mm) MTM	10%CSW ($mm) AFS	10%CSW ($mm) Total	Lrg Ftn Selloff ($mm) MTM	Lrg Ftn Selloff ($mm) AFS	Lrg Ftn Selloff ($mm) Total	WTD Change ($mm) MV	WTD Change ($mm) CS01	WTD Change ($mm) 10%CSW
ABS AUTO	0	2,455	2,455	0.0	-0.4	-0.4	0.0	-7.3	-7.3	0	-33	-33	-42	+0.0	+0.1
ABS CC	36	1,077	1,108	-0.0	-0.2	-0.2	-0.1	-4.8	-5.0	-2	-21	-24	-26	+0.0	+0.0
ABS OTHER	9	14	24	0.0	-0.0	-0.0	0.1	-0.2	-0.1	1	-1	-1	-6	+0.0	+0.0
NON PRIME	5	482	490	-0.0	-0.2	-0.2	-0.1	-12.9	-12.9	-3	-57	-60	-12	+0.0	+0.1
SME	77	1,200	1,277	-0.0	-0.0	-0.1	-0.1	-3.0	-3.4	-2	-25	-28	-35	+0.0	+0.1
ABS Total	116	5,287	5,403	-0.0	-1.0	-1.0	-1.4	-18.9	-20.3	-7	-143	-150	-110	+0.0	+0.3
SF CLO	0	430	430	0.0	-0.1	-0.1	0.0	-4.1	-4.1	0	-19	-19	-6	+0.0	+0.0
EU CLO	1,370	5,994	7,364	-0.6	-1.2	-1.8	-17.4	-24.2	-41.6	-79	-112	-192	-28	+0.0	+0.5
US CLO	2,684	18,934	21,617	-0.5	-4.5	-5.0	-57.4	-96.6	-154.1	-61	-451	-512	-57	-0.1	-1.7
CLO Total	4,054	25,347	29,401	-1.1	-5.8	-7.0	-74.8	-124.9	-199.7	-140	-583	-724	-100	-0.1	-1.3
CMBS EURO	0	371	371	0.0	-0.1	-0.1	0.0	-1.9	-1.9	0	-9	-9	-0	+0.0	+0.0
UK CMBS	0	0	0	0.0	0.0	0.0	0.0	0.0	0.0	0	0	0	-0	+0.0	+0.0
CMBS Total	433	928	1,361	-0.2	-0.2	-0.4	-4.2	-4.2	-8.3	-20	-20	-40	-15	+0.0	+0.3
RBA	0	925	925	0.0	-0.2	-0.2	0.0	-3.0	-3.0	0	-14	-14	-6	+0.0	+0.0
RBA Total	0	925	925	0.0	-0.2	-0.2	0.0	-3.0	-3.0	0	-14	-14	-0	+0.0	+0.0
UK PRIME	8	27,996	27,996	-0.0	-6.1	-6.1	-1.2	-56.9	-58.1	-3	-443	-443	-324	+0.1	+0.1
NL PRIME	33	24,590	24,623	-0.1	-7.0	-7.0	-2.4	-98.8	-101.2	-12	-416	-428	-324	+0.1	+0.2
OTHER PRIME	25	2,712	2,735	-0.0	-0.1	-0.1	-0.1	-15.6	-15.7	-4	-67	-71	-57	+0.0	+0.2
RMBS Total	66	55,074	55,590	-0.1	-14.5	-14.6	-3.4	-194.2	-255.6	-21	-910	-931	-682	+0.1	+0.3
TDR	380	0	380	-0.2	0.0	-0.2	-7.1	0.0	-7.1	-35	0	-35	-2	+0.0	+0.0
TDR Total	380	0	380	-0.2	0.0	-0.2	-7.1	0.0	-7.1	-35	0	-35	-2	+0.0	+0.0
UK BTL	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-7.7	-27.4	-35.1	-20	-122	-142	-8	+0.0	+0.1
UK BTL Total	36	1,264	1,300	-0.0	-0.1	-0.1	-7.7	-27.4	-35.1	-20	-122	-142	-8	+0.0	+0.1
CB	0	12,830	12,830	0.0	-3.0	-3.0	0.0	-50.0	-50.0	0	-279	-279	-125	+0.0	+0.4
CB Total	0	12,830	12,830	0.0	-3.0	-3.0	0.0	-50.0	-50.0	0	-279	-279	-125	+0.0	+0.4
Inv Total	5,457	105,345	106,342	-1.8	-29.5	-31.3	-54.5	-462.7	-519.2	-296	-2,125	-2,420	-1,625	+0.1	+0.3



Investments Assets

J.P.Morgan

Credit & Equity Index Monitor

Index	Series	Maturity	Spot (24/05/2012)	CoD (Mode)	CoW (Bps)	CoM	YTD
ITRAXX MN	OTR	05Y	174.50	-6.50	-7.00	+31.75	+2.00
ITRAXX FINSUB	OTR	05Y	494.00	-10.00	-14.00	+63.00	-11.00
ITRAXX FINSEN	OTR	05Y	294.00	-5.50	-11.50	+47.00	+21.50
ITRAXX SOVXWE	OTR	05Y	315.00	-2.00	+6.00	+41.00	-52.00
ITRAXX XO	OTR	05Y	717.50	-25.50	-34.00	+56.50	-27.00
CDX IG	OTR	05Y	117.50	-1.00	-5.50	+21.50	-1.01
CDX HY	OTR	05Y	669.72	-6.89	-45.45	+77.23	+12.45

FTSE 100	OTR	05Y	5266.41	+0.00	-71.97	-482.31	-435.50
DJ EURO STOXX 5	OTR	05Y	2134.08	+0.00	-12.86	-188.65	-215.84
S&P 500	OTR	05Y	1320.68	+1.82	+15.82	-79.30	+63.39
NASDAQ 100	OTR	05Y	2531.35	-15.73	-30.21	-193.88	+209.39
NIKKEI 225	OTR	05Y	8556.60	+0.00	-312.99	-1005.23	-3.51
HANG SENG	OTR	05Y	18786.19	+0.00	-414.74	-2023.32	+58.88

Index Curve Monitor

ITRAXX MN S&R	03Y	05Y	07Y	10Y	3/5	5/7	5/10	3/10
Spot	26.50	157.50	187.50	211.50	131.00	30.00	54.00	185.00
Day	26.50	164.50	160.50	218.00	-7.00	+1.00	+0.50	-6.50
Week	26.50	166.00	156.00	219.00	-8.50	+0.50	+1.00	-7.50
Month	26.50	111.75	130.75	174.25	+45.75	-8.00	-8.50	+37.25
Year	26.50	170.50	159.00	196.50	-13.00	+11.00	+25.00	+15.00

CDX IG S&R	03Y	05Y	07Y	10Y	3/5	5/7	5/10	3/10
Spot	0.00	85.43	119.70	159.66	85.43	34.27	74.24	159.66
Day	0.00	86.43	118.20	159.16	-1.00	+2.50	+1.50	+0.50
Week	0.00	89.43	121.20	156.16	-4.00	+2.50	+7.50	+3.50
Month	0.00	68.31	83.17	120.14	+17.12	+9.41	+22.05	+39.52
Year	0.00	126.90	137.77	146.64	-41.47	+23.44	+54.50	+13.02

CDX HY S&R	03Y	05Y	07Y	10Y	3/5	5/7	5/10	3/7
Spot	0.00	310.80	455.55	574.71	310.80	144.75	263.91	574.71
Day	0.00	317.07	464.68	581.63	-6.27	+1.25	-0.65	+110.63
Week	0.00	354.24	493.86	613.65	-43.44	+9.33	+5.43	+63.16
Month	0.00	274.03	461.35	530.80	+36.77	+20.53	+27.14	+172.48
Year	0.00	496.13	524.15	585.60	-185.32	+110.73	+174.44	+40.56

ITRAXX FINSUB OTR	05Y	10Y	5/10
Spot	494.00	503.00	9.00
Day	504.00	513.00	+0.00
Week	506.00	517.00	-4.00
Month	411.00	424.00	-4.00
Year	505.00	500.00	+14.00

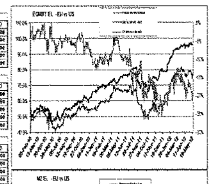
ITRAXX FINSEN OTR	05Y	10Y	5/10
Spot	294.00	309.00	15.00
Day	299.50	314.50	+0.00
Week	305.50	320.50	+0.00
Month	247.00	262.00	+0.00
Year	272.50	272.50	+15.00

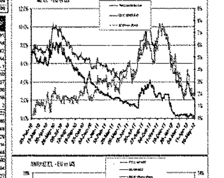
ITRAXX XO OTR	05Y	10Y	5/10
Spot	717.50	712.50	-5.00
Day	742.00	738.00	+0.00
Week	751.50	746.50	+0.00
Month	661.00	671.00	-15.00
Year	744.50	714.50	+25.00

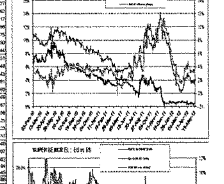
Maturity	Product	Cty Notional EUR	OTR 5Y Eqiv USD	CS01	Avg Spr
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

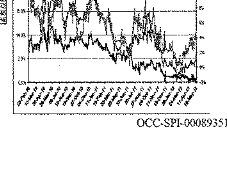
Maturity	Product	Cty Notional USD	OTR 5Y Eqiv USD	CS01	Avg Spr
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Maturity	Product	Cty Notional USD	OTR 5Y Eqiv USD	CS01	Avg Spr
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]









Agenda

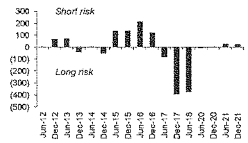
Curve exposure (Investment Grade CDX and iTraxx Series 9) (cob 5/24/12)

DRAFT (5/25/12)

Risk depiction | **Exposure & P&L** | **Commentary**

Overall

Curve exposure detail (10% CSW, $mm)



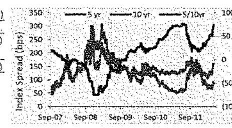
Daily ($000)	WTD	Since 4/30
0	(177,373)	(1,456,261)

Above P&L based on an indicative attribution model and may not match representative trade P&L estimation

- Our curve risk arises from the portfolio being short risk in lesser maturities (Pre Dec 2016) and long risk in greater maturities (post Dec 2016)
- Our exposure to this is approximately $8mmm loss per bp in steepening in IG9 with a forward long of $34mm

US CDX IG 9

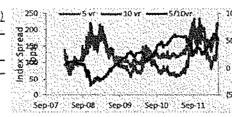
Maturity	Notional ($bn) Current	Notional ($bn) Delta Adj.	PV ($mm)	10% CSW ($mm) Spot	10% CSW ($mm) Day Chg.
Dec. '12	($33)	($143)	$402	$64	($5.1)
Dec. '17	47	56	(2,575)	(393)	3.3
			Net	(457)	(1.8)



($mm)	Dec '12	Dec '17	Slope	His. Loss	His. Gain
CS01	$7.7	($25.3)	($33.1)	($57)	$4,936
Spread	85bps	160bps	74bps	76bps	(75bps)

(mm)	Dec. '12	Dec. '17
Notional	($32,723)	$46,989
Volumes		
1Week Total	11,264	19,388
1M Daily Avg.	2,105	2,458
Since 4/30	42,094	45,865
Days to Liquidation	78	96
(20% daily avg. vol.)		

Maturity	Notional (€bn) Current	Notional (€bn) Delta Adj.	PV ($mm)	10% CSW ($mm) Spot	10% CSW ($mm) Day Chg.
Jun. '13	€17	(€31)	$1,619	$78	$0.9
Jun. '18	13	27	(2,210)	(370)	6.9
			Net	(448)	7.6



($mm)	Dec '12	Dec '17	Slope	His. Loss	His. Gain
CS01	$5.2	($17.4)	($23)	($193)	$1,995
Spread	158bps	212bps	54bps	63bps	(34bps)

(mm)	Jun. '13	Jun. '18
Notional	€16,912	€12,985
Volumes		
1Week Total	7,912	1,967
1M Daily Avg.	1,237	297
Since 4/30	23,875	5,932
Days to Liquidation	68	219
(20% daily avg. vol.)		

[1] PV represents balance sheet carrying value

Investment Grade vs. High Yield (Compression) (cob 5/24/12)

DRAFT (5/25/12)

Risk depiction | Exposure & P&L | Commentary

Overall

Compression exposure detail

Decompression 10% CSW	$mm
CDX IG	(493)
CDX HY/LCDX	432
ITRAXX MN/FINSEN/SOVX	(260)
ITRAXX XO/FIN SUB	171

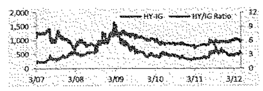
P&L ($000s)	Daily	WTD	Since 4/30
Compression	-	(144,921)	(436,564)
CDX IG vs. HY	-	(134,901)	(133,124)
iTraxx MN vs. XO	-	(9,045)	(321,601)
Other	-	(975)	18,161

Above P&L based on an indicative attribution model and may not match representative trade P&L estimation

- We are long Investment Grade and Short High Yield such that we lose if High Yield widens (narrows) less (more) than a ratio of 5:1 to Investment Grade

US example (CDX)

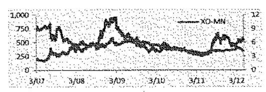
($mm)	CDX IG (S17/S18)	CDX HY (S17)
Maturity	3/21/2017	12/20/2016
Notional	$46,977	($7,101)
CS01	(22.0)	2.4
10% CSW	(255.1)	153.6
CSW 10% Change		
Close of Day	12.7	(2.5)
Close of Week	(156.1)	(14.1)
Since April 30	(128.8)	(9.2)



($mm)	CS01	Current Spread	Historical Loss	Historical Gain
IG (S17/S18)	(22.0)	117		
HY (S17)	2.4	670	($486.6)	$1,007.5
IG vs. HY ratio		**5.70x**	**4.00x**	**9.23x**

($mm)	CDX IG (S17/S18)	CDX HY (S17)
Notional	$46,977	($7,101)
Volumes		
1Week Total	137,037	19,313
1M Daily Avg.	22,042	3,151
Since 4/30	430,742	60,389
Days to Liquidation *(20% daily avg. vol.)*	11	11

($mm except notional)	iTraxx MN (S16/S17)	iTraxx XO (S16)
Maturity	3/21/2017	12/20/2016
Notional	(€2,844)	(€4,917)
CS01	2.1	2.0
10% CSW	36.6	135.9
CSW 10% Change		
Close of Day	13.1	(2.2)
Close of Week	31.8	(7.7)
Since April 30	201.0	(9.0)



($mm)	CS01	Current Spread	Historical Loss	Historical Gain
MN (S16/S17)	2.1	175		
XO (S16)	2.0	718	($190.1)	$2,126.5
MN vs. XO ratio		**4.11x**	**3.58x**	**10.06x**

(€mm)	iTraxx MN (S16/S17)	iTraxx XO (S16)
Notional	(€2,844)	(€4,917)
Volumes		
1Week Total	81,149	20,458
1M Daily Avg.	14,291	4,227
Since 4/30	277,514	80,016
Days to Liquidation *(20% daily avg. vol.)*	1	6

APPENDIX

DRAFT (5/25/12)

Off-the-run index risk (cob 5/24/12)

Risk depiction

Overall

	Notional ($bn)		PV	CS01 ($mm)	
	Current	Delta Adj.	($mm)	Spot	Day Chg.
CDX IG9	46,989	55,960	(2,575)	(25)	(0.2)
iTraxx S9	16,337	34,565	(2,210)	(17)	(0.1)
Total	63,326	90,526	(4,784)	(43)	(0.3)

Exposure & P&L

Daily ($000s)	WTD	Since 4/30
(3,315)	(52,282)	(136,391)

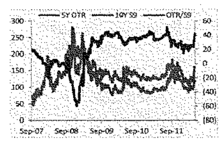
Above P&L based on an indicative attribution model and may not match representative trade P&L estimation

Commentary

- This refers to the risk that we hold large, concentrated positions in off-the-run indices in IG CDX and iTraxx

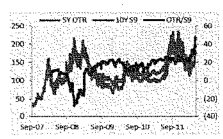
US example (CDX)

($mm)	IG 9 10yr	IG 18 5yr
CS01	(25.3)	(18.3)
Change		
Close of Day	(0.2)	0.3
Close of Week	16.5	(13.5)
Since April 30	19.8	(9.8)



($mm)	IG 9 10yr	IG 18 5yr
Notional	$46,989	$38,639
Volumes		
1Week Total	19,388	137,037
1M Daily Avg.	2,458	22,042
Since 4/30	45,865	430,742
Days to Liquidation	95	9
(20% daily avg. vol.)		

($mm)	MN S9 10yr	MN S17 5 yr
CS01	(17.4)	7.7
Change		
Close of Day	(0.1)	0.8
Close of Week	0.1	0.9
Since April 30	1.8	11.6



(€mm)	MN S9 10yr	MN S17 5 yr
Notional	€16,337	(€17,139)
Volumes		
1Week Total	1,967	81,149
1M Daily Avg.	297	14,291
Since 4/30	5,932	277,514
Days to Liquidation	275	6
(20% daily avg. vol.)		

[1] PV represents balance sheet carrying value

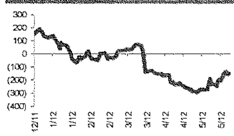
APPENDIX

Directionality (cob 5/24/12)

DRAFT (5/25/12)

10% CSW ($mm) | Exposure & P&L | Commentary

Overall

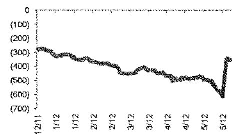


12/31/11	4/30/12	5/24/12
153	(293)	(151)

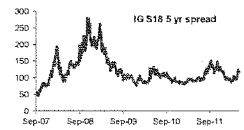
Daily ($000s)	WTD	Since 4/30
0	(11,935)	(382,628)

Above P&L based on an indicative attribution model and may not match representative trade P&L estimation

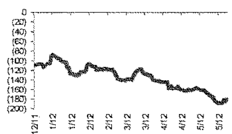
US (CDX)



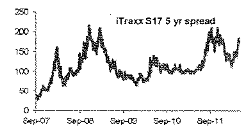
12/31/11	4/30/12	5/24/12
(279)	(480)	(356)



12/31/11	4/30/12	5/24/12
120	95	117



12/31/11	4/30/12	5/24/12
(110)	(159)	(181)



12/31/11	4/30/12	5/24/12
173	141	175

Tranche Risk (cob 5/24/12)

Risk depiction

Overall

Correlation 10% shift

Index name	Tranches	Total
CDX.IG Junior	0-30%	125
CDX.IG Super Senior	30-100%	(166)
CDX.IG Total		(41)
CDX.HY Junior	0-35%	37
CDX.HY Super Senior	35-100%	8
CDX.HY Total		45
iTraxx Junior	0-22%	(29)
iTraxx Super Senior	22-100%	(154)
iTraxx Total		(183)
Grand total		**(179)**

US

	Long IG 9 Super Sr. 10yr	Short 0-30
10% Corr 01	(18)	25
Change		
Week To Date	-0.06	0.00
Since April 30	-3.10	0.38

Europe

	Long iTraxx 9 Super 10yr	Short 0-22
10% Corr 01	-15	11
Change		
Week To Date	0.28	-0.04
Since April 30	-0.72	-0.90

Exposure & P&L

Daily ($000s)	WTD	Since 4/30
TBU	TBU	TBU

Above P&L based on an indicative attribution model and may not match representative trade P&L estimation

Graphs of 10% correlation shift

Theoretical max gain/loss based on 10% Corr and Spread graph

Commentary

CIO Vol traded since Apr 30th

Implied Daily, weekly P/L

DRAFT (5/25/12)

Default profile (cob 5/24/12)

Overall

Total exposure

Portfolio	# of names	# Names w/ default loss risk	P&L given default Avg.	P&L given default Max	# Names w/ default gain risk	P&L given default Avg.	P&L given default Max.
Portfolio (today)	675	74	($46)	($236)	601	$151	$622
Portfolio *(post Dec. '12)*	672	248	(245)	(584)	424	127	622
IG9 only (today)	121	0	0	0	121	270	547
IG9 only *(post Dec. '12)*	121	121	(451)	(584)	0	0	0

Top 5 exposures

US

Loss: Pre December 2012	($mm)	Loss: Post December 2012	($mm)	Gain: Pre December 2012	($mm)	Gain: Post December 2012	($mm)
1. H. J. Heinz Company	(231.6)	1. Capital One Bank (Usa), National Association	(578.5)	1. Liz Claiborne, Inc.	518.3	1. Brunswick Corporation	254.0
2. Boston Scientific Corporation	(225.5)	2. Wyeth Llc	(519.1)	2. Gannett Co., Inc.	518.3	2. The New York Times Company	242.0
3. Directv Holdings Llc	(223.8)	3. Comcast Cable Communications, Llc	(517.7)	3. Lennar Corporation	517.5	3. The Tjx Companies, Inc.	235.7
4. L-3 Communications Corporation	(217.6)	4. Goodrich Corporation	(515.9)	4. Belo Corp.	516.1	4. Temple-Inland Inc.	222.6
5. Nabors Industries, Inc.	(212.7)	5. Baxter International Inc.	(515.3)	5. Limited Brands, Inc.	509.1	5. Dean Foods Company	221.8

Loss: Pre June 2013	($mm)	Loss: Post June 2013	($mm)	Gain: Pre June 2013	($mm)	Gain: Post June 2013	($mm)
1. Imperial Chemical Industries	(1.6)	1. Imperial Chemical	(1.6)	1. Gas Natural Sdg, S.A.	627.3	1. Gas Natural Sdg, S.A.	627.3
2. Altadis Sa	(1.5)	2. Altadis Sa	(1.5)	2. Gdf Suez	567.1	2. Gdf Suez	567.1
3. Hanson Limited	(0.1)	3. Royal & Sun Alliance Insurance Plc	(0.7)	3. Unicredit, Societa Per Azioni	501.1	3. Banca Monte Dei Paschi Di Siena S.P.A.	461.0
4. L'Air Liquide Societe Anonyme Pour L'Etude Et L'Exploitation Des Procedes	(0.0)	4. The Royal Bank Of Scotland N.V.	(0.6)	4. Banca Monte Dei Paschi Di Siena S.P.A.	484.6	4. Banco Bilbao Vizcaya Argentaria, Sociedad Anonima	455.1
5. Deutsche Bahn Aktiengesellschaft	(0.0)	5. Hanson Limited	(0.1)	5. Banco Bilbao Vizcaya Argentaria, Sociedad Anonima	479.4	5. Unicredit, Societa Per Azioni	453.4

Limits

Summary

Limit ($mm)	Usage 5/24/12	Synthetic Limit	Limit ($mm)	Usage 5/24/12	Synthetic Limit
CS01 Unadjusted			**VaR**	156.6	180.0
CDX.HY	7.1	8.6			
CDX.LCDX	(0.0)	1.8	**Compression**		
CDX.IG	(29.0)	39.4	US Compression Limit	432.2	496.0
iTraxx MN	(10.4)	23.7	EUR Compression Limit	170.9	174.0
iTraxx XO	2.8	3.3			
iTraxx Finsub	(0.2)	0.6	**Tranche Limits**		
iTraxx Finsen	0.3	0.5	10% Corr Shift	(178.5)	175.0
CSW10%			**Steepen10%**		
CDX.HY	432.5	496.0	CDX.HY	(84.0)	64.0
CDX.LCDX	(0.3)	0.1	CDX.LCDX	0.2	0.5
CDX.IG	(493.5)	549.0	CDX.IG	(406.5)	436.0
iTraxx MN	(268.5)	434.0	iTraxx MN	(163.5)	265.0
iTraxx XO	182.0	201.0	iTraxx XO	58.0	65.0
iTraxx Finsub	(11.2)	27.0	iTraxx Finsub	(22.1)	30.0
iTraxx Finsen	8.2	12.0	iTraxx Finsen	4.1	6.0
Large Index Notionals					
CDX.IG.9.7Y	34.2	34.2			
CDX.IG.9.10Y	47.0	81.0			
iTraxx S9 7Y	5.4	5.4			
iTraxx S9 10Y	13.0	13.0			

Differences summary

DRAFT (5/25/12)

CIO Credit Collateral differences

By counterparty ($mm)

Counterparty	Sum of MTM	Sum of CP MTM	Sum of MTM Diff
CA	(32)	(32)	0
BBVASA	0	0	0
BNPP	382	391	(9)
BOA	35	43	(9)
BPLC	(105)	(103)	(2)
CBKAG	(1)	(2)	0
CGML	(6)	(7)	1
CITI	(115)	(129)	14
CSI	(207)	(208)	0
CSX	(54)	(52)	(2)
DBKAG	384	379	5
GSI	(27)	(26)	(1)
HSBCEU	12	9	3
HSBCUS	(7)	(9)	2
ML1	5	5	(0)
MSCS	130	113	17
MSIL	(95)	(92)	(3)
NOMURAIP	124	128	(5)
RBSPLC	74	74	0
SGCIB	(43)	(21)	(22)
UBSAG	(130)	(111)	(19)
Total	323	352	(29)

By instrument ($mm)

Instrument	Sum of MTM	Sum of CP MTM	Sum of MTM Diff
CDX IG S09 10Y 00-03	(1,410)	(1,392)	(18)
ITRAXX MN S06 10Y 06-09	56	66	(10)
CDX HY S09 05Y 15-25	(9)	(2)	(6)
CDX HY S08 05Y 10-15	27	15	12
ITRAXX MN S09 10Y 22-100	(604)	(604)	(0)
CDX IG S09 05Y 00-03	428	401	27
CDX IG S18 05Y	22	11	11
CDX IG S09 10Y 10-15	232	221	11
CDX HY S11 07Y	(17)	(16)	(2)
CDX IG S09 10Y 15-30	50	41	9
Other	1,548	1,611	(63)
Total	323	352	(29)

CIO PV Differences with MarkIT pricing

Index ($mm)[1]

	MarkIT PV Change	PV Exceeding Cap[1]
Series 09 Index	45.5	33.2
Other Index	(15.8)	(23.7)
Subtotal	29.7	9.5
By Family		
CDX IG	17.6	
CDX HY	(45.7)	
ITRAXX MN	(0.1)	
ITRAXX XO	2.6	
Chg. in OnTR 5Y	(26.5)	

Tranche ($mm)[1]

	MarkIT PV Change	PV Exceeding Cap[1]
Series 09 Index	22.9	16.1
Other Index	(19.1)	(15.3)
Subtotal	3.8	0.8
By Family		
CDX IG	15.1	
CDX HY	(2.7)	
ITRAXX MN	(0.0)	
Chg. due to OnTR 5Y	12.4	

Pricing tolerance[1]

Position Type	Position Type	Independent Source	Notes
Index – IG	½ bps	Markit	Aggregate max.: $50mm
Index – HY	1 bps	Markit	Aggregate max.: $50mm
Tranche	$2mm	Dealer quotes	Per position

APPENDIX

INTERNAL USE ONLY

Note: as of 5/24/12

[1] Negative number implies marks are too low – P&L adjusted upward to cap; Positive number implies marks are too high – P&L reduced to cap

J.P.Morgan

DRAFT (5/25/12)

New trades

May 25, 2012

Date	#	Risk	Notional	Product	Maturity	Counterparty	Traded Price	Traded Spread	Previous Day Price	Previous Day Spread	Closing Price	Closing Spread (bps)
25-May-12	1	LONG	10,000,000	CDX HY S18 05Y	20-Jun-17	JPMCB NY CDS (HY Index)	93.13		93.3125		93.75	
25-May-12	2	LONG	25,000,000	CDX HY S18 05Y	20-Jun-17	SOCGEN	93.25		93.3125		90.75	
25-May-12	3	LONG	15,000,000	CDX HY S18 05Y	20-Jun-17	JPMCB NY CDS (HY Index)	93.25		93.3125		93.75	
25-May-12	4	SHORT	(250,000,000)	CDX IG S18 05Y	20-Jun-17	NOMURA LDN		117.63		118.00		117.50
25-May-12	5	SHORT	(250,000,000)	CDX IG S18 05Y	20-Jun-17	NOMURA LDN		117.75		118.00		117.50
25-May-12	6	SHORT	(500,000,000)	CDX IG S18 05Y	20-Jun-17	JPMC BK NA NY - INDICES		117.75		118.00		117.50
25-May-12	7	LONG	400,000,000	ITRAXX XO S16 05Y	20-Dec-16	CIO EMEA CDS ABS		682.50		682.50		684.00
25-May-12	8	LONG	50,000,000	CDX HY S18 05Y	20-Jun-17	NOMURA LDN	93.56		93.3125		93.75	
25-May-12	9	LONG	50,000,000	CDX HY S18 05Y	20-Jun-17	JPMCB NY CDS (HY Index)	93.56		93.3125		93.75	
25-May-12	10	LONG	25,000,000	CDX HY S18 05Y	20-Jun-17	JPMCB NY CDS (HY Index)	93.50		93.3125		93.75	
25-May-12	11	SHORT	(500,000,000)	CDX IG S18 05Y	20-Jun-17	BNP LDN		117.89		118.00		117.50
25-May-12	12	SHORT	(250,000,000)	CDX IG S18 05Y	20-Jun-17	NOMURA LDN		117.88		118.00		117.50
25-May-12	13	SHORT	(500,000,000)	CDX IG S18 05Y	20-Jun-17	NOMURA LDN		118.00		118.00		117.50
25-May-12	14	LONG	50,000,000	ITRAXX FINSEN S17 05Y	20-Jun-17	BNP LDN		294.00		292.00		297.00
25-May-12	15	LONG	50,000,000	ITRAXX FINSEN S17 05Y	20-Jun-17	BNP LDN		294.00		292.00		297.00
25-May-12	16	LONG	100,000,000	ITRAXX FINSEN S17 05Y	20-Jun-17	BNP LDN		296.00		292.00		297.00
25-May-12	17	SHORT	(150,000,000)	ITRAXX MN S17 05Y	20-Jun-17	CITIBANK NY		172.00		173.60		174.00
25-May-12	18	SHORT	(250,000,000)	ITRAXX MN S17 05Y	20-Jun-17	DEUTSCHE LDN		175.25		173.60		174.00
25-May-12	19	SHORT	(250,000,000)	ITRAXX MN S17 05Y	20-Jun-17	DEUTSCHE LDN		175.00		173.60		174.00
25-May-12	20	SHORT	(250,000,000)	ITRAXX MN S17 05Y	20-Jun-17	DEUTSCHE LDN		173.00		173.60		174.00
25-May-12	21	SHORT	(100,000,000)	ITRAXX MN S17 05Y	20-Jun-17	CITIBANK NY		174.75		173.60		174.00
25-May-12	22	SHORT	(200,000,000)	ITRAXX MN S17 05Y	20-Jun-17	DEUTSCHE LDN		174.50		173.60		174.00
25-May-12	23	SHORT	(150,000,000)	ITRAXX MN S17 05Y	20-Jun-17	DEUTSCHE LDN		173.25		173.60		174.00
25-May-12	24	LONG	50,000,000	ITRAXX XO S16 05Y	20-Dec-16	BNP LDN		685.00		682.50		684.00
25-May-12	25	LONG	50,000,000	ITRAXX XO S16 05Y	20-Dec-16	BNP LDN		688.00		682.50		684.00
25-May-12	26	LONG	20,000,000	ITRAXX XO S17 05Y	20-Jun-17	CITIBANK NY		718.50		714.50		717.00
25-May-12	27	LONG	50,000,000	ITRAXX XO S17 05Y	20-Jun-17	BNP LDN		717.50		714.50		717.00
25-May-12	28	LONG	50,000,000	ITRAXX XO S17 05Y	20-Jun-17	CITIBANK NY		722.00		714.50		717.00
25-May-12	29	LONG	50,000,000	ITRAXX XO S17 05Y	20-Jun-17	BNP LDN		717.00		714.50		717.00
25-May-12	30	LONG	50,000,000	ITRAXX XO S17 05Y	20-Jun-17	BNP LDN		714.00		714.50		717.00

APPENDIX

 OCC-SPI-00089351

DRAFT (5/25/12)

Daily price testing – Index

CIO PV Differences with MarkIT pricing

COB: 2012-05-24

Product	USD Factored Notional ($ mm)	Credit Spread BP Value ($ mm)	Price Type	CIO Quote (LON Close)	Markit Quote (NY/LON Close)	ICE Quote (NY/LON Close)	MarkIT Spread Difference	MarkIT PV Change ($ mm)	PV Exceeding Cap ($ mm)
							Total Index	**29.72**	**9.53**
Other Index								**(15.79)**	**(23.67)**
CDX IG S16 05Y	(18,229)	7.21	spread	104.5	104.8	104.6	0.3	2.08	-
ITRAXX MN S16 05Y	13,561	(5.67)	spread	173.9	174.3	173.9	0.4	(2.45)	-
ITRAXX MN S15 05Y	5,109	(1.92)	spread	177.7	177.1	177.7	(0.6)	1.23	0.27
ITRAXX FINSUB S14 05Y	1,642	(0.49)	spread	495.0	498.3		3.3	(1.63)	(1.38)
ITRAXX FINSUB S16 05Y	1,316	(0.52)	spread	517.0	520.1		3.1	(1.60)	(1.34)
ITRAXX MN S15 07Y	1,114	(0.58)	spread	194.6	193.5		(1.1)	0.62	0.33
ITRAXX MN S06 10Y	100	(0.04)	spread	214.6	222.4		7.8	(0.31)	(0.29)
ITRAXX FINSUB S17 05Y	75	(0.03)	spread	495.0	495.7		0.7	(0.02)	(0.01)
ITRAXX FINSUB S07 05Y	(117)	0.00	spread	580.0	466.0		(114.0)	(0.10)	(0.10)
ITRAXX XO S17 05Y	(547)	0.19	spread	714.5	715.4	714.5	0.9	0.18	-
ITRAXX FINSUB S15 05Y	(572)	0.19	spread	511.0	510.4		(0.6)	(0.12)	(0.02)
ITRAXX FINSUB S08 05Y	(664)	0.04	spread	437.0	429.9		(7.1)	(0.27)	(0.25)
ITRAXX FINSEN S17 05Y	(690)	0.29	spread	292.0	293.3		1.3	0.36	0.22
ITRAXX FINSUB S12 05Y	(976)	0.22	spread	473.5	481.9		8.4	1.87	1.76
ITRAXX FINSUB S10 05Y	(1,390)	0.21	spread	453.0	458.5		5.5	1.14	1.04
ITRAXX MN S16 10Y	(1,667)	1.25	spread	191.1	188.7	191.1	(2.3)	(2.92)	(2.30)
ITRAXX XO S15 05Y	(1,701)	0.54	spread	629.5	629.2	629.5	(0.3)	(0.16)	-
ITRAXX MN S15 10Y	(2,054)	1.47	spread	195.4	197.4	195.4	2.0	2.95	2.22
ITRAXX FINSUB S09 05Y	(2,129)	0.22	spread	430.0	442.1		12.1	2.69	2.58
ITRAXX MN S15 03Y	(3,534)	0.72	spread	152.6	148.9		(3.7)	(2.61)	(2.26)
ITRAXX XO S16 05Y	(6,187)	2.07	spread	682.5	684.3	682.5	1.8	3.63	1.56
ITRAXX MN S17 05Y	(17,139)	7.86	spread	173.6	173.6	173.6	0.0	0.06	-
By Family				**Change in the OnTR 5Y Contract**				**(26.54)**	
CDX IG	51,076	(36.21)	spread	118.0	117.5	117.3	(0.5)	17.58	
CDX HY	(19,792)	10.52	price	93.3	93.5	93.5	(4.4)	(46.66)	
ITRAXX MN	39,837	(9.90)	spread	173.6	173.6	173.6	0.0	(0.07)	
ITRAXX XO	(8,435)	2.81	spread	714.5	715.4	714.5	0.9	2.61	

APPENDIX

DRAFT (5/25/12)

Daily price testing (cont'd) – Index

CIO PV Differences with MarkIT pricing

COB: 2012-05-24

Product	USD Factored Notional ($ mm)	Credit Spread BP Value ($ mm)	Price Type	CIO Quote (LON Close)	Markit Quote (NY/LON Close)	ICE Quote (NY/LON Close)	MarkIT Spread Difference	MarkIT PV Change ($ mm)	PV Exceeding Cap ($ mm)
							Total Index	**29.72**	**9.53**
Other Index								**(15.79)**	**(23.67)**
CDX IG S16 05Y	(18,229)	7.21	spread	104.5	104.8	104.6	0.3	2.08	-
ITRAXX MN S16 05Y	13,561	(5.67)	spread	173.9	174.3	173.9	0.4	(2.45)	-
ITRAXX MN S15 05Y	5,109	(1.92)	spread	177.7	177.1	177.7	(0.6)	1.23	0.27
ITRAXX FINSUB S14 05Y	1,642	(0.49)	spread	495.0	498.3		3.3	(1.63)	(1.38)
ITRAXX FINSUB S16 05Y	1,316	(0.52)	spread	517.0	520.1		3.1	(1.60)	(1.34)
ITRAXX MN S15 07Y	1,114	(0.58)	spread	194.6	193.5		(1.1)	0.62	0.33
ITRAXX MN S06 10Y	100	(0.04)	spread	214.6	222.4		7.8	(0.31)	(0.29)
ITRAXX FINSUB S17 05Y	75	(0.03)	spread	495.0	495.7		0.7	(0.02)	(0.01)
ITRAXX FINSUB S07 05Y	(117)	0.00	spread	580.0	466.0		(114.0)	(0.10)	(0.10)
ITRAXX XO S17 05Y	(547)	0.19	spread	714.5	715.4	714.5	0.9	0.18	-
ITRAXX FINSUB S15 05Y	(572)	0.19	spread	511.0	510.4		(0.6)	(0.12)	(0.02)
ITRAXX FINSUB S08 05Y	(664)	0.04	spread	437.0	429.9		(7.1)	(0.27)	(0.25)
ITRAXX FINSEN S17 05Y	(690)	0.29	spread	292.0	293.3		1.3	0.36	0.22
ITRAXX FINSUB S12 05Y	(978)	0.22	spread	473.5	481.9		8.4	1.87	1.76
ITRAXX FINSUB S10 05Y	(1,390)	0.21	spread	453.0	458.5		5.5	1.14	1.04
ITRAXX MN S16 10Y	(1,667)	1.25	spread	191.1	188.7	191.1	(2.3)	(2.92)	(2.30)
ITRAXX XO S15 05Y	(1,701)	0.54	spread	629.5	629.2	629.5	(0.3)	(0.16)	-
ITRAXX MN S15 10Y	(2,054)	1.47	spread	195.4	197.4	195.4	2.0	2.95	2.22
ITRAXX FINSUB S09 05Y	(2,129)	0.22	spread	430.0	442.1		12.1	2.69	2.58
ITRAXX MN S15 03Y	(3,534)	0.72	spread	152.6	148.9		(3.7)	(2.61)	(2.26)
ITRAXX XO S16 05Y	(6,187)	2.07	spread	682.5	684.3	682.5	1.8	3.63	1.56
ITRAXX MN S17 05Y	(17,139)	7.86	spread	173.6	173.6	173.6	0.0	0.06	-
By Family				**Change in the OnTR 5Y Contract**				**(26.54)**	
CDX IG	51,076	(36.21)	spread	118.0	117.5	117.3	(0.5)	17.58	
CDX HY	(19,792)	10.52	price	93.3	93.5	93.5	(4.4)	(46.66)	
ITRAXX MN	39,837	(9.90)	spread	173.6	173.6	173.6	0.0	(0.07)	
ITRAXX XO	(8,435)	2.81	spread	714.5	715.4	714.5	0.9	2.61	

APPENDIX

DRAFT (5/25/12)

Daily price testing – Tranche

CIO PV Differences with MarkIT pricing

COB: 2012-05-24

Product	USD Factored Notional ($ mm)	Credit Spread BP Value ($ mm)	Price Type	CIO Quote (LON Close)	Adj Tranche Priced (based on Ref Index)	Independent Quote	Index Spread Change	MarkIT PV Change ($ mm)	PV Exceeding Cap ($ mm)
							Total Tranche	**3.81**	**0.81**
Series 09 Tranche								**22.95**	**16.13**
CDX IG S09 10Y 30-100	16,565	(2.54)	upfront+100	(3.4)	(3.4)		(0.9)	2.41	0.41
CDX IG S09 07Y 30-100	11,121	(0.47)	upfront+100	(2.2)	(2.2)		0.5	(0.22)	-
CDX IG S09 10Y 00-03	2,018	(4.81)	upfront+500	72.5	72.7		(0.9)	4.56	2.56
CDX IG S09 10Y 07-10	775	(1.85)	upfront+500	8.0	8.2		(0.9)	1.76	-
CDX IG S09 10Y 03-07	60	(0.19)	upfront+500	29.9	30.2		(0.9)	0.18	-
CDX IG S09 07Y 03-07	(215)	0.38	upfront+500	6.3	6.2		0.5	0.18	-
CDX IG S09 05Y 30-100	(260)	0.00	upfront+100	(0.6)	(0.5)		(2.2)	(0.00)	-
CDX IG S09 07Y 00-03	(331)	1.08	upfront+500	54.3	54.2		0.5	0.51	-
CDX IG S09 07Y 07-10	(365)	0.26	upfront+500	(5.9)	(5.9)		0.5	0.12	-
CDX IG S09 05Y 03-07	(1,395)	0.16	upfront+500	(2.5)	(2.5)		(2.2)	(0.35)	-
CDX IG S09 07Y 10-15	(1,970)	0.81	upfront+100	0.3	0.3		0.5	0.38	-
CDX IG S09 10Y 10-15	(1,980)	2.74	upfront+100	10.8	11.0		(0.9)	(2.60)	(0.60)
CDX IG S09 05Y 07-10	(2,045)	0.02	upfront+500	(2.9)	(2.9)		(2.2)	(0.05)	-
CDX IG S09 05Y 00-03	(2,719)	5.88	upfront+500	16.5	16.7		(2.2)	(12.76)	(10.76)
CDX IG S09 05Y 10-15	(2,905)	0.02	upfront+100	(0.6)	(0.5)		(2.2)	(0.04)	-
CDX IG S09 10Y 15-30	(3,800)	2.36	upfront+100	1.3	1.3		(0.9)	(2.24)	(0.24)
CDX IG S09 07Y 15-30	(5,965)	1.01	upfront+100	(1.6)	(1.6)		0.5	0.47	-
CDX IG S09 05Y 15-30	(12,215)	0.07	upfront+100	(0.6)	(0.6)		(2.2)	(0.15)	-
ITRAXX MN S09 10Y 22-100	20,773	(7.06)	spread	70.0	70.4		(3.5)	24.64	22.64
ITRAXX MN S09 07Y 22-100	14,249	(1.82)	spread	33.0	32.2		(0.2)	0.39	-
ITRAXX MN S09 05Y 22-100	8,933	(0.15)	spread	10.0	9.6		(0.4)	0.07	-
ITRAXX MN S09 10Y 00-03	1,422	(1.19)	upfront+500	73.7	73.9		(3.5)	4.16	2.16
ITRAXX MN S09 10Y 06-09	478	(0.77)	upfront+300	30.8	31.1		(3.5)	2.70	0.70
ITRAXX MN S09 05Y 06-09	428	(0.09)	upfront+300	(2.4)	(2.4)		(0.4)	0.04	-
ITRAXX MN S09 05Y 09-12	352	(0.04)	spread	61.0	58.0		(0.4)	0.02	-
ITRAXX MN S09 10Y 09-12	296	(0.39)	spread	619.5	614.8		(3.5)	1.37	-
ITRAXX MN S09 07Y 09-12	226	(0.19)	spread	418.0	409.4		(0.2)	0.04	-
ITRAXX MN S09 10Y 12-22	195	(0.16)	spread	308.5	307.8		(3.5)	0.55	-
ITRAXX MN S09 10Y 03-06	6	(0.02)	upfront+500	41.8	42.1		(3.5)	0.06	-

APPENDIX

DRAFT (5/25/12)

Daily price testing (cont'd) – Tranche

CIO PV Differences with MarkIT pricing

COB: 2012-05-24

Product	USD Factored Notional ($ mm)	Credit Spread BP Value ($ mm)	Price Type	CIO Quote (LON Close)	Adj Tranche Priced (based on Ref Index)	Independent Quote	Index Spread Change	MarkIT PV Change ($ mm)	PV Exceeding Cap ($ mm)
							Total Tranche	**3.81**	**0.81**
Series 09 Tranche								**22.95**	**16.13**
ITRAXX MN S09 07Y 05-09	(31)	0.00	upfront+300	12.6	12.4		(0.2)	(0.00)	-
ITRAXX MN S09 05Y 12-22	(157)	0.01	spread	33.8	32.2		(0.4)	(0.01)	-
ITRAXX MN S09 07Y 03-06	(201)	0.31	upfront+500	22.7	22.4		(0.2)	(0.07)	-
ITRAXX MN S09 05Y 03-06	(453)	0.38	upfront+500	1.4	1.1		(0.4)	(0.17)	-
ITRAXX MN S09 07Y 12-22	(566)	0.26	spread	189.0	185.5		(0.2)	(0.06)	-
ITRAXX MN S09 07Y 00-03	(843)	0.98	upfront+500	64.5	64.3		(0.2)	(0.21)	-
ITRAXX MN S09 05Y 00-03	(3,712)	6.29	upfront+500	40.9	40.4		(0.4)	(2.76)	(0.76)
Other Tranche								**(19.13)**	**(15.31)**
CDX HY S10 05Y 35-100	3,744	(0.05)	price	105.2	105.2		3.6	(0.19)	-
CDX HY S09 05Y 35-100	3,051	(0.01)	price	102.9	102.9		(0.7)	0.01	-
CDX LCDX S10 05Y 15-100	2,852	(0.11)	price	104.9	104.9		0.6	(0.06)	-
CDX HY S10 05Y 15-25	2,063	(1.22)	price	91.6	92.3		3.6	(4.34)	(2.34)
CDX HY S10 07Y 35-100	1,452	(0.19)	price	111.0	111.1		(4.6)	0.89	-
CDX HY S10 07Y 10-15	1,360	(0.39)	price	7.5	7.6		(4.6)	1.75	-
CDX HY S11 05Y 15-25	1,015	(0.78)	price	78.4	77.1		3.6	(2.79)	(0.79)
CDX HY S09 05Y 25-35	875	(0.01)	price	102.8	102.8		(0.7)	0.01	-
CDX HY S08 05Y 25-35	663	(0.00)	price	100.4	100.4		(81.7)	0.03	-
CDX HY S10 05Y 25-35	655	(0.07)	price	103.9	104.0		3.6	(0.25)	-
CDX HY S11 05Y 35-100	508	(0.02)	price	107.1	107.1		3.6	(0.06)	-
CDX HY S11 05Y 10-15	405	(0.19)	price	13.6	12.9		3.6	(0.66)	-
CDX HY S10 07Y 15-25	385	(0.39)	price	56.7	57.1		(4.6)	1.78	-
CDX HY S08 07Y 25-35	282	(0.08)	price	104.3	104.2		(14.6)	1.18	-
CDX HY S10 07Y 25-35	265	(0.17)	price	96.1	96.4		(4.6)	0.76	-
CDX HY S11 05Y 25-35	250	(0.05)	price	104.3	103.9		3.6	(0.19)	-
CDX HY S10 05Y 10-15	232	(0.15)	price	19.9	20.7		3.6	(0.53)	-
CDX HY S08 07Y 15-25	225	(0.19)	price	84.5	84.5		(14.6)	2.74	0.74

APPENDIX

DRAFT (5/25/12)

Daily price testing (cont'd) – Tranche

CIO PV Differences with MarkIT pricing

Product	USD Factored Notional ($ mm)	Credit Spread BP Value ($ mm)	Price Type	CIO Quote (LON Close)	Adj Tranche Priced (based on Ref Index)	Independent Quote	Index Spread Change	MarkIT PV Change ($ mm)	PV Exceeding Cap ($ mm)
COB: 2012-05-24							Total Tranche	3.81	0.81
Other Tranche								(19.13)	(15.31)
CDX IG S07 07Y 07-10	110	(0.04)	upfront+500	(4.1)	(4.8)		18.1	(0.72)	-
CDX LCDX S10 05Y 12-15	110	(0.03)	price	102.9	102.3		0.6	(0.02)	-
CDX HY S08 07Y 35-100	109	(0.01)	price	108.9	108.9		(14.6)	0.11	-
CDX IG S15 05Y 15-100	100	(0.01)	upfront+25	0.2	0.2		0.3	(0.00)	-
CDX HY S11 07Y 35-100	96	(0.02)	price	110.4	110.5		(2.6)	0.04	-
CDX HY S08 07Y 10-15	47	(0.04)	price	32.1	32.1		(14.6)	0.60	-
CDX HY S11 07Y 10-15	17	(0.00)	price	6.4	6.6		(2.6)	0.01	-
CDX HY S07 07Y 15-25	-	(0.01)	price	92.5	96.0		29.1	(0.19)	-
CDX HY S07 07Y 35-100	-	(0.00)	price	106.6	106.8		29.1	(0.00)	-
CDX IG S07 07Y 15-30	-	0.00	upfront+100	(1.2)	(1.3)		18.1	0.00	-
CDX IG S07 07Y 30-100	-	(0.00)	upfront+100	(1.3)	(1.3)		18.1	(0.01)	-
CDX IG S08 07Y 03-07	-	0.00	upfront+500	6.1	11.6		(27.7)	(0.01)	-
CDX IG S08 07Y 07-10	-	0.00	upfront+500	(5.4)	(3.4)		(27.7)	(0.06)	-
CDX IG S08 07Y 10-15	-	(0.00)	upfront+100	(0.4)	0.3		(27.7)	0.01	-
CDX IG S08 07Y 30-100	-	(0.00)	upfront+100	(1.7)	(1.6)		(27.7)	0.01	-
CDX IG S10 05Y 03-07	-	0.00	upfront+500	(2.5)	(2.4)		0.8	0.00	-
CDX IG S10 05Y 07-10	-	(0.00)	upfront+500	(4.9)	(4.9)		0.8	(0.00)	-
CDX HY S11 07Y 15-25	(30)	0.02	price	49.8	50.4		(2.6)	(0.06)	-
CDX HY S09 05Y 10-15	(71)	0.06	price	31.0	31.0		(0.7)	(0.04)	-
CDX HY S08 05Y 35-100	(94)	0.00	price	100.4	100.4		(81.7)	(0.00)	-
CDX IG S15 05Y 00-03	(195)	0.66	upfront+500	35.1	34.7		0.3	0.20	-
CDX IG S08 07Y 15-30	(375)	0.04	upfront+100	(1.8)	(1.5)		(27.7)	(1.00)	-
CDX HY S08 05Y 10-15	(812)	0.18	price	98.5	94.2		(81.7)	(14.91)	(12.91)
CDX HY S09 05Y 15-25	(1,056)	0.33	price	99.4	99.4		(0.7)	(0.23)	-
CDX HY S08 05Y 15-25	(1,410)	0.01	price	100.3	100.2		(81.7)	(0.65)	-
ITRAXX MN S15 07Y 22-100	2,516	(0.84)	spread	63.5	63.1		(1.1)	0.90	-
ITRAXX MN S15 05Y 22-100	2,453	(0.49)	spread	44.5	44.1		(0.6)	0.31	-
ITRAXX MN S15 03Y 22-100	377	(0.02)	spread	15.5	15.5		(3.7)	0.07	-
ITRAXX MN S06 10Y 03-06	189	(0.23)	upfront+500	41.6	40.4		7.8	(1.79)	-
ITRAXX MN S06 10Y 06-09	25	(0.11)	upfront+300	28.9	27.7		7.8	(0.87)	-

APPENDIX

DRAFT (5/25/12)

Daily price testing (cont'd) – Tranche

CIO PV Differences with MarkIT pricing

Product	USD Factored Notional ($ mm)	Credit Spread BP Value ($ mm)	Price Type	CIO Quote (LON Close)	Adj Tranche Priced (based on Ref Index)	Independent Quote	Index Spread Change	MarkIT PV Change ($ mm)	PV Exceeding Cap ($ mm)
COB: 2012-05-24							Total Tranche	3.81	0.81
Other Tranche								(19.13)	(15.31)
ITRAXX MN S15 03Y 03-06	13	(0.02)	upfront+500	9.3	9.2		(3.7)	0.05	-
ITRAXX MN S06 10Y 09-12	-	(0.00)	spread	632.5	595.7		7.8	(0.02)	-
ITRAXX MN S06 10Y 12-22	-	(0.01)	spread	299.5	281.8		7.8	(0.11)	-
ITRAXX MN S06 10Y 22-100	-	(0.00)	spread	64.8	59.0		7.8	(0.04)	-
ITRAXX MN S07 10Y 06-09	-	(0.00)	upfront+300	26.5	26.6		5.1	(0.02)	-
ITRAXX MN S07 10Y 09-12	-	(0.00)	spread	615.0	608.2		5.1	(0.01)	-
ITRAXX MN S07 10Y 12-22	-	(0.00)	spread	285.0	283.1		5.1	(0.00)	-
ITRAXX MN S07 10Y 22-100	-	0.00	spread	64.3	64.0		5.1	0.00	-
ITRAXX MN S15 03Y 00-03	(88)	0.15	upfront+500	47.9	47.8		(3.7)	(0.56)	-
ITRAXX MN S06 10Y 00-03	(131)	0.12	upfront+500	74.8	73.9		7.8	0.97	-
ITRAXX MN S15 07Y 03-06	(245)	0.43	upfront+500	34.5	34.6		(1.1)	(0.46)	-
ITRAXX MN S15 05Y 00-03	(327)	0.42	upfront+500	61.5	61.5		(0.6)	(0.27)	-
ITRAXX MN S15 07Y 00-03	(371)	0.40	upfront+500	68.5	68.6		(1.1)	(0.43)	-
By Family				**Change due to the OnTR 5Y Index**				12.41	
CDX HY	14,226	(3.41)	price	93.3	93.5	93.5	(4.4)	15.14	
CDX IG	(6,987)	5.57	spread	118.0	117.5	117.3	(0.5)	(2.70)	
ITRAXX MN	45,806	(3.86)	spread	173.6	173.6	173.6	0.0	(0.03)	

APPENDIX

Volume and activity update

DTCC weekly information

	Gross notional ($mm)		Weekly activity ($mm)		% of notional traded	
Series	Untranched	Tranched	Untranched	Tranched	Untranched	Tranched
CDX IG S09	818,852	557,464	31,954	7,851	3.90%	1.41%
iTraxx MN S09	616,556	522,199	17,076	12,705	2.77%	2.43%
CDX IG S18	390,008	N/A	221,241	N/A	56.73%	N/A
iTraxx MN S16	292,720	N/A	7,532	N/A	2.57%	N/A
iTraxx MN S17	351,346	N/A	197,567	N/A	56.23%	N/A
CDX IG S17	239,782	2,100	19,678	137	8.21%	6.50%
CDX IG S16	178,415	N/A	697	N/A	0.39%	N/A
CDX IG S15	174,828	8,303	866	N/A	0.50%	N/A
CDX HY S17	72,421	650	4,924	N/A	6.80%	N/A
CDX HY S10	71,049	45,217	722	130	1.02%	0.29%
iTraxx XO S16	63,828	N/A	1,110	N/A	1.74%	N/A
iTraxx XO S17	72,023	N/A	47,157	N/A	65.48%	N/A
CDX HY S09	52,839	34,355	673	40	1.27%	0.12%
iTraxx FinSub S17	25,771	N/A	4,904	N/A	19.03%	N/A

Source: DTCC (week ending 5/18/12)

APPENDIX

DRAFT (5/29/12)

2395

SYNTHETIC CREDIT DAILY RISK REPORT

May 29, 2012

STRICTLY PRIVATE AND CONFIDENTIAL

J.P.Morgan

Executive summary

DRAFT (5/29/12)

P&L ($000s)

	Estimate	Actual	Actual vs. Estimate
29/05/2012	($88,003)		
28/05/2012	$15,627	$13,780	($1,847)

P/L Explain (estimate LDN close)

Total P&L	**($88,003)**
Directional	($3,940)
Compression	($39,971)
Series 09	$7,636
On/Off Run Basis	($28,842)
Curve/Other	($3,213)
Tranche	($10,922)
IR	($282)
Other P&L	($340)
VCG Adj	($8,130)

Long credit risk (10% CSW, $mm)

	CSW10%	Trading	Portfolio lengthening	Net change	Since 30-Apr	% Chg. 30-Apr
29May	(202.3)	N/A	N/A	N/A	90.4	(30.9%)
28May	(176.0)	(19.2)	(7.1)	(26.3)	116.6	(39.9%)
30-Apr	(292.6)	227.8	(137.4)	90.4	0.0	--

Note: CSW 10%: **negative** figures denote **long** risk position; Current data reflects prior day close plus current day trades only.

[1] Expected today

Collateral ($mm)

	Description	Current	Prior day
Total (CIO - counterparty)		$25	-$10
Largest counterparty	MS	39	15
Largest instrument	ITRAXX MN S09 10Y 22-100	26	-6

Note: **negative/positive** collateral position denotes **lower/higher** valuation relative to counterparty

Trades

- Sold protection $315MM CDX.HY.18 5y
- Sold protection $250MM CDX.IG.18 5y
- Bought protection EUR20MM FINSUB.17 5y
- Sold protection EUR20MM ITX.MN.9 5y 0-3% vs. delta
- Bought protection EUR250MM ITX.MN.9 5y 22-100% vs. delta
- Bought protection EUR800MM ITX.MN.17 5y
- Sold protection EUR600MM XO.17.5y

Summary commentary

- New trades reduced risk in CS01 terms by $0.064mm
- P&L $(88)mm driven by:
  - Compression HY vs IG, XO vs Main, ($40MM)
  - On/Off Run Basis, ($29MM)
  - Tranches, tighter spreads in short-dated 0-3%, ($12MM)

2396

J.P.Morgan

Risk and market summary

Risk summary[1] (cob 5/29/12)

						DoD Change				Change since 4/30/12			
($mm)	Notional	5Y eqv. OTR Eqv	CS01	Beta Adj. CS01	10% CSW	5yr eqv.	CS01	Beta Adj. CS01	10% CSW	CS01	Beta Adj. CS01	10% CSW	Beta [1]
CDX IG	44,315	58,188	(28.1)	(32.0)	(485)	304	(0.2)	(0.1)	(2.2)	10.5	11.2	21.8	1.00
CDX HY	215	(20,082)	6.9	37.9	407	398	(0.1)	(0.8)	(13.4)	(1.5)	(8.4)	(53.9)	5.50
ITRAXX MN	80,800	20,366	(8.4)	(12.6)	(223)	(943)	0.4	0.6	7.7	15.2	22.9	184.6	1.50
ITRAXX XO	(6,092)	(5,702)	2.0	11.0	125	754	(0.3)	(1.4)	(18.6)	(1.2)	(6.3)	(61.6)	5.50
CDX LCDX	2,387	250	(0.0)	(0.1)	(0)	79	(0.0)	(0.1)	(0.2)	(0.0)	(0.1)	(0.2)	5.50
ITRAXX FINSEN	(436)	(436)	0.2	0.5	5	0	0.0	0.0	(0.1)	0.2	0.6	5.9	3.00
ITRAXX FINSUB	(2,831)	353	(0.2)	(0.7)	(11)	(20)	0.0	0.0	0.5	0.4	1.9	13.7	4.50
SOVX WE	0	0	0.0	0.0	0	0	0.0	0.0	0.0	0.0	0.0	0.4	1.00
Direct Single Name	800	524	(0.2)	(1.7)	(20)	(1)	0.0	(0.0)	0.0	(0.2)	(1.7)	(20.4)	7.04
Total	119,157	53,461	(27.9)	2.3	(202)	571	(0.1)	(1.7)	(26.2)	23.4	20.0	90.3	

[1] Table shown includes notional and risk factors for both indices and tranches combined
Note: **Positive/Negative** notional data denotes **long/short** risk; **Positive/Negative** CS01 denotes **short/long** risk
Betas are computed off on the run IG (S18). Data reflects prior day close plus new trades today.

Risk factors[1] (cob 5/29/12)

	Underlying CS01 ($mm)	Directionality CS01 ($mm)	Curve CS01 ($mm)	OTR/OFR CS01 ($mm)	HG/HY CS01 ($mm)	MN/XO CS01 ($mm)	EU/US CS01 ($mm)	Correlation ($/10% change) Super Senior	Equity/Mezz
CDX IG	(28.1)	4.0	7.7	(22.7)	--	--	--	(123.8)	115.4
ITRAXX MN	(8.4)	--	5.4	(13.5)	--	--	(1.5)	(132.5)	(30.2)
CDX HY	6.9	--	(0.4)	0.0	6.9	--	--	7.5	38.7
ITRAXX XO	2.0	--	--	--	--	2.0	--	--	--
ITRAXX FINSUB	(0.2)	--	0.3	--	--	(0.2)	--	--	--
ITRAXX FINSEN	0.2	--	--	--	--	--	0.2	--	--
CDX LCDX	(0.0)	--	(0.0)	--	(0.0)	--	--	--	--
Subtotal	(27.8)	4.0	12.9	(36.2)	6.9	1.8	(1.3)	(248.8)	120.9

Note: Directionality excludes Direct single names

Market summary[2] (cob 5/29/12)

		Spread					Basis to Theoretical (bps spd)		
		5/29/12	5/25/12	5/24/12	4/30/12	3/30/12	5/25/12	1w	1m
CDX IG	S18 5 yr	116.8	117.3	117.5	94.7	91.5	(4.8)	(2.9)	2.7
	S9 5yr	84.3	85.2	85.4	68.1	70.8	(7.9)	(1.0)	7.1
	S9 10yr	158.8	159.4	159.7	119.4	113.1	(1.5)	1.9	15.8
CDX HY	S18 5 yr	650.0	664.6	669.7	579.7	578.9	14.3	(49.7)	26.1
iTraxx Main	S17 5yr	170.5	174.5	174.5	140.5	125.0	1.7	(5.2)	12.0
	S9 10yr	697.5	715.0	717.5	170.5	151.0	10.1	(15.5)	7.7
iTraxx Xover	S17 5yr	208.5	211.5	211.5	650.0	613.0	(7.4)	(4.2)	15.2

Source: Market data - J.P. Morgan Investment Bank (as of New York close)
[2] Estimated based on end of day levels, may fluctuate based on end-of-day trading and volatility

2397

Notional overview

Notional ($mm) (cob 5/29/12)

CDX IG vs. HY

	Notional
IG 9	48,460
Other IG	2,155
High Yield	(17,554)

iTraxx Main vs. Crossover

	Notional
iTraxx Main	28,287
iTraxx XO	(4,859)

Tranche positions

	Total	Equity	Mezz	Senior
IG 9	(5,940)	(1,355)	(33,020)	28,435
IG 9 5 yr	*(22,400)*	*(3,570)*	*(18,560)*	*(270)*
IG	(360)	(195)	(265)	100
HY	17,769	4,291	4,183	9,295
iTraxx	36,165	(3,210)	440	38,935

Other positions

	Long	Short
FinSub	2,391	(4,649)
LCDX	4,075	(1,688)

Memo: IG 9 exposure (by maturity)

	Notional
IG S09 05Y	(32,722)
IG S09 07Y	34,193
IG S09 10Y	46,989
IG9	48,460

Notional ($mm) (cob 4/30/12)

	Notional
IG 9	82,460
Other IG	(14,500)
High Yield	(20,609)

	Notional
iTraxx Main	54,948
iTraxx Cross Over	(6,864)

	Total	Equity	Mezz	Senior
IG 9	(5,940)	(1,355)	(33,020)	28,435
IG 9 5 yr	*(22,400)*	*(3,570)*	*(18,560)*	*(270)*
IG	(340)	(195)	(245)	100
HY	17,789	4,291	4,203	9,295
iTraxx	36,395	(3,230)	440	39,185

	Long	Short
FinSub	3,061	(4,649)
LCDX	4,075	(1,688)

	Notional
CDX IG S09 05Y	(32,723)
CDX IG S09 07Y	34,193
CDX IG S09 10Y	80,989
IG9	82,460

Change

	Notional
IG 9	(34,000)
Other IG	16,655
High Yield	3,055

	Notional
iTraxx Main	(26,662)
iTraxx XO	2,005

	Total
IG 9	0
IG 9 5 yr	*0*
IG	(20)
HY	(20)
iTraxx	(230)

	Long	Short
FinSub	(670)	0
LCDX	0	0

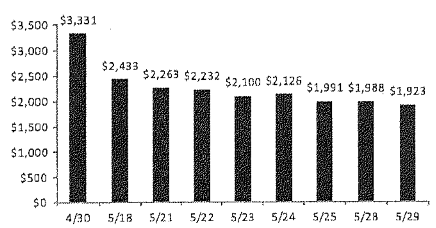
	Notional
IG S09 05Y	0
IG S09 07Y	0
IG S09 10Y	(34,000)
IG9	(34,000)

Note: **Positive/Negative** notional data denotes **long/short** risk

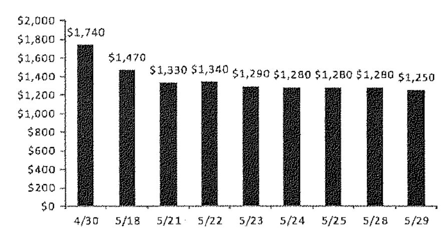
2398

Synthetic credit book – key metrics

Historical Stress ($mm)

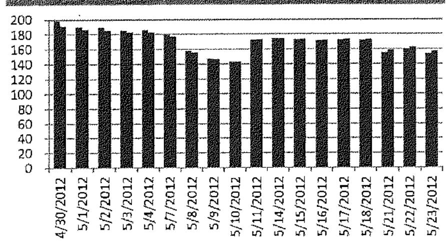


Statistical Stress ($mm)

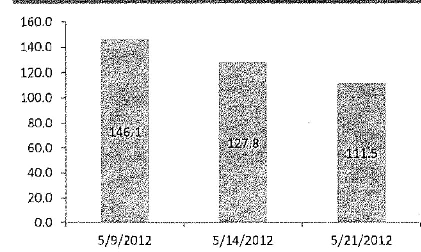


Note: Historical stress excludes risk factor for single names. Latest historical and statistical stress reflect improved granularity in risk factors; measures have been revised from 30 Apr 2012.

VAR 95 Trend ($mm)



Synthetic Credit RWA ($bn)



2399

DRAFT (5/29/12)

Summary of Synthetic Credit Book – historical stress

- Pricing to equilibrium: In addition to below risk factors, some indices will lose value as they move from richness to fairness
- Synthetic credit book exposed to **risk factors** – Each factor represents a directional exposure
- In the short-to-medium term, **these exposures can be partially mitigated** – But not eliminated

Risk Factor	Description of when position loses money	5/29/12 Historical worst single day	4/30/12 Historical worst single day
1. Credit spread widening (Directionality)	If **credit spreads widen** across markets	$287mm	$3,272mm
2. Maturity mismatch (Curve)	If credit spreads of **long-maturity positions get wider** relative to short-maturity positions	7mm	89mm
3. High Yield vs. Investment Grade	If **high yield positions in US outperform** investment grade positions relative to their portfolio weighting	2,059mm	2,925mm
4. XOver vs. Itraxx Main	If **high yield positions in Europe outperform** investment grade positions relative to their portfolio weighting	159mm	437mm
5. Europe vs US	If positions in Europe outperform positions in US relative to their portfolio weighting	11mm	39mm
6. Illiquidity of older Indices / Tranches (On-the-Run vs. Off-the-Run)	If **credit spreads of the older index** (the "off-the-run" index) **widen** relative to more-recently issued indices (the more "on the run" indices)	--mm	1,085mm
7. "Super senior" debt vs. "equity" positions (Tranches)	If there is an **increase in the correlation** implied between **defaults among names within the tranches**	505mm	505mm
8. Default risk (Risk on individual names)	If **credit events happen to companies** for which we have "sold protection"	NA	NA
	Portfolio worst day	**$1,923mm**	**$3,331mm**
	Sum of worst case	**$3,027mm**	**$8,352mm**

Note: Stress results reflect improved granularity in risk factors; measures have been revised from 30 Apr 2012.

2400

Summary of Synthetic Credit Book – statistical stress

- Pricing to equilibrium: In addition to below risk factors, some indices will lose value as they move from richness to fairness
- Synthetic credit book exposed to **risk factors** – Each factor represents a directional exposure
- In the short-to-medium term, **these exposures can be partially mitigated** – But not eliminated

Risk Factor	Description of when position loses money	5/29/12 95%ile loss potential[1]	4/30/12 95%ile loss potential[1]
1. Credit spread widening (Directionality)	If **credit spreads widen** across markets	$170mm	$710mm
2. Maturity mismatch (Curve)	If credit spreads of **long-maturity positions get wider** relative to short-maturity positions	150mm	160mm
3. High Yield vs. Investment Grade	If **high yield positions in US outperform** investment grade positions relative to their portfolio weighting	930mm	1,120mm
4. XOver vs. Itraxx Main	If **high yield positions in Europe outperform** investment grade positions relative to their portfolio weighting	200mm	300mm
5. Europe vs US	If positions in Europe outperform positions in US relative to their portfolio weighting	50mm	400mm
6. Illiquidity of older indices / Tranches (On-the-Run vs. Off-the-Run)	If **credit spreads of the older index** (the "off-the-run" index) **widen** relative to more-recently issued indices (the more "on the run" indices)	510mm	810mm
7. "Super senior" debt vs. "equity" positions (Tranches)	If there is an **increase in the correlation** implied between **defaults among names within the tranches**	500mm	500mm
8. Default risk (Risk on individual names)	If **credit events happen to companies** for which we have "sold protection"	291mm	291mm
	Portfolio worst day	**$1,250mm**	**$1,740mm**
	Sum of worst case	**$2,801mm**	**$4,291mm**

Note: Stress results reflect improved granularity in risk factors; measures have been revised from 30 Apr 2012.

2401

Synthetic Credit risk factors details

Sensitivity analysis

Scenario	Sigma	Loss ($mm)
90.0% percentile	1.28	1,030
95.0% percentile	**1.64**	**1,250**
97.5% percentile	1.96	1,440
99.9% percentile	3.09	2,170
Downside Case A[1]	N/A	2,801
Downside Case B[2]	N/A	4,635

Assumptions behind analysis

- **Credit spread widening** (Directionality) - Net directional loss estimate assumes correlation based on 1yr data
- **Maturity mismatch** (Curve)
  - Volatility measured as relative movement of longer maturity spread vs. shorter maturity spread adjusted for overall drift
  - Combined across asset classes assuming zero correlation
- **High Yield vs. Investment Grade**
  - Volatility based on relative spread movement netted for overall directionality
  - Assumes zero correlation between these differences for US and Europe
- **Illiquidity of older Indices/Tranches** (On-the-run/Off-the run risk)
  - Series 9 is assumed as the off-the-run position
  - Risks are combined assuming zero correlation
- **"Super senior" debt vs. "equity" positions** (Tranches) - Risk factor based on extreme movements of correlation as seen during the credit crisis
- **Default risk** (Risk on individual names) – Exposure based on comprehensive simulation of default risk using capital model
- **Diversified sum** - All above risk measures combined assuming zero correlation

[1] Diversified sum of 95.0% percentile; [2] Diversified sum of 99.9% percentile

2402

International Synthetic & Secured Credit Risk Summary

Index	CS01	Beta Adj CS01	OTR 5Y Equiv	10%CSW	50%CSW	Lrg Fltn Selloff	WE Default01	WE CorrUp1%	IR01	Equity Delta	Equity Gamma	Equity Vega
CDX HY	6,887,217	37,879,694	-20,081,778,140	406,787,017	1,951,184,794	3,089,395,881	69,600,941	6,204,292	-41,592			
CDX LCDX	-20,262	-111,440	250,408,393	-308,791	-2,204,170	-5,339,044	3,710,570	-208,466	-11,699			
CDX IG	-28,148,220	-32,012,390	58,187,693,969	-484,836,049	-2,303,493,438	-3,559,493,144	263,247,294	4,239,646	814,246			
ITRAXX MN	-8,366,745	-12,550,115	20,365,757,124	-222,750,375	-1,192,424,301	-2,049,037,225	383,834,701	-19,216,982	148,243			
ITRAXX XO	1,993,271	10,962,988	-5,701,522,749	124,886,281	573,639,599	835,356,243	82,550,983	0	-56,941			
ITRAXX FINSUB	-152,230	-385,035	352,756,007	-10,798,351	-47,114,812	-64,521,440	88,362,174	0	2,234			
ITRAXX FINSEN	177,351	[illegible]	-436,426,798	5,186,220	24,698,446	40,263,746	8,928,918	0	-9,299			
SOVX WE	[illegible]	0	0	0	0	0	0	0	0			
Single Names	[illegible]	-1,713,485	600,000,000	-20,425,624	-102,128,119	-117,866,808	-341,585,781	0	0			
Equities	0	0	0	0	0	0	0	0	0	761,883	77,892	9,571
FX	0	0	0	0	0	0	0	0	0			
Synthetic Total	-27,878,057	2,302,269	53,736,887,807	-202,259,072	-1,097,842,001	-1,821,241,739	558,649,792	-8,981,510	846,392	761,883	77,892	9,571
ITRAXX XO	167,708	922,396	-479,710,588	10,828,287	49,400,143	70,096,419	6,683,655	0	-5,783			
Investments MTM	-1,741,916	-1,741,916		-53,211,717	-266,058,587	-248,232,662						
Investments AFS	-29,299,544	-29,299,544		-460,600,069	-2,303,303,345	-2,148,902,021						
Investments Total	-30,873,752	-30,119,054		-503,044,100	-2,519,961,790	-2,327,119,264	6,683,655	0	-5,782	0	0	0
EMEA Credit Total	-58,751,808	-27,816,795		-705,303,771	-3,617,803,791	-4,148,361,052	565,333,447	-8,981,510	840,610	761,883	77,892	9,571

Commentary – COB 29-May:

Synthetic Credit:

- Long credit risk -27.9mm CS01 (-0.1mm); short +2.3mm beta-adj CS01 (-1.7mm); -202mm 10%CSW (-26mm)
- Credit Crisis / Large Flattener Sell-off $-1.82bn (-162mm)
- Indices 1-2% tighter in led by US HY; HY & XO compressing , and off-the-run S9 curves steeper across regions

Secured Credit (MTM & AFS) :

- Long credit risk -30.9mm CS01; -503mm 10%CSW
- Large Flattener sell-off stress scenario loss -2.33bn

Notes:

(1) Risk does not reflect the option on IG.9.10y vs. IG.18.5Y sold to client. Option grants client the right, but not obligation, to sell JPM $17bn of CDX IG 9 10Y protection and to buy $17bn of CDX IG 18 5Y protection from JPM. The spread on the CDX IG9 will be 49 bps above the bid level of the spread on the CDX IG18 at the time of exercise. The option is an American option and may be exercised at anytime up to expiry at 11a.m. EST, 29 June, 2012.

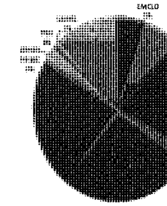
(2) Tables below do not include single name positions

Core Strategic	Ccy Notional	OTR 5Y Equiv USD	CS01	WE Corr1%	10%CSW	50%CSW	WE Default01	LFS Stress
ITRAXX MN Outright	-6,267,308,499	4,182,405,678,925	-11,299,488	0	-265,622,521	-1,271,100,019	40,235,076	-1,980,282,236
ITRAXX MN Hedge	34,553,875,000	-1,106,789,547,352	3,284,225	0	101,706,604	472,131,984	-210,178,620	815,486,387
ITRAXX MN 00-03	-3,210,000,000	-18,888,936,861	8,545,908	-7,872,427	124,072,868	544,354,009	569,846,967	904,318,095
ITRAXX MN 03-06	-550,000,000	-1,810,000,344	824,429	-944,687	13,364,543	64,107,143	17,636,044	111,242,347
ITRAXX MN 06-09	715,000,000	4,247,054,881	-1,199,389	1,258,275	-23,349,861	-105,464,678	-13,948,748	-164,598,317
ITRAXX MN 09-12	695,000,000	1,788,337,557	-738,216	329,403	-14,427,050	-68,957,424	-6,265,498	-113,307,029
ITRAXX MN 12-22	-420,000,000	-113,118,186	67,765	224,457	821,251	6,139,883	412,422	17,261,713
ITRAXX MN 22-100	38,935,000,000	17,388,749,376	-7,851,980	-12,710,994	-159,316,200	-833,325,198	-13,104,734	-1,439,159,184
ITRAXX MN Total	64,451,566,501	20,365,757,124	-8,366,745	-19,216,982	-222,750,375	-1,192,424,301	383,834,701	-2,049,037,225
CDX IG Outright	-68,018,749,995	5,320,034,626,304	-28,795,490	0	-506,436,674	-2,454,314,507	349,031,161	-3,918,601,270
CDX IG Hedge	118,633,500,000	709,006,589,935	-5,950,247	0	-28,114,301	-147,597,581	-569,889,053	-372,591,284
CDX IG 00-03	-1,550,000,000	-5,227,642,054	3,795,077	5,193,294	13,365,039	96,528,068	458,389,891	219,851,023
CDX IG 03-07	-1,550,000,000	-196,457,919	403,624	169,511	3,658,310	20,680,225	8,876,316	44,437,587
CDX IG 07-10	-1,525,000,000	3,365,021,175	-1,509,431	1,033,309	-24,257,520	-110,787,200	-12,663,265	-169,212,139
CDX IG 10-15	-6,855,000,000	-7,040,954,420	3,694,828	43,949	55,400,395	278,002,531	23,446,979	485,821,023
CDX IG 15-30	-23,355,000,000	-8,150,174,538	3,980,778	3,508,765	59,719,728	321,413,674	13,477,594	571,805,627
CDX IG 30-100	28,435,000,000	7,396,171,545	-3,738,054	-5,706,377	-58,056,380	-306,622,929	-8,403,963	-529,873,444
CDX IG Total	44,314,750,005	58,187,693,969	-28,148,220	4,239,646	-484,836,049	-2,303,493,438	263,247,294	-3,559,493,144
CDX HY Outright	-24,507,800,000	-10,165,097,575,732	6,956,367	0	406,127,762	1,903,421,502	162,783,882	2,955,294,167
CDX HY Hedge	6,954,100,000	-4,976,738,410,412	3,342,791	0	129,596,102	632,940,565	-44,862,133	1,078,786,433
CDX HY 00-10	0	0	0	0	0	0	0	0
CDX HY 10-15	4,290,500,000	394,272,798	-544,343	4,749,471	-23,613,722	-82,400,719	65,302,918	-105,654,079
CDX HY 15-25	1,193,000,000	6,023,464,283	-2,219,914	3,037,741	-78,446,280	-359,454,940	-123,357,057	-582,354,906
CDX HY 25-35	2,990,000,000	663,553,281	-343,675	-431,513	-13,668,999	-71,036,943	-5,960,654	-127,208,202
CDX HY 35-100	9,295,000,000	798,632,458	-304,010	-1,151,467	-13,207,845	-71,484,571	-4,277,013	-129,457,532
CDX HY Total	214,800,000	-20,081,778,140	6,887,217	6,204,292	406,787,017	1,951,184,794	69,600,941	3,089,395,881
CDX LCDX Outright	40,350,000	13,113,750,000	-3,172	0	-42,335	-209,976	-147,434	-356,365
CDX LCDX Hedge	-1,728,750,000	-591,843,750,000	135,897	0	1,813,796	9,936,193	6,316,624	16,938,961
CDX LCDX 05-08	0	0	0	0	0	0	0	0
CDX LCDX 08-12	0	0	0	0	0	0	0	0
CDX LCDX 12-15	110,000,000	281,437,951	-27,372	-27,429	-373,593	-1,992,052	-253,047	-3,980,810
CDX LCDX 15-100	3,965,000,000	619,417,521	-125,615	-180,987	-1,706,660	-8,398,335	-2,705,574	-17,901,830
CDX LCDX Total	2,386,600,000	250,408,393	-20,262	-208,466	-308,791	-2,204,170	3,710,570	-5,339,044
ITRAXX XO	-4,659,250,000	-5,701,522,749	1,993,271	0	124,886,281	573,639,599	82,550,983	835,356,243
ITRAXX FINSUB	-2,258,000,000	352,756,007	-152,230	0	-10,798,351	-47,114,812	88,362,174	-64,521,440
ITRAXX FINSEN	-348,125,000	-436,426,798	177,351	0	5,186,220	24,698,446	8,928,918	40,263,746
SOVX WE	0	0	0	0	0	0	0	0
Grand Total	[illegible]	52,936,887,807	-27,829,017	-8,981,510	-181,834,048	-905,713,882	900,235,587	-1,703,374,902

Core Strategic	Ccy Not 29-May-12	Ccy Not 28-May-12	Daily Change	Weekly Change	Since 30-Apr
ITRAXX MN Outright	-6,267,308,499	-4,446,308,499	-1,821,000,000	-7,368,500,000	-23,357,850,500
ITRAXX MN Hedge	34,553,875,000	33,708,875,000	845,000,000	2,342,850,000	-3,406,475,900
ITRAXX MN 00-03	-3,210,000,000	-3,230,000,000	20,000,000	20,000,000	10,000,000
ITRAXX MN 03-06	-550,000,000	-550,000,000	0	0	0
ITRAXX MN 06-09	715,000,000	715,000,000	0	0	0
ITRAXX MN 09-12	695,000,000	695,000,000	0	0	0
ITRAXX MN 12-22	-420,000,000	-420,000,000	0	0	0
ITRAXX MN 22-100	38,935,000,000	39,185,000,000	-250,000,000	-250,000,000	-25,000,000
ITRAXX MN Total	64,451,566,501	65,657,566,501	-1,206,000,000	-5,256,000,000	-26,773,333,500
CDX IG Outright	-68,018,749,995	-64,941,099,995	-3,077,650,000	-5,716,750,000	-21,035,350,000
CDX IG Hedge	118,633,500,000	115,305,850,000	3,327,650,000	266,750,000	4,591,350,000
CDX IG 00-03	-1,550,000,000	-1,550,000,000	0	0	0
CDX IG 03-07	-1,550,000,000	-1,550,000,000	0	0	-20,000,000
CDX IG 07-10	-1,525,000,000	-1,525,000,000	0	0	0
CDX IG 10-15	-6,855,000,000	-6,855,000,000	0	0	0
CDX IG 15-30	-23,355,000,000	-23,355,000,000	0	0	0
CDX IG 30-100	28,435,000,000	28,435,000,000	0	0	0
CDX IG Total	44,314,750,005	44,064,750,005	250,000,000	-6,430,000,000	-17,365,000,000
CDX HY Outright	-24,507,800,000	-24,875,800,000	368,000,000	2,202,000,000	1,687,850,000
CDX HY Hedge	6,954,100,000	7,007,100,000	-53,000,000	-167,000,000	1,317,150,000
CDX HY 00-10	0	0	0	0	0
CDX HY 10-15	4,290,500,000	4,290,500,000	0	0	0
CDX HY 15-25	1,193,000,000	1,193,000,000	0	0	-20,000,000
CDX HY 25-35	2,990,000,000	2,990,000,000	0	0	0
CDX HY 35-100	9,295,000,000	9,295,000,000	0	0	0
CDX HY Total	214,800,000	-100,200,000	315,000,000	2,035,000,000	2,985,000,000
CDX LCDX Outright	40,350,000	51,350,000	-11,000,000	-11,000,000	-231,250,000
CDX LCDX Hedge	-1,728,750,000	-1,739,750,000	11,000,000	11,000,000	231,250,000
CDX LCDX 05-08	0	0	0	0	0
CDX LCDX 08-12	0	0	0	0	0
CDX LCDX 12-15	110,000,000	110,000,000	0	0	0
CDX LCDX 15-100	3,965,000,000	3,965,000,000	0	0	0
CDX LCDX Total	2,386,600,000	2,386,600,000	0	0	0
ITRAXX XO	-4,659,250,000	-5,459,250,000	800,000,000	1,845,000,000	2,030,000,000
ITRAXX FINSUB	-2,258,000,000	-2,238,000,000	-20,000,000	-20,000,000	-670,000,000
ITRAXX FINSEN	-348,125,000	-348,125,000	0	200,000,000	-400,000,000
SOVX WE	0	0	0	0	-50,000,000
Grand Total	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Core Strategic	10%CSW 29-May-12	10%CSW 28-May-12	Daily Change	Weekly Change	Since 30-Apr
ITRAXX MN Outright	-265,622,521	-276,510,833	10,888,311	65,057,979	177,680,261
ITRAXX MN Hedge	101,706,604	105,498,931	-3,792,327	-10,741,709	20,330,144
ITRAXX MN 00-03	124,072,868	125,731,350	-1,658,482	-4,073,014	14,940,688
ITRAXX MN 03-06	13,364,543	13,490,698	-126,155	-855,991	1,729,117
ITRAXX MN 06-09	-23,349,861	-23,405,094	55,233	619,307	-445,312
ITRAXX MN 09-12	-14,427,050	-14,469,030	41,979	538,243	-1,075,782
ITRAXX MN 12-22	821,251	807,661	13,590	-83,184	324,497
ITRAXX MN 22-100	-159,316,200	-161,604,430	2,288,230	8,492,642	-55,791,978
ITRAXX MN Total	-222,750,375	-230,460,755	7,710,380	59,957,274	177,891,637
CDX IG Outright	-506,436,674	-509,316,454	2,879,780	14,748,633	24,056,711
CDX IG Hedge	-28,114,301	-24,268,669	-3,845,632	4,034,192	-19,271,580
CDX IG 00-03	13,365,039	14,558,746	-1,193,707	-4,944,073	5,929,444
CDX IG 03-07	3,658,310	3,649,432	8,878	361,114	1,105,000
CDX IG 07-10	-24,257,520	-24,637,869	380,349	-982,160	-4,126,841
CDX IG 10-15	55,400,395	55,639,641	-239,247	1,637,672	13,708,100
CDX IG 15-30	59,719,728	60,341,070	-621,342	1,978,217	17,346,838
CDX IG 30-100	-58,056,380	-58,523,246	466,866	-2,939,242	-22,024,266
CDX IG Total	-484,836,049	-482,674,219	-2,161,830	14,665,452	16,697,504
CDX HY Outright	406,127,762	417,653,968	-11,526,207	-56,767,959	-42,454,503
CDX HY Hedge	129,596,102	130,748,880	-1,152,779	-2,513,902	4,091,687
CDX HY 00-10	0	0	0	0	0
CDX HY 10-15	-23,613,722	-22,681,802	-931,920	-2,718,627	1,106,286
CDX HY 15-25	-78,446,280	-78,789,959	343,679	2,670,680	-13,968,720
CDX HY 25-35	-13,668,999	-13,886,352	217,353	859,597	-2,512,493
CDX HY 35-100	-13,207,845	-12,813,412	-394,433	51,849	-2,852,668
CDX HY Total	406,787,017	420,231,323	-13,444,306	-58,438,580	-55,588,408
CDX LCDX Outright	-42,335	-54,196	11,861	13,779	296,681
CDX LCDX Hedge	1,813,796	1,836,179	-22,383	-97,360	-532,798
CDX LCDX 05-08	0	0	0	0	0
CDX LCDX 08-12	0	0	0	0	0
CDX LCDX 12-15	-373,593	-374,481	888	20,040	65,872
CDX LCDX 15-100	-1,706,660	-1,562,964	-143,696	-56,709	-503,099
CDX LCDX Total	-308,791	-155,462	-153,329	-102,321	-933,154
ITRAXX XO	124,886,281	143,527,799	-18,641,517	-58,428,086	-82,452,447
ITRAXX FINSUB	-10,798,351	-11,278,592	480,241	417,081	13,737,212
ITRAXX FINSEN	5,186,220	5,242,043	-55,823	-2,867,421	5,906,469
SOVX WE	0	0	0	0	448,349
Grand Total	-181,834,048	-155,567,864	-26,266,184	-44,816,802	84,707,162

Asset	MV ($mm)			CS01 ($mm)			10%CSW ($mm)			Lrg Fltn Selloff ($mm)			WoW Change ($mm)			
	MTM	AFS	Total	MTM	AFS	Total	MTM	AFS	Total	MTM	AFS	Total	MV	CS01	CS10%	LFS
ABS AUTO	0	2,458	2,458	0.0	-0.4	-0.4	0.0	-7.1	-7.1	0	-33	-33	+9	+0.0	+0.9	+0
ABS CC	30	1,072	1,102	-0.0	-0.2	-0.2	-0.6	-4.6	-5.0	-2	-21	-23	-0	+0.0	+0.0	+0
ABS OTHER	0	14	14	0.0	-0.0	-0.0	0.0	-0.2	-0.2	0	-1	-1	+0	+0.0	+0.0	+0
NON PRIME	9	400	409	-0.0	-0.3	-0.3	-0.5	-12.2	-12.7	-2	-57	-59	+0	+0.0	+0.1	+1
SME	76	1,259	1,335	-0.0	-0.4	-0.4	-0.4	-7.0	-7.3	-2	-12	-34	+2	+0.0	+0.0	+0
ABS Total	115	5,293	5,398	-0.0	-1.3	-1.3	-1.4	-31.0	-32.3	-4	-144	-151	+12	+0.0	+0.1	+1
EMCLO	0	420	420	0.0	-0.2	-0.2	0.0	-4.5	-4.5	0	-19	-19	+0	+0.0	+0.0	+0
EU CLO	1,861	5,665	7,526	-0.8	-1.1	-1.9	-16.9	-23.9	-40.8	-79	-112	-190	+1	+0.0	+0.1	+0
US CLO	2,484	18,905	21,589	-0.5	-4.9	-5.5	-17.3	-98.4	-115.7	-51	-489	-540	+29	+0.0	+0.3	+1
CLO Total	4,345	25,189	29,534	-1.3	-6.4	-7.7	-34.2	-126.5	-160.5	-159	-599	-740	+19	+0.0	+0.4	+2
GERSF	433	307	739	-0.2	-0.1	-0.3	-5.2	-2.9	-7.1	-20	-14	-33	+0	+0.0	+0.0	+0
SNG CMBS	0	321	321	0.0	-0.1	-0.1	0.0	-1.8	-1.8	0	-9	-9	+0	+0.0	+0.0	+0
UK CMBS	0	0	0	0.0	0.0	0.0	0.0	0.0	0.0	0	0	0	+0	+0.0	+0.0	+0
CMBS Total	433	627	1,060	-0.2	-0.2	-0.4	-5.2	-4.8	-9.9	-20	-22	-42	+0	+0.0	+0.0	+0
ECA	0	925	925	0.0	-0.3	-0.3	0.0	-3.0	-3.0	0	-14	-14	+0	+0.0	+0.0	+0
ECA Total	0	925	925	0.0	-0.3	-0.3	0.0	-3.0	-3.0	0	-14	-14	+0	+0.0	+0.0	+0
UK PRIME	0	27,957	27,957	-0.0	-6.4	-6.4	-0.0	-94.3	-94.3	-0	-440	-440	+19	+0.0	+1.3	+6
NE PRIME	39	24,182	24,222	-0.1	-7.2	-7.2	-2.6	-99.0	-101.6	-12	-462	-474	-33	+0.0	+0.1	+1
OTHER PRIME	21	2,729	2,750	-0.0	-0.3	-0.4	-0.8	-14.4	-15.2	-4	-61	-71	+19	-0.0	-0.1	-0
RMBS Total	60	54,879	54,940	-0.1	-14.4	-14.5	-3.4	-207.7	-211.1	-16	-969	-985	-1	+0.0	+1.3	+6
TDR	378	0	378	-0.2	0.0	-0.2	-7.4	0.0	-7.4	-34	0	-34	+0	+0.0	+0.0	+0
TDR Total	378	0	378	-0.2	0.0	-0.2	-7.4	0.0	-7.4	-34	0	-34	+0	+0.0	+0.0	+0
UK BTL	0	1,253	1,253	-0.0	-0.9	-0.9	-2.7	-28.3	-31.0	-13	-132	-145	+0	+0.0	-0.2	-0
UK BTL Total	0	1,253	1,253	-0.0	-0.9	-0.9	-2.7	-28.3	-31.0	-13	-132	-145	+0	+0.0	-0.2	-0
CB	0	12,915	12,915	0.0	-5.8	-5.8	0.0	-59.4	-59.4	0	-277	-277	+18	+0.0	+0.2	+1
CB Total	0	12,915	12,915	0.0	-5.8	-5.8	0.0	-59.4	-59.4	0	-277	-277	+18	+0.0	+0.2	+1
Inv Total	5,331	101,072	106,403	-1.7	-29.3	-31.0	-63.2	-450.7	-513.0	-246	-2,149	-2,397	+15	+0.1	+2.0	+9



Investments Assets

J.P.Morgan

Credit & Equity Index Monitor

Index	Series	Maturity	29/05/2012 Spot	Mode CoD	Bps CoW	CoM	YTD
ITRAXX MN	OTR	05Y	170.50	+0.50	-1.00	+33.63	-2.00
ITRAXX FINSUB	OTR	05Y	484.00	-7.00	+4.00	+94.00	-21.00
ITRAXX FINSEN	OTR	05Y	290.00	-4.00	+10.00	+57.00	+17.50
ITRAXX SOVXWE	OTR	05Y	314.00	-1.00	+5.00	+38.50	-53.00
ITRAXX XO	OTR	05Y	697.50	-1.00	-12.50	+67.50	-47.00
CDX IG	OTR	05Y	116.75	-0.75	-1.75	+22.75	-1.76
CDX HY	OTR	05Y	652.69	-17.03	-22.11	+71.35	-4.58

FTSE 100	OTR	05Y	5391.14	+34.80	-12.14	-421.09	-308.77
DJ EURO STOXX 5	OTR	05Y	2160.31	+12.30	-32.54	-146.38	-169.58
S&P 500	OTR	05Y	1332.42	+14.60	+15.79	-73.40	+55.12
NASDAQ 100	OTR	05Y	2558.97	+31.92	+13.54	-164.71	+237.01
NIKKEI 225	OTR	05Y	8657.08	+63.93	-72.21	-693.87	+96.97
HANG SENG	OTR	05Y	19055.46	+254.47	+16.31	-2038.75	+328.15

Index Curve Monitor

ITRAXX MN S09	03Y	05Y	07Y	10Y	3/5	3/7	5/10	3/10
Spot	26.50	150.00	185.00	208.50	123.50	35.00	58.50	182.00
Day	26.50	150.00	183.00	207.00	-0.00	+2.00	+1.50	+1.50
Week	26.50	155.00	184.00	209.00	-5.00	+6.00	+4.50	-0.50
Month	26.50	105.00	143.86	166.88	+44.13	-3.00	-2.00	+41.63
Year	26.50	170.50	189.50	196.50	-20.50	+16.00	+32.50	+12.00

CDX IG S09	03Y	05Y	07Y	10Y	3/5	5/7	5/10	3/10
Spot	0.00	84.68	118.95	158.91	84.68	34.26	74.23	158.91
Day	0.00	85.43	119.70	159.66	-0.74	-0.01	-0.01	-0.75
Week	0.00	86.43	118.70	158.16	-1.75	+2.50	+2.49	+0.75
Month	0.00	67.31	91.17	118.64	+17.37	+10.41	+22.90	+40.27
Year	0.00	126.90	137.72	146.84	-42.21	+73.44	+54.40	+12.79

CDX HY S10	03Y	05Y	07Y	10Y	3/5	5/7	5/10	3/7
Spot	0.00	302.57	445.87	559.19	302.57	143.30	256.62	559.19
Day	0.00	310.80	409.55	574.71	-8.23	-5.45	-7.29	+89.64
Week	0.00	317.54	461.87	577.51	-14.97	-1.03	-3.35	+87.32
Month	0.00	265.98	392.83	504.16	+36.59	+16.35	+18.44	+166.26
Year	0.00	496.13	534.15	585.60	-193.56	+105.28	+167.15	+25.04

ITRAXX FINSUB OTR	05Y	10Y	5/10
Spot	484.00	489.00	5.00
Day	491.00	500.00	-4.00
Week	480.00	489.00	-4.00
Month	390.00	403.00	-8.00
Year	505.00	500.00	+14.00

ITRAXX FINSEN OTR	05Y	10Y	5/10
Spot	290.00	303.00	13.00
Day	294.00	309.00	-2.00
Week	280.00	298.00	-2.00
Month	233.00	248.00	-2.00
Year	272.50	272.50	+13.00

ITRAXX XO OTR	05Y	10Y	5/10
Spot	697.50	692.50	-5.00
Day	698.50	695.50	+0.00
Week	710.00	705.00	+0.00
Month	635.00	630.00	-5.00
Year	744.50	714.50	+25.00

Maturity	Product		Cey Notional EUR	OTR 5YEquiv USD	CS01	Avg Spr
20-Dec-12	ITRAXX MN S08 05Y		(0)	(0)	0	128
	ITRAXX MN S08 05Y	03-06	0	801	(3)	154
	ITRAXX MN S08 05Y	06-09	0	0	(0)	(41)
	ITRAXX MN S08 05Y	09-12	0	0	(0)	36
	ITRAXX MN S08 05Y	12-22	0	0	0	21
20-Jun-13	ITRAXX MN S09 05Y		18,674,376,000	4,951,522,058	(2,195,300)	161
	ITRAXX MN S09 05Y	00-03	(2,930,000,000)	(10,613,391,746)	7,499,843	5,241
	ITRAXX MN S09 05Y	03-06	(359,000,000)	(549,390,424)	325,610	647
	ITRAXX MN S09 05Y	06-09	349,000,000	178,334,341	(78,390)	91
	ITRAXX MN S09 05Y	09-12	280,000,000	78,296,543	(34,461)	51
	ITRAXX MN S09 05Y	12-22	(125,000,000)	(19,053,712)	8,266	21
	ITRAXX MN S09 05Y	22-100	7,100,000,000	245,081,132	(100,287)	3
20-Jun-14	ITRAXX MN S15 03Y		(2,509,000,000)	(1,559,975,700)	704,229	141
	ITRAXX MN S15 03Y	00-03	(70,900,000)	(403,368,169)	192,095	3,788
	ITRAXX MN S15 03Y	03-08	10,600,000	42,409,389	(18,159)	907
	ITRAXX MN S15 03Y	22-100	300,500,000	33,180,497	(14,879)	14
20-Jun-15	ITRAXX MN S09 07Y		5,350,000,000	4,310,939,064	(5,947,456)	183
	ITRAXX MN S09 07Y	00-03	(870,000,000)	(2,999,774,559)	1,354,284	4,326
	ITRAXX MN S09 07Y	03-06	(180,000,000)	(538,524,231)	377,186	1,329
	ITRAXX MN S09 07Y	06-09	(25,000,000)	285,404,934	8,852	759
	ITRAXX MN S09 07Y	09-12	138,000,000	401,815,821	(208,600)	393
	ITRAXX MN S09 07Y	12-22	(459,000,000)	(827,059,135)	285,079	174
	ITRAXX MN S09 07Y	22-100	11,325,000,000	2,792,838,093	(1,209,199)	38
20-Jun-16	ITRAXX MN S16 05Y		4,090,260,000	4,123,530,779	(1,988,649)	177
	ITRAXX MN S16 05Y	00-03	(284,000,000)	(1,233,583,336)	567,066	3,298
	ITRAXX MN S16 05Y	22-100	1,069,000,000	615,356,498	(309,093)	42
20-Dec-16	ITRAXX MN S08 10Y		30,250,000	85,285,244	(39,125)	201
	ITRAXX MN S08 10Y	00-03	(115,000,000)	(365,939,844)	178,570	4,274
	ITRAXX MN S08 10Y	03-06	150,000,000	510,754,096	(348,276)	1,702
	ITRAXX MN S08 10Y	06-09	20,000,000	1,178,026,755	(150,147)	1,019
	ITRAXX MN S08 10Y	09-12	0	25,481,108	(3,162)	572
	ITRAXX MN S08 10Y	12-22	0	75,327,734	(15,249)	276
	ITRAXX MN S08 10Y	22-100	0	5,993,938	(5,684)	57
	ITRAXX MN S18 05Y		10,777,918,600	12,040,956,428	(5,571,315)	198
20-Jun-17	ITRAXX MN S07 10Y		0	0	(0)	209
	ITRAXX MN S07 10Y	06-09	0	39,230,227	(4,094)	975
	ITRAXX MN S07 10Y	09-12	0	17,959,454	(2,329)	533
	ITRAXX MN S07 10Y	12-22	0	1,744,280	(359)	275
	ITRAXX MN S07 10Y	22-100	0	(1,325,413)	1,221	63
	ITRAXX MN S17 05Y		(18,821,625,000)	(21,093,624,923)	9,520,065	139
20-Dec-17	ITRAXX MN S08 10Y		1	1	(0)	205
	ITRAXX MN S08 10Y	03-06	0	38,482,076	(3,800)	1,528
	ITRAXX MN S08 10Y	06-09	0	85,622,396	(8,723)	832
	ITRAXX MN S08 10Y	09-12	0	84,753,498	(11,622)	585
	ITRAXX MN S08 10Y	12-22	0	43,303,832	(9,145)	283
	ITRAXX MN S08 10Y	22-100	0	22,987,333	(20,352)	83
20-Jun-18	ITRAXX MN S09 10Y		13,144,800,000	18,228,528,310	(8,620,667)	208
	ITRAXX MN S09 10Y	00-03	1,130,000,000	3,803,468,284	(1,752,159)	3,834
	ITRAXX MN S09 10Y	03-06	5,690,000	138,288,325	(25,744)	1,513
	ITRAXX MN S09 10Y	06-09	380,000,000	2,480,234,327	(963,858)	858
	ITRAXX MN S09 10Y	09-12	235,000,000	1,122,384,134	(477,773)	578
	ITRAXX MN S09 10Y	12-22	165,000,000	410,529,861	(153,027)	283
	ITRAXX MN S09 10Y	22-100	16,260,000,000	11,699,345,778	(5,407,843)	67
	ITRAXX MN S16 07Y		985,000,000	1,283,489,426	(570,575)	197
	ITRAXX MN S15 07Y	00-03	(295,000,000)	(1,187,988,383)	838,211	3,334
	ITRAXX MN S15 07Y	03-06	(165,000,000)	(1,153,187,087)	520,716	1,304
	ITRAXX MN S15 07Y	22-100	2,000,000,000	1,485,519,505	(670,815)	84
20-Jun-21	ITRAXX MN S15 10Y		(1,532,700,000)	(3,365,257,746)	1,430,720	192
20-Dec-21	ITRAXX MN S16 10Y		(4,034,000,000)	(2,695,227,183)	1,247,123	156
Grand Total			84,451,566,591	20,395,757,124	(8,368,745)	537

Maturity	Product	Cey Notional EUR	OTR 5YEquiv USD	CS01	Avg Spr
20-Jun-17	ITRAXX FINSEN S17 05Y	-346,125,000	-446,426,785	177,351	287
Grand Total		-346,126,000	-446,426,785	177,351	287

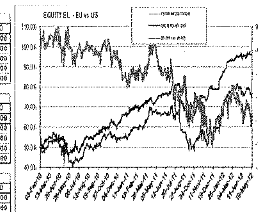
Maturity	Product	Cey Notional USD	OTR 5YEquiv USD	CS01	Avg Spr
20-Dec-12	CDX IG S09 05Y	-37,722,500,000	-3,655,903,728	1,780,394	79
	CDX IG S09 05Y 00-03	-3,570,000,000	-8,004,000,558	5,710,427	3,524
	CDX IG S09 05Y 03-07	-1,398,000,000	-375,168,764	104,818	71
	CDX IG S09 05Y 07-10	-2,045,000,000	-46,550,235	22,680	5
	CDX IG S09 05Y 10-15	-2,906,000,000	-24,295,883	11,895	2
	CDX IG S09 05Y 15-30	-12,215,000,000	-21,110,789	10,335	0
	CDX IG S09 05Y 30-100	-270,000,000	-76,848	-339	0
20-Jun-13	CDX IG S10 05Y	0	0	-0	90
	CDX IG S10 05Y 03-07	0	-4,848,141	388	388
	CDX IG S10 05Y 07-10	0	182,345	-79	46
20-Dec-13	CDX IG S07 07Y	-730,000,000	208,887,435	106,873	137
	CDX IG S07 07Y 07-10	110,000,000	152,496,247	-70,451	223
	CDX IG S07 07Y 15-30	0	-0	-0	22
	CDX IG S07 07Y 30-100	0	753,101	-1,794	18
20-Jun-14	CDX IG S08 07Y	446,000,000	170,764,124	-89,369	134
	CDX IG S08 07Y 03-07	0	-6,900,269	327	831
	CDX IG S08 07Y 07-10	0	-15,412,009	1,800	244
	CDX IG S08 07Y 10-15	0	1,120,878	-333	94
	CDX IG S08 07Y 15-30	-875,000,000	-49,169,879	23,549	52
	CDX IG S08 07Y 30-100	0	584,967	-1,439	15
20-Dec-14	CDX IG S09 07Y	34,193,000,005	18,220,774,279	-3,293,086	158
	CDX IG S09 07Y 00-03	-435,000,000	-1,337,412,002	659,921	3,867
	CDX IG S09 07Y 03-07	-215,000,000	-389,078,803	370,003	773
	CDX IG S09 07Y 07-10	-305,000,000	-305,898,209	280,561	272
	CDX IG S09 07Y 10-15	-1,979,000,000	-1,882,437,400	921,398	137
	CDX IG S09 07Y 15-30	-6,965,000,000	-2,593,441,075	1,268,569	39
	CDX IG S09 07Y 30-100	11,530,000,000	1,150,604,561	-594,239	14
20-Jun-15	CDX IG S14 05Y	-7,657,000,000	-4,887,821,423	2,306,919	83
20-Dec-15	CDX IG S15 05Y	-17,156,500,000	-12,555,747,611	5,850,318	93
	CDX IG S15 05Y 00-03	-105,000,000	-1,331,126,013	583,445	1,752
	CDX IG S15 05Y 15-100	100,000,000	25,538,358	-12,103	29
20-Jun-16	CDX IG S16 05Y	-16,228,750,000	-15,010,861,027	7,117,580	103
20-Dec-16	CDX IG S17 05Y	8,337,500,000	7,825,484,738	-3,613,790	109
20-Jun-17	CDX IG S18 05Y	36,839,000,000	36,839,000,000	-17,360,858	117
20-Dec-17	CDX IG S09 10Y	40,099,000,000	44,261,578,470	-22,380,994	160
	CDX IG S09 10Y 00-03	2,050,000,000	3,225,305,810	-3,360,810	3,538
	CDX IG S09 10Y 03-07	60,000,000	387,070,093	-100,910	1,208
	CDX IG S09 10Y 07-10	775,000,000	3,500,814,039	-1,750,822	869
	CDX IG S09 10Y 10-15	-1,960,000,000	-5,635,352,013	2,761,478	306
	CDX IG S09 10Y 15-30	-3,000,000,000	-5,463,432,283	2,678,324	122
	CDX IG S09 10Y 30-100	17,175,000,000	6,226,005,724	-3,160,204	36
20-Jun-20	CDX IG S14 10Y	257,000,000	377,832,872	-178,069	133
20-Dec-20	CDX IG S15 10Y	-64,000,000	-62,944,798	30,308	138
20-Jun-21	CDX IG S16 10Y	392,000,000	460,144,151	-227,540	142
Grand Total		44,314,750,005	58,187,693,969	-29,148,220	406

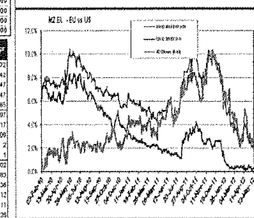
Maturity	Product	Cey Notional USD	OTR 5YEquiv USD	CS01	Avg Spr
20-Jun-13	CDX LCDX S10 05Y	-1,698,400,000	-960,447,080	142,725	134
	CDX LCDX S10 05Y 12-15	116,000,000	281,437,861	-27,372	176
	CDX LCDX S10 05Y 15-100	3,965,000,000	819,417,521	-125,615	78
Grand Total		2,386,600,000	250,408,398	-20,262	118

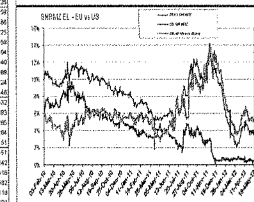
Maturity	Product	Cey Notional EUR	OTR 5YEquiv USD	CS01	Avg Spr
20-Dec-15	ITRAXX XO S14 05Y	0	0	0	531
20-Jun-16	ITRAXX XO S15 05Y	[illegible]	[illegible]	640,380	[illegible]
20-Dec-16	ITRAXX XO S16 05Y	[illegible]	[illegible]	1,055,920	581
20-Jun-17	ITRAXX XO S17 05Y	[illegible]	[illegible]	[illegible]	[illegible]
Grand Total		-4,589,500,000	-8,701,822,769	1,993,471	827

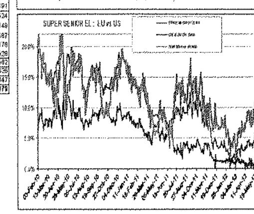
Maturity	Product	Cey Notional USD	OTR 5YEquiv USD	CS01	Avg Spr
20-Jun-12	CDX HY S08 05Y	10,368,600,000	192,318,976	-94,151	172
	CDX HY S08 05Y 10-15	-1,568,000,000	-202,217,324	100,220	11,842
	CDX HY S08 05Y 15-25	-1,410,000,000	-15,717	8	347
	CDX HY S08 05Y 25-35	883,000,000	-0	0	-47
	CDX HY S08 05Y 35-100	-100,000,000	-1,175	-4	-85
20-Dec-12	CDX HY S09 05Y	6,650,000,000	637,480,596	-319,647	207
	CDX HY S09 05Y 10-15	-220,000,000	-77,058,444	100,825	10,917
	CDX HY S09 05Y 15-25	-1,065,000,000	-501,014,050	245,960	509
	CDX HY S09 05Y 25-35	875,000,000	0	-0	2
	CDX HY S09 05Y 35-100	3,200,000,000	9,877,823	4,397	1
20-Jun-13	CDX HY S10 05Y	-10,073,500,000	-1,978,422,392	947,580	302
	CDX HY S10 05Y 10-15	890,000,000	175,264,583	-214,383	14,585
	CDX HY S10 05Y 15-25	2,063,000,000	2,987,931,504	-1,377,926	1,136
	CDX HY S10 05Y 25-35	655,000,000	149,444,005	-61,443	112
	CDX HY S10 05Y 35-100	3,905,000,000	107,508,500	-47,111	11
	CDX HY S14 03Y	-75,000,000	-20,915,636	7,879	326
20-Dec-13	CDX HY S07 07Y	-0	0	0	259
	CDX HY S07 07Y 15-25	0	62,478,153	-6,052	788
	CDX HY S07 07Y 25-35	0	187,479	-46	225
	CDX HY S07 07Y 35-100	0	358,919	-374	58
	CDX HY S11 05Y	1,163,500,000	308,052,918	-150,909	404
	CDX HY S11 05Y 10-15	1,205,000,000	102,176,504	-100,900	14,540
	CDX HY S11 05Y 15-25	1,015,000,000	1,837,798,150	-755,749	2,089
	CDX HY S11 05Y 25-35	259,000,000	117,878,842	-40,234	224
	CDX HY S11 05Y 35-100	530,000,000	49,025,266	-20,589	48
20-Jun-14	CDX HY S08 07Y	-214,000,000	-71,755,730	30,129	332
	CDX HY S08 07Y 10-15	90,000,000	43,978,827	-34,845	5,893
	CDX HY S08 07Y 15-25	225,000,000	406,343,067	-181,203	1,205
	CDX HY S08 07Y 25-35	282,000,000	184,903,008	-76,955	284
	CDX HY S08 07Y 35-100	115,000,000	15,390,926	-7,111	51
20-Jun-15	CDX HY S10 07Y	-2,439,750,000	-1,173,438,357	574,463	451
	CDX HY S10 07Y 10-15	4,040,500,000	300,088,122	-386,729	9,242
	CDX HY S10 07Y 15-25	305,000,000	1,162,837,071	-300,884	2,318
	CDX HY S10 07Y 25-35	283,000,000	401,148,127	-155,036	582
	CDX HY S10 07Y 35-100	1,515,000,000	482,742,598	-205,823	110
	CDX HY S14 05Y	-12,341,000,000	-8,990,414,115	3,300,839	491
20-Dec-15	CDX HY S11 07Y	4,408,000,000	2,341,616,945	-1,149,351	524
	CDX HY S11 07Y 10-15	50,000,000	2,838,398	-3,403	8,149
	CDX HY S11 07Y 15-25	-30,000,000	-52,671,944	21,000	2,487
	CDX HY S11 07Y 35-100	100,000,000	43,339,843	-10,580	178
	CDX HY S15 05Y	-9,916,000,000	-6,091,004,418	2,970,431	528
20-Jun-16	CDX HY S16 05Y	-6,785,000,000	-6,040,743,161	2,717,723	582
20-Dec-16	CDX HY S17 05Y	-7,100,500,000	-6,880,860,450	2,452,729	626
20-Jun-17	CDX HY S18 05Y	1,365,000,000	1,494,465,098	-576,234	647
Grand Total		214,600,000	-20,881,778,140	6,887,217	2,079

Maturity	Product	Cey Notional EUR	OTR 5YEquiv USD	CS01	Avg Spr
20-Jun-12	ITRAXX FINSUB S07 05Y	-93,000,000	-1,641,705	708	671
20-Dec-12	ITRAXX FINSUB S08 05Y	-420,000,000	-94,568,787	36,494	421
20-Jun-13	ITRAXX FINSUB S09 05Y	-1,602,000,000	-505,537,214	218,158	420
20-Dec-13	ITRAXX FINSUB S10 05Y	-1,185,000,000	-471,491,253	203,469	443
20-Dec-14	ITRAXX FINSUB S12 05Y	-774,000,000	-506,519,919	210,297	464
20-Dec-15	ITRAXX FINSUB S14 05Y	1,303,000,000	1,107,204,092	-417,805	485
20-Jun-16	ITRAXX FINSUB S15 05Y	-455,000,000	-424,095,590	153,012	501
20-Dec-16	ITRAXX FINSUB S16 05Y	1,046,000,000	1,131,051,005	-513,530	507
20-Jun-17	ITRAXX FINSUB S17 05Y	45,000,000	50,143,948	-21,640	485
Grand Total		-2,359,000,000	352,756,067	-152,210	478









Agenda

2405

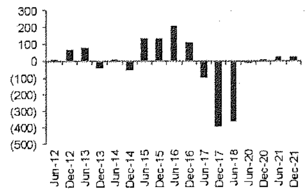
Curve exposure (Investment Grade CDX and iTraxx Series 9) (cob 5/29/12)

DRAFT (5/29/12)

Risk depiction

Overall

Curve exposure detail (10% CSW, $mm)



Exposure & P&L

Daily ($000)	WTD	Since 4/30
4,423	65,881	-1,419,475

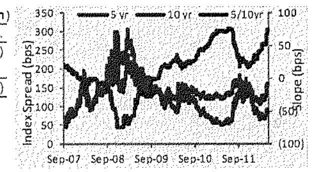
Above P&L based on an indicative attribution model and may not match representative trade P&L estimation

Commentary

- Our curve risk arises from the portfolio being short risk in lesser maturities (Pre Dec 2016) and long risk in greater maturities (post Dec 2016)
- Our exposure to this is approximately $8mmm loss per bp in steepening in IG9 with a forward long of $33mm

US CDX IG 9

	Notional ($bn)		PV	10% CSW ($mm)	
Maturity	Current	Delta Adj.	($mm)	Spot	Day Chg.
Dec. '12	($33)	($144)	$365	$61	($0.8)
Dec. '17	47	56	(2,543)	(392)	0.7
			Net	(453)	(0.1)

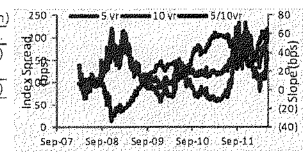


($mm)	Dec '12	Dec '17	Slope	His. Loss	His. Gain
CS01	$7.7	($25.4)	($33.1)	($56)	$4,943
Spread	85bps	159bps	74bps	76bps	(75bps)

(mm)	Dec. '12	Dec. '17
Notional	($32,722)	$46,989
Volumes		
1Week Total	8,417	10,947
1M Daily Avg.	1,709	2,324
Since 4/30	42,094	47,601
Days to Liquidation	96	101
(20% daily avg. vol.)		

EUR iTraxx 9

	Notional (€bn)		PV	10% CSW ($mm)	
Maturity	Current	Delta Adj.	($mm)	Spot	Day Chg.
Jun. '13	€17	(€33)	$1,551	$78	($0.6)
Jun. '18	13	27	(2,041)	(356)	0.5
			Net	(434)	(0.2)



($mm)	Dec '12	Dec '17	Slope	His. Loss	His. Gain
CS01	$5.4	($17.5)	($23)	($92)	$2,122
Spread	150bps	209bps	59bps	63bps	(34bps)

(mm)	Jun. '13	Jun. '18
Notional	€16,576	€13,145
Volumes		
1Week Total	4,966	670
1M Daily Avg.	1,183	277
Since 4/30	25,243	5,932
Days to Liquidation	70	238
(20% daily avg. vol.)		

[1] PV represents balance sheet carrying value

2406

Investment Grade vs. High Yield (Compression) (cob 5/29/12)

DRAFT (5/29/12)

Overall

Risk depiction

Compression exposure detail

Decompression 10% CSW	$mm
CDX IG	(485)
CDX HY/LCDX	406
ITRAXX MN/FINSEN/SOVX	(218)
ITRAXX XO/FIN SUB	114

Exposure & P&L

P&L ($000s)	Daily	WTD	Since 4/30
Compression	(39,971)	(39,682)	(499,473)
CDXIG vs. HY	(26,605)	(25,324)	(184,150)
iTraxx MN vs. XO	(13,670)	(14,493)	(334,717)
Other	-	-	18,161

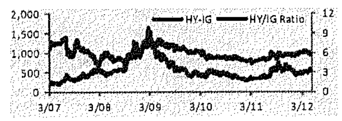
Above P&L based on an indicative attribution model and may not match representative trade P&L estimation

Commentary

- We are long Investment Grade and Short High Yield such that we lose if High Yield widens (narrows) less (more) than a ratio of 5.5:1 to Investment Grade

US example (CDX)

($mm)	CDX IG (S17/S18)	CDX HY (S17)
Maturity	21/03/2017	20/12/2016
Notional	$44,977	($7,101)
CS01	(21.0)	2.5
10% CSW	(241.4)	150.9
CSW 10% Change		
Close of Day	(0.2)	(0.8)
Close of Week	(241.4)	150.9
Since April 30	(115.1)	(12.0)

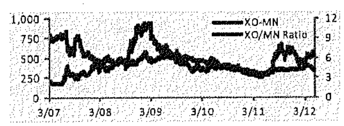


($mm)	CS01	Current Spread	Historical Loss	Historical Gain
IG (S17/S18)	(21.0)	117		
HY (S17)	2.5	653	($456.4)	$1,041.0
IG vs. HY ratio		**5.59x**	**4.00x**	**9.23x**

($mm)	CDX IG (S17/S18)	CDX HY (S17)
Notional	$44,977	($7,101)
Volumes		
1Week Total	79,649	8,896
1M Daily Avg.	21,256	2,938
Since 4/30	446,344	62,940
Days to Liquidation *(20% daily avg. vol.)*	11	12

Europe example (iTraxx)

($mm except notional)	iTraxx MN (S16/S17)	iTraxx XO (S16)
Maturity	21/03/2017	20/12/2016
Notional	(€6,044)	(€4,417)
CS01	3.9	1.9
10% CSW	66.3	119.6
CSW 10% Change		
Close of Day	7.6	(0.6)
Close of Week	66.3	119.6
Since April 30	230.7	(25.3)



($mm)	CS01	Current Spread	Historical Loss	Historical Gain
MN (S16/S17)	3.9	171		
XO (S16)	1.9	698	($162.0)	$1,892.1
MN vs. XO ratio		**4.09x**	**3.58x**	**10.08x**

(€mm)	iTraxx MN (S16/S17)	iTraxx XO (S16)
Notional	(€6,044)	(€4,417)
Volumes		
1Week Total	63,403	15,198
1M Daily Avg.	14,246	4,029
Since 4/30	300,051	86,738
Days to Liquidation *(20% daily avg. vol.)*	2	5

2407

Off-the-run index risk (cob 5/29/12)

Overall

Risk depiction

	Notional ($bn)		PV	CS01 ($mm)	
	Current	Delta Adj.	($mm)	Spot	Day Chg.
CDX IG9	46,989	56,115	(2,543)	(25)	(0.0)
iTraxx S9	16,479	34,385	(2,041)	(18)	(0.0)
Total	63,468	90,500	(4,584)	(43)	(0.1)

Exposure & P&L

Daily ($000s)	WTD	Since 4/30
-28,842	-22,072	-198,829

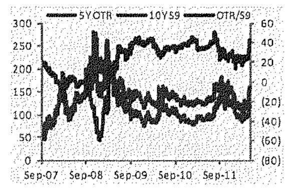
Above P&L based on an indicative attribution model and may not match representative trade P&L estimation

Commentary

- This refers to the risk that we hold large, concentrated positions in off-the-run indices in IG CDX and iTraxx

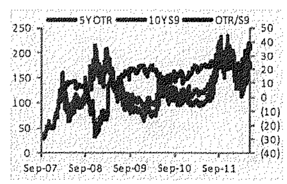
US example (CDX)

($mm)	IG 9 10yr	IG 18 5yr
CS01	(25.4)	(17.4)
<u>Change</u>		
Close of Day	(0.0)	(0.1)
Close of Week	(25.4)	(17.4)
Since April 30	19.7	(8.8)



($mm)	IG 9 10yr	IG 18 5yr
Notional	$46,989	$36,639
Volumes		
1Week Total	10,947	79,649
1M Daily Avg.	2,324	21,256
Since 4/30	47,601	446,344
Days to Liquidation	101	9
(20% daily avg. vol.)		

($mm)	MN S9 10yr	MN S17 5 yr
CS01	(17.5)	9.5
<u>Change</u>		
Close of Day	(0.0)	0.5
Close of Week	(17.5)	9.5
Since April 30	1.7	13.4



(€mm)	MN S9 10yr	MN S17 5 yr
Notional	€16,479	(€21,088)
Volumes		
1Week Total	670	63,403
1M Daily Avg.	277	14,246
Since 4/30	5,932	300,051
Days to Liquidation	298	7
(20% daily avg. vol.)		

[1] PV represents balance sheet carrying value

2408

Directionality (cob 5/29/12)

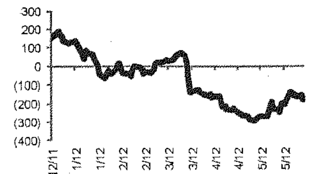
DRAFT (5/29/12)

10% CSW ($mm)

Exposure & P&L

Commentary

Overall

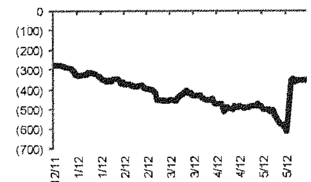


12/31/11	4/30/12	5/29/12
153	(293)	(182)

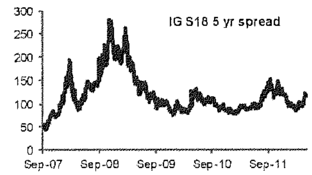
Daily ($000s)	WTD	Since 4/30
-3,940	12,484	-375,108

Above P&L based on an indicative attribution model and may not match representative trade P&L estimation

US (CDX)

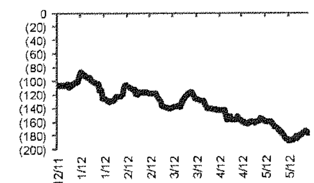


12/31/11	4/30/12	5/29/12
(279)	(480)	(353)

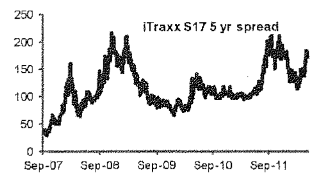


12/31/11	4/30/12	5/29/12
120	95	117

Europe (iTraxx)



12/31/11	4/30/12	5/29/12
(107)	(159)	(177)



12/31/11	4/30/12	5/29/12
173	141	171

2409

DRAFT (5/29/12)

Tranche Risk (cob 5/29/12)

Risk depiction

Correlation 10% shift[1]

Overall

Index name	Tranches	Total
CDX.IG Junior	0-30%	125
CDX.IG Super Senior	30-100%	(171)
CDX.IG Total		(45)
CDX.HY Junior	0-35%	38
CDX.HY Super Senior	35-100%	8
CDX.HY Total		46
iTraxx Junior	0-22%	(29)
iTraxx Super Senior	22-100%	(151)
iTraxx Total		(180)
Grand total		**(179)**

US

	Long IG 9 Super Sr. 10yr	Short 0-30
10% Corr 01	(18)	25
Change		
Week To Date	-0.22	0.00
Since April 30	-3.26	0.37

Europe

	Long iTraxx 9 Super 10yr	Short 0-22
10% Corr 01	-15	11
Change		
Week To Date	0.28	-0.04
Since April 30	-0.72	-0.90

Exposure & P&L

Daily ($000s)	WTD	Since 4/30
TBU	TBU	TBU

Above P&L based on an indicative attribution model and may not match representative trade P&L estimation

Graphs of 10% correlation shift

Theoretical max gain/loss based on 10% Corr and Spread graph

Commentary

CIO Vol traded since Apr 30th

Implied Daily, weekly P/L

2410

APPENDIX

Default profile (cob 5/29/12)

Total exposure

Overall

Portfolio	# of names	# Names w/ default loss risk	P&L given default Avg.	P&L given default Max	# Names w/ default gain risk	P&L given default Avg.	P&L given default Max.
Portfolio (today)	675	75	($45)	($221)	600	$155	$636
Portfolio *(post Dec. '12)*	672	255	(235)	(565)	417	132	636
IG9 only (today)	121	0	0	0	121	279	520
IG9 only *(post Dec. '12)*	121	121	(441)	(565)	0	0	0

Top 5 exposures

US

Loss

Pre December 2012	($mm)	Post December 2012	($mm)
1. H. J. Heinz Company	(220.5)	1. Capital One Bank (Usa), National Association	(565.2)
2. L-3 Communications Corporation	(217.5)	2. Comcast Cable Communications, Llc	(515.2)
3. Boston Scientific Corporation	(215.2)	3. Wyeth Llc	(515.1)
4. Directv Holdings Llc	(213.8)	4. Rohm And Haas Company	(510.1)
5. Nabors Industries, Inc.	(202.8)	5. Rio Tinto Alcan Inc.	(505.2)

Gain

Pre December 2012	($mm)	Post December 2012	($mm)
1. Liz Claiborne, Inc.	519.5	1. Brunswick Corporation	252.7
2. Gannett Co., Inc.	519.1	2. The New York Times Company	240.8
3. Lennar Corporation	518.7	3. The Tjx Companies, Inc.	235.7
4. Belo Corp.	517.3	4. Temple-Inland Inc.	222.6
5. Limited Brands, Inc.	510.2	5. Dean Foods Company	220.7

Loss

Pre June 2013	($mm)	Post June 2013	($mm)
1. Imperial Chemical Industries	(1.6)	1. Imperial Chemical	(1.6)
2. Altadis Sa	(1.6)	2. Altadis Sa	(1.6)
3. Hanson Limited	(0.1)	3. Royal & Sun Alliance Insurance Plc	(0.7)
4. L'Air Liquide Societe Anonyme Pour L'Etude Et L'Exploitation Des Procedes	(0.0)	4. The Royal Bank Of Scotland N.V.	(0.6)
5. Deutsche Bahn Aktiengesellschaft	(0.0)	5. Hanson Limited	(0.1)

Gain

Pre June 2013	($mm)	Post June 2013	($mm)
1. Gas Natural Sdg, S.A.	636.2	1. Gas Natural Sdg, S.A.	636.2
2. Gdf Suez	577.8	2. Gdf Suez	577.9
3. Unicredit, Societa Per Azioni	503.3	3. Banca Monte Dei Paschi Di Siena S.P.A.	463.2
4. Banca Monte Dei Paschi Di Siena S.P.A.	486.7	4. Banco Bilbao Vizcaya Argentaria, Sociedad Anonima	457.6
5. Banco Bilbao Vizcaya Argentaria, Sociedad Anonima	481.9	5. Unicredit, Societa Per Azioni	455.7

2411

Limits

Summary

Limit ($mm)	Usage 5/29/12	Synthetic Limit
CS01 Unadjusted		
CDX.HY	6.9	8.6
CDX.LCDX	(0.0)	1.8
CDX.IG	(28.1)	39.4
iTraxx MN	(8.4)	23.7
iTraxx XO	2.0	3.3
iTraxx Finsub	(0.2)	0.6
iTraxx Finsen	0.2	0.5
CSW10%		
CDX.HY	406.8	496.0
CDX.LCDX	(0.3)	0.1
CDX.IG	(484.8)	549.0
iTraxx MN	(222.8)	434.0
iTraxx XO	124.9	201.0
iTraxx Finsub	(10.8)	27.0
iTraxx Finsen	5.2	12.0
Large Index Notionals		
CDX.IG.9.7Y	34.2	34.2
CDX.IG.9.10Y	47.0	81.0
iTraxx S9 7Y	5.4	5.4
iTraxx S9 10Y	13.1	13.0

Limit ($mm)	Usage 5/29/12	Synthetic Limit
VaR	152.5	180.0
Compression		
US Compression Limit	406.5	496.0
EUR Compression Limit	114.1	174.0
Tranche Limits		
10% Corr Shift	(179.4)	175.0
Steepen10%		
CDX.HY	(85.3)	64.0
CDX.LCDX	0.2	0.5
CDX.IG	(395.7)	436.0
iTraxx MN	(143.5)	265.0
iTraxx XO	30.2	65.0
iTraxx Finsub	(21.3)	30.0
iTraxx Finsen	2.6	6.0

2412

Differences summary

DRAFT (5/29/12)

2413

CIO Credit Collateral differences

By counterparty ($mm)

Counterparty	Sum of MTM	Sum of CP MTM	Sum of MTM Diff
CA	(28)	(28)	(0)
BBVASA	0	0	(0)
BNPP	409	413	(5)
BOA	60	60	0
BPLC	(98)	(93)	(5)
CBKAG	(2)	(1)	(0)
CGML	(5)	(6)	0
CITI	(145)	(151)	6
CSI	(193)	(198)	5
CSX	(45)	(49)	4
DBKAG	362	365	(3)
GSI	(27)	(27)	(0)
HSBCEU	8	9	(1)
HSBCUS	(7)	(9)	3
MLI	5	5	(0)
MSCS	185	146	39
MSIL	(92)	(91)	(1)
NOMURAIP	115	110	5
RBSPLC	73	73	(0)
SGCIB	(65)	(40)	(25)
UBSAG	(123)	(126)	3
Total	387	361	25

By instrument ($mm)

Instrument	Sum of MTM	Sum of CP MTM	Sum of MTM Diff
CDX IG S09 10Y 00-03	(1,383)	(1,382)	(1)
ITRAXX MN S06 10Y 06-09	59	67	(8)
CDX HY S09 05Y 15-25	(11)	(11)	(0)
CDX HY S08 05Y 10-15	24	9	15
ITRAXX MN S09 10Y 22-100	(506)	(532)	26
CDX IG S09 05Y 00-03	369	375	(6)
CDX IG S18 05Y	10	9	1
CDX IG S09 10Y 10-15	219	216	3
CDX HY S11 07Y	2	(6)	8
CDX IG S09 10Y 15-30	41	38	3
Other	1,563	1,579	(16)
Total	387	361	25

CIO PV Differences with MarkIT pricing

Index ($mm)[1]

	MarkIT PV Change	PV Exceeding Cap[1]
Series 09 Index	67.0	44.1
Other Index	19.1	9.8
Subtotal	86.2	53.9
By Family		
CDX IG	-	
CDX HY	-	
ITRAXX MN	(3.8)	
ITRAXX XO	(4.3)	
Chg. in OnTR 5Y	(8.0)	

Tranche ($mm)[1]

	MarkIT PV Change	Exceeding Cap[1]
Series 09 Index	42.1	35.6
Other Index	(33.9)	(22.7)
Subtotal	8.2	12.9
By Family		
CDX IG	-	
CDX HY	-	
ITRAXX MN	(1.6)	
Chg. due to OnTR 5Y	(1.6)	

Pricing tolerance[1]

Position Type	Position Type	Independent Source	Notes
Index – IG	½ bps	Markit	Aggregate max.: $50mm
Index – HY	1 bps	Markit	Aggregate max.: $50mm
Tranche	$2mm	Dealer quotes	Per position

APPENDIX

INTERNAL USE ONLY

Note: as of 5/25/12

[1] Negative number implies marks are too low – P&L adjusted upward to cap; Positive number implies marks are too high – P&L reduced to cap

J.P.Morgan

New trades

May 29, 2012

#	Risk	Notional	Product	Maturity	Counterparty	Traded Price	Traded Spread	Previous Day Price	Previous Day Spread	Closing Price	Closing Spread (bps)
1	LONG	50,000,000	CDX HY S18 05Y	20-Jun-17	MS CAP SVC NY	94.06		93.75		94.00	
2	LONG	50,000,000	CDX HY S18 05Y	20-Jun-17	BOA CHARLOTTE	94.19		93.75		94.00	
3	LONG	25,000,000	CDX HY S18 05Y	20-Jun-17	NOMURA LDN	93.94		93.75		94.00	
4	LONG	50,000,000	CDX HY S18 05Y	20-Jun-17	BOA CHARLOTTE	94.19		93.75		94.00	
5	SHORT	-75,000,000	CDX HY S18 05Y	20-Jun-17	MS CAP SVC NY	94.06		93.75		94.00	
6	LONG	40,000,000	CDX HY S18 05Y	20-Jun-17	NOMURA LDN	94.00		93.75		94.00	
7	SHORT	-50,000,000	CDX HY S18 05Y	20-Jun-17	BARCLAYS NY	94.13		93.75		94.00	
8	LONG	50,000,000	CDX HY S18 05Y	20-Jun-17	BOA CHARLOTTE	94.13		93.75		94.00	
9	LONG	40,000,000	CDX HY S18 05Y	20-Jun-17	NOMURA LDN	94.06		93.75		94.00	
10	LONG	85,000,000	CDX HY S18 05Y	20-Jun-17	NOMURA LDN	94.19		93.75		94.00	
11	LONG	50,000,000	CDX HY S18 05Y	20-Jun-17	NOMURA LDN	94.06		93.75		94.00	
12	LONG	250,000,000	CDX IG S18 05Y	20-Jun-17	BOA CHARLOTTE		115.75		117.50		117.00
13	LONG	50,000,000	ITRAXX FINSEN S17 05Y	20-Jun-17	CSFB INTL LDN		293.00		294.00		290.00
14	LONG	50,000,000	ITRAXX FINSEN S17 05Y	20-Jun-17	JPMCB LON BK INDEX LON		291.00		294.00		290.00
15	SHORT	-50,000,000	ITRAXX FINSEN S17 05Y	20-Jun-17	SOCGEN		291.00		294.00		290.00
16	SHORT	-20,000,000	ITRAXX FINSEN S17 05Y	20-Jun-17	MS CAP SVC NY		292.00		294.00		290.00
17	SHORT	-50,000,000	ITRAXX FINSEN S17 05Y	20-Jun-17	BARCLAYS NY		291.00		294.00		290.00
18	LONG	20,000,000	ITRAXX FINSEN S17 05Y	20-Jun-17	SOCGEN		293.00		294.00		290.00
19	SHORT	-20,000,000	ITRAXX FINSUB S17 05Y	20-Jun-17	SOCGEN		488.50		491.00		485.00
20	LONG	160,000,000	ITRAXX MN S09 10Y	20-Jun-18	BNP LDN		206.00		206.75		206.13
21	SHORT	-150,000,000	ITRAXX MN S17 05Y	20-Jun-17	CITIBANK NY		169.50		169.50		169.44
22	SHORT	-250,000,000	ITRAXX MN S17 05Y	20-Jun-17	BOA CHARLOTTE		169.50		169.50		169.44
23	SHORT	-250,000,000	ITRAXX MN S17 05Y	20-Jun-17	DEUTSCHE LDN		167.50		169.50		169.44
24	SHORT	-150,000,000	ITRAXX MN S17 05Y	20-Jun-17	BARCLAYS NY		167.50		169.50		169.44
25	LONG	50,000,000	ITRAXX XO S17 05Y	20-Jun-17	BNP LDN		693.00		700.00		693.75
26	LONG	50,000,000	ITRAXX XO S17 05Y	20-Jun-17	BNP LDN		687.00		700.00		693.75
27	LONG	50,000,000	ITRAXX XO S17 05Y	20-Jun-17	BNP LDN		688.00		700.00		693.75
28	LONG	50,000,000	ITRAXX XO S17 05Y	20-Jun-17	BNP LDN		693.00		700.00		693.75
29	LONG	50,000,000	ITRAXX XO S17 05Y	20-Jun-17	BNP LDN		693.00		700.00		693.75
30	LONG	50,000,000	ITRAXX XO S17 05Y	20-Jun-17	BNP LDN		693.00		700.00		693.75
31	LONG	50,000,000	ITRAXX XO S17 05Y	20-Jun-17	BNP LDN		691.00		700.00		693.75
32	LONG	50,000,000	ITRAXX XO S17 05Y	20-Jun-17	BNP LDN		688.00		700.00		693.75
33	LONG	35,000,000	ITRAXX XO S17 05Y	20-Jun-17	CITIBANK NY		693.50		700.00		693.75
34	LONG	50,000,000	ITRAXX XO S17 05Y	20-Jun-17	BNP LDN		695.00		700.00		693.75
35	LONG	50,000,000	ITRAXX XO S17 05Y	20-Jun-17	BNP LDN		690.75		700.00		693.75
36	LONG	65,000,000	ITRAXX XO S17 05Y	20-Jun-17	CITIBANK NY		695.00		700.00		693.75
37	SHORT	-336,000,000	ITRAXX MN S09 05Y	20-Jun-13	UBS LDN		149.00		152.50		151.25
38	LONG	20,000,000	ITRAXX MN S09 05Y 00-03	20-Jun-13	UBS LDN		38.13		38.50		38.25
39	SHORT	-250,000,000	ITRAXX MN S09 10Y 22-100	20-Jun-18	BNP LDN		66.75		66.00		66.13

APPENDIX

2414

2415

Daily price testing – Index

CIO PV Differences with MarkIT pricing

COB: 2012-05-29

Product	USD Factored Notional ($ mm)	Credit Spread BP Value ($ mm)	Price Type	CIO Quote (LON Close)	Markit Quote (NY/LON Close)	ICE Quote (NY/LON Close)	MarkIT Spread Difference	MarkIT PV Change ($ mm)	PV Exceeding Cap ($ mm)
Total Index								62.92	39.24
Series 09 Index								23.91	8.86
CDX IG S09 10Y	45,485	(22.70)	spread	159.0	158.3	158.8	(0.7)	15.36	4.01
CDX IG S09 07Y	33,099	(8.27)	spread	119.0	117.9	118.2	(1.1)	9.14	5.01
CDX IG S09 05Y	(31,675)	1.79	spread	79.5	81.5	81.9	2.0	3.51	2.62
ITRAXX MN S09 05Y	20,781	(2.20)	spread	151.3	149.4	151.3	(1.8)	4.01	2.91
ITRAXX MN S09 10Y	16,479	(8.84)	spread	206.1	207.3	206.1	1.1	(9.90)	(5.48)
ITRAXX MN S09 07Y	6,707	(1.97)	spread	183.4	182.5		(0.9)	1.79	0.80
Other Index								39.02	28.38
CDX IG S18 05Y	36,639	(17.58)	spread	117.00	116.68	116.75	(0.3)	5.69	
CDX HY S08 05Y	15,430	(0.09)	price	100.06	100.11	100.06	(77.1)	7.27	7.17
CDX IG S17 05Y	8,338	(3.66)	spread	109.50	109.42	109.50	(0.1)	0.30	
CDX HY S09 05Y	5,686	(0.32)	price	100.44	100.53	100.45	(15.9)	5.09	4.76
CDX HY S11 07Y	3,703	(1.16)	price	99.25	99.15		3.2	(3.69)	(2.53)
CDX HY S18 05Y	1,365	(0.52)	price	94.00	94.13	94.06	(3.3)	1.72	1.19
CDX HY S11 05Y	994	(0.15)	price	101.44	101.54	101.48	(6.5)	0.99	0.83
CDX IG S08 07Y	434	(0.09)	spread	133.75	134.26	135.00	0.5	(0.04)	(0.00)
CDX IG S16 10Y	302	(0.23)	spread	143.00	141.95	141.88	(1.1)	0.25	0.13
CDX IG S14 10Y	257	(0.18)	spread	133.00	132.48	135.63	(0.5)	0.09	0.00
CDX IG S15 10Y	(54)	0.04	spread	136.25	136.35	137.38	0.1	0.00	
CDX HY S14 03Y	(73)	0.01	price	101.81	101.81		0.1	0.00	
CDX HY S08 07Y	(180)	0.04	price	98.88	98.99		(5.6)	(0.20)	(0.16)
CDX IG S07 07Y	(704)	0.11	spread	137.00	141.86		4.9	0.52	0.47
CDX LCDX S10 05Y	(1,165)	0.12	price	101.50	101.51		(1.0)	(0.12)	(0.06)
CDX HY S10 07Y	(2,049)	0.58	price	101.38	101.31		2.3	1.33	0.75
CDX HY S16 05Y	(6,562)	2.25	price	97.81	97.67	97.80	4.2	9.36	7.11
CDX HY S17 05Y	(6,887)	2.49	price	95.25	95.39	95.34	(3.6)	(9.00)	(6.51)
CDX IG S14 05Y	(7,657)	2.33	spread	83.00	84.75	84.32	1.8	4.08	2.92
CDX HY S10 05Y	(9,134)	0.97	price	102.06	102.01	101.94	5.1	4.92	3.95
CDX HY S15 05Y	(9,618)	3.00	price	99.13	99.14	99.23	(0.4)	(1.08)	
CDX HY S14 05Y	(11,977)	3.33	price	100.25	100.25	100.34	(0.1)	(0.23)	
CDX IG S15 05Y	(17,159)	6.01	spread	93.25	94.43	94.13	1.2	7.08	4.08
CDX IG S16 05Y	(18,229)	7.19	spread	103.50	103.71	103.88	0.2	1.51	

Daily price testing (cont'd) – Index

CIO PV Differences with MarkIT pricing

Product	USD Factored Notional ($ mm)	Credit Spread BP Value ($ mm)	Price Type	CIO Quote (LON Close)	Markit Quote (NY/LON Close)	ICE Quote (NY/LON Close)	MarkIT Spread Difference	MarkIT PV Change ($ mm)	PV Exceeding Cap ($ mm)
ITRAXX MN S16 05Y	13,512	(5.65)	spread	169.58	169.44	169.58	(0.1)	0.81	
ITRAXX MN S15 05Y	5,090	(1.91)	spread	172.83	171.94	172.83	(0.9)	1.71	0.75
ITRAXX FINSUB S14 05Y	1,636	(0.48)	spread	485.00	487.39		2.4	(1.16)	(0.91)
ITRAXX FINSUB S16 05Y	1,311	(0.52)	spread	507.00	507.18		0.2	(0.09)	
ITRAXX XO S17 05Y	1,141	(0.41)	spread	693.75	694.43	693.75	0.7	(0.28)	
ITRAXX MN S15 07Y	1,109	(0.58)	spread	192.64	189.44		(3.2)	1.86	1.57
ITRAXX MN S06 10Y	100	(0.04)	spread	210.44	217.92		7.5	(0.30)	(0.28)
ITRAXX FINSUB S17 05Y	50	(0.02)	spread	485.00	482.84		(2.2)	0.05	0.04
ITRAXX FINSUB S07 05Y	(117)	0.00	spread	570.00	464.48		(105.5)	(0.07)	(0.07)
ITRAXX FINSEN S17 05Y	(436)	0.18	spread	290.00	288.57		(1.4)	(0.26)	(0.17)
ITRAXX FINSUB S15 05Y	(570)	0.19	spread	501.00	500.18		(0.8)	(0.15)	(0.06)
ITRAXX FINSUB S08 05Y	(662)	0.04	spread	427.00	415.23		(11.8)	(0.43)	(0.41)
ITRAXX FINSUB S12 05Y	(973)	0.22	spread	463.50	469.42		5.9	1.31	1.20
ITRAXX FINSUB S10 05Y	(1,385)	0.21	spread	443.00	445.16		2.2	0.44	0.34
ITRAXX MN S16 10Y	(1,661)	1.25	spread	186.63	187.59	186.63	1.0	1.21	0.58
ITRAXX XO S15 05Y	(1,695)	0.55	spread	608.75	607.13	608.75	(1.6)	(0.89)	(0.34)
ITRAXX MN S15 10Y	(2,046)	1.47	spread	192.75	195.03	192.75	2.3	3.35	2.62
ITRAXX FINSUB S09 05Y	(2,121)	0.22	spread	420.00	427.00		7.0	1.54	1.43
ITRAXX MN S15 03Y	(3,522)	0.71	spread	142.64	140.73		(1.9)	(1.36)	(1.00)
ITRAXX XO S16 05Y	(5,537)	1.88	spread	661.25	660.88	661.25	(0.4)	(0.70)	
ITRAXX MN S17 05Y	(21,088)	9.68	spread	169.44	169.09	169.44	(0.4)	(3.39)	

By Family				Change in the OnTR 5Y Contract				(18.55)	
CDX IG	49,076	(35.23)	spread	117.00	116.68	116.75	-0.3	11.41	
CDX HY	(19,302)	10.42	price	94.00	94.13	94.06	(3.3)	(34.17)	
ITRAXX MN	35,461	(8.10)	spread	169.44	169.09	169.44	(0.4)	2.84	
ITRAXX XO	(6,092)	2.02	spread	693.75	694.43	693.75	0.7	1.37	

2416

Daily price testing – Tranche

CIO PV Differences with MarkIT pricing

COB: 2012-05-29

Product	USD Factored Notional ($ mm)	Credit Spread BPValue ($ mm)	Price Type	CIO Quote (LON Close)	Adj Tranche Priced (based on Ref Index)	Independent Quote	Index Spread Change	MarkIT PV Change ($ mm)	PV Exceeding Cap ($ mm)
Total Tranche								(31.82)	(17.73)
Series 09 Tranche								(11.18)	(4.97)
CDX IG S09 10Y 30-100	16,565	(2.78)	upfront+100	-3.4	-3.4		(0.7)	1.88	
CDX IG S09 07Y 30-100	11,121	(0.06)	upfront+100	-2.2	-2.2		(1.1)	0.06	
CDX IG S09 10Y 00-03	2,018	(4.67)	upfront+500	71.9	72.2		(0.7)	3.16	1.16
CDX IG S09 10Y 07-10	775	(1.81)	upfront+500	7.4	7.7		(0.7)	1.23	
CDX IG S09 10Y 03-07	60	(0.18)	upfront+500	29.4	29.7		(0.7)	0.12	
CDX IG S09 07Y 03-07	(215)	0.38	upfront+500	6.1	6.5		(1.1)	(0.42)	
CDX IG S09 05Y 30-100	(260)	0.00	upfront+100	-0.6	-0.6		2.0	0.00	
CDX IG S09 07Y 00-03	(331)	1.09	upfront+500	53.6	54.2		(1.1)	(1.20)	
CDX IG S09 07Y 07-10	(365)	0.28	upfront+500	-5.9	-5.7		(1.1)	(0.29)	
CDX IG S09 05Y 03-07	(1,395)	0.16	upfront+500	-2.4	-2.4		2.0	0.31	
CDX IG S09 07Y 10-15	(1,970)	0.80	upfront+100	0.4	0.4		(1.1)	(0.89)	
CDX IG S09 10Y 10-15	(1,980)	2.74	upfront+100	10.6	10.7		(0.7)	(1.85)	
CDX IG S09 05Y 07-10	(2,045)	0.01	upfront+500	-2.8	-2.8		2.0	0.02	
CDX IG S09 05Y 00-03	(2,719)	5.82	upfront+500	15.9	15.5		2.0	11.40	9.40
CDX IG S09 05Y 10-15	(2,905)	0.02	upfront+100	-0.6	-0.6		2.0	0.03	
CDX IG S09 10Y 15-30	(3,800)	2.35	upfront+100	1.1	1.2		(0.7)	(1.59)	
CDX IG S09 07Y 15-30	(6,965)	1.00	upfront+100	-1.6	-1.6		(1.1)	(1.11)	
CDX IG S09 05Y 15-30	(12,215)	0.07	upfront+100	-0.6	-0.6		2.0	0.13	
ITRAXX MN S09 10Y 22-100	20,384	(6.86)	spread	66.1	65.5		1.1	(7.68)	(5.68)
ITRAXX MN S09 07Y 22-100	14,198	(1.82)	spread	29.1	30.1		(0.9)	1.65	
ITRAXX MN S09 05Y 22-100	8,901	(0.20)	spread	7.5	8.1		(1.8)	0.36	
ITRAXX MN S09 10Y 00-03	1,417	(1.27)	upfront+500	73.2	73.2		1.1	(1.42)	
ITRAXX MN S09 10Y 06-09	476	(0.78)	upfront+300	29.6	29.8		1.1	(0.87)	
ITRAXX MN S09 05Y 06-09	426	(0.07)	upfront+300	-2.3	-2.2		(1.8)	0.13	
ITRAXX MN S09 05Y 09-12	351	(0.03)	spread	49.0	51.3		(1.8)	0.06	
ITRAXX MN S09 10Y 09-12	295	(0.39)	spread	599.0	589.7		1.1	(0.44)	
ITRAXX MN S09 07Y 09-12	226	(0.19)	spread	391.0	395.3		(0.9)	0.17	
ITRAXX MN S09 10Y 12-22	194	(0.16)	spread	290.0	294.6		1.1	(0.18)	
ITRAXX MN S09 10Y 03-06	6	(0.02)	upfront+500	40.4	40.5		1.1	(0.02)	
ITRAXX MN S09 07Y 06-09	(31)	0.00	upfront+300	11.4	11.7		(0.9)	(0.00)	
ITRAXX MN S09 05Y 12-22	(157)	0.01	spread	26.0	27.4		(1.8)	(0.01)	
ITRAXX MN S09 07Y 03-06	(201)	0.31	upfront+500	21.1	21.4		(0.9)	(0.29)	
ITRAXX MN S09 05Y 03-06	(451)	0.34	upfront+500	0.3	0.5		(1.8)	(0.62)	
ITRAXX MN S09 07Y 12-22	(564)	0.26	spread	175.0	176.0		(0.9)	(0.24)	
ITRAXX MN S09 07Y 00-03	(840)	1.03	upfront+500	63.1	63.4		(0.9)	(0.93)	
ITRAXX MN S09 05Y 00-03	(3,873)	6.51	upfront+500	38.3	38.7		(1.8)	(11.84)	(9.84)

2417

Daily price testing (cont'd) – Tranche

CIO PV Differences with MarkIT pricing

Product	USD Factored Notional ($ mm)	Credit Spread BP Value ($ mm)	Price Type	CIO Quote (LON Close)	Adj Tranche Priced (based on Ref Index)	Independent Quote	Index Spread Change	MarkIT PV Change ($ mm)	PV Exceeding Cap ($ mm)
Other Tranche								(20.64)	(12.77)
CDX HY S10 05Y 35-100	3,744	(0.05)	price	105.1	105.2		5.1	(0.26)	
CDX HY S09 05Y 35-100	3,051	(0.01)	price	102.8	102.8		(15.9)	0.12	
CDX LCDX S10 05Y 15-100	2,852	(0.10)	price	104.9	104.8		(1.0)	0.10	
CDX HY S10 05Y 15-25	2,063	(1.20)	price	91.8	93.5		5.1	(6.07)	(4.07)
CDX HY S10 07Y 35-100	1,452	(0.19)	price	111.2	111.2		2.3	(0.44)	
CDX HY S10 07Y 10-15	1,360	(0.38)	price	8.4	8.5		2.3	(0.87)	
CDX HY S11 05Y 15-25	1,015	(0.78)	price	78.6	78.3		(6.5)	5.05	3.05
CDX HY S09 05Y 25-35	875	(0.01)	price	102.8	102.8		(15.9)	0.13	
CDX HY S08 05Y 25-35	663	(0.00)	price	100.4	100.3		(77.1)	0.03	
CDX HY S10 05Y 25-35	655	(0.07)	price	103.8	104.1		5.1	(0.35)	
CDX HY S11 05Y 35-100	508	(0.02)	price	107.0	107.0		(6.5)	0.11	
CDX HY S11 05Y 10-15	405	(0.18)	price	13.9	13.7		(6.5)	1.20	
CDX HY S10 07Y 15-25	385	(0.39)	price	58.1	58.5		2.3	(0.86)	
CDX HY S08 07Y 25-35	282	(0.08)	price	104.3	104.8		(5.6)	0.45	
CDX HY S10 07Y 25-35	265	(0.16)	price	97.4	97.6		2.3	(0.36)	
CDX HY S11 05Y 25-35	250	(0.05)	price	104.4	104.3		(6.5)	0.34	
CDX HY S10 05Y 10-15	232	(0.15)	price	20.3	22.1		5.1	(0.74)	
CDX HY S08 07Y 15-25	225	(0.19)	price	84.5	85.9		(5.6)	1.05	
CDX IG S07 07Y 07-10	110	(0.04)	upfront+500	-4.1	-4.3		4.9	(0.19)	
CDX LCDX S10 05Y 12-15	110	(0.03)	price	102.9	102.3		(1.0)	0.03	
CDX HY S08 07Y 35-100	109	(0.01)	price	108.9	109.1		(5.6)	0.04	
CDX IG S15 05Y 15-100	100	(0.01)	upfront+25	0.2	0.1		1.2	(0.02)	
CDX HY S11 07Y 35-100	96	(0.02)	price	110.6	110.7		3.2	(0.05)	
CDX HY S08 07Y 10-15	47	(0.04)	price	32.1	33.8		(5.6)	0.23	
CDX HY S11 07Y 10-15	17	(0.00)	price	7.1	7.3		3.2	(0.01)	
CDX HY S07 07Y 15-25	0	(0.01)	price	92.5	96.0		20.9	(0.13)	
CDX HY S07 07Y 35-100	0	(0.00)	price	106.6	106.8		20.9	(0.00)	
CDX IG S07 07Y 15-30	0	0.00	upfront+100	-1.2	-1.2		4.9	0.00	
CDX IG S07 07Y 30-100	0	0.00	upfront+100	-1.3	-1.3		4.9	0.00	
CDX IG S08 07Y 03-07	0	0.00	upfront+500	6.0	6.4		0.5	0.00	
CDX IG S08 07Y 07-10	0	0.00	upfront+500	-5.4	-5.2		0.5	0.00	
CDX IG S08 07Y 10-15	0	(0.00)	upfront+100	-0.4	-0.3		0.5	(0.00)	
CDX IG S08 07Y 30-100	0	(0.00)	upfront+100	-1.7	-1.7		0.5	(0.00)	
CDX IG S10 05Y 03-07	0	0.00	upfront+500	-2.4	-2.2		1.3	0.00	
CDX IG S10 05Y 07-10	0	(0.00)	upfront+500	-4.9	-4.8		1.3	(0.00)	
CDX HY S11 07Y 15-25	(30)	0.02	price	51.1	51.8		3.2	0.07	
CDX HY S09 05Y 10-15	(71)	0.06	price	31.5	32.5		(15.9)	(0.98)	
CDX HY S08 05Y 35-100	(94)	0.00	price	100.4	100.3		(77.1)	(0.00)	
CDX IG S15 05Y 00-03	(195)	0.66	upfront+500	33.9	33.7		1.2	0.78	
CDX IG S08 07Y 15-30	(375)	0.04	upfront+100	-1.9	-1.8		0.5	0.02	
CDX HY S08 05Y 10-15	(812)	0.15	price	98.6	95.5		(77.1)	(11.47)	(9.47)
CDX HY S09 05Y 15-25	(1,055)	0.31	price	99.6	99.9		(15.9)	(4.92)	(2.92)
CDX HY S08 05Y 15-25	(1,410)	0.01	price	100.2	100.2		(77.1)	(0.50)	

APPENDIX

2418

Daily price testing (cont'd) – Tranche

CIO PV Differences with MarkIT pricing

Product	USD Factored Notional ($ mm)	Credit Spread BP Value ($ mm)	Price Type	CIO Quote (LON Close)	Adj Tranche Priced (based on Ref Index)	Independent Quote	Index Spread Change	MarkIT PV Change ($ mm)	PV Exceeding Cap ($ mm)
ITRAXX MN S15 07Y 22-100	2,507	(0.83)	spread	60.5	62.0		(3.2)	2.65	0.65
ITRAXX MN S15 05Y 22-100	2,445	(0.48)	spread	41.0	41.7		(0.9)	0.43	
ITRAXX MN S15 03Y 22-100	376	(0.02)	spread	14.5	14.3		(1.9)	0.03	
ITRAXX MN S06 10Y 03-06	188	(0.24)	upfront+500	40.3	39.4		7.5	(1.77)	
ITRAXX MN S06 10Y 06-09	25	(0.11)	upfront+300	27.6	26.9		7.5	(0.83)	
ITRAXX MN S15 03Y 03-06	13	(0.02)	upfront+500	8.0	7.8		(1.9)	0.03	
ITRAXX MN S06 10Y 09-12	0	(0.00)	spread	612.0	584.6		7.5	(0.02)	
ITRAXX MN S06 10Y 12-22	0	(0.02)	spread	289.0	275.7		7.5	(0.11)	
ITRAXX MN S06 10Y 22-100	0	(0.00)	spread	60.9	56.8		7.5	(0.04)	
ITRAXX MN S07 10Y 06-09	0	(0.00)	upfront+300	27.3	27.7		6.1	(0.02)	
ITRAXX MN S07 10Y 09-12	0	(0.00)	spread	594.5	594.0		6.1	(0.01)	
ITRAXX MN S07 10Y 12-22	0	(0.00)	spread	274.5	276.1		6.1	(0.00)	
ITRAXX MN S07 10Y 22-100	0	0.00	spread	60.4	61.2		6.1	0.01	
ITRAXX MN S15 03Y 00-03	(88)	0.16	upfront+500	46.1	45.9		(1.9)	(0.31)	
ITRAXX MN S06 10Y 00-03	(130)	0.13	upfront+500	74.3	73.6		7.5	0.97	
ITRAXX MN S15 07Y 03-06	(244)	0.43	upfront+500	33.5	34.1		(3.2)	(1.37)	
ITRAXX MN S15 05Y 00-03	(326)	0.44	upfront+500	60.4	60.6		(0.9)	(0.39)	
ITRAXX MN S15 07Y 00-03	(370)	0.42	upfront+500	68.1	68.5		(3.2)	(1.34)	

By Family				Change due to the OnTR 5Y Index				10.57	
CDX HY	14,226	(3.43)	price	94.0	94.1	94.1	(3.3)	11.24	
CDX IG	(6,987)	5.84	spread	117.0	116.7	116.8	(0.3)	(1.89)	
ITRAXX MN	45,352	(3.47)	spread	169.4	169.1	169.4	(0.4)	1.22	

2419

APPENDIX

Volume and activity update

DTCC weekly information

Series	Gross notional ($mm)		Weekly activity ($mm)		% of notional traded	
	Untranched	Tranched	Untranched	Tranched	Untranched	Tranched
CDX IG S09	818,852	557,464	31,954	7,851	3.90%	1.41%
iTraxx MN S09	616,556	522,199	17,076	12,705	2.77%	2.43%
CDX IG S18	390,008	N/A	221,241	N/A	56.73%	N/A
iTraxx MN S16	292,720	N/A	7,532	N/A	2.57%	N/A
iTraxx MN S17	351,346	N/A	197,567	N/A	56.23%	N/A
CDX IG S17	239,782	2,100	19,678	137	8.21%	6.50%
CDX IG S16	178,415	N/A	697	N/A	0.39%	N/A
CDX IG S15	174,828	8,303	866	N/A	0.50%	N/A
CDX HY S17	72,421	650	4,924	N/A	6.80%	N/A
CDX HY S10	71,049	45,217	722	130	1.02%	0.29%
iTraxx XO S16	63,828	N/A	1,110	N/A	1.74%	N/A
iTraxx XO S17	72,023	N/A	47,157	N/A	65.48%	N/A
CDX HY S09	52,839	34,355	673	40	1.27%	0.12%
iTraxx FinSub S17	25,771	N/A	4,904	N/A	19.03%	N/A

Source: DTCC (week ending 5/18/12)

2420

DRAFT (5/16/12)

2421

SYNTHETIC CREDIT DAILY RISK REPORT

May 16, 2012

J.P.Morgan

Executive summary

P&L ($000s)

5/16/2012	5/15/2012	WTD	Since 4/30
45,661	(75,162)	(358,636)	(1,480,601)

Long credit risk (10% CSW, $mm)

	CSW10%	Trading	Portfolio lengthening	Net change	Since 30-Apr	% Chg. 30-Apr
Current[1]	(204.1)	N/A	N/A	42.9	88.6	(30.3%)
15May	(247.0)	2.6	(17.8)	(15.2)	45.7	(15.6%)
30-Apr	(292.6)	172.4	(126.7)	45.7	0.0	--

Collateral ($mm)

	Description	Current	Prior day
Total (CIO - counterparty)		$152	$156
Largest counterparty	Deustche Bank	110	22
Largest instrument	CDX HY S08 05Y 10-15	18	19

Glidepath – Phase 1

Action	Target	Achieved
Reduce directionality	▪ Sell $110mm 10% CSW IG in US and Europe	[$136mm] *$28bn notional*
Reduce compression risk	▪ $60mm 10% CSW in US	
	▪ Sell $11.5bn IG	$8.5bn
	▪ Buy $3bn HY	$500mm
Reduce basis trades across existing inventory	▪ Buy €3.7bn of iTraxx FinSub	(€400mm)
	▪ Sell €2.9bn iTraxx XO	€60mm
Roll partially liquid OTR index to more liquid on-the-run	▪ Convert €18.4bn of iTraxx MN S16 to S17	[€1.6bn]

Trades

- Increased iTraxx MN 17 5y short risk outright by €4.9bn
- Reduced CDX HY S16 5y outright by $100mm
- Reduced CDX HY S17 5y outright by $200mm

Summary commentary

- New trades reduced risk in 10%CSW terms by $43mm (new trede activity only, does not include changes due to market moves)
  - New trade activity: sold €4.9bn iTraxx OTR 5yr; bought $300mm CDX HY 5y
- P&L +$45mm – Driven by outperformance of CDX IG S9 in US and short dated S9 equity tranches, on Greece/Hellenic Telecom fears
  - Compression P&L +$32mm (IG vs. HY) – Europe losses more than offset by US gains on CDX HY underperformance
- VAR over limit ($174mm vs. $160mm)

Representative trade P&L ($mm)

	Spread (bps) 5/15	Spread (bps) 5/16	CS01 ($mm)	Spread change	P&L ($000s)
CDX IG S09 trade					
Directionality					(49,390)
On/Off the run					55,296
Curve					(12,718)
Total CDX IG S09 trade (A)					**(6,812)**
iTraxx S09 trade					
Directionality					(32,665)
On/Off the run					(17,001)
Curve					18,151
Total iTraxx S09 trade (B)					**(31,515)**
Inv Grade vs HY (US)					
Long: CDX IG S17 05Y	110	111	(3.6)	1.357	(4,942)
Long: CDX IG S18 05Y	116	117	(5.6)	1.476	(8,305)
Short: CDX HY S17 05Y	638	652	2.7	13.988	37,502
Subtotal					24,255
Inv Grade vs HY (Europe					
Long: ITRAXX MN S16 05Y	173	176	(6.6)	3.230	(21,352)
Short: ITRAXX MN S17 05Y	174	176	3.5	2.611	9,136
Short: ITRAXX XO S16 05Y	701	702	2.1	0.815	1,701
Subtotal					(10,514)
Total IG vs. HY (C)					**13,741**
Tranche					
ITRAXX 5yr 0-3 vs. 10y 22-100					30,175
CDX HY 5yr 10-15 vs. 15-25					2,022
Total Tranche (D)					**32,197**
Total selected trades (A+B+C+D)					**7,611**

INTERNAL USE ONLY [1] Expected today

J.P.Morgan

2422

Risk and market summary

Risk summary[1]

	Notional ($mm)	CS01	10% CSW	Change in CSW 5/14/12	Change in CSW 4/30/12
CDX IG	53,198	(32)	(548)	(4)	(41)
CDX HY	(1,909)	8	484	2	24
ITRAXX MN	78,853	(16)	(366)	(15)	41
ITRAXX XO	5,131	3	191	2	4
CDX LCDX	(18,229)	0	(0)	(1)	0
ITRAXX FINSEN	0	0	8	0	9
ITRAXX FINSUB	(2,861)	(0)	(17)	(0)	8
SOVX WE	0	0	0	0	0
Total	114,184	(38)	(247)	(15)	46
Memo: CDX IG S09	*82,460*	*(46)*	*(656)*	*(5)*	*(112)*

Market summary[2]

		Spread 5/16/12	Spread 5/15/12	Spread 5/14/12	Spread 4/30/12	Spread 3/30/12	Basis to Theoretical (bps spd) 5/14/12	Basis to Theoretical (bps spd) 1 week	Basis to Theoretical (bps spd) 1 month
CDX IG	S18 5 yr	119.0	117.6	114.5	94.7	91.5	1.3	2.8	3.2
	S9 5yr	83.8	83.8	82.0	68.1	70.8	(12.6)	(4.3)	(6.9)
	S9 10yr	149.7	148.3	147.0	119.4	113.1	(2.6)	8.3	7.8
CDX HY	S18 5 yr	687.0	672.0	655.0	579.7	578.9	40.6	27.8	20.1
iTraxx Main	S17 5yr	177.7	174.0	168.6	140.5	125.0	4.5	6.7	6.8
	S9 10yr	211.7	213.5	208.1	170.5	151.0	(2.6)	13.5	9.6
iTraxx Xover	S17 5yr	741.6	733.0	716.0	650.0	613.0	27.5	2.5	2.5

[1] TBU – table shown includes notional and risk factors for both indices and tranches combined

[2] Estimated based on end of day levels, may fluctuate based on end-of-day trading and volatility. Data feed not provided for cob 5/16/12. Sourced from Bloomberg.

2423

Notional overview

Notional ($mm)						Commentary

CDX IG vs. HY	Other IG vs High Yield	Notional				• Risks: Directional, curve, off-the run, forward default exposure when IG S 09 5 yrs matures in December 2012,
						• Contributes to IG vs. HY position as well
						• *Glidepath Target*
						  • *Reduce directionality: Sell $110CSW10% IG in US and Europe ([$136mm] achieved, $28bn notional)*
						  • *Sell $11.5bn IG ($8.5bn achieved)*
						  • *Buy $3bn HY ($500mm achieved)*

	IG 9	82,460				
	Other IG	(22,962)				
	High Yield	(20,389)				

iTraxx Main vs. Crossover		Notional				• Long Investment Grade risk and short high yield risk at a specified ratio
						• *Glidepath Target*
						  • *Sell €2.9bn iTraxx XO (€60mm)*
						  • *Convert €18.4bn iTraxx MN S16 to S17 [(€1.6bn)]*

	iTraxx Main	40,963				
	iTraxx Cross Over	(6,804)				
Tranche positions		Total	Equity	Mezz	Senior	• Long Investment Grade and short lower quality names in Europe
	IG 9	(5,940)	(1,355)	(33,020)	28,435	
	Memo: IG 9 5 yr	*(22,400)*	*(3,570)*	*(18,560)*	*(270)*	
	IG	(360)	(195)	(265)	100	
	HY	17,769	4,291	4,183	9,295	
	iTraxx	36,395	(3,230)	440	39,185	
Other positions		Long	Short			• Typically short risk in equity and junior tranches and long risk in senior tranches • In High Yield, long risk across the capital structure • Flattener on FinSub/delta hedged long-super senior on LCDX • *Glidepath Target: Buy $3.5bn of iTraxx FinSub (-€400mm)*
	FinSub	2,661	(4,649)			
	LCDX	4,075	(1,688)			
Memo: IG 9 exposure (by maturity)		Notional				
	CDX IG S09 05Y	(32,723)				
	CDX IG S09 07Y	34,193				
	CDX IG S09 10Y	80,989				
	IG9	82,460				

2424

Curve exposure (Investment Grade CDX and iTraxx Series 9)

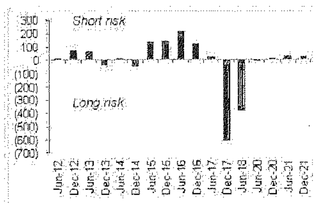
DRAFT (5/16/12)

2425

Overall

Risk depiction

Curve exposure detail (10% CSW, $mm)



Exposure & P&L

Daily ($000)	WTD	Since 4/30
51,906	(244,978)	(998,401)

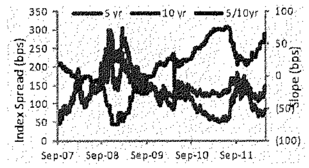
Above P&L based on an indicative attribution model and may not match representative trade P&L estimation

Commentary

- Our curve risk arises from the portfolio being short risk in lesser maturities (Pre Dec 2016) and long risk in greater maturities (post Dec 2016)
- Our exposure to this is approximately $9mmm loss per bp in steepening in IG9 with a forward long of $33mm

US CDX IG 9

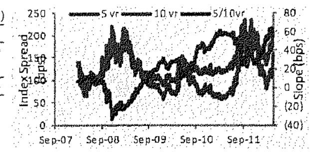
	Notional ($bn)		PV	10% CSW ($mm)	
Maturity	Current	Delta Adj.	($mm)	Spot	Day Chg.
Dec. '12	($33)	($143)	$455	$72	$1.9
Dec. '17	81	90	(3,438)	(611)	(6.1)
			Net	(682)	(4.2)



($mm)	Dec '12	Dec '17	Slope	His. Loss	His. Gain
CS01	$8.6	($42.1)	($50.7)	($556)	$7,101
Spread	85bps	150bps	65bps	76bps	(75bps)

(mm)	Dec. '12	Dec. '17
Notional	($32,723)	$80,989
Volumes		
1Week Total	8,595	12,259
1M Daily Avg.	2,117	1,309
Since 4/30	30,830	18,619
Days to Liquidation	77	309
(20% daily avg. vol.)		

	Notional (€bn)		PV	10% CSW ($mm)	
Maturity	Current	Delta Adj.	($mm)	Spot	Day Chg.
Jun. '13	€17	(€30)	$1,613	$76	($0.1)
Jun. '18	13	27	(2,217)	(373)	(11.5)
			Net	(449)	(11.5)



($mm)	Dec '12	Dec '17	Slope	His. Loss	His. Gain
CS01	$5.3	($17.8)	($23)	($150)	$2,072
Spread	158bps	214bps	56bps	63bps	(34bps)

(mm)	Jun. '13	Jun. '18
Notional	€16,912	€12,985
Volumes		
1Week Total	10,000	2,383
1M Daily Avg.	665	218
Since 4/30	14,107	2,881
Days to Liquidation	98	297
(20% daily avg. vol.)		

[1] PV represents balance sheet carrying value

J.P.Morgan

Investment Grade vs. High Yield (Compression)

DRAFT (5/16/12)

Risk depiction

Overall

Compression exposure detail

Decompression 10% CSW	$mm
CDX IG	(548)
CDX HY/LCDX	484
ITRAXX MN/FINSEN/SOVX	(358)
ITRAXX XO/FIN SUB	174

Exposure & P&L

P&L ($000s)	Daily	WTD	Since 4/30
Compression	31,881	(86,969)	(318,481)
CDX IG vs. HY	67,709	38,305	(50,220)
iTraxx MN vs. XO	(37,092)	(133,624)	(291,284)
Other	1,264	8,351	23,025

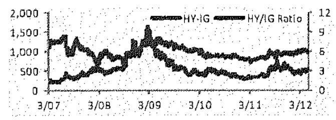
Above P&L based on an indicative attribution model and may not match representative trade P&L estimation

Commentary

- We are long Investment Grade and Short High Yield such that we lose if High Yield widens (narrows) less (more) than a ratio of 5:1 to Investment Grade

US example (CDX)

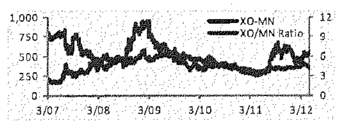
($mm)	CDX IG (S17/S18)	CDX HY (S17)
Maturity	3/21/2017	12/20/2016
Notional	$20,110	($7,771)
CS01	(9.3)	2.7
10% CSW	(104.5)	167.8
CSW 10% Change		
Close of Day	(1.3)	1.7
Close of Week	5.2	7.2
Since April 30	21.8	5.0



($mm)	CS01	Current Spread	Historical Loss	Historical Gain
IG (S17/S18)	(9.3)	117		
HY (S17)	2.7	680	($569.4)	$1,070.9
IG vs. HY ratio		**5.81x**	**4.00x**	**9.23x**

($mm)	CDX IG (S17/S18)	CDX HY (S17)
Notional	$20,110	($7,771)
Volumes		
1Week Total	135,647	15,499
1M Daily Avg.	15,717	2,290
Since 4/30	223,134	30,483
Days to Liquidation *(20% daily avg. vol.)*	6	17

($mm except notional)	iTraxx MN (S16/S17)	iTraxx XO (S16)
Maturity	3/21/2017	12/20/2016
Notional	€6,456	(€5,017)
CS01	(3.1)	2.1
10% CSW	(53.6)	143.2
CSW 10% Change		
Close of Day	1.2	1.2
Close of Week	83.3	3.7
Since April 30	110.8	(1.7)



($mm)	CS01	Current Spread	Historical Loss	Historical Gain
MN (S16/S17)	(3.1)	174		
XO (S16)	2.1	733	($230.5)	$2,131.7
MN vs. XO ratio		**4.21x**	**3.58x**	**10.08x**

(€mm)	iTraxx MN (S16/S17)	iTraxx XO (S16)
Notional	€6,456	(€5,017)
Volumes		
1Week Total	86,019	24,902
1M Daily Avg.	11,136	3,651
Since 4/30	142,730	46,934
Days to Liquidation *(20% daily avg. vol.)*	3	7

2426

Off-the-run index risk

Risk depiction

Overall

	Notional ($bn)		PV	CS01 ($mm)	
	Current	Delta Adj.	($mm)	Spot	Day Chg.
CDX IG9	80,989	89,851	(3,438)	(42)	0.2
iTraxx S9	17,179	36,085	(2,217)	(18)	0.2
Total	98,168	125,935	(5,656)	(60)	0.4

Exposure & P&L

Daily ($000s)	WTD	Since 4/30
(46,241)	(29,829)	(84,701)

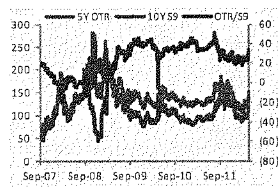
Above P&L based on an indicative attribution model and may not match representative trade P&L estimation

Commentary

- This refers to the risk that we hold large, concentrated positions in off-the-run indices in IG CDX and iTraxx

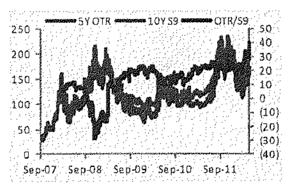
US example (CDX)

($mm)	IG 9 10yr	IG 18 5yr
CS01	(42.1)	(5.6)
Change		
Close of Day	0.2	0.0
Close of Week	2.1	1.4
Since April 30	3.0	2.9



($mm)	IG 9 10yr	IG 18 5yr
Notional	$80,989	$11,772
Volumes		
1Week Total	12,259	135,647
1M Daily Avg.	1,309	15,717
Since 4/30	18,619	223,134
Days to Liquidation	309	4
(20% daily avg. vol.)		

($mm)	MN S9 10yr	MN S17 5 yr
CS01	(17.8)	3.5
Change		
Close of Day	0.2	0.1
Close of Week	0.9	5.5
Since April 30	1.5	7.4



(€mm)	MN S9 10yr	MN S17 5 yr
Notional	€17,179	(€8,033)
Volumes		
1Week Total	2,383	86,019
1M Daily Avg.	218	11,136
Since 4/30	2,881	142,730
Days to Liquidation	393	4
(20% daily avg. vol.)		

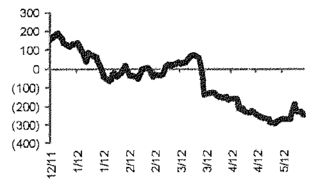
[1] PV represents balance sheet carrying value

2427

 DRAFT (5/16/12)

10% CSW ($mm)	Exposure & P&L	Commentary

Overall

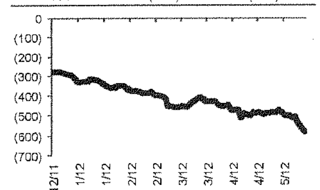


12/31/11	4/30/12	5/15/12
153	(293)	(247)

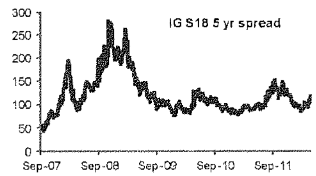
Daily ($000s)	WTD	Since 4/30
(15,427)	(116,669)	(356,166)

Above P&L based on an indicative attribution model and may not match representative trade P&L estimation

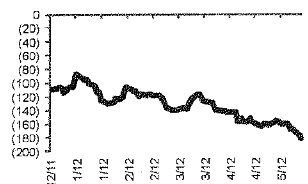
US (CDX)



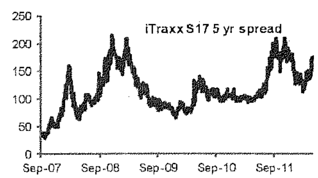
12/31/11	4/30/12	5/15/12
(279)	(480)	(577)



12/31/11	4/30/12	5/15/12
120	95	117



12/31/11	4/30/12	5/15/12
(110)	(159)	(183)



12/31/11	4/30/12	5/15/12
173	141	174

2428

 OCC-SPI-00114068

Tranche Risk

2429

Risk depiction

Overall

Correlation 10% shift[1]

Index name	Tranches	Total
CDX.IG Junior	0-30%	112
CDX.IG Super Senior	30-100%	(131)
CDX.IG Total		(19)
CDX.HY Junior	0-35%	25
CDX.HY Super Senior	35-100%	8
CDX.HY Total		33
iTraxx Junior	0-22%	(32)
iTraxx Super Senior	22-100%	(145)
iTraxx Total		(176)
Grand total		**(162)**

US

	Long IG 9 Super Sr. 10yr	Short 0-30
10% Corr 01	(15)	25
Change		
Week To Date	TBU	TBU
Since April 30	TBU	TBU

Europe

	Long iTraxx 9 Super 10yr	Short 0-22
10% Corr 01	(15)	11
Change		
Week To Date	TBU	TBU
Since April 30	TBU	TBU

Exposure & P&L

Daily ($000s)	WTD	Since 4/30
TBU	TBU	TBU

Above P&L based on an indicative attribution model and may not match representative trade P&L estimation

Graphs of 10% correlation shift

Theoretical max gain/loss based on 10% Corr and Spread graph

Commentary

CIO Vol traded since Apr 30th

Implied Daily, weekly P/L

[1] Correlation data as of COB 4/4

Default profile

Total exposure

Overall

Portfolio	# of names	# Names w/ default loss risk	P&L given default Avg.	P&L given default Max	# Names w/ default gain risk	P&L given default Avg.	P&L given default Max.
Portfolio (today)	675	61	($31)	($185)	614	$141	$626
Portfolio *(post Dec. '12)*	672	213	(306)	(696)	459	121	626
IG9 only (today)	121	0	0	0	121	213	468
IG9 only *(post Dec. '12)*	121	121	(508)	(696)	0	0	0

Top 5 exposures

Loss

US

Pre December 2012	($mm)	Post December 2012	($mm)
1. L-3 Communications Corporation	(184.9)	1. Wyeth Llc	(695.6)
2. Celestica Inc.	(169.0)	2. Comcast Cable Communications, Llc	(694.0)
3. Allied Waste North America, Inc.	(152.9)	3. Rohm And Haas Company	(684.0)
4. Fairfax Financial Holdings Limited	(149.7)	4. Rio Tinto Alcan Inc.	(680.0)
5. H. J. Heinz Company	(100.1)	5. Wells Fargo & Company	(653.2)

Pre June 2013	($mm)	Post June 2013	($mm)
1. Sabmiller Plc	(34.1)	1. Sabmiller Plc	(34.1)
2. Statoil Asa	(34.0)	2. Statoil Asa	(34.0)
3. Royal Dutch Shell Plc	(34.0)	3. Royal Dutch Shell Plc	(34.0)
4. British Sky Broadcasting Group Plc	(33.7)	4. British Sky Broadcasting Group Plc	(33.7)
5. Telefonaktiebolaget L M Ericsson	(32.6)	5. Telefonaktiebolaget L M Ericsson	(32.6)

Gain

Pre December 2012	($mm)	Post December 2012	($mm)
1. R.R. Donnelley & Sons Company	467.9	1. Brunswick Corporation	269.5
2. Radian Group Inc.	409.0	2. The New York Times Company	259.6
3. Liz Claiborne, Inc.	405.7	3. The Tjx Companies, Inc.	238.0
4. Gannett Co., Inc.	401.7	4. Dean Foods Company	237.9
5. Belo Corp.	395.1	5. Temple-Inland Inc.	225.7

Pre June 2013	($mm)	Post June 2013	($mm)
1. Gas Natural Sdg, S.A	626.0	1. Gas Natural Sdg, S.A	626.0
2. Gdf Suez	555.0	2. Gdf Suez	555.0
3. Unicredit, Societa Per Azioni	476.3	3. Edp - Energias De Portugal, S.A	473.9
4. Edp - Energias De Portugal, S.A	473.9	4. Portugal Telecom International Finance B.V.	471.5
5. Portugal Telecom International Finance B.V.	471.5	5. Banca Monte Dei Paschi Di Siena S.P.A	437.6

2430

Limits

Summary

Limit ($mm)	Usage 5/15/12	Synthetic Limit
CS01 Unadjusted		
CDX.HY	7.8	8.6
CDX.LCDX	0.0	1.6
CDX.IG	(32.2)	39.4
iTraxx MN	(16.1)	23.7
iTraxx XO	2.8	3.3
iTraxx Finsub	(0.3)	0.6
iTraxx Finsen	0.3	0.5
CSW10%		
CDX.HY	484.3	496.0
CDX.LCDX	(0.0)	0.1
CDX.IG	(548.0)	549.0
iTraxx MN	(366.0)	434.0
iTraxx XO	191.0	201.0
iTraxx Finsub	(16.5)	27.0
iTraxx Finsen	8.3	12.0
Large Index Notionals		
CDX.IG.9.7Y	34.2	34.2
CDX.IG.9.10Y	81.0	81.0
iTraxx S9 7Y	5.4	5.4
iTraxx S9 10Y	13.0	13.0

Limit ($mm)	Usage 5/15/12	Synthetic Limit
VaR	174.0	160.0
Compression		
US Compression Limit	484.3	496.0
EUR Compression Limit	174.5	228.0
Tranche Limits		
10% Corr Shift	(162.2)	175.0
Steepen10%		
CDX.HY	(62.2)	64.0
CDX.LCDX	0.0	0.5
CDX.IG	(446.1)	436.0
iTraxx MN	(207.9)	265.0
iTraxx XO	61.2	65.0
iTraxx Finsub	(25.3)	30.0
iTraxx Finsen	4.1	6.0

2431

Differences summary

DRAFT (5/16/12)

CIO Credit Collateral differences

By counterparty ($mm)

Counterparty	Sum of MTM	Sum of CP MTM	Sum of MTM Diff
CA	(30)	(31)	1
BBVASA	(0)	(0)	(0)
BNPP	399	397	2
BOA	58	53	5
BPLC	(58)	(55)	(4)
CBKAG	(1)	(1)	0
CGML	(6)	(7)	0
CITI	(282)	(294)	12
CSI	(201)	(207)	6
CSX	(53)	(56)	4
DBKAG	527	417	110
GSI	(4)	(25)	21
HSBCEU	16	16	0
HSBCUS	(7)	(11)	4
MLI	5	5	(0)
MSCS	163	156	7
MSIL	(88)	(87)	(2)
NOMURAIP	124	119	5
RBSPLC	100	104	(4)
SGCIB	(50)	(26)	(24)
UBSAG	(118)	(126)	8
Total	493	341	152

By instrument ($mm)

Instrument	Sum of MTM	Sum of CP MTM	Sum of MTM Diff
CDX IG S09 10Y 00-03	(1,395)	(1,395)	(0)
ITRAXX MN S06 10Y 06-09	57	68	(11)
CDX HY S09 05Y 15-25	(6)	(7)	1
CDX HY S08 05Y 10-15	35	18	18
ITRAXX MN S09 10Y 22-100	(561)	(565)	4
CDX IG S09 05Y 00-03	430	422	8
CDX IG S18 05Y	26	29	(3)
CDX IG S09 10Y 10-15	200	197	3
CDX HY S11 07Y	(3)	(21)	18
CDX IG S09 10Y 15-30	18	19	(1)
Other	1,691	1,575	116
Total	493	341	152

CIO PV Differences with MarkIT pricing

Index ($mm)[1]

	MarkIT PV Change	PV Exceeding Cap[1]
Series 09 Index	(61.1)	(41.3)
Other Index	40.1	32.3
Subtotal	(21.0)	(8.9)
By Family		
CDX IG	(62.6)	
CDX HY	116.5	
ITRAXX XO	(15.2)	
ITRAXX MN	18.2	
Chg. in OnTR 5Y	56.9	

Tranche ($mm)[1]

	MarkIT PV Change	PV Exceeding Cap[1]
Series 09 Index	9.0	13.8
Other Index	(59.4)	(36.9)
Subtotal	(50.4)	(23.1)
By Family		
CDX IG	9.3	
CDX HY	(34.5)	
ITRAXX MN	4.2	
Chg. due to OnTR 5Y	(21.1)	

Pricing tolerance[1]

Position Type	Position Type	Independent Source	Notes
Index – IG	½ bps	Markit	Aggregate max.: $50mm
Index – HY	1 bps	Markit	Aggregate max.: $50mm
Tranche	$2mm	Dealer quotes	Per position

Note: As of 5/15/12

[1] Negative number implies marks are too low – P&L adjusted upward to cap; Positive number implies marks are too high – P&L reduced to cap

J.P.Morgan

2432

Summary of Synthetic Credit Book risk factors

- Pricing to equilibrium: In addition to below risk factors, some indices will lose value as they move from richness to fairness
- Synthetic credit book exposed to **six risk factors** – Each factor represents a directional exposure
- In the short-to-medium term, **these exposures can be partially mitigated** – But not eliminated

Risk Factor	Description of when position loses money	95%ile loss potential[1]
1. Credit spread widening (Directionality)	If **credit spreads widen** across markets	$1,110mm
2. Maturity mismatch (Curve)	If credit spreads of **long-maturity positions get wider** relative to short-maturity positions	150mm
3. High Yield vs. Investment Grade	If **high yield positions outperform** investment grade positions relative to their portfolio weighting	1,060mm
4. Illiquidity of older Indices / Tranches (On-the-Run vs. Off-the-Run)	If **credit spreads of the older index** (the "off-the-run" index) **widen** relative to more-recently issued indices (the more "on the run" indices)	770mm
5. "Super senior" debt vs. "equity" positions (Tranches)	If there is an **increase in the correlation** implied between **defaults among names within the tranches**	490mm
6. Default risk (Risk on individual names)	If **credit events happen to companies** for which we have "sold protection"	291mm
	Est. total diversified 95% loss potential	**$1,820mm**

2433

Synthetic Credit risk factors details

Sensitivity analysis

Scenario	Sigma	Loss ($mm)
90.0% percentile	1.28	1,460
95.0% percentile	**1.64**	**1,820**
97.5% percentile	1.96	2,140
99.9% percentile	3.09	3,300
Downside Case A[1]	N/A	3,871
Downside Case B[2]	N/A	6,655

Assumptions behind analysis

- **Credit spread widening** (Directionality) - Net directional loss estimate assumes correlation based on 1yr data
- **Maturity mismatch** (Curve)
  - Volatility measured as relative movement of longer maturity spread vs. shorter maturity spread adjusted for overall drift
  - Combined across asset classes assuming zero correlation
- **High Yield vs. Investment Grade**
  - Volatility based on relative spread movement netted for overall directionality
  - Assumes zero correlation between these differences for US and Europe
- **Illiquidity of older Indices/Tranches** (On-the-run/Off-the run risk)
  - Series 9 is assumed as the off-the-run position
  - Risks are combined assuming zero correlation
- **"Super senior" debt vs. "equity" positions** (Tranches) - Risk factor based on extreme movements of correlation as seen during the credit crisis
- **Default risk** (Risk on individual names) – Exposure based on comprehensive simulation of default risk using capital model
- **Diversified sum** - All above risk measures combined assuming zero correlation

[1] Diversified sum of 95.0% percentile; [2] Diversified sum of 99.9% percentile

2434

Agenda

2435

New trades

May 16, 2012

#	Risk	Notional	Product	Maturity	Counterparty	Traded Price	Traded Spread	PrevDay Price	Prev Day spread	Closing Price	Closing spread
1	SHORT	(500,000,000)	ITRAXX MN S17 05Y	20-Jun-17	CITIBANK NY		180.00		175.13		177.75
2	SHORT	(500,000,000)	ITRAXX MN S17 05Y	20-Jun-17	CITIBANK NY		179.75		175.13		177.75
3	SHORT	(500,000,000)	ITRAXX MN S17 05Y	20-Jun-17	CITIBANK NY		179.50		175.13		177.75
4	SHORT	(500,000,000)	ITRAXX MN S17 05Y	20-Jun-17	CITIBANK NY		179.38		175.13		177.75
5	SHORT	(500,000,000)	ITRAXX MN S17 05Y	20-Jun-17	CITIBANK NY		181.00		175.13		177.75
6	SHORT	(500,000,000)	ITRAXX MN S17 05Y	20-Jun-17	CITIBANK NY		180.00		175.13		177.75
7	SHORT	(150,000,000)	ITRAXX MN S17 05Y	20-Jun-17	CITIBANK NY		179.75		175.13		177.75
8	SHORT	(500,000,000)	ITRAXX MN S17 05Y	20-Jun-17	CITIBANK NY		180.00		175.13		177.75
9	SHORT	(250,000,000)	ITRAXX MN S17 05Y	20-Jun-17	BNP LDN		180.50		175.13		177.75
10	SHORT	(250,000,000)	ITRAXX MN S17 05Y	20-Jun-17	BNP LDN		180.25		175.13		177.75
11	SHORT	(250,000,000)	ITRAXX MN S17 05Y	20-Jun-17	BNP LDN		180.00		175.13		177.75
12	SHORT	(250,000,000)	ITRAXX MN S17 05Y	20-Jun-17	BNP LDN		180.50		175.13		177.75
13	SHORT	(250,000,000)	ITRAXX MN S17 05Y	20-Jun-17	BNP LDN		180.25		175.13		177.75
14	LONG	100,000,000	CDX HY S16 05Y	20-Jun-16	BOA CHARLOTTE	96.63		97.19		96.75	
15	LONG	100,000,000	CDX HY S17 05Y	20-Dec-16	BOA CHARLOTTE	94.25		94.81		94.31	
16	LONG	100,000,000	CDX HY S17 05Y	20-Dec-16	BOA CHARLOTTE	94.19		94.81		94.31	

2436

Index	Spr01	Spr+10%	Up50%	Lrg Fltn Selloff	Default01	Corr Up 1%	IR01	Equity Delta	Equity Gamma	Equity Vega
CDX HY	7,840,380	484,327,495	2,321,600,420	3,033,146,643	100,782,825	5,317,577	-142,547			
CDX LCDX	1,088	-10,038	2,403,926	2,959,726	3,097,741	-201,950	-12,722			
CDX IG	-32,181,073	-548,034,663	-2,608,466,126	-3,972,867,030	229,298,390	4,839,334	962,971			
ITRAXX MN	-10,095,046	-365,974,678	-1,892,089,934	-3,207,134,622	314,786,838	-20,923,305	354,561			
ITRAXX XO	2,813,868	190,988,989	887,545,951	1,301,129,772	113,892,893	0	-120,281			
ITRAXX FINSUB	-300,366	-16,525,804	-74,209,201	-107,162,742	78,329,480	0	-2,323			
ITRAXX FINSEN	286,578	8,262,629	39,365,172	64,194,341	14,376,030	0	-14,700			
SOVX WE	0	0	0	0	0	0	0			
Rates	0	0	0	0	0	0	0			
Equities	0	0	0	0	0	0	0	-91,037,114	64,407,805	222,293
FX	0	0	0	0	0	0	0			
Synthetic Total	-37,633,659	-246,974,471	-1,344,511,887	-2,285,734,920	855,173,806	-10,968,351	1,044,869	-91,037,114	64,407,805	222,293
Investments MTM	-1,827,598	-56,541,604	-283,208,022	-264,233,085						
Investments AFS	20,084,560	-469,046,200	-2,345,230,999	-2,188,100,522						
Investments Total	-31,712,584	-525,587,804	-2,628,439,021	-2,452,333,607	0	0	0	0	0	0
EMEA Credit Total	-69,346,223	-772,862,275	-3,972,950,908	-4,738,068,527	855,173,806	-10,968,351	1,044,869	-91,037,114	64,407,806	222,293

Commentary – COB 15-May:

Synthetic Credit:

- Long credit risk -246mm 10%CSW (-15mm)
- Credit Crisis / Large Flattener Sell-off $-2.3bn (-131mm)
- Indices 3% wider across regions; XO compressing / HY decompressing with off-the-run S9 curves flatter in Europe but steeper in US

Secured Credit (MTM & AFS) :

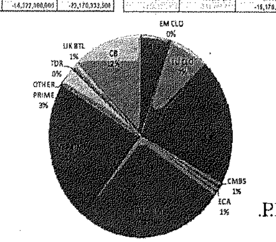
- Long credit risk -526mm 10%CSW; -32.0mm CS01
- Large Flattener sell-off stress scenario loss -2.5bn

Core Strategic	Cey Notional	Ja Adj OTR Eqv Pos	Spr01	Corr1%	Spr+10%	Up50%	Default01	LFS Stress
ITRAXX MN Outright	9,057,091,501	5,417,844,310,252	-18,674,703	0	-402,841,480	-1,935,169,927	-47,653,472	-1,677,823,475
ITRAXX MN Hedge	31,906,475,000	-1,123,583,754,587	3,380,357	0	108,383,401	502,686,008	-195,673,470	50,084,106
ITRAXX MN 00-03	-3,230,000,000	-18,678,673,192	8,534,787	-8,994,024	125,733,535	549,562,817	576,834,562	876,045,725
ITRAXX MN 03-06	-550,000,000	-3,040,784,501	871,718	-853,538	14,370,304	88,520,945	18,422,595	98,851,129
ITRAXX MN 06-09	715,000,000	4,283,281,479	-1,211,582	1,314,095	-24,180,509	-109,062,129	-14,380,527	-118,931,387
ITRAXX MN 09-12	695,000,000	1,808,087,734	-770,305	341,041	-15,434,192	-73,379,404	-6,505,956	-82,117,840
ITRAXX MN 12-22	-420,000,000	-149,166,790	84,737	250,100	1,180,417	8,046,851	488,947	19,752,140
ITRAXX MN 22-100	39,185,000,000	18,370,091,827	-8,289,955	-13,490,982	-173,100,118	-902,819,227	-13,822,782	-925,625,929
ITRAXX MN Total	[illegible]	37,590,097,960	-10,095,940	-20,923,305	-305,874,678	-1,091,572,529	314,786,838	-1,755,235,521
CDX IG Outright	-67,208,749,005	5,588,796,915,472	-33,584,001	0	-570,182,322	-2,701,866,107	301,464,348	-1,607,831,030
CDX IG Hedge	118,798,500,000	707,358,123,086	-8,071,501	0	-34,303,449	-177,773,867	-656,815,495	-1,206,942,814
CDX IG 00-03	-1,550,000,000	-7,221,953,167	4,474,987	5,447,204	23,405,081	147,788,591	464,341,967	862,801,806
CDX IG 03-07	-1,550,000,000	-11,707,271	370,977	142,965	3,492,589	20,829,171	8,067,090	126,414,469
CDX IG 07-10	-1,525,000,000	3,558,733,298	-1,593,376	1,010,864	-23,760,170	-106,500,090	-12,930,660	-88,732,065
CDX IG 10-15	-6,855,000,000	-7,730,455,175	3,819,017	241,540	54,172,441	273,959,543	23,248,882	348,328,187
CDX IG 15-30	-23,355,000,000	-7,818,583,141	3,880,344	3,333,033	56,159,814	300,175,814	12,716,277	414,167,810
CDX IG 30-100	28,435,000,000	8,723,598,184	-9,445,042	-5,324,044	-49,916,772	-266,793,334	-6,174,911	-317,020,060
CDX IG Total	[illegible]	84,507,898,734	-32,181,073	4,839,334	-548,034,663	-2,600,713,917	229,298,390	-1,587,847,697
CDX HY Outright	-27,395,000,000	-11,691,411,409,783	7,983,324	0	405,820,676	2,268,166,499	176,893,466	2,846,299,665
CDX HY Hedge	7,006,300,000	-4,883,726,113,074	3,295,240	0	131,257,359	640,206,575	-45,290,794	1,280,235,380
CDX HY 00-10	0	0	0	0	0	0	0	0
CDX HY 10-15	4,290,500,000	225,067,097	-309,295	4,225,826	-18,295,123	-57,704,071	107,851,780	-21,017,045
CDX HY 15-25	1,193,000,000	8,292,450,065	-2,314,898	3,160,084	-83,536,375	-361,744,944	-131,085,830	-747,036,309
CDX HY 25-35	2,990,000,000	989,261,720	-393,223	-848,288	-15,615,791	-82,281,102	-6,188,725	-183,895,617
CDX HY 35-100	9,295,000,000	842,039,377	-381,739	-1,429,060	-15,304,251	-82,435,139	-4,449,393	-172,822,013
CDX HY Total	[illegible]	-22,608,135,675	7,840,380	5,317,577	484,327,495	2,302,148,919	100,782,825	3,001,773,060
CDX LCDX Outright	271,500,000	89,270,000,000	-22,084	0	-308,597	-1,329,959	-994,996	-8,675,965
CDX LCDX Hedge	-1,960,000,000	-637,000,000,000	159,367	0	2,227,423	11,940,217	7,179,085	62,810,054
CDX LCDX 05-08	0	0	0	0	0	0	0	0
CDX LCDX 08-12	0	0	0	0	0	0	0	0
CDX LCDX 12-15	110,000,000	277,371,029	-27,939	-28,321	-400,294	-2,148,802	-274,883	-15,183,849
CDX LCDX 15-100	3,995,000,000	671,327,584	-107,355	-173,635	-1,537,120	-8,278,641	-2,212,345	-62,750,690
CDX LCDX Total	[illegible]	80,252,133	1,088	-201,950	-10,038	-917,185	3,097,741	-24,010,594
ITRAXX XO	-8,604,250,000	-6,318,469,527	2,813,868	0	190,988,989	887,545,051	113,892,893	872,948,567
ITRAXX FINSUB	-1,960,000,000	587,448,003	-300,366	0	-16,525,804	-74,209,201	78,329,480	-17,110,807
ITRAXX FINSEN	-549,125,000	-700,284,138	286,578	0	8,262,629	39,365,172	14,376,030	64,838,706
SOVX WE	0	0	0	0	0	0	0	0
Grand Total	[illegible]	[illegible]	-37,633,659	-10,968,351	-246,974,471	-1,358,411,580	855,173,808	895,153,744
Core Strategic	215,008,029,878	17,415,105,876	-6,542,429	-10,968,351	-52,704,767	-312,809,152	176,468,942	-327,310,969
Core Tactical	0	0	0	0	0	0	0	0
Core Index	-84,026,088,472	33,843,502,554	-31,391,229	0	-194,269,704	-1,045,602,429	678,704,864	1,022,464,743
Synthetic Total	[illegible]	[illegible]	-37,633,659	-10,968,351	-246,974,471	-1,358,411,580	855,173,806	895,153,744

Core Strategic	Cey Not 15-May-12	Cey Not 14-May-12	Daily Change	Weekly Change	Since 30-Apr	10%CSW 15-May-12	10%CSW 14-May-12	Daily Change	Weekly Change	Since 30-Apr
ITRAXX MN Outright	9,057,091,501	4,960,618,501	4,096,475,000	-3,605,600,000	-6,033,458,500	-402,841,480	-382,052,240	-20,789,243	25,779,842	40,461,298
ITRAXX MN Hedge	31,906,475,000	36,271,950,000	-4,365,475,000	-6,305,400,000	-6,054,675,000	108,383,401	94,579,899	13,803,502	25,670,103	27,008,941
ITRAXX MN 00-03	-3,230,000,000	-3,230,000,000	0	0	-10,000,000	125,733,535	123,690,558	2,042,977	14,044,442	16,801,365
ITRAXX MN 03-06	-550,000,000	-550,000,000	0	0	0	14,370,304	13,529,235	841,069	2,383,580	2,734,078
ITRAXX MN 06-09	715,000,000	715,000,000	0	0	0	-24,180,509	-23,741,536	-438,972	-1,843,289	-1,270,990
ITRAXX MN 09-12	695,000,000	695,000,000	0	0	0	-15,434,192	-15,060,275	-373,910	-1,436,899	-2,052,923
ITRAXX MN 12-22	-420,000,000	-420,000,000	0	0	0	1,180,417	1,070,277	110,141	592,088	803,563
ITRAXX MN 22-100	39,185,000,000	39,185,000,000	0	0	225,000,000	-173,100,118	-163,458,197	-9,727,921	-30,353,927	-49,861,895
ITRAXX MN Total	[illegible]	[illegible]	-270,000,000	-10,022,000,000	-13,473,333,500	-365,874,678	-351,447,314	-14,532,365	28,734,608	36,607,333
CDX IG Outright	-67,208,749,005	-62,524,849,995	5,226,100,000	-8,726,900,000	-11,216,050,000	-570,182,322	-570,707,750	-5,474,567	-43,724,168	-45,608,938
CDX IG Hedge	118,798,500,000	122,022,600,000	-3,228,100,000	3,325,950,000	2,154,350,000	-34,303,449	-34,817,004	493,554	-12,504,740	-25,548,730
CDX IG 00-03	-1,550,000,000	-1,550,000,000	0	0	0	23,405,081	20,050,099	2,355,702	8,344,004	15,861,260
CDX IG 03-07	-1,550,000,000	-1,550,000,000	0	0	-20,000,000	3,492,589	3,884,198	-391,608	807,447	839,279
CDX IG 07-10	-1,525,000,000	-1,525,000,000	0	0	0	-23,760,170	-23,333,237	-426,983	-2,762,521	-3,629,401
CDX IG 10-15	-6,855,000,000	-6,855,000,000	0	0	0	54,172,441	53,884,028	388,121	8,694,801	12,469,147
CDX IG 15-30	-23,355,000,000	-23,355,000,000	0	0	0	56,159,814	54,703,846	455,788	9,060,083	12,785,924
CDX IG 30-100	28,435,000,000	28,435,000,000	0	0	0	-49,916,772	-48,538,326	-1,278,446	-9,635,646	-10,704,858
CDX IG Total	[illegible]	[illegible]	0	-3,400,000,000	-8,482,000,000	-548,034,663	-544,194,875	-3,839,788	-43,634,772	-48,391,110
CDX HY Outright	-27,385,000,000	-26,526,550,000	-858,450,000	-2,068,300,000	-1,199,350,000	485,820,676	474,074,960	11,745,710	30,947,842	37,238,411
CDX HY Hedge	7,006,300,000	6,137,850,000	868,450,000	1,866,300,000	1,369,350,000	131,257,359	132,602,323	-1,344,984	1,529,719	5,752,944
CDX HY 00-10	0	0	0	0	0	0	0	0	0	0
CDX HY 10-15	4,290,500,000	4,290,500,000	0	0	0	-18,295,123	-19,621,248	1,326,124	4,891,423	6,424,984
CDX HY 15-25	1,193,000,000	1,193,000,000	0	0	-20,000,000	-83,536,375	-77,377,550	-6,157,825	-12,938,148	-19,055,315
CDX HY 25-35	2,990,000,000	2,990,000,000	0	0	0	-15,615,791	-14,230,267	-1,385,524	-3,160,264	-4,459,295
CDX HY 35-100	9,295,000,000	9,295,000,000	0	0	0	-15,304,251	-13,219,909	-2,084,341	-3,091,987	-4,919,070
CDX HY Total	[illegible]	[illegible]	0	-200,300,000	150,000,000	[illegible]	[illegible]	2,099,180	22,578,586	20,957,069
CDX LCDX Outright	271,600,000	271,800,000	0	0	0	-303,657	-310,357	1,710	11,885	30,358
CDX LCDX Hedge	-1,960,000,000	-1,960,000,000	0	0	0	2,227,423	2,239,761	-12,338	-85,620	-219,882
CDX LCDX 05-08	0	0	0	0	0	0	0	0	0	0
CDX LCDX 08-12	0	0	0	0	0	0	0	0	0	0
CDX LCDX 12-15	110,000,000	110,000,000	0	0	0	-400,284	-385,712	-14,572	-499	39,381
CDX LCDX 15-100	3,865,000,000	3,865,000,000	0	0	0	-1,537,120	-962,253	-574,060	-167,405	-493,359
CDX LCDX Total	[illegible]	[illegible]	0	0	0	[illegible]	[illegible]	-600,068	-251,744	-643,001
ITRAXX XO	-8,864,250,000	-8,864,250,000	0	-50,000,000	85,000,000	190,988,989	188,339,567	1,649,422	6,798,304	3,650,281
ITRAXX FINSUB	-1,960,000,000	-1,960,000,000	0	0	-400,000,000	-16,525,804	-16,483,747	-42,057	-941,103	8,009,759
ITRAXX FINSEN	-549,125,000	-549,125,000	0	-600,000,000	-600,000,000	8,262,629	8,173,876	88,954	8,980,695	8,183,978
SOVX WE	0	0	0	-50,000,000	-50,000,000	0	0	0	443,628	448,349
Grand Total	[illegible]	[illegible]	-270,000,000	-14,322,000,000	-23,170,333,500	[illegible]	[illegible]	-15,176,720	23,811,499	19,566,736
Core Strategic	215,008,029,878	215,010,529,978	-2,500,000	-6,750,000	206,411,493	-52,704,767	-38,568,277	-14,136,540	-31,418,662	-40,133,900
Core Tactical	0	0	0	0	114,088,507	0	0	0	0	-1,110,373
Core Index	-84,026,088,472	-83,759,188,472	-267,500,000	-14,313,250,000	-23,490,833,500	-194,269,704	-193,229,524	-1,040,180	55,230,561	70,824,102
Synthetic Total	[illegible]	[illegible]	-270,000,000	-14,177,000,000	-23,170,333,500	[illegible]	[illegible]	-15,176,720	23,811,499	19,566,736

APPENDIX

Asset	MV ($mm) MTM	MV ($mm) AFS	MV ($mm) Total	CS01 ($mm) MTM	CS01 ($mm) AFS	CS01 ($mm) Total	CS10% ($mm) MTM	CS10% ($mm) AFS	CS10% ($mm) Total	Lrg Fltn Selloff ($mm) MTM	Lrg Fltn Selloff ($mm) AFS	Lrg Fltn Selloff ($mm) Total	WTD Change ($mm) MV	WTD Change ($mm) CS01	WTD Change ($mm) CS10%	WTD Change ($mm) LFS
ABS AUTO	0	2,520	2,520	0.0	-0.5	-0.5	0.0	-7.4	-7.4	0	-34	-34	-93	+0.1	+0.5	+2
ABS CC	31	1,105	1,135	-0.0	-0.2	-0.2	-0.5	-4.0	-6.1	-2	-27	-26	-23	+0.0	+0.1	+1
ABS OTHER	0	14	14	0.0	-0.0	-0.0	0.0	-0.2	-0.2	0	-1	-1	-0	+0.0	+0.0	+0
NON PRIME	18	523	538	-0.0	-0.3	-0.3	-0.7	-13.1	-13.8	-3	-61	-65	-5	+0.0	+0.1	+1
SME	78	1,314	1,392	-0.0	-0.4	-0.4	-0.4	-7.2	-7.6	-2	-34	-32	-3	+0.0	+0.1	+0
ABS Total	124	5,476	5,600	-0.0	-1.4	-1.4	-1.0	-32.5	-34.1	-7	-152	-159	-132	+0.1	+0.3	+4
EM CLO	0	418	418	0.0	-0.2	-0.2	0.0	-4.1	-4.1	0	-19	-19	+0	+0.0	+0.0	+0
EU CLO	992	6,879	7,871	-0.6	-1.4	-2.0	-17.3	-24.8	-42.1	-81	-118	-196	-123	+0.0	+0.7	+3
US CLO	3,383	18,293	21,677	-0.7	-4.8	-5.5	-17.5	-97.8	-115.3	-32	-406	-439	-37	+0.0	+0.5	+3
CLO Total	4,375	25,392	29,787	-1.3	-6.4	-7.7	-34.3	-126.7	-161.5	-107	-598	-704	-203	+0.1	+1.2	+6
GER MF	441	312	753	-0.2	-0.1	-0.3	-4.3	-3.0	-7.3	-20	-14	-34	-11	+0.0	+0.1	+1
SNG CMBS	0	320	320	0.0	-0.1	-0.1	0.0	-1.9	-1.9	0	-9	-9	+0	+0.0	+0.0	+0
UK CMBS	27	0	27	-0.0	0.0	-0.0	-0.2	0.0	-0.2	-1	0	-1	-0	+0.0	+0.0	+0
CMBS Total	468	632	1,100	-0.2	-0.2	-0.4	-4.6	-4.9	-9.1	-21	-23	-44	-11	+0.0	+0.1	+1
ECA	0	924	924	0.0	-0.3	-0.3	0.0	-3.1	-3.1	0	-14	-14	+0	+0.0	+0.0	+0
ECA Total	0	924	924	0.0	-0.3	-0.3	0.0	-3.1	-3.1	0	-14	-14	+0	+0.0	+0.0	+0
UK PRIME	21	28,850	28,872	-0.0	-6.9	-6.9	-1.2	-86.7	-87.9	-5	-451	-457	-109	+0.1	+1.9	+8
NE PRIME	84	24,706	24,790	-0.1	-7.4	-7.5	-3.3	-101.9	-105.2	-15	-476	-491	-364	+0.1	+1.8	+8
OTHER PRIME	23	2,609	2,632	-0.0	-0.9	-0.9	-0.8	-44.8	-45.6	-4	-69	-73	-17	+0.0	+0.1	+0
RMBS Total	128	56,165	56,293	-0.1	-14.8	-15.0	-5.3	-233.4	-238.7	-25	-995	-1,020	-493	+0.3	+3.0	+16
TDR	384	0	384	-0.2	0.0	-0.2	-7.5	0.0	-7.5	-35	0	-35	-3	+0.0	+0.2	+1
TDR Total	384	0	384	-0.2	0.0	-0.2	-7.5	0.0	-7.5	-35	0	-35	-4	[illegible]	+0.2	+1
UK BTL	50	1,227	1,277	-0.0	-0.9	-0.9	-2.9	-27.9	-30.7	-11	-130	-143	-7	+0.0	+0.1	+0
UK BTL Total	50	1,227	1,277	-0.0	-0.9	-0.9	-2.9	-27.9	-30.7	-11	-130	-143	-7	+0.0	+0.1	+0
CB	0	13,102	13,102	0.0	-5.9	-5.9	0.0	-60.6	-60.6	0	-283	-283	-101	+0.0	+0.5	+2
CB Total	0	13,102	13,102	0.0	-5.9	-5.9	0.0	-60.6	-60.6	0	-283	-283	-101	+0.1	+0.5	+2
Inv Total	5,529	102,920	108,449	-1.8	-29.9	-31.7	-56.6	-469.0	-525.7	-264	-2,188	-2,452	-954	+0.5	+6.7	+41



Investments Assets

J.P.Morgan

Credit & Equity Index Monitor

Index	Series	Maturity	15/05/2012 Spot	Mode CoD	Bps CoW	CoM	YTD
ITRAXX MN	OTR	05Y	174.00	+5.38	+23.38	+36.50	+1.50
ITRAXX FINSUB	OTR	05Y	473.00	+11.00	+62.00	+74.00	-32.00
ITRAXX FINSEN	OTR	05Y	288.00	+8.00	+32.00	+44.00	+15.50
ITRAXX SOVXWE	OTR	05Y	300.00	+5.00	+26.50	+21.00	-67.00
ITRAXX XO	OTR	05Y	733.00	+17.00	+55.50	+75.00	-11.50
CDX IG	OTR	05Y	117.50	+3.00	+16.50	+19.00	-1.01
CDX HY	OTR	05Y	679.61	+17.54	+68.68	+62.96	+22.34

FTSE 100	OTR	05Y	5437.62	-27.90	-116.93	-329.33	-262.29
DJ EURO STOXX 5	OTR	05Y	2178.67	-23.29	-57.45	-188.38	-171.22
S&P 500	OTR	05Y	1330.66	-7.69	-33.06	-60.12	+53.36
NASDAQ 100	OTR	05Y	2580.75	-35.23	-58.53	-89.35	+258.79
NIKKEI 225	OTR	05Y	8900.74	-73.10	-280.91	-563.07	+340.63
HANG SENG	OTR	05Y	19894.31	+159.27	-590.44	-668.00	+1167.00

Maturity	Product	Cry Notional EUR (Factored)	Delta Adj OTR Eqv Pos USD	CS01	Avg Spr
20-Dec-12	ITRAXX MN S09 05Y	-0	-0	0	129
	ITRAXX MN S09 05Y 03-06	0	395,525	-75	360
	ITRAXX MN S09 05Y 06-09	0	0	-6	-6
	ITRAXX MN S09 05Y 09-12	0	0	0	58
	ITRAXX MN S09 05Y 12-22	0	0	0	40
20-Jun-13	ITRAXX MN S09 05Y	56,912,376,000	6,223,803,408	-2,350,781	163
	ITRAXX MN S09 05Y 00-03	-3,900,000,000	-16,635,673,420	7,491,934	6,174
	ITRAXX MN S09 05Y 03-06	-360,000,000	694,270,814	372,476	662
	ITRAXX MN S09 05Y 06-09	340,000,000	211,870,109	-92,676	109
	ITRAXX MN S09 05Y 09-12	280,000,000	193,761,763	-49,755	74
	ITRAXX MN S09 05Y 12-22	-125,000,000	-27,134,444	12,170	49
	ITRAXX MN S09 05Y 22-100	7,100,000,000	277,155,000	-123,562	6
20-Jun-14	ITRAXX MN S15 03Y	-2,909,000,000	-1,014,000,320	720,215	149
	ITRAXX MN S15 03Y 00-03	-70,000,000	-382,030,399	170,890	3,862
	ITRAXX MN S15 03Y 03-06	10,000,000	43,857,464	-19,914	896
	ITRAXX MN S15 03Y 22-100	300,000,000	31,458,210	-14,150	13
20-Jun-15	ITRAXX MN S09 07Y	5,350,000,000	4,428,798,422	-1,868,313	190
	ITRAXX MN S09 07Y 00-03	-370,000,000	-2,920,483,072	1,317,621	4,390
	ITRAXX MN S09 07Y 03-06	-166,000,000	-839,075,402	374,456	1,358
	ITRAXX MN S09 07Y 06-09	-25,000,000	332,806,434	5,827	789
	ITRAXX MN S09 07Y 09-12	150,000,000	452,048,002	-222,241	442
	ITRAXX MN S09 07Y 12-22	-450,000,000	-685,899,803	300,366	184
	ITRAXX MN S09 07Y 22-100	11,325,000,000	3,031,945,933	-1,387,954	34
20-Jun-18	ITRAXX MN S15 05Y	4,380,250,000	4,233,738,530	-1,332,868	178
	ITRAXX MN S15 05Y 00-03	-260,000,000	-1,225,914,862	542,882	3,371
	ITRAXX MN S15 05Y 22-100	1,950,000,000	839,296,442	-378,210	43
42724	ITRAXX MN S08 10Y	40,250,000	87,015,578	-39,894	215
	ITRAXX MN S08 10Y 00-03	-115,000,000	-345,234,297	124,072	4,378
	ITRAXX MN S08 10Y 03-06	150,000,000	611,091,232	-345,315	1,713
	ITRAXX MN S08 10Y 06-08	30,000,000	1,179,383,860	-152,412	1,047
	ITRAXX MN S08 10Y 08-12	0	25,767,747	-3,346	908
	ITRAXX MN S08 10Y 12-22	0	38,024,494	-15,824	284
	ITRAXX MN S08 10Y 22-100	0	8,373,364	-8,000	62
	ITRAXX MN S12 05Y	12,527,916,600	14,850,309,417	-6,809,915	174
42908	ITRAXX MN S07 10Y	0	0	-0	219
	ITRAXX MN S07 10Y 06-08	0	30,134,046	-4,096	1,024
	ITRAXX MN S07 10Y 08-12	0	18,480,408	-2,415	902
	ITRAXX MN S07 10Y 12-22	0	5,813,981	-308	293
	ITRAXX MN S07 10Y 22-100	0	-1,417,964	1,265	69
	ITRAXX MN S11 05Y	-6,071,626,000	-7,767,394,895	3,688,728	176
43089	ITRAXX MN S08 10Y	1	1	-6	209
	ITRAXX MN S08 10Y 03-06	0	30,025,714	-3,073	1,026
	ITRAXX MN S08 10Y 06-09	0	96,716,162	-9,059	253
	ITRAXX MN S08 10Y 09-12	0	59,893,228	-17,378	583
	ITRAXX MN S08 10Y 12-22	0	45,203,686	-9,334	296
	ITRAXX MN S08 10Y 22-100	0	34,068,845	-20,877	68
43271	ITRAXX MN S08 10Y	12,884,600,000	18,262,236,472	-8,103,931	212
	ITRAXX MN S09 10Y 00-03	1,130,000,000	3,734,293,300	-1,797,296	3,732
	ITRAXX MN S09 10Y 03-06	5,300,000	156,868,329	-25,504	1,532
	ITRAXX MN S08 10Y 06-09	388,000,000	2,464,479,807	-853,831	983
	ITRAXX MN S09 10Y 09-12	235,000,000	1,138,946,367	-483,236	818
	ITRAXX MN S08 10Y 12-22	165,000,000	417,824,699	-202,423	306
	ITRAXX MN S08 10Y 22-100	18,610,000,000	12,838,777,229	-5,898,471	72
	ITRAXX MN S15 07Y	985,000,000	1,295,312,398	-580,112	196
	ITRAXX MN S15 07Y 00-03	-285,000,000	-1,172,473,913	529,876	3,181
	ITRAXX MN S15 07Y 03-06	-195,000,000	-1,151,322,828	519,435	1,321
	ITRAXX MN S16 07Y 22-100	2,000,000,000	1,533,438,871	-691,954	87
44367	ITRAXX MN S[illegible] 10Y	-1,832,200,000	-3,259,447,423	1,447,937	186
20-Dec-21	ITRAXX MN S[illegible]	-1,325,000,000	-2,720,948,741	1,231,203	190
Grand Total		77,367,668,501	37,560,097,900	-16,895,046	855

APP

INTERNAL USE ONLY

Maturity	Product	Cry Notional EUR (Factored)	Delta Adj OTR Eqv Pos USD	CS01	Avg Spr
20-Jun-17	ITRAXX FINSEN S17 05Y	-546,125,000	-700,294,198	299,678	203
Grand Total		-546,125,000	-700,294,198	299,678	203

Index Curve Monitor

ITRAXX MN S09	03Y	05Y	07Y	10Y	3/5	5/7	5/10	3/10
Spot	26.50	157.50	190.50	213.50	131.00	33.00	56.00	187.00
Day	29.50	150.13	185.13	208.13	+7.38	-2.00	-2.00	+5.38
Week	26.50	121.13	158.63	181.13	+36.38	-4.50	-4.00	+32.38
Month	25.50	109.50	145.50	169.50	+46.00	-3.00	-4.00	+44.00
Year	26.50	170.50	189.50	196.50	-13.00	+14.00	+30.00	+17.00

CDX IG S09	03Y	05Y	07Y	10Y	3/5	5/7	5/10	3/10
Spot	0.00	84.91	114.69	149.66	84.91	29.78	64.75	149.66
Day	0.00	82.39	112.19	147.16	+2.52	-0.01	-0.01	+2.50
Week	0.00	76.86	100.18	127.65	+8.05	+6.47	+13.97	+22.01
Month	0.00	70.82	96.58	122.14	+14.09	+3.92	+13.42	+27.52
Year	0.00	126.90	137.72	146.64	-41.99	+18.56	+45.01	+3.02

CDX HY S10	03Y	05Y	07Y	10Y	3/5	5/7	5/10	3/7
Spot	0.00	331.98	466.54	584.53	331.98	134.56	252.55	584.53
Day	0.00	315.28	453.18	570.18	+16.70	-3.32	-2.35	+131.07
Week	0.00	278.80	413.94	527.62	+53.18	-0.58	+4.33	+170.33
Month	0.00	294.49	438.97	544.56	+37.48	-9.92	+2.48	+145.56
Year	0.00	496.13	534.15	585.60	-164.15	+96.54	+163.08	+50.38

ITRAXX FINSUB OTR	05Y	10Y	5/10
Spot	473.00	482.00	9.00
Day	462.00	471.00	+0.00
Week	411.00	424.00	-4.00
Month	399.00	412.00	-4.00
Year	505.00	500.00	+14.00

ITRAXX FINSEN OTR	05Y	10Y	5/10
Spot	288.00	303.00	15.00
Day	280.00	295.00	+0.00
Week	256.00	271.00	+0.00
Month	244.00	259.00	+0.00
Year	272.50	272.50	+15.00

ITRAXX XO OTR	05Y	10Y	5/10
Spot	733.00	728.00	-5.00
Day	716.00	711.00	+0.00
Week	577.50	577.50	-3.00
Month	555.00	568.00	-13.00
Year	744.50	714.50	+25.00

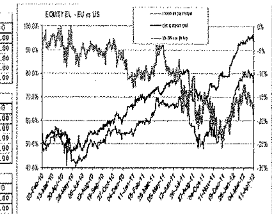
Maturity	Product	Cry Notional USD (Factored)	Delta Adj OTR Eqv Pos USD	CS01	Avg Spr
20-Dec-12	CDX IG S09 05Y	-32,722,500,000	-3,743,027,009	1,906,735	84
	CDX IG S09 05Y 00-03	-3,570,000,000	-10,142,594,750	6,573,960	5,502
	CDX IG S09 05Y 03-07	-1,305,000,000	-267,006,249	132,129	55
	CDX IG S09 05Y 07-10	-2,045,000,000	-1	0	30
	CDX IG S09 05Y 10-15	-2,905,000,000	-0	0	9
	CDX IG S09 05Y 15-30	-13,215,000,000	0	-0	9
	CDX IG S09 05Y 30-100	-270,000,000	-86,528	-387	8
20-Jun-13	CDX IG S10 05Y	0	0	-0	91
	CDX IG S10 05Y 03-07	0	-6,251,400	411	286
	CDX IG S10 05Y 07-10	0	102,798	-94	58
20-Dec-13	CDX IG S07 07Y	730,000,000	312,756,407	106,851	122
	CDX IG S07 07Y 07-10	110,000,000	485,134	-230	105
	CDX IG S07 07Y 15-30	0	0	0	5
	CDX IG S07 07Y 30-100	0	722,506	-1,054	14
20-Jun-14	CDX IG S08 07Y	448,000,000	170,779,576	-87,080	183
	CDX IG S08 07Y 03-07	0	-8,843,253	391	1,153
	CDX IG S08 07Y 07-10	0	-21,589,478	2,118	331
	CDX IG S08 07Y 10-15	0	1,165,208	-333	85
	CDX IG S08 07Y 15-30	-375,000,000	-49,330,668	23,816	12
	CDX IG S08 07Y 30-100	0	815,257	-1,403	59
20-Dec-14	CDX IG S09 07Y	34,193,000,005	16,357,845,874	-8,338,937	114
	CDX IG S09 07Y 00-03	-435,000,000	-1,412,000,085	915,666	3,907
	CDX IG S09 07Y 03-07	-215,000,000	-157,626,206	414,661	277
	CDX IG S09 07Y 07-10	-365,000,000	-300,431,051	320,332	263
	CDX IG S09 07Y 10-15	-1,070,000,000	-1,787,243,103	682,224	95
	CDX IG S09 07Y 15-30	-6,905,000,000	-2,259,863,231	1,115,259	29
	CDX IG S09 07Y 30-100	13,550,000,000	1,181,845,873	-590,882	13
20-Jun-15	CDX IG S14 05Y	-7,857,000,000	-4,073,856,172	2,338,922	88
20-Dec-15	CDX IG S15 05Y	-17,469,500,000	-12,736,498,570	6,086,403	97
	CDX IG S15 05Y 00-03	-185,000,000	-1,205,931,730	578,239	1,891
	CDX IG S15 05Y 15-100	100,000,000	25,840,392	-12,395	32
20-Jun-16	CDX IG S16 05Y	-16,220,750,000	-15,012,332,094	7,173,342	105
20-Dec-16	CDX IG S17 05Y	8,337,500,000	7,823,554,091	-3,642,752	110
20-Jun-17	CDX IG S18 05Y	11,772,000,000	11,772,000,000	-5,626,014	116
20-Dec-17	CDX IG S09 10Y	80,988,000,000	78,606,440,081	-38,197,394	149
	CDX IG S09 10Y 00-03	2,650,000,000	5,530,670,407	-4,509,359	3,004
	CDX IG S09 10Y 03-07	80,000,000	427,018,827	-170,895	1,190
	CDX IG S09 10Y 07-10	775,000,000	3,895,486,898	-1,915,405	840
	CDX IG S09 10Y 10-15	-1,080,000,000	-5,944,367,281	2,837,124	287
	CDX IG S09 10Y 15-30	-3,800,000,000	-5,511,609,241	2,721,272	111
	CDX IG S09 10Y 30-100	17,175,000,000	5,500,402,176	-2,844,557	27
20-Jun-20	CDX IG S14 10Y	257,000,000	378,315,852	-180,771	138
20-Dec-20	CDX IG S15 10Y	-54,000,000	-83,249,834	38,779	130
20-Jun-21	CDX IG S16 10Y	302,000,000	480,310,818	-229,459	139
Grand Total		53,197,730,005	64,507,888,734	-32,181,873	418

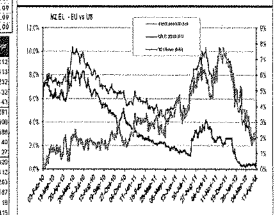
Maturity	Product	Cry Notional USD (Factored)	Delta Adj OTR Eqv Pos USD	CS01	Avg Spr
20-Jun-13	CDX LCDX S10 05Y	-1,899,400,000	-356,447,098	187,284	140
	CDX LCDX S10 05Y 12-15	110,000,000	217,371,029	-27,938	173
	CDX LCDX S10 05Y 15-100	3,955,000,000	671,327,584	-107,356	20
Grand Total		2,386,600,000	86,252,133	1,989	118

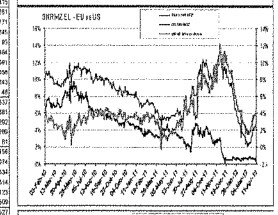
Maturity	Product	Cry Notional EUR (Factored)	Delta Adj OTR Eqv Pos USD	CS01	Avg Spr
20-Dec-13	[illegible]	0	0	0	[illegible]
20-Jun-15	[illegible]	[illegible]	[illegible]	[illegible]	350
20-Dec-16	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
20-Jun-17	ITRAXX XO S17 05Y	[illegible]	[illegible]	[illegible]	[illegible]
Grand Total		-8,954,200,000	-9,218,209,527	3,813,889	571

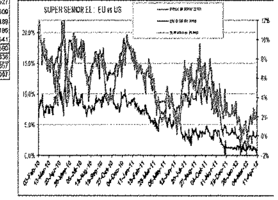
Maturity	Product	Cry Notional USD (Factored)	Delta Adj OTR Eqv Pos USD	CS01	Avg Spr
20-Jun-12	CDX HY S08 05Y	16,366,800,000	-314,769,246	-153,013	212
	CDX HY S08 05Y 10-15	-1,365,000,000	-330,512,074	261,575	8,413
	CDX HY S08 05Y 15-25	-1,410,000,000	-204,548	84	232
	CDX HY S08 05Y 25-35	680,000,000	0	-0	-32
	CDX HY S08 05Y 35-100	-100,000,000	-3,126	-11	-43
20-Dec-12	CDX HY S09 05Y	6,850,000,000	881,806,738	-341,377	281
	CDX HY S09 05Y 10-15	-220,000,000	-77,277,006	90,704	19,300
	CDX HY S09 05Y 15-25	-1,058,000,000	-675,911,425	280,875	588
	CDX HY S09 05Y 25-35	875,000,000	3	-0	40
	CDX HY S09 05Y 35-100	3,330,000,000	78,093,680	34,372	27
20-Jun-13	CDX HY S10 05Y	-10,073,600,000	-2,840,751,515	898,373	320
	CDX HY S10 05Y 10-15	890,900,000	156,896,032	-186,265	15,412
	CDX HY S10 05Y 15-25	2,061,000,000	3,238,367,497	-1,264,825	1,263
	CDX HY S10 05Y 25-35	865,900,000	231,749,494	-94,807	187
	CDX HY S10 05Y 35-100	3,905,000,000	144,438,006	-82,956	18
	CDX HY S14 03Y	-75,000,000	-21,726,315	7,967	315
20-Dec-13	CDX HY S07 07Y	-0	-0	0	281
	CDX HY S07 07Y 15-25	0	84,056,294	-6,321	771
	CDX HY S07 07Y 25-35	0	223,725	-52	245
	CDX HY S07 07Y 35-100	0	577,799	-461	89
	CDX HY S11 05Y	1,183,600,000	316,422,794	154,727	384
	CDX HY S11 05Y 10-15	1,205,000,000	140,735,340	-101,554	15,091
	CDX HY S11 05Y 15-25	1,015,000,000	1,938,567,448	-790,205	2,050
	CDX HY S11 05Y 25-35	250,000,000	132,087,987	-53,673	243
	CDX HY S11 05Y 35-100	530,000,000	51,386,223	-22,015	48
20-Jun-14	CDX HY S08 07Y	-214,000,000	-72,873,298	35,686	337
	CDX HY S08 07Y 10-15	90,000,000	43,123,382	-34,129	5,881
	CDX HY S08 07Y 15-25	225,000,000	614,314,599	-182,958	1,292
	CDX HY S08 07Y 25-35	282,000,000	208,872,119	-84,001	289
	CDX HY S08 07Y 35-100	115,000,000	71,453,977	-9,305	81
20-Jun-15	CDX HY S10 07Y	-2,438,750,000	-1,105,707,561	579,795	456
	CDX HY S10 07Y 10-15	4,640,500,000	262,647,780	-320,479	10,074
	CDX HY S10 07Y 15-25	365,000,000	1,165,073,475	-367,289	2,334
	CDX HY S10 07Y 25-35	285,000,000	417,110,893	-160,365	614
	CDX HY S10 07Y 35-100	1,515,000,000	501,042,884	-219,005	123
	CDX HY S14 05Y	-12,447,000,000	-9,100,165,030	3,337,042	509
20-Dec-15	CDX HY S11 07Y	4,408,000,000	2,360,867,424	-1,154,434	527
	CDX HY S11 07Y 10-15	50,000,000	2,563,898	-3,117	9,609
	CDX HY S11 07Y 15-25	-30,000,000	-52,609,102	21,809	2,469
	CDX HY S11 07Y 35-100	100,000,000	44,449,755	-19,044	185
	CDX HY S15 05Y	-8,916,000,000	-8,115,813,804	2,876,158	541
20-Jun-16	CDX HY S16 05Y	-6,965,000,000	-6,210,348,759	2,277,343	560
20-Dec-16	CDX HY S17 05Y	-7,779,600,000	-7,311,283,456	2,681,050	636
20-Jun-17	CDX HY S18 05Y	-500,000,000	-546,759,447	188,645	657
Grand Total		-2,670,768,000	-22,608,135,873	7,840,388	2,097

Maturity	Product	Cry Notional EUR (Factored)	Delta Adj OTR Eqv Pos USD	CS01	Avg Spr
20-Jun-12	ITRAXX FINSUB S07 05Y	-93,000,000	-2,391,455	1,178	557
20-Dec-12	ITRAXX FINSUB S08 05Y	-548,000,000	-90,335,169	39,883	413
20-Jun-13	ITRAXX FINSUB S09 05Y	-1,693,000,000	-520,219,474	229,909	422
20-Dec-13	ITRAXX FINSUB S10 05Y	-1,166,000,000	-493,272,189	212,022	442
20-Dec-14	ITRAXX FINSUB S12 05Y	-776,000,000	-516,343,731	225,812	467
20-Dec-15	ITRAXX FINSUB S14 05Y	1,305,000,000	1,133,276,819	-494,271	467
20-Jun-16	ITRAXX FINSUB S15 05Y	-455,000,000	-432,845,479	169,029	485
20-Dec-16	ITRAXX FINSUB S16 05Y	1,546,000,000	1,214,613,914	-560,682	485
20-Jun-17	ITRAXX FINSUB S17 05Y	310,000,000	396,055,795	-173,062	471
Grand Total		-1,888,000,000	687,449,003	-300,356	465









Daily price testing – Index

CIO PV Differences with MarkIT pricing

Product	USD Factored Notional ($ mm)	Credit Spread BP Value ($ mm)	Price Type	CIO Quote (LON Close)	Markit Quote (NY/LON Close)	ICE Quote (NY/LON Close)	MarkIT Spread Difference	MarkIT PV Change ($ mm)	PV Exceeding Cap ($ mm)
COB: 2012-05-15							**Total Index**	**(20.98)**	**(8.93)**
Series 09 Index								**(61.07)**	**(41.26)**
CDX IG S09 10Y	78,397	(39.73)	spread	148.3	149.5	148.8	1.2	(48.74)	(28.88)
CDX IG S09 07Y	33,099	(8.40)	spread	114.3	113.6	114.4	(0.6)	5.20	1.00
CDX IG S09 05Y	(31,675)	1.92	spread	83.8	84.1	84.8	0.4	0.75	-
ITRAXX MN S09 05Y	21,607	(2.37)	spread	153.1	156.9	153.1	3.8	(8.93)	(7.74)
ITRAXX MN S09 10Y	16,589	(8.88)	spread	212.6	213.8	212.6	1.1	(10.08)	(5.64)
ITRAXX MN S09 07Y	6,835	(2.02)	spread	190.1	189.8		(0.4)	0.73	-
Other Index								**40.09**	**32.34**
CDX HY S08 05Y	15,430	(0.15)	price	100.1	100.1	100.1	(54.4)	8.38	8.22
CDX IG S18 05Y	11,772	(5.69)	spread	115.8	117.3	117.4	1.6	(8.86)	(6.01)
CDX IG S17 05Y	8,338	(3.68)	spread	109.6	111.2	111.0	1.5	(5.64)	(3.80)
CDX HY S09 05Y	5,606	(0.34)	price	100.5	100.4	100.4	11.6	(3.97)	(3.63)
CDX HY S11 07Y	3,703	(1.17)	price	99.1	98.7		14.1	(16.47)	(15.30)
CDX HY S11 05Y	994	(0.16)	price	101.6	101.3	101.2	23.6	(3.67)	(3.52)
CDX IG S08 07Y	434	(0.09)	spread	160.3	131.7	130.5	(28.5)	2.50	2.46
CDX IG S16 10Y	302	(0.23)	spread	139.4	140.4	140.5	1.0	(0.23)	(0.12)
CDX IG S14 10Y	257	(0.18)	spread	128.8	129.4	130.2	0.6	(0.11)	(0.02)
CDX IG S15 10Y	(54)	0.04	spread	130.3	134.1	133.8	3.8	0.16	0.14
CDX HY S14 03Y	(73)	0.01	price	102.0	101.3		67.1	0.54	0.53
CDX HY S08 07Y	(180)	0.04	price	98.8	98.8		(1.4)	(0.05)	(0.01)
CDX HY S18 05Y	(500)	0.19	price	93.6	93.1	93.1	10.2	1.96	1.77
CDX IG S07 07Y	(704)	0.11	spread	122.3	141.5		19.3	2.14	2.09
CDX LCDX S10 05Y	(1,165)	0.13	price	101.8	101.6		17.3	2.24	2.18
CDX HY S10 07Y	(2,049)	0.59	price	101.3	100.9		13.1	7.68	7.09
CDX HY S16 05Y	(6,756)	2.31	price	97.2	97.0	96.9	4.8	11.10	8.79
CDX HY S17 05Y	(7,537)	2.72	price	94.8	94.5	94.5	8.7	23.67	20.95
CDX IG S14 05Y	(7,657)	2.35	spread	88.3	89.5	90.3	1.2	2.92	1.74
CDX HY S10 05Y	(9,134)	1.00	price	101.9	101.9	101.7	4.1	4.07	3.07
CDX HY S15 05Y	(9,618)	3.01	price	98.7	98.5	98.3	5.6	17.02	14.00
CDX HY S14 05Y	(12,074)	3.37	price	99.8	99.7	99.6	1.9	6.26	2.89
CDX IG S15 05Y	(17,409)	6.14	spread	97.3	98.4	99.1	1.1	6.79	3.72

APPENDIX

2439

Daily price testing (cont'd) – Index

CIO PV Differences with MarkIT pricing

COB: 2012-05-15							Total Index	(20.98)	(8.93)
Product	USD Factored Notional ($ mm)	Credit Spread BP Value ($ mm)	Price Type	CIO Quote (LON Close)	Markit Quote (NY/LON Close)	ICE Quote (NY/LON Close)	MarkIT Spread Difference	MarkIT PV Change ($ mm)	PV Exceeding Cap ($ mm)
Other Index								40.09	32.34
CDX IG S16 05Y	(18,229)	7.25	spread	105.4	106.6	106.4	1.2	9.00	5.37
ITRAXX MN S16 05Y	16,006	(6.72)	spread	174.4	174.6	174.4	0.2	(1.37)	-
ITRAXX MN S15 05Y	5,187	(1.96)	spread	176.3	177.1	176.3	0.9	(1.73)	(0.75)
ITRAXX FINSUB S14 05Y	1,567	(0.50)	spread	467.0	474.3		7.3	(3.66)	(3.41)
ITRAXX FINSUB S16 05Y	1,336	(0.54)	spread	488.0	493.2		5.2	(2.81)	(2.54)
ITRAXX MN S15 07Y	1,131	(0.59)	spread	197.0	193.0		(4.0)	2.39	2.09
ITRAXX FINSUB S17 05Y	396	(0.18)	spread	471.0	474.2		3.2	(0.56)	(0.48)
ITRAXX MN S06 10Y	102	(0.04)	spread	216.1	219.8		3.7	(0.15)	(0.13)
ITRAXX MN S14 05Y	-	0.00	spread	176.8	177.8	176.8	1.0	0.00	0.00
ITRAXX FINSUB S07 05Y	(119)	0.00	spread	556.0	439.9		(116.1)	(0.14)	(0.14)
ITRAXX XO S17 05Y	(556)	0.19	spread	739.1	733.8	739.1	(5.3)	(1.02)	(0.83)
ITRAXX FINSUB S15 05Y	(581)	0.19	spread	485.0	484.1		(0.9)	(0.17)	(0.07)
ITRAXX FINSUB S08 05Y	(675)	0.04	spread	413.0	400.9		(12.1)	(0.48)	(0.46)
ITRAXX FINSEN S17 05Y	(700)	0.29	spread	286.0	287.5		1.5	0.44	0.30
ITRAXX FINSUB S12 05Y	(991)	0.23	spread	452.0	454.3		2.3	0.53	0.41
ITRAXX FINSUB S10 05Y	(1,412)	0.21	spread	442.0	428.8		(13.2)	(2.82)	(2.72)
ITRAXX MN S16 10Y	(1,693)	1.27	spread	190.6	189.6	190.6	(1.0)	(1.26)	(0.63)
ITRAXX XO S15 05Y	(1,728)	0.55	spread	649.5	649.2	649.5	(0.3)	(0.14)	-
ITRAXX MN S15 10Y	(2,085)	1.49	spread	196.8	198.0	196.8	1.2	1.82	1.07
ITRAXX FINSUB S09 05Y	(2,162)	0.23	spread	422.0	411.4		(10.6)	(2.46)	(2.34)
ITRAXX MN S15 03Y	(3,589)	0.73	spread	149.2	149.0		(0.2)	(0.18)	-
ITRAXX XO S16 05Y	(6,410)	2.12	spread	704.0	699.6	704.0	(4.4)	(9.36)	(7.24)
ITRAXX MN S17 05Y	(7,757)	3.56	spread	175.1	174.0	175.1	(1.2)	(4.17)	(2.39)
By Family				Change in the OnTR 5Y Contract				56.90	
CDX IG	56,871	(40.22)	spread	115.8	117.3	117.4	1.6	(62.58)	
CDX HY	(22,107)	11.42	price	93.6	93.1	93.1	10.2	116.54	
ITRAXX XO	(8,693)	2.86	spread	739.1	733.8	739.1	(5.3)	(15.22)	
ITRAXX MN	52,333	(15.53)	spread	175.1	174.0	175.1	(1.2)	18.16	

2440

Daily price testing – Tranche

CIO PV Differences with MarkIT pricing

COB: 2012-05-15

Product	USD Factored Notional ($ mm)	Credit Spread BP Value ($ mm)	Price Type	CIO Quote (LON Close)	Adj Tranche Priced (based on Ref Index)	Independent Quote	Index Spread Change	MarkIT PV Change ($ mm)	PV Exceeding Cap ($ mm)
Total Tranche								(50.43)	(23.07)
Series 09 Tranche								8.99	13.79
CDX IG S09 10Y 30-100	16,565	(2.41)	upfront+100	(3.9)	(3.9)		1.2	(2.96)	(0.96)
CDX IG S09 07Y 30-100	11,121	(0.39)	upfront+100	(2.3)	(2.3)		(0.6)	0.24	-
CDX IG S09 10Y 00-03	2,018	(5.01)	upfront+500	72.4	72.7		1.2	(6.14)	(4.14)
CDX IG S09 10Y 07-10	775	(1.95)	upfront+500	6.3	6.6		1.2	(2.40)	(0.40)
CDX IG S09 10Y 03-07	60	(0.20)	upfront+500	28.6	29.0		1.2	(0.24)	-
CDX IG S09 07Y 03-07	(215)	0.41	upfront+500	6.1	6.5		(0.6)	(0.25)	-
CDX IG S09 05Y 30-100	(260)	0.00	upfront+100	(0.6)	(0.6)		0.4	0.00	-
CDX IG S09 07Y 00-03	(331)	1.24	upfront+500	54.3	55.1		(0.6)	(0.77)	-
CDX IG S09 07Y 07-10	(365)	0.27	upfront+500	(6.4)	(6.2)		(0.6)	(0.17)	-
CDX IG S09 05Y 03-07	(1,395)	0.14	upfront+500	(2.7)	(2.7)		0.4	0.05	-
CDX IG S09 07Y 10-15	(1,970)	0.77	upfront+100	(0.2)	(0.1)		(0.6)	(0.48)	-
CDX IG S09 10Y 10-15	(1,980)	2.88	upfront+100	9.6	9.8		1.2	3.53	1.53
CDX IG S09 05Y 07-10	(2,045)	0.04	upfront+500	(3.0)	(3.0)		0.4	0.01	-
CDX IG S09 05Y 00-03	(2,719)	6.21	upfront+500	17.8	18.1		0.4	2.45	0.45
CDX IG S09 05Y 10-15	(2,905)	0.02	upfront+100	(0.6)	(0.6)		0.4	0.01	-
CDX IG S09 10Y 15-30	(3,800)	2.39	upfront+100	0.5	0.6		1.2	2.93	0.93
CDX IG S09 07Y 15-30	(6,965)	0.85	upfront+100	(1.9)	(1.9)		(0.6)	(0.53)	-
CDX IG S09 05Y 15-30	(12,215)	0.05	upfront+100	(0.6)	(0.6)		0.4	0.02	-
ITRAXX MN S09 10Y 22-100	21,093	(6.99)	spread	67.4	69.2		1.1	(7.94)	(5.94)
ITRAXX MN S09 07Y 22-100	14,469	(1.83)	spread	30.8	33.6		(0.4)	0.66	-
ITRAXX MN S09 05Y 22-100	9,071	(0.19)	spread	7.8	8.2		3.8	(0.71)	-
ITRAXX MN S09 10Y 00-03	1,444	(1.29)	upfront+500	73.5	73.9		1.1	(1.47)	-
ITRAXX MN S09 10Y 06-09	485	(0.79)	upfront+300	30.2	30.9		1.1	(0.90)	-
ITRAXX MN S09 05Y 06-09	434	(0.09)	upfront+300	(2.3)	(2.2)		3.8	(0.35)	-
ITRAXX MN S09 05Y 09-12	358	(0.05)	spread	69.0	71.5		3.8	(0.17)	-
ITRAXX MN S09 10Y 09-12	300	(0.41)	spread	623.5	626.9		1.1	(0.46)	-
ITRAXX MN S09 07Y 09-12	230	(0.20)	spread	425.5	444.3		(0.4)	0.07	-
ITRAXX MN S09 10Y 12-22	198	(0.16)	spread	301.5	305.6		1.1	(0.19)	-
ITRAXX MN S09 10Y 03-06	6	(0.02)	upfront+500	40.2	40.9		1.1	(0.02)	-

2441

Daily price testing (cont'd) – Tranche

CIO PV Differences with MarkIT pricing

Product	USD Factored Notional ($ mm)	Credit Spread BP Value ($ mm)	Price Type	CIO Quote (LON Close)	Adj Tranche Priced (based on Ref Index)	Independent Quote	Index Spread Change	MarkIT PV Change ($ mm)	PV Exceeding Cap ($ mm)
COB: 2012-05-15							**Total Tranche**	**(50.43)**	**(23.07)**
Series 09 Tranche								**8.99**	**13.79**
ITRAXX MN S09 07Y 06-09	(32)	0.00	upfront+300	12.3	13.1		(0.4)	(0.00)	-
ITRAXX MN S09 05Y 12-22	(160)	0.01	spread	40.5	42.4		3.8	0.05	-
ITRAXX MN S09 07Y 03-06	(204)	0.31	upfront+500	21.1	22.1		(0.4)	(0.11)	-
ITRAXX MN S09 05Y 03-06	(460)	0.36	upfront+500	1.3	1.5		3.8	1.36	-
ITRAXX MN S09 07Y 12-22	(575)	0.28	spread	182.0	192.6		(0.4)	(0.10)	-
ITRAXX MN S09 07Y 00-03	(856)	1.03	upfront+500	63.3	64.2		(0.4)	(0.37)	-
ITRAXX MN S09 05Y 00-03	(3,769)	6.46	upfront+500	38.6	39.0		3.8	24.32	22.32
Other Tranche								**(59.42)**	**(36.86)**
CDX HY S10 05Y 35-100	3,744	(0.05)	price	105.4	105.4		4.1	(0.22)	-
CDX HY S09 05Y 35-100	3,051	(0.01)	price	103.0	103.0		11.6	(0.09)	-
CDX LCDX S10 05Y 15-100	2,852	(0.12)	price	105.4	105.3		17.3	(2.15)	(0.15)
CDX HY S10 05Y 15-25	2,063	(1.25)	price	92.2	91.8		4.1	(5.06)	(3.06)
CDX HY S10 07Y 35-100	1,452	(0.19)	price	111.1	111.3		13.1	(2.55)	(0.55)
CDX HY S10 07Y 10-15	1,360	(0.38)	price	6.5	7.0		13.1	(5.01)	(3.01)
CDX HY S11 05Y 15-25	1,015	(0.80)	price	77.8	78.4		23.6	(18.75)	(16.75)
CDX HY S09 05Y 25-35	875	(0.01)	price	102.9	102.9		11.6	(0.15)	-
CDX HY S08 05Y 25-35	683	(0.00)	price	100.7	100.7		(54.4)	0.03	-
CDX HY S10 05Y 25-35	655	(0.07)	price	103.9	103.8		4.1	(0.30)	-
CDX HY S11 05Y 35-100	508	(0.02)	price	107.3	107.3		23.6	(0.41)	-
CDX HY S11 05Y 10-15	405	(0.17)	price	11.8	12.1		23.6	(4.08)	(2.08)
CDX HY S10 07Y 15-25	385	(0.39)	price	56.5	58.1		13.1	(5.09)	(3.09)
CDX HY S08 07Y 25-35	282	(0.08)	price	104.5	104.5		(1.4)	0.11	-
CDX HY S10 07Y 25-35	265	(0.16)	price	95.8	96.8		13.1	(2.10)	(0.10)
CDX HY S11 05Y 25-35	250	(0.05)	price	104.1	104.2		23.6	(1.25)	-
CDX HY S10 05Y 10-15	232	(0.15)	price	19.8	19.4		4.1	(0.62)	-
CDX HY S08 07Y 15-25	225	(0.19)	price	85.4	85.4		(1.4)	0.27	-

APPENDIX

2442

Daily price testing (cont'd) – Tranche

CIO PV Differences with MarkIT pricing

COB: 2012-05-15

Product	USD Factored Notional ($ mm)	Credit Spread BP Value ($ mm)	Price Type	CIO Quote (LON Close)	Adj Tranche Priced (based on Ref Index)	Independent Quote	Index Spread Change	MarkIT PV Change ($ mm)	PV Exceeding Cap ($ mm)
Total Tranche								(50.43)	(23.07)
Other Tranche								(59.42)	(36.86)
CDX IG S07 07Y 07-10	110	(0.04)	upfront+500	(4.7)	(5.2)		19.3	(0.78)	-
CDX LCDX S10 05Y 12-15	110	(0.03)	price	103.8	103.2		17.3	(0.53)	-
CDX HY S08 07Y 35-100	109	(0.01)	price	108.8	108.7		(1.4)	0.01	-
CDX IG S15 05Y 15-100	100	(0.01)	upfront+25	0.2	0.2		1.1	(0.02)	-
CDX HY S11 07Y 35-100	96	(0.02)	price	110.6	110.7		14.1	(0.24)	-
CDX HY S08 07Y 10-15	47	(0.04)	price	33.3	33.2		(1.4)	0.06	-
CDX HY S11 07Y 10-15	17	(0.00)	price	6.3	6.3		14.1	(0.06)	-
CDX HY S07 07Y 15-25	-	(0.01)	price	93.4	96.0		24.6	(0.17)	-
CDX HY S07 07Y 35-100	-	(0.00)	price	106.4	106.6		24.6	(0.00)	-
CDX IG S07 07Y 15-30	-	0.00	upfront+100	(1.5)	(1.6)		19.3	0.00	-
CDX IG S07 07Y 30-100	-	(0.00)	upfront+100	(1.4)	(1.4)		19.3	(0.01)	-
CDX IG S08 07Y 03-07	-	0.00	upfront+500	5.9	12.5		(28.5)	(0.01)	-
CDX IG S08 07Y 07-10	-	0.00	upfront+500	(5.9)	(3.6)		(28.5)	(0.06)	-
CDX IG S08 07Y 10-15	-	(0.00)	upfront+100	(0.9)	(0.1)		(28.5)	0.01	-
CDX IG S08 07Y 30-100	-	(0.00)	upfront+100	(1.8)	(1.7)		(28.5)	0.01	-
CDX IG S10 05Y 03-07	-	0.00	upfront+500	(2.6)	(2.5)		3.2	0.00	-
CDX IG S10 05Y 07-10	-	(0.00)	upfront+500	(5.1)	(5.0)		3.2	(0.00)	-
CDX HY S11 07Y 15-25	(30)	0.02	price	51.0	51.3		14.1	0.33	-
CDX HY S09 05Y 10-15	(71)	0.07	price	31.5	31.5		11.6	0.76	-
CDX HY S08 05Y 35-100	(94)	0.00	price	100.7	100.7		(54.4)	(0.00)	-
CDX IG S15 05Y 00-03	(195)	0.69	upfront+500	36.1	36.5		1.1	0.76	-
CDX IG S08 07Y 15-30	(375)	0.03	upfront+100	(2.2)	(1.9)		(28.5)	(0.84)	-
CDX HY S08 05Y 10-15	(812)	0.24	price	97.5	91.9		(54.4)	(13.23)	(11.23)
CDX HY S09 05Y 15-25	(1,055)	0.33	price	99.6	99.6		11.6	3.85	1.85
CDX HY S08 05Y 15-25	(1,410)	0.01	price	100.6	100.4		(54.4)	(0.58)	-
ITRAXX MN S15 07Y 22-100	2,555	(0.82)	spread	59.5	64.4		(4.0)	3.31	1.31
ITRAXX MN S15 05Y 22-100	2,491	(0.47)	spread	39.5	42.2		0.9	(0.41)	-
ITRAXX MN S15 03Y 22-100	383	(0.01)	spread	11.5	12.6		(0.2)	0.00	-
ITRAXX MN S06 10Y 03-06	192	(0.24)	upfront+500	40.1	39.7		3.7	(0.90)	-
ITRAXX MN S06 10Y 06-09	26	(0.11)	upfront+300	28.3	27.9		3.7	(0.42)	-

2443

Daily price testing (cont'd) – Tranche

CIO PV Differences with MarkIT pricing

COB: 2012-05-15

Product	USD Factored Notional ($ mm)	Credit Spread BP Value ($ mm)	Price Type	CIO Quote (LON Close)	Adj Tranche Priced (based on Ref Index)	Independent Quote	Index Spread Change	MarkIT PV Change ($ mm)	PV Exceeding Cap ($ mm)
							Total Tranche	(50.43)	(23.07)
Other Tranche								(59.42)	(36.86)
ITRAXX MN S15 03Y 03-06	13	(0.02)	upfront+500	8.5	9.4		(0.2)	0.00	-
ITRAXX MN S06 10Y 09-12	-	(0.00)	spread	636.5	618.9		3.7	(0.01)	-
ITRAXX MN S06 10Y 12-22	-	(0.02)	spread	292.5	284.9		3.7	(0.06)	-
ITRAXX MN S06 10Y 22-100	-	(0.00)	spread	62.1	60.0		3.7	(0.02)	-
ITRAXX MN S07 10Y 06-09	-	(0.00)	upfront+300	27.9	29.4		(0.6)	0.00	-
ITRAXX MN S07 10Y 09-12	-	(0.00)	spread	619.0	644.9		(0.6)	0.00	-
ITRAXX MN S07 10Y 12-22	-	(0.00)	spread	278.0	294.0		(0.6)	0.00	-
ITRAXX MN S07 10Y 22-100	-	0.00	spread	61.7	66.6		(0.6)	(0.00)	-
ITRAXX MN S15 03Y 00-03	(89)	0.16	upfront+500	45.8	46.9		(0.2)	(0.04)	-
ITRAXX MN S06 10Y 00-03	(133)	0.13	upfront+500	74.6	74.3		3.7	0.49	-
ITRAXX MN S15 07Y 03-06	(249)	0.45	upfront+500	32.8	34.6		(4.0)	(1.82)	-
ITRAXX MN S15 05Y 00-03	(332)	0.47	upfront+500	60.5	61.4		0.9	0.42	-
ITRAXX MN S15 07Y 00-03	(377)	0.45	upfront+500	67.8	68.9		(4.0)	(1.81)	-
By Family				**Change due to the OnTR 5Y Index**				(21.05)	
CDX IG	(6,987)	5.96	spread	115.8	117.3	117.4	1.6	9.27	
CDX HY	14,226	(3.38)	price	93.6	93.1	93.1	10.2	(34.53)	
ITRAXX MN	46,513	(3.60)	spread	175.1	174.0	175.1	(1.2)	4.21	

APPENDIX

2444

Volume and activity update

DTCC weekly information

	Gross notional ($mm)		Weekly activity ($mm)		% of notional traded	
Series	Untranched	Tranched	Untranched	Tranched	Untranched	Tranched
CDX IG S09	794,674	609,535	15,309	1,764	1.93%	0.29%
iTraxx MN S09	616,379	517,046	13,460	N/A	2.18%	N/A
CDX IG S18	333,402	N/A	141,462	N/A	42.43%	N/A
iTraxx MN S16	296,060	N/A	4,908	N/A	1.66%	N/A
iTraxx MN S17	307,024	N/A	122,968	N/A	40.05%	N/A
CDX IG S17	240,714	1,998	10,196	20	4.24%	1.00%
CDX IG S16	179,638	N/A	563	N/A	0.31%	N/A
CDX IG S15	175,372	8,303	658	N/A	0.38%	N/A
CDX HY S17	72,924	650	2,723	209	3.73%	32.18%
CDX HY S10	70,470	47,280	603	245	0.85%	0.52%
iTraxx XO S16	64,662	N/A	309	N/A	0.48%	N/A
iTraxx XO S17	68,580	N/A	32,567	N/A	47.49%	N/A
CDX HY S09	53,980	35,413	232	80	0.43%	0.23%
iTraxx FinSub S17	24,375	N/A	2,767	N/A	11.35%	N/A

Source: DTCC (week ending 5/11/12)

2445

Chief Investment Office

Presentation to the Directors Risk Policy Committee
December 2010

Ina Drew, Chief Investment C

Mandate and Approach

2

KEY MANDATE: Optimize and protect the Firm's balance sheet from potential losses, and create and preserve economic value over the longer-term.

SHORTER *LONGER* INVESTMENT HORIZON

Longer-term Investing

Strategic Investing & Risk Manage [illegible]

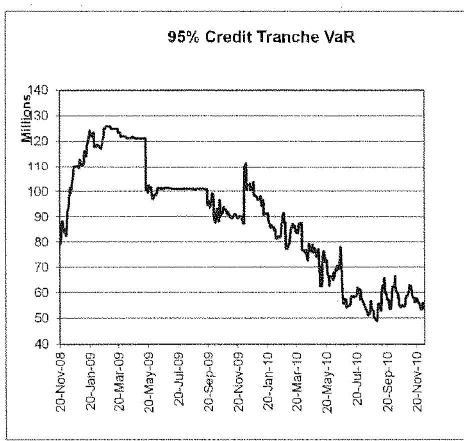
Private Equity	Retirement Plan	Special Investments	COLI BOLI
Oversight of legacy investments and select new opportunistic investments	Management of US defined benefit pension investments and oversight of 401k	Investment in stressed and distressed opportunities related to undervalued or under-performing JPMC loans	[illegible]
$4bn AUM	$11bn AUM	TBD	$8bn AUM
Position in run-off mode. YTD PE gains: $400mm	Investments in Fixed Income, Equities, & Alternatives. Projected return 10%	Group in formation – size and scope under review	Allocation of volatile component in mortgage/ high grade credit. Fcst income: $265mm

[illegible]

Tactical Positioning

6

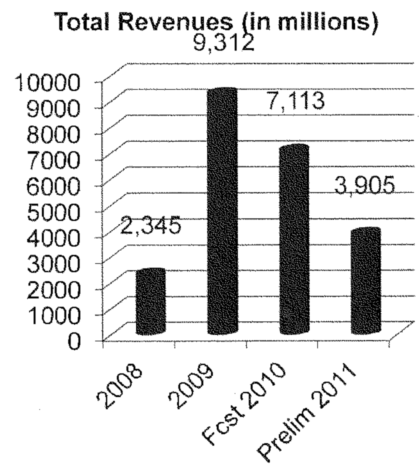
- CIO positions tactically to complement the core investment portfolio.
- One example is a synthetic (or derivative) credit position established in 2008 to protect the Firm from the anticipated impact of a deteriorating credit environment.
- As credit spreads widened, CIO adjusted the position to capture value as credit markets stabilized.
- These positions reached a maximum 95% VaR of approximately $125mm in early 2009, and have since been de-risked to a current VaR level of approximately $55mm, with some further risk reduction anticipated.
- Tactical credit strategies have contributed approximately $2.8bn in economic value from inception, with an average annualized RoE of 100%.



7

Earnings

- CIO's expertise and product suite have been developed and expanded to produce absolute returns through all business cycles.
- Some volatility of earnings should be expected throughout cycles, particularly at extremes.
- Very low expense base of approximately $300mm, coupled with high returns, produces overhead ratios that range from 3% - 10%.



Regulatory Reform

8

- CIO activities are not expected to be significantly impacted by Financial Regulatory Reform, although sophisticated approach to structural risk management and investment of cash will require careful explanation to regulators.

- CIO does not maintain "trading accounts" as defined by Volcker rule:
  - Intent is not to buy and sell to benefit from short-term price movements.
  - Activities are restricted to transactions that are clearly and transparently associated with the Firm's underlying structural risks, and all activities are documented as such.

- Private equity investing will be impacted:
  - Existing investments were planned to roll-off prior to effective date of the rules in any case.
  - New investments in Private Equity will most likely not be permitted in CIO.
  - Retirement Plan investments in private equity and hedge funds are expected to be excluded from restrictions.

- Engaging in preliminary discussions with regulators and Department of the Treasury, in coordination with Firm-wide regulatory reform working group.

CHIEF INVESTMENT OFFICE - EXECUTIVE MANAGEMENT REPORT

April 2012

■ = Redacted by the Permanent Subcommittee on Investigations

CIO Balance Sheet/RWA

Quarter 2 Forecast as of 5/09/2012

$ in billions

Investment Portfolio	Fixed/ Floating	Gross Yield	Net Yield[1]	Ave Spread[2]	Invest $bn	Current RWA %	Current RWA	Net Yield/ Reg Cap[5]	Ave Spread/ Reg Cap[4]	FAS 115 OCI 4/30 In mm
North America										
MBS Pass Throughs	[redacted]									
Munis										
Agency CMOs, ARMs & Multi Family										
Agency CMOs Floaters										
Corp Bonds/Foreign Gov Bonds										
Whole Loan										
CMBS										
CC and SL ABS										
Agencies/Treasuries										
Bank Senior Corporate Debt										
Non-Agency Prime & ALT-A										
Bank Preferreds - Fix										
Covered Bonds										
CLO										
Trust Preferreds - Fix										
Total North America AFS					165.7	20%	33.2	166%	144%	[redacted]
Europe										
UK Prime	[redacted]									
Other Corp/Foreign Gov Bonds										
Dutch Prime										
CLO										
HGM										
EM										
Other ABS										
AUD Prime										
Consumer ABS										
German MF										
UK SME										
BE Prime										
Covered Bonds										
UK BTL										
ECA										
CMBS										
Total Europe					165.4	26%	43.7	70%	70%	[redacted]
Total Asia					10.8		7.7			87.8
Reinvestment/Tail Risk										
Total Investment Portfolio		2.85%	2.33%	2.13%	349.9	24%	84.6	102%	93%	8,718.2
Dollar Roll Funding (Liability)					63.9	2%	1.3			
Net Cash Financing					286.0		85.9			

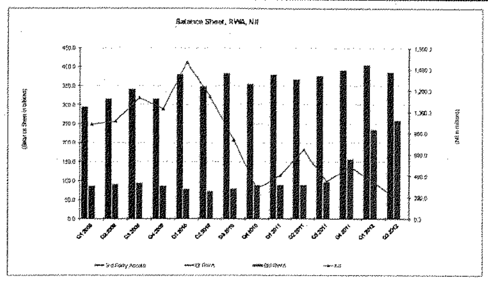
MTM Overlay[4]	Notional	RWA
Credit & Equity - North America	[redacted]	
Developed Markets Credit		
International Rates/FX		
Synthetic Credit	0.0	143.6
Secured Credit	[redacted]	
Credit & Equity - Asia		
Total	21.3	166.3

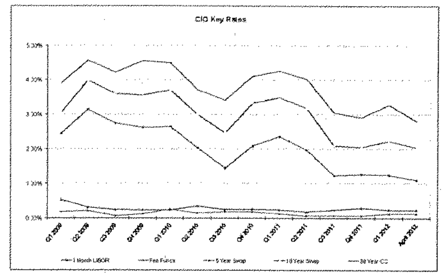
Other Assets[4]	Notional	RWA
Derivatives	9.7	1.1
Cash & Deposits w/ Banks	3.6	2.4
Other	5.0	0.8
Total	18.3	4.4
Total CIO	389.4	256.6
CRP MTM	1.1	3.0
CRP Investment Portfolio	0.5	0.4
Total CRP	1.6	3.4
Total CIO + CRP	391.0	260.0

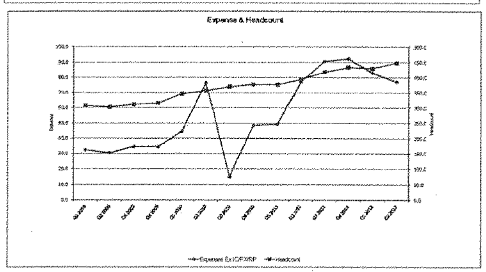
Notes:
[1]Net yield is gross yield net of funding costs.
[2]Average and Current Spread calculated as yield minus swap rate for duration
[3]Average Spread over reg cap used for fixed products
[4]MTM balances represent April Actuals
[5]Capital Ratio 9.5%

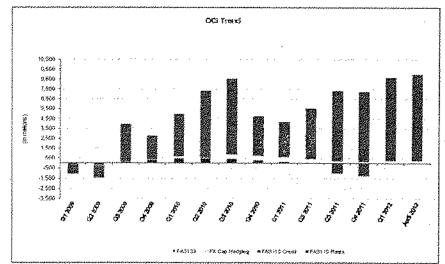
4 5/23

Historical Trends





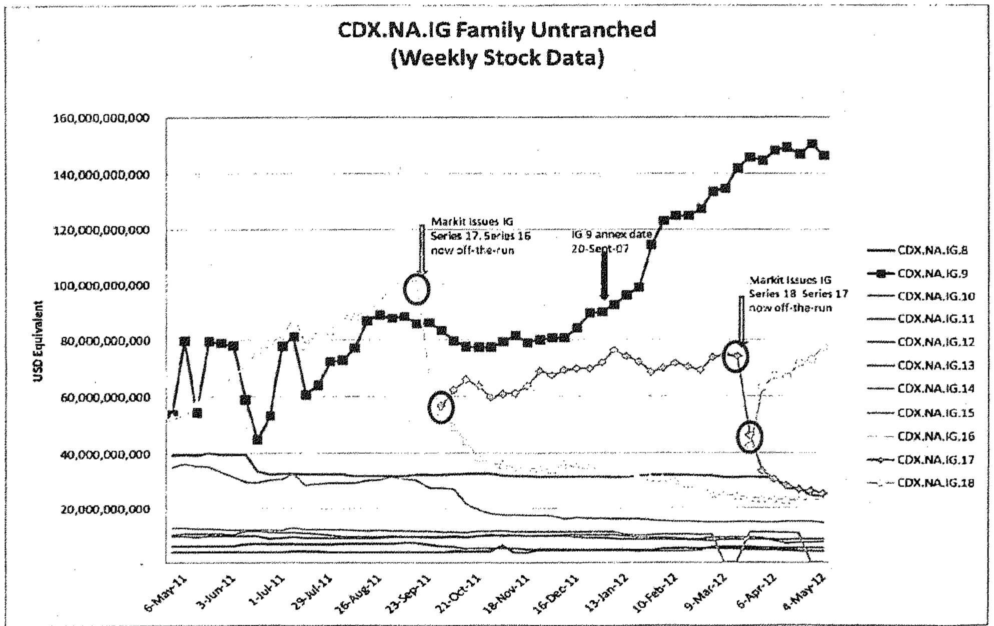




Case Study Overview

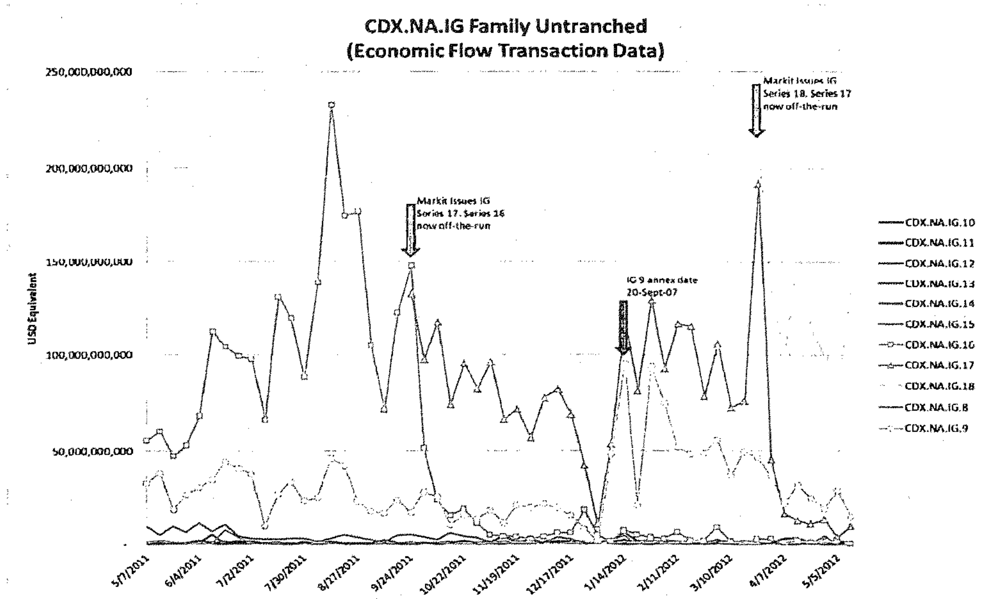
- The JPM mispricing of CDX indices "London Whale" incident provides an opportunity to determine if existing public and regulatory reporting identifies these anomalies in the marketplace.
- Since this is a look back it is important to note that finding the anomaly is much easier when you know what to look for. Transforming data into information is key for regulators to anticipate and detect the risks in the system.
- Utilizing data from DTCC's Trade Information Warehouse (TIW) to reconstruct the time series of publically reported data that identifies the anomaly in the reported data.
- Additionally, through the regulator portal– further transaction and position detail regarding the parties trading in the CDX and ITRAXX indices are made available to the market and prudential regulators

Stock Data | Investment Grade Time Series



2455

Economic Turnover Volume | Investment Grade Time Series



PSI-DTCC-01-000003

2456

FEBRUARY 6, 2009

SENATE PERMANENT SUBCOMMITTEE ON INVESTIGATIONS

CDO Briefing

J.P.Morgan

PSI-JPM-30-000001

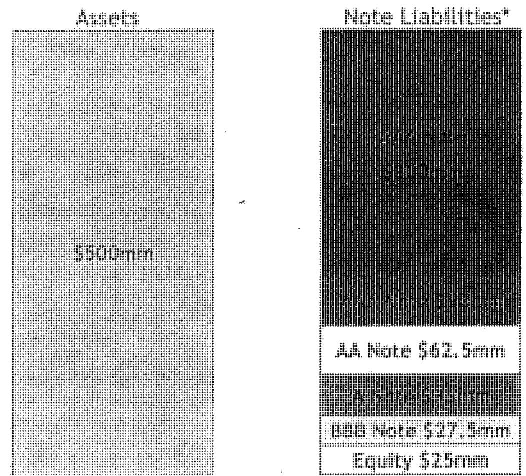
Agenda

What is a Collateralized Debt Obligation (CDO)?

Basic Features

- A CDO is comparable to a finance company:
  - Borrows money (liabilities)
  - Acquires an investment portfolio (assets)
  - Has residual value (equity)
- The equity of a CDO (in the form of either preferred shares or unsecured subordinated notes) represents an ownership stake in the CDO and a first-loss position in its asset portfolio
- The CDO's assets are typically managed by a professional asset manager
- Whether the liabilities can be repaid or not depends on the performance of the portfolio and asset manager
- Through credit enhancement (in the form of structural subordination) and structured cashflows, CDOs are able to issue tranches of debt that are rated higher than the assets in the collateral pool

Typical Balance Sheet



* Other liabilities include management fees and other expenses. However, additional debt issuances are strictly limited.

2459

What is a Collateralized Debt Obligation (CDO)? (cont'd)

Structure

- A CDO is a securitization transaction in which a special purpose vehicle (SPV) -- typically an offshore entity -- issues securities to fund its acquisition of a portfolio of financial assets, which is either static or managed
  - In a managed CDO, a professional asset manager appointed by the CDO selects the initial portfolio and may trade in and out of assets during the life of the CDO
  - In a static CDO, no portfolio assets are traded during the CDO's life
- A CDO may purchase actual securities or loans (of a variety of asset classes) or it may obtain exposure to credits by entering into credit default swaps (CDS) that reference those credits
  - Cash CDO: its portfolio consists primarily of actual securities or loans
  - Synthetic CDO: its portfolio consists primarily of CDS (a portion of its liabilities may also be CDS)
  - Hybrid CDO: its portfolio may consist of either cash positions or CDS (a portion of its liabilities may also be CDS)
- CDOs may be classified based on the way their structures protect their debt tranches from credit losses:
  - Market value CDO: if the "haircut" market value of the CDO's assets falls below debt tranche par, its assets must be sold and its debt paid down until the haircut asset value exceeds debt tranche par; ultimate repayment of principal of its debt tranches depends on the CDO manager's ability to liquidate assets prior to their maturity
  - Cashflow CDO: the CDO's subordinated tranches are sized so that after-default cash flows from its assets are expected to be sufficient to pay principal and interest in respect of its debt tranches, based on assumptions about default probability, default correlation and severity of loss

2460

What is a Collateralized Debt Obligation (CDO)? (cont'd)

Structure

- CDOs may be further classified based on the motivation for securitization and source of assets:
  - Balance sheet CDO: the CDO's sponsor is a holder of securitizable assets (e.g., a commercial bank) that desires to sell or transfer the risk of those assets to shrink its balance sheet or reduce required regulatory or economic capital
    - The sponsor may transfer assets to the CDO through cash sales or synthetically through derivatives; typically the sponsor transfers the entire portfolio at closing
    - Balance sheet CDOs are almost exclusively cashflow structures with static portfolios
    - Deal sizes may be as large as $5-10 billion
  - Arbitrage CDO: the CDO's sponsor is an asset manager that wishes to increase its assets under management and receive fee income for managing the CDO's portfolio, and the CDO's equity tranche investors (which may include its asset manager) wish to achieve a leveraged return between the after-default yield on its assets and the financing costs of its debt tranches (the difference between the leveraged return and debt financing costs is the CDO's "arbitrage")
    - The CDO's assets may be synthetic or cash and are purchased in the open market - its portfolio may not be fully "ramped up" at closing
    - Deal sizes range from $250-500 million to greater than $1 billion
    - In general synthetic deals tended to be larger due to ease of "ramp up"
    - In general CDOs backed by higher credit quality assets tended to be larger due to relative ease of debt distribution

2461

Participants and roles in Arbitrage CDOs

Managers

- The manager is the sponsor of the CDO and receives fees for its services
- The manager is responsible for selecting the assets for the portfolio, determining prices paid for the assets and managing the pool over time through reinvestment, trading or hedging
- Managers can be traditional money mangers, hedge funds, REITs or structured finance professionals devoted to CDO management

Investors

- Investors want exposure to the underlying assets on a tranched or leveraged basis
- Investors evaluate the investment guidelines for the CDO and perform due diligence on the manager's qualifications
- Typical investors in CDOs range from hedge funds to banks and insurance companies
- Since CDO securities are privately offered, there are restrictions on investors who are eligible:
  - In the US: qualified purchasers that are either qualified institutional buyers or accredited investors
  - Outside the US: persons eligible to purchase under local law and in transactions pursuant to Reg S

Rating Agencies

- Rating agencies analyze the CDO's investment criteria and liabilities structure to rate the debt issued by the CDO
- Rating agencies establish criteria that sets forth their requirements for credit quality and structures
- Typically a CDO will have ratings from two of S&P, Moody's or Fitch for each debt tranche; however, a CDO could issue unrated tranches or be rated by a single agency only
- Rating agencies are paid to provide initial ratings and provide ongoing surveillance as long as the rated debt remains outstanding

Trustee

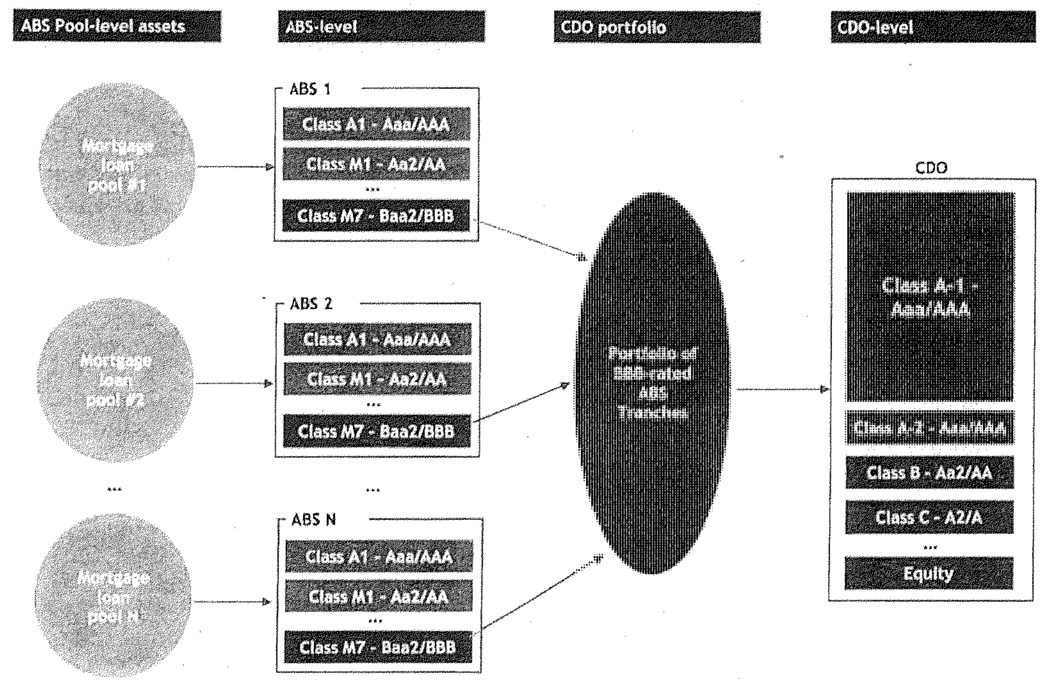
- The CDO appoints a trustee to hold its assets as collateral for the benefit of the holders of its debt
- Frequently the trustee also provides administrative services to the CDO issuer such as accounting and reporting services for investors

Arranger, Placement Agent/Underwriter and Warehouse Provider

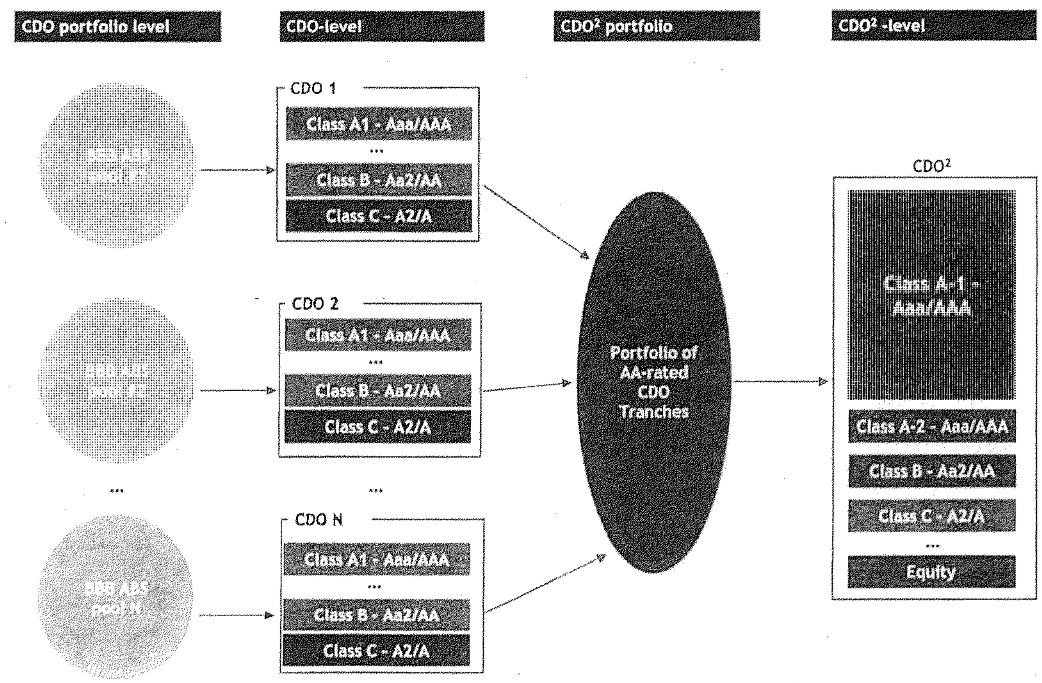
- The manager engages a broker-dealer to arrange and structure the CDO and distribute its securities
- Oftentimes, to facilitate the manager's acquisition of assets for the CDO before closing, the broker-dealer or one of its affiliates will extend a warehouse facility to accumulate assets at the manager's direction.

2462

Structural Building Blocks for an ABS CDO



Structural Building Blocks for an ABS CDO²



Cashflow CDO Collateral Types

Cashflow CDO Collateral Types

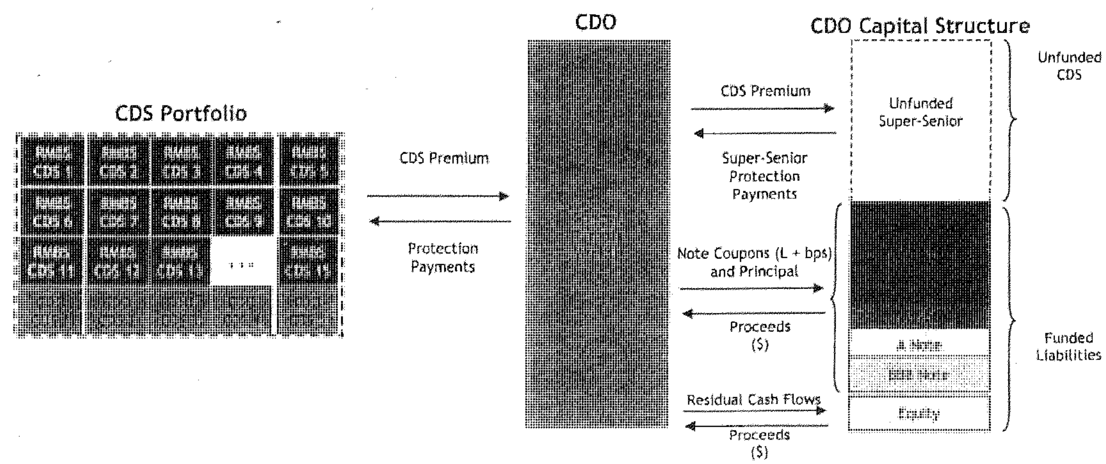
CDO Type	CDO Subtype	Typical Asset Mix	Typical Leverage
CBO	Investment Grade	Investment grade Corporate Bonds	AAA = 90% Equity = 5%
CLO		Corporate loans	AAA = 70% Equity = 10%
ABS	High Grade	AA/Aa2 portfolios of ABS	AAA = 90% Equity = 0.50%
	Mezzanine	BBB/Baa2 portfolios of ABS	AAA = 60% Equity = 5%
CRE	Securities	Mix of CMBS	AAA = 70% Equity = 5%
	CRE Loan	Commercial Loans (both whole loans and subordinate debt)	AAA = 60% Equity = 15%
CDO^2	ABS	ABS CDOs	AAA = 80% Equity = 5%
	CLO	CLOs	AAA = 75% Equity = 5%

Note: These descriptions are generalizations. Actual collateral and leverage will vary from deal to deal depending on a variety of factors.

2465

Synthetic CDOs

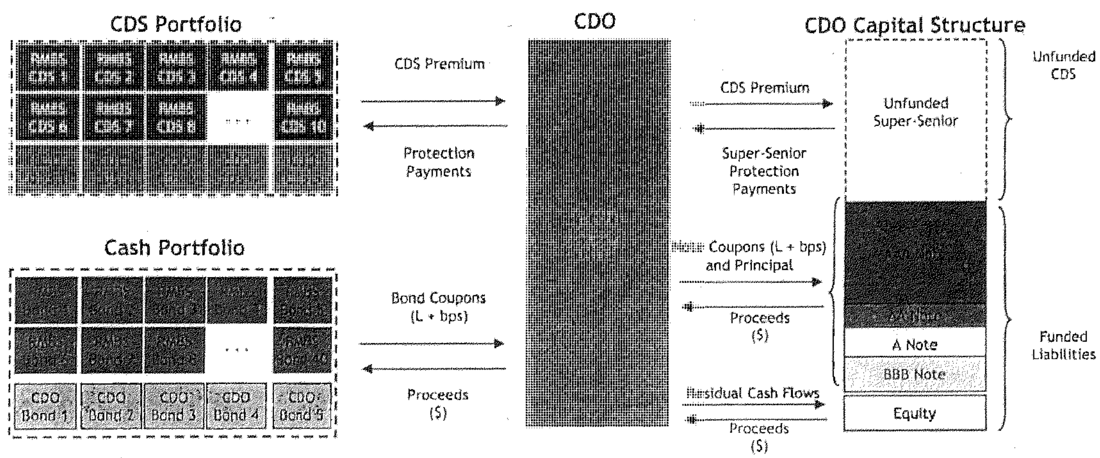
- Synthetic CDOs obtain exposure to assets synthetically, by entering into CDS referencing those assets
- Synthetic CDO portfolios may be either static or managed
- Synthetic CDO portfolios tend to be investment grade (Baa1) compared to traditional Cash CDO high yield collateral (Ba or single-B)
- High quality Synthetic CDO collateral allows for a very large, unfunded portion of Synthetic CDO liabilities (the "Super Senior tranche"), which cheapens overall liabilities
- The Super-Senior tranche's credit quality is assumed to be better than AAA-rated



2466

Hybrid CDOs

- Hybrid CDOs acquire portfolios that include a mixture of cash loans, securities and CDS referencing specific credits
- The mixture of cash and synthetic assets can vary significantly over time at the manager's discretion
- A portion of the proceeds from the funded tranches is invested in cash assets and the remainder is held in reserve (often in the form of a GIC or a reserve account) to cover payments that may be required under the CDS
- The CDO receives payments from three sources:
  - Return from its cash assets
  - Reserve account investments
  - CDS premiums



2467

CDO^{2}s

- A CDO^2 is structurally no different than an ordinary CDO
- Like other arbitrage CDOs, CDO^2 are typically managed by an asset manager that selects the assets and manages the risk of the portfolio
- The principal difference between a CDO and a CDO^2 is simply that CDO^2 assets primarily are other CDO securities
- The rating process, cash flow mechanics and overall structure is similar to other CDOs, but the risks are very different
  - Additional structural leverage
  - More sensitive to changes in underlying asset performance
  - Increased complexity
  - Limited liquidity
  - End investor further removed from the originated risk

2468

Cashflow CDO Analytics

- Cashflow CDO credit risk is determined by three factors:
  - Default Probability
    - How likely is it that the assets will default over the life of the CDO?
  - Default Correlation
    - How diverse is the CDO portfolio, in terms of (1) industries concentration, (2) geography, (3) severity, (4) number of credits, (5) rating of credits and (6) other factors depending on the asset class?
  - Default Severity
    - How much loss can the various CDO tranches withstand?
- Generally, rating agencies compare losses under various default scenarios to required "break-even losses" to determine CDO debt tranche ratings and sizes
  - For instance, a 10-yr CDO tranche must withstand an expected loss of less than 0.0055% to be rated Aaa by Moody's, less than 1.43% to be rated Baa1, and so on down the credit curve
  - The rating agencies use their proprietary models to analyze the assets and generate stressed cashflows
- Cashflow CDOs are subject to periodic compliance tests that measure the deal's ability to pay interest and principal to CDO debt investors
- If the CDO fails certain tests, the CDO's cash flows are redirected to amortize its debt
  - Some tests employed by typical Cashflow CDOs are:
    - Over-Collateralization (O/C) Tests (ability to pay CDO debt tranche principal at maturity)
    - Interest Coverage (I/C) Tests (ability to pay CDO debt tranche interest each period)
    - Caa Concentration Test (restricts the number of Caa-rated assets than can be held without penalty)

2469

Cashflow CDO Analytics (cont'd)

- In cashflow CDOs, O/C and I/C Tests are calculated periodically (typically monthly or quarterly) to monitor collateral deterioration
- Below we illustrate the calculation of these ratios

O/C Test

$$\frac{\text{Asset Par}}{\text{CDO Tranche Par}}$$

- Asset Par: the par of non-defaulted assets
- CDO Tranche Par: the current par aount of the CDO tranche + the current par amount of all tranches senior to the tranche
- The O/C test measures the amount of asset par "cushion" protecting a tranche

  For example:

  Total Asset Par = $500mm
  Class AAA Par = $300mm
  Class AA Par = $60mm
  Class AA O/C = 500/(300+60) = 139%

I/C Test

$$\frac{\text{Asset Coupon}}{\text{CDO Tranche Coupon}}$$

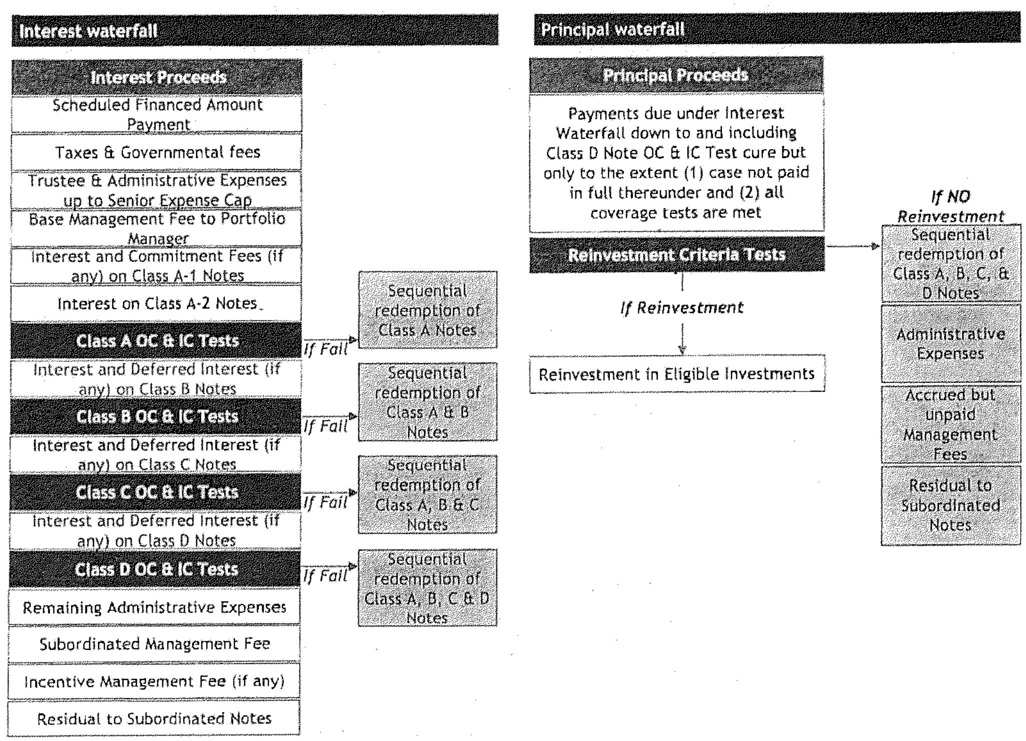
- Asset Coupon: the sum of the interest received from the assets
- CDO Tranche Coupon: the required coupon of the CDO tranche + the required coupon of all tranches senior to the tranche
- The I/C test measures the amount of extra interest available for a given tranche

  For example:

  Total interest received: $6mm
  Class AAA Interest Payable = $2mm
  Class AA Interest Payable = $2mm
  Class AA O/C = 6 /(2+2) = 150%

2470

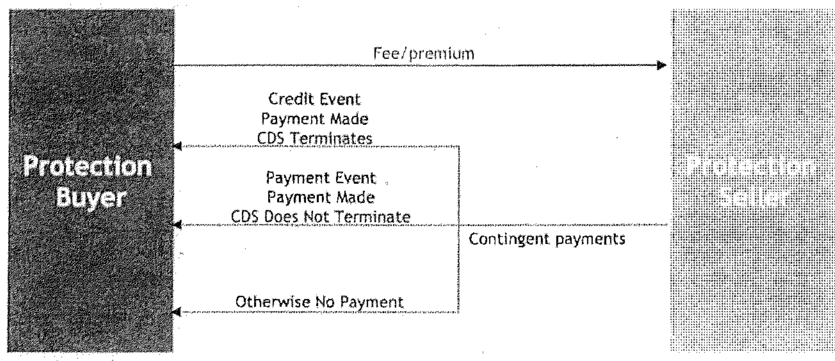
Cashflow CDO Payment Waterfalls (cont'd)



2471

Agenda

Credit Default Swaps



- In exchange for a fee (either an up-front premium, an on-going fee, or a combination) the Protection Seller agrees to make payments to the Protection Buyer upon the occurrence of credit or payment events relating to the reference entity or obligation
- Upon a credit event, the Protection Buyer can elect to settle via physical delivery of a deliverable obligation or via cash settlement through an auction process
- CDS on CDOs and MBS typically allow for physical delivery of the reference obligation
- CDS contracts can reference both bonds and loans

2473

Credit Default Swaps (Cont.)

Typical CDS Clients

- Protection Buyers
  - Hedging credit exposure
  - Investors expressing a view on a reference entity's credit prospects
- Protection Sellers
  - Leveraged investors
  - Structured finance vehicles
- Dealers
  - Intermediate flow between Protection Buyers and Protection Sellers

Credit and Payment Events

- Most widely used credit events for CDS trades on investment grade corporates today:
  - Bankruptcy
  - Failure to pay
  - Restructuring
- In addition, CDS on ABS and CDOs typically follow a "pay-as-you-go" convention where payment events other than default trigger a payment from the Protection Seller to the Protection Buyer
- Reference Obligation that misses interest payments cause the Protection Seller to reimburse the Protection Buyer the amount related to the shortfall
  - After a payment event, the CDS contract continues without termination and settlement
- Credit events on CDS of MBS and CDOs typically include:
  - Bankruptcy
  - Failure to pay principal (typically only on the maturity of the reference obligation)
  - Distressed ratings downgrade (ratings fall to a specified level)

2474

The Basic Contract: A Credit Default Swap (Cont.)

Deliverable Obligations Characteristics

- If a credit event occurs, the Protection Buyer can elect to settle via physical delivery of a deliverable obligation or via cash settlement through an auction process
- If the Protection Buyer elects to deliver an obligation:
  - The Protection Buyer can choose, within certain limits, what obligation to deliver
  - The CDS contract states what kind of obligations (payment, bond, and/or loans) can be included
  - The CDS contract also states the characteristics (subordination level, currency, denomination, listed/non-listed, etc.) of the obligation

2475

Cash Settlement and the Protocols

ISDA Basics

- Often times, the CDS exposure often greater than aggregate amounts of cash obligations available, making physical delivery problematic. For example:
  - Collins & Aikman: $500 million of available bonds vs. $1 billion in CDS
  - Delphi: $2 billion in available bonds vs. $25-30 billion in CDS
- To prevent settlement issues, the ISDA Protocol was developed
  - ISDA Protocol permits rapid amendment of existing CDS documentation to allow settlement at a single Final Price for all adhering parties
  - ISDA Protocol ensures that the Final Price is reflective of market value of the defaulted entity's obligations, taking into account CDS parties' net physical settlement requirements
- Allow bonds to be traded to permit "physical settlement" at Final Price
  - Bonds can be bought or sold in the auction to allow participants to finish with same bond position they would have had under physical settlement
  - Ensures resulting position from original settlement mechanism is effectively preserved for those who desire it
- ISDA publishes standard amendment terms
- To effect an amendment, two parties simply have to "adhere" to the Protocol by sending their notice to ISDA prior to the cut-off date. An adhering party automatically amends its ISDA Master (or related documentation) with any other adhering party

ISDA Protocol prevents price and settlement distortions that could result where CDS exposure to a particular entity is disproportionately larger than the amount of actual obligations of such entity

Agenda

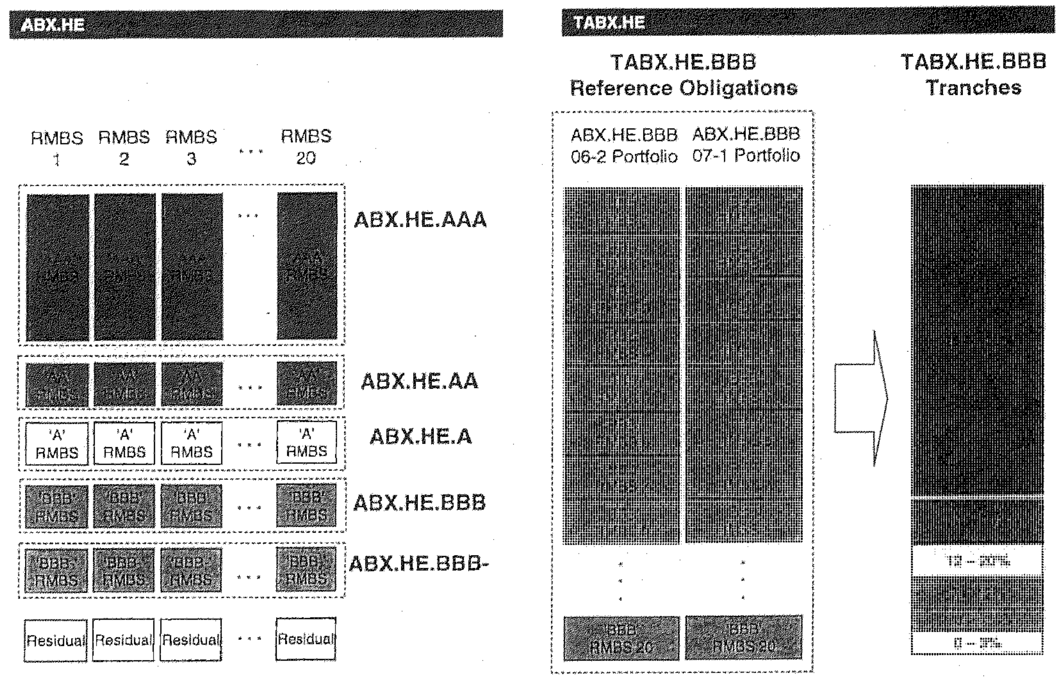
2477

The CDS Indices - ABX.HE and TABX.HE

- Both the ABX.HE and TABX.HE are static portfolios of CDS of subprime RBMS that serve as liquid instruments for trading subprime credit risk
- ABX.HE Asset Portfolio Highlights
  - Portfolios reference 20 bonds of subprime RMBS
  - Assets are homogenous by risk profile (initial ratings)
  - Assets are originated in a 6-month time frame
  - Asset selection
    - Aggregate a list of the largest volume subprime RMBS issuers
    - Select two representative transactions from each issuer
    - Index participants vote on transactions to be included in each index
- TABX.HE Asset Portfolio Highlights
  - Portfolios reference 40 bonds from two ABX.HE indices
  - Assets are all subprime RMBS
  - Assets are homogenous by risk profile (initial ratings)
  - Assets are originated in a one-year time frame

2478

The CDS Indices - ABX.HE and TABX.HE (Cont.)



2479

The CDS Indices - CDX, iTraxx, ABX and TABX

- The CDS indices are static portfolios of CDS that serve as liquid instruments for trading credit risk
  - CDX indices allow investors to express a view on the market as a whole (avoid idiosyncratic single-name risk)
  - Unlike single-name CDS, each index contract is exactly like every other index contract (reference entities, payment dates, fixed coupon) and thus can be easily traded
  - Different indices provide exposure to a broad range of industries and credit
- Markit Group is the dealer appointed administrator and calculation agent for both CDX and iTraxx
- Protection Buyer pays a fixed coupon (the sum of the fixed rates of each of the component CDS contracts)
- Protection seller pays upon credit events (just like single-name CDS)
- Coupon is sum of fixed rates on each component
- Each index reconfigured with new names every 6 months

2480

The CDS Indices - CDX

- DJ CDX North America High Yield Index
  - Static portfolio of 100 equally weighted high yield CDS entities domiciled in North America
  - Index constituents are based on votes from eligible CDS members
  - New series of DJ CDX HY issues every 6 months (March & September) and the underlying reference entities are reconstituted based on member votes
  - Standard maturities will be 5 and 10 years for the notes and swaps
- DJ CDX North America Investment Grade Index
  - Static portfolio of 125 equally weighted investment grade CDS entities domiciled in North America
  - Index constituents are based on votes from eligible CDS members
  - New series of DJ CDX IG issues every 6 months (March & September) and the underlying reference entities are reconstituted based on member votes
  - Standard maturities will be 1, 2, 3, 4, 5, 7 & 10 years for the notes and 5 and 10 years for the swaps
- DJ CDX Emerging Market Index
  - Static portfolio of 14 equally weighted emerging market sovereign issuers
  - Index constituents are based on votes from eligible CDS members
  - New series of DJ CDX EM issues every 6 months (March & September) and the underlying reference entities are reconstituted based on member votes
  - Standard maturities will be 5 and 10 years for the notes and swaps
- DJ CDX Emerging Market Diversified Index
  - Static portfolio of 40 sovereigns and corporates
  - New series of DJ CDX EM issues every 6 months (March & September) and the underlying reference entities are reconstituted based on member votes

2481

The CDS Indices - iTraxx

- iTraxx Europe (Main Index)
  - Static portfolio of 125 equally weighted CDS on European entities
  - Rules based construction based on CDS volumes by dealer poll
  - New series of iTraxx Europe is issued every 6 months (March & September) and the underlying reference entities are reconstituted
  - Standard maturities will be 5 for the notes and 5 and 10 years for the swaps
- iTraxx Japan
  - Static portfolio of 50 equally weighted CDS on Japanese entities
  - Rules based construction based on CDS volumes by dealer poll
  - New series of iTraxx Japan is issued every 6 months (March & September) and the underlying reference entities are reconstituted
  - Standard maturities will be 5 for the notes and 5 and 10 years for the swaps
- iTraxx Australia
  - Static portfolio of 25 equally weighted CDS on Australian entities
  - Rules based construction based on CDS volumes by dealer poll
  - New series of iTraxx Australia is issued every 6 months (March & September) and the underlying reference entities are reconstituted
  - Standard maturities will be 5 for the notes and 5 and 10 years for the swaps
- iTraxx Asia ex-Japan
  - Static portfolio of 30 equally weighted CDS on Asian entities excluding Japan
  - Divided into 3 regional sub-indices: Korea, Greater & Rest of Asia
  - Rules based construction based on CDS volumes by dealer poll
  - New series of iTraxx Asia ex-Japan is issued every 6 months (March & September) and the underlying reference entities are reconstituted
  - Standard maturities will be 5 for the notes and 5 and 10 years for the swaps

2482

WILMERHALE

Reginald J. Brown

+1 202 663 6430 (t)
+1 202 663 6363 (f)
reginald.brown@wilmerhale.com

December 7, 2012

By Hand

Hon. Carl Levin, Chairman
Hon. Tom Coburn, Ranking Member
Permanent Subcommittee on Investigations
Committee on Homeland Security and Governmental Affairs
United States Senate
SR-199 Russell Senate Office Building
Washington, D.C. 20510-6262

Dear Chairman Levin and Ranking Member Coburn:

We represent J.P. Morgan Chase & Co. ("J.P. Morgan") and submit this letter on J.P. Morgan's behalf in response to the Permanent Subcommittee on Investigations' ("PSI") subpoena dated August 6, 2012 (the "Subpoena").

Please find enclosed an encrypted CD containing a document bearing Bates numbers JPM-CIO-PSI 0037504. This production is being provided in response to the Subpoena, and a November 28, 2012 request from PSI Staff for data on the size of the Synthetic Credit Portfolio. Today's production includes a spreadsheet reflecting the requested data as of January 3, 2011, December 30, 2011, March 30, 2012, and June 29, 2012. Please note that January 3, 2011, is provided as a proxy for year-end 2010 as the system this data was generated from only contains information from January 1, 2011.

Further, in response to a November 30, 2012 request from PSI Staff, based on consultation within J.P. Morgan, we understand that the Global CIO MTM CS BPV (CS01) limit was $5,000,000 from mid-August 2008 through early-May 2012, when it was deactivated because management determined the limit was no longer valid in terms of measuring the risk appropriately.

We hope this information is helpful to you and the PSI Staff. The password for the encrypted CD will be communicated to the PSI Staff by a separate communication.

*   *   *

Hon. Carl Levin, Chairman
Hon. Tom Coburn, Ranking Member
December 7, 2012
Page 2

We respectfully request that the produced documents be maintained confidentially under Senate Rule XXIX.5 and not be released publicly without a majority vote of the PSI. We further request that the PSI staff provide the undersigned with notice and an opportunity to be heard in the event the PSI determines that it will disclose any information from this production or letter to a third party. Such treatment would be consistent with the respect for privileged and confidential information that the Subcommittee has shown in the past. This production is not intended to waive any applicable privilege or protection. If it were found that any of the produced documents constitutes disclosure of otherwise privileged matters, such disclosure would be inadvertent.

Please contact me (202-663-6430) or Ross Kirschner (202-663-6021) if you have any questions.

Sincerely,

Reginald J. Brown
Ross Kirschner

Enclosure

From: Schram, Zachary (HSGAC)
To: Robertson, Mary (HSGAC)
Cc: Murphy, Allison (HSGAC)
Subject: FW: CIO clawbacks
Date: Wednesday, January 16, 2013 1:54:06 PM

Hi Mary,

Please log this communication from Reg re: JPM.

Thank you!

From: Brown, Reginald [mailto:Reginald.Brown@wilmerhale.com]
Sent: Wednesday, January 16, 2013 1:52 PM
To: Schram, Zachary (HSGAC)
Cc: Kirschner, Ross K.
Subject: RE: CIO clawbacks

Zack,

J.P. Morgan has recovered the maximum clawback from Ms. Drew, Mr. Macris, Mr. Javier-Artajo, Mr. Iksil, and Mr. Grout. This was accomplished through a combination of canceling outstanding incentive awards and repayment of awards previously paid.

Reg

From: Schram, Zachary (HSGAC) [mailto:Zachary_Schram@hsgac.senate.gov]
Sent: Monday, January 14, 2013 10:40 AM
To: Brown, Reginald
Subject: CIO clawbacks

Reg,

What is the status of the clawbacks for Ms. Drew, Mr. Macris, Mr. Javier-Artajo, Mr. Iksil, and Mr. Grout?

Thanks for your help.

-Zack-

From: Kirschner, Ross K. [mailto:Ross.Kirschner@wilmerhale.com]
Sent: Sunday, March 03, 2013 9:04 PM
To: Schram, Zachary (HSGAC)
Cc: Brown, Reginald
Subject: RE: Crossing the t's

Zack,

Our understanding from the Bank is that the difference between the two CS BPV numbers asked about represents a revision posted by the CIO middle office to their limit utilizations between the time the limits were extracted for the limit breach notification email (the contents of the PDF with the Bates ending 1832) and when the Division Limits document (the Excel spreadsheet with the Bates ending 37536) was extracted from the system. The CIO North America desk had originally uploaded a value of -424,000 against that limit and then on February 22, they changed it to +424,000. The change was made because they initially uploaded CS01 per Credit Spread tightening, but it was retroactively corrected after confirmation that it should have been per Credit Spread widening. That flip of $424,000 accounts for the entire $848,000 difference.

Thanks,
Reg and Ross

From: Schram, Zachary (HSGAC) [mailto:Zachary_Schram@hsgac.senate.gov]
Sent: Sunday, March 03, 2013 8:38 PM
To: Kirschner, Ross K.
Subject: Crossing the t's

Ross,

If you recall, we spotted a discrepancy in the limit utilizations between contemporaneous documents, including JPM-CIO-PSI 0001832, and the utilization spreadsheets you later produced. You explained the source of the discrepancy, but I would like to have something in writing I can cite to. Can you email me the explanation?

Thanks,

-Zack-

OCC Large Bank Supervision
JPMorgan Chase Bank, N.A.

Permanent Subcommittee on Investigations

- Chief Investment Office Discussion

Large Bank Supervision

Large Bank Supervision is driven by requirement that at any quarter, risk assessments and ratings must be current and accurate (Large Bank Supervision Handbook)

- Understand the company's strategies and business activities
- Identify the risks and related controls at the bank, for key products, and activities/lines of business
- Assess levels of inherent risk, quality of risk management, aggregate risk, and the direction of aggregate risk

*Generate Core Assessment and Quarterly RAS

Examinations/Assessments

- Mostly Risk-Based, focusing on
  - High risk products, markets, and activities
  - Weak management
- Some legally required
  - BSA/AML (even if not high risk)
  - Flood
- Objectives
  - Validate our understanding of risk management
  - Assess the level and trend of risk

* We rely on bank MIS (CIO MIS was misleading)

Communications

- Communicate findings, recommendations, and professional views to management and the board
  - Annual Report of Examination
  - Supervisory Letters
  - Verbal

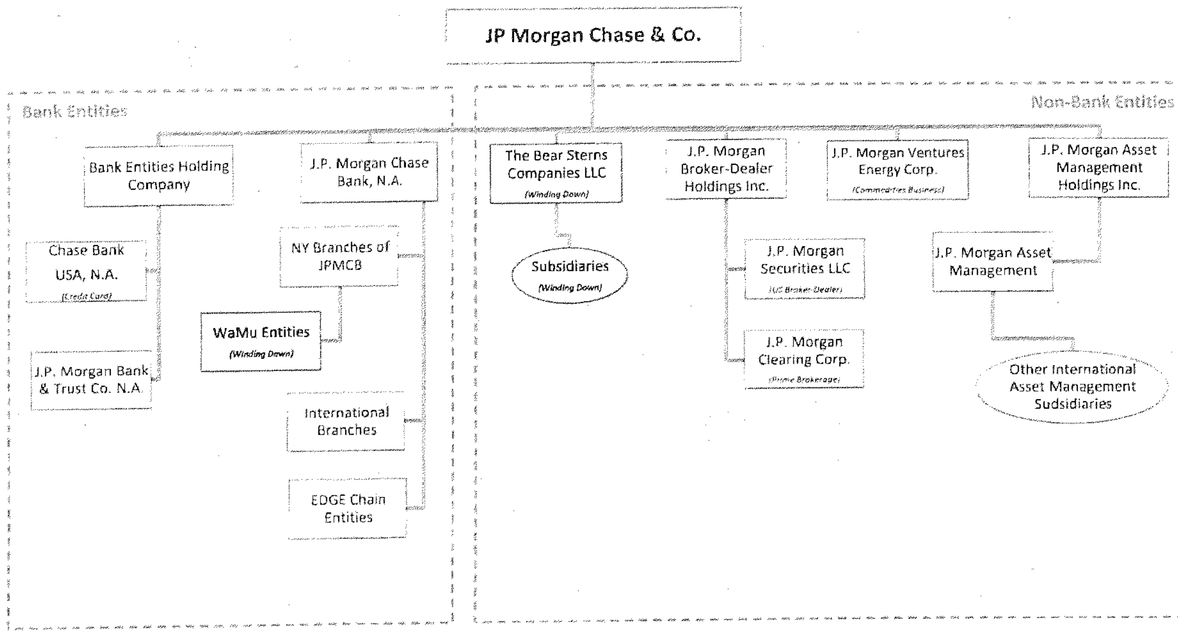
- Communications range from positive feedback, informal discussions, moral suasion, Matters Requiring Attention (MRA), and informal and formal actions

2490

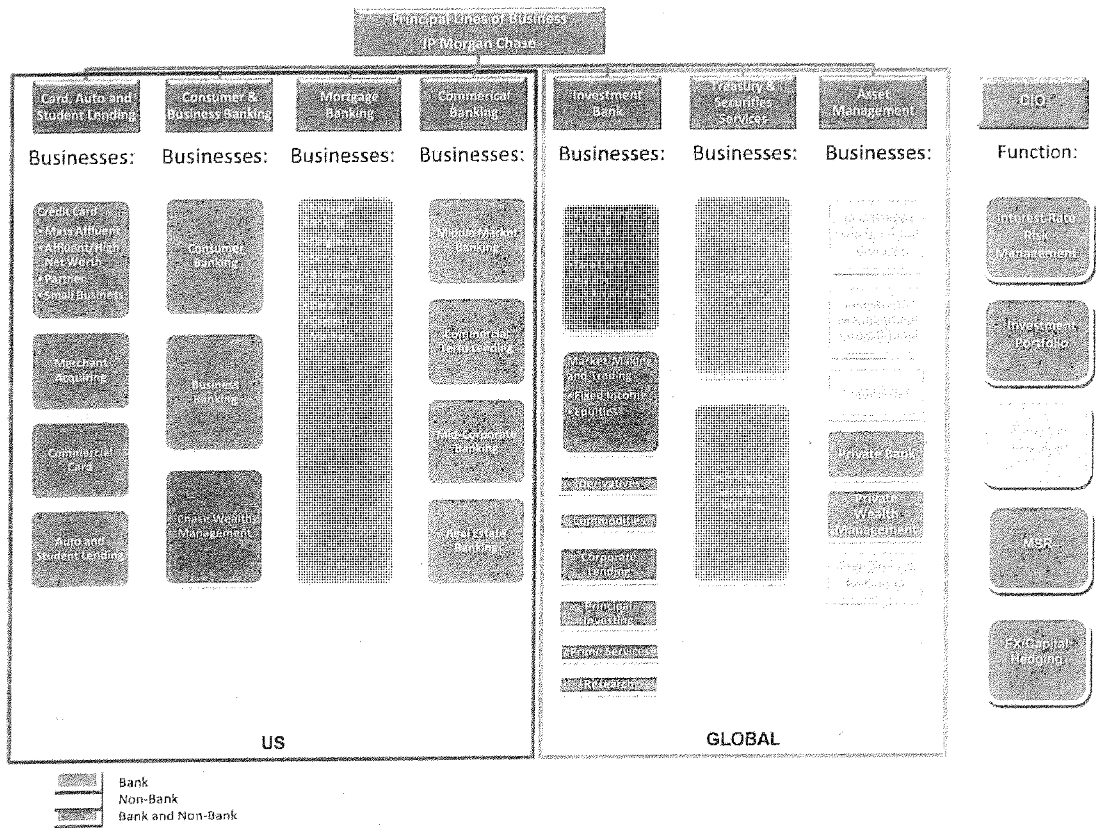
Supervisory Strategy

- Each team establishes its own supervisory plan that considers:
  - OCC/CBS Annual Supervisory Guidance
  - OCC Networking Group input
  - The Bank's inherent risks and management
  - Knowledge of the bank
    - Team leaders and team routinely meet with
      - LOB CEOs and business management
      - Risk Management and compliance
      - Audit
- Deputy Comptrollers review each strategy, approve final product
- Adjustments during year: unplanned events/resource shortfalls

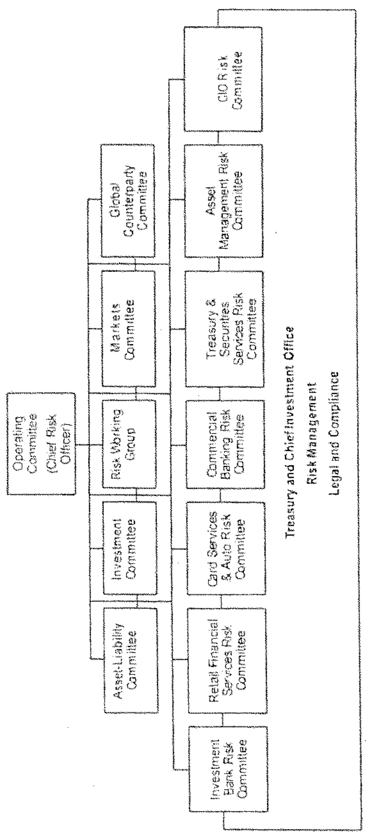
High Level Legal Entity Organization



2492

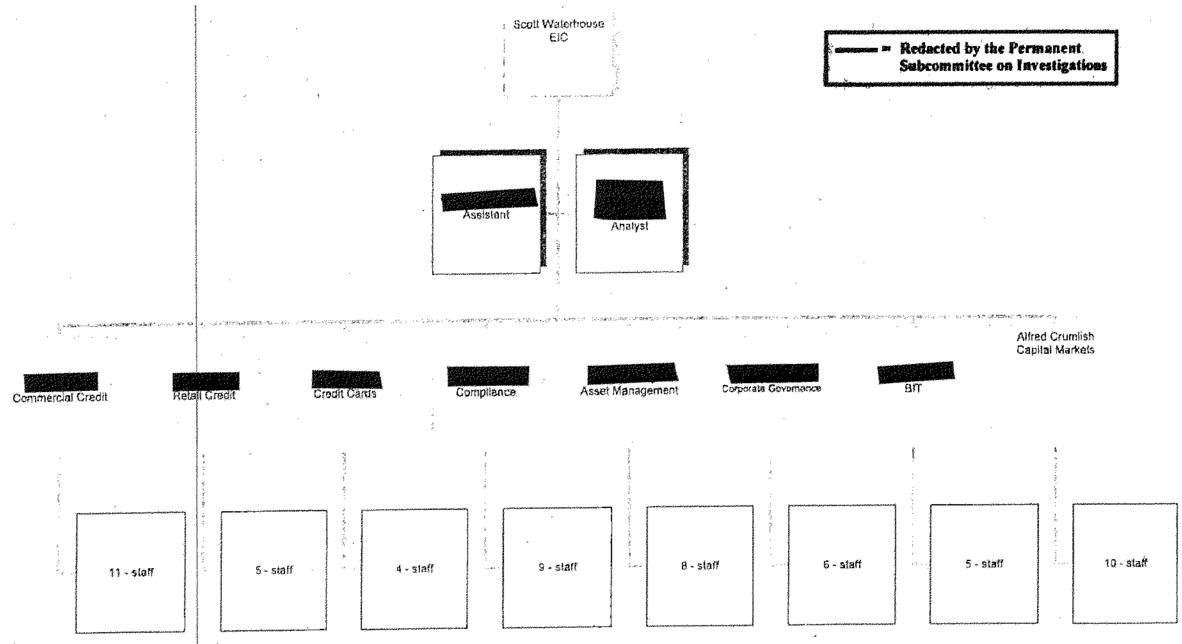

Principal Lines of Business
JP Morgan Chase
Card, Auto and Student Lending
Consumer & Business Banking
Mortgage Banking
Commercial Banking
Investment Bank
Treasury & Securities Services
Asset Management
CIO
Businesses:
Businesses:
Businesses:
Businesses:
Businesses:
Businesses:
Businesses:
Function:
Credit Card
• Mass Affluent
• Affluent/High Net Worth
• Partner
• Small Business
Merchant Acquiring
Commercial Card
Auto and Student Lending
Consumer Banking
Business Banking
Chase Wealth Management
Middle Market Banking
Commercial Term Lending
Mid-Corporate Banking
Real Estate Banking
Market-Making and Trading
• Fixed Income
• Equities
Derivatives
Commodities
Corporate Lending
Principal Investing
Prime Services
Research
Private Bank
Private Wealth Management
Interest Rate Risk Management
Investment Portfolio
MSR
FX/Capital Hedging
US
GLOBAL
Bank
Non-Bank
Bank and Non-Bank

2493



PSI-OCC-06-000008

▬ = **Redacted by the Permanent Subcommittee on Investigations**



PSI-OCC-06-000009

Function	OCC #FTEs	Bank #FTEs Risk Management	Compliance	Internal Audit	Line of Business
Com. Credit / CRE	12	2100	748	50	31038
Consumer CRE	3	937	331	60	46374
Credit Cards	5	520		38	24541
Other Retail	3			59	87210
Total Retail	**11**	**1457**	**331**	**157**	**158125**
Balance Sheet Mgmt.	3	15		50	417
Trading	4	350		173	3000
Total Capital Mkts.	**7**	365	0	**223**	**3417**
Ops Risk	5	21		74	
Basel	2	18			
Internal Audit	2			NA	
Info Technology	6	974	0	35	26000
Compliance	10		NA	117	
General / Other	7	700	431	91	56334
Total	62	5635	1510	747	274914

2496

JPMC Examinations

- OCC performs approximately 60 examinations per year at JPMC
  - Each typically lasts between three and six weeks, but sometimes longer
  - Each supervisory team will perform between three and 10 examinations per year
  - Examination teams are typically between four and six people that include relevant experience
    - Resident staff
    - RAD/Economists as appropriate
    - Other agencies depending on circumstances
  - Some examinations scheduled purely for training purposes
  - Supervisory Letters are issued at the end of each examinaition

Ongoing Supervision

- Monitor routine flows of board, management, risk management, and audit reports
  - Quality of reports is important
- We look at business performance, risk trends, regulatory policy adherence
- Communicate supervisory findings and expectations
- Follow-up on actions taken to correct deficiencies

	Scott	Glenn	Fred	Gene	Pete	Sharon	Jay	Allison	Melissa
Executive Management									
Chief Executive Officer									
Chief Risk Officer									
Chief Financial Officer									
General Counsel									
Litigation Chief									
Chief Compliance Officer									
Financial Crimes (BSA) Head									
Treasurer									
Controller									
Chief Information Officer									
Chief Auditor									
Chief Credit Officer									
Country Risk Head									
Board of Directors									
Audit Chairman									
Risk Chairman									
Compensation Chairman									
Line of Business									
Chief Executive Officer									
Chief Risk Officer									
Chief Financial Officer									
General Counsel									
Compliance Head									
Audit Manager									
External Parties									
Federal Reserve									
FDIC									
CFPB									
Price Waterhouse Coopers									
UK FSA									
Supervisory Colleges									
Networking Groups									

Redacted by the Permanent Subcommittee on Investigations

Supervisory Letters

- Supervisory Letters are issued to communicate supervisory findings
  - Examinations
  - Ongoing Supervision
- OCC issues approximately 75 per year at JPMC
  - Audit issues are documented in separate letters
    - Semi-annual audit letter
  - Quarterly Management Report
- CEO and Audit Chairman are copied on every letter

Matters Requiring Attention

- OCC Currently has approximately 120 MRA outstanding
- We average roughly one MRA per examination
  - Some turnover
- Some MRA take longer to correct, e.g.,
  - Model Validation Process
  - Basel II Implementation

2501

Capital Markets Supervision

- First Quarter 2012
  - Examinations
    - Model Validation Group completion (started 4Q11)
    - Commodities examination
    - Firmwide Stress
    - Derivative Operations
    - Credit Portfolio Group
    - Mortgage Capital Markets (started early April)
  - Ongoing supervision
    - Business and risk updates
    - Report of Examination
    - Core Risk Assessment
    - Supervisory Strategy

Ongoing Supervision of CIO

- Risk-based focus
  - Investment portfolio
  - Interest Rate Risk
  - MSR
  - Stress test methodology

2503

Synthetic Credit Portfolio

- Established in 2006/2007
- Objective
- Performance
- Evolution
- Risk Weighted Asset Calculation

2505

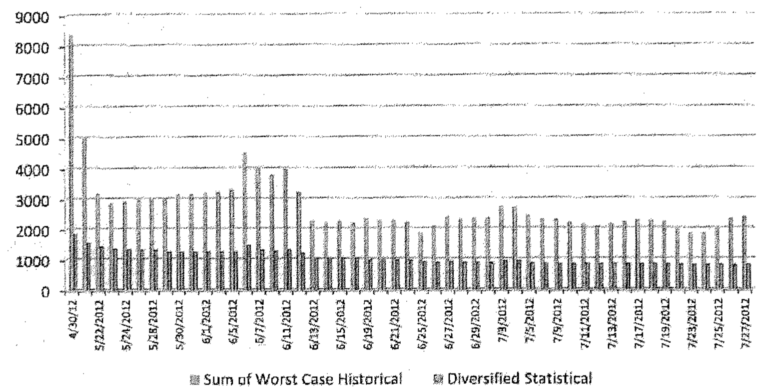
JPMC

Synthetic Credit Book

Risk and P&L Reports

PSI-OCC-06-000019

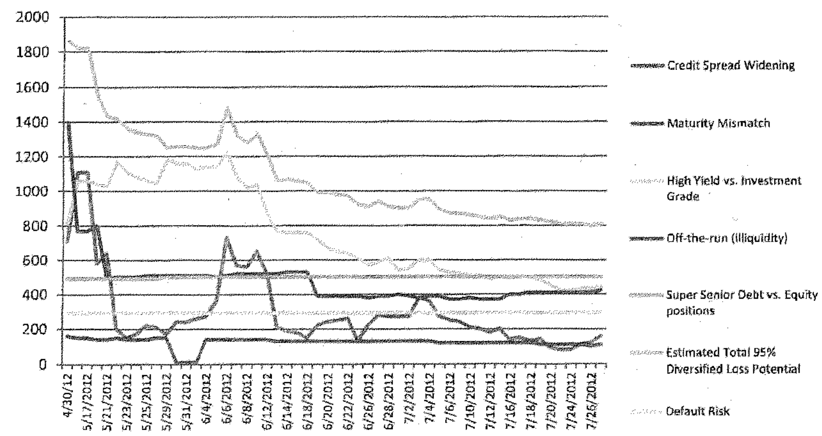
Synthetic Credit Stress Tests



Note: On May 29, the bank disaggregated its High Yield versus Investment Grade risk estimates into Europe and US components. This disaggregation eliminated some portfolio effects and caused a higher estimated risk for the sum of worst case historical estimates. The April 30, 2012 figure was recalculated and revised upward.

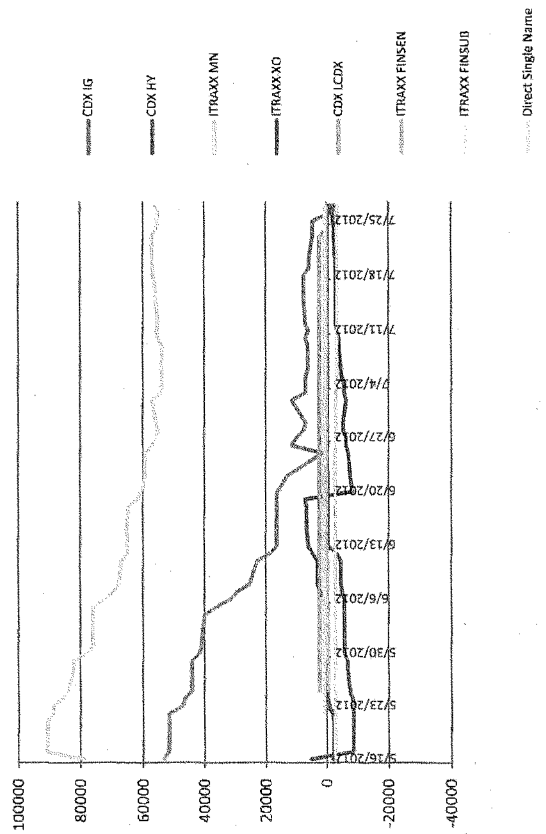
2506

Statistical (95 Percentile) Stress Risk Factors



5-16-12 -- $34 Billion trade with Blue Mountain
6-7-12 through -- 6-12-12 -- $10.6 Billion high yield positions moved to hedge existing risk
6-18-12 -- $17 Billion option exercised by Blue Mountain

2507

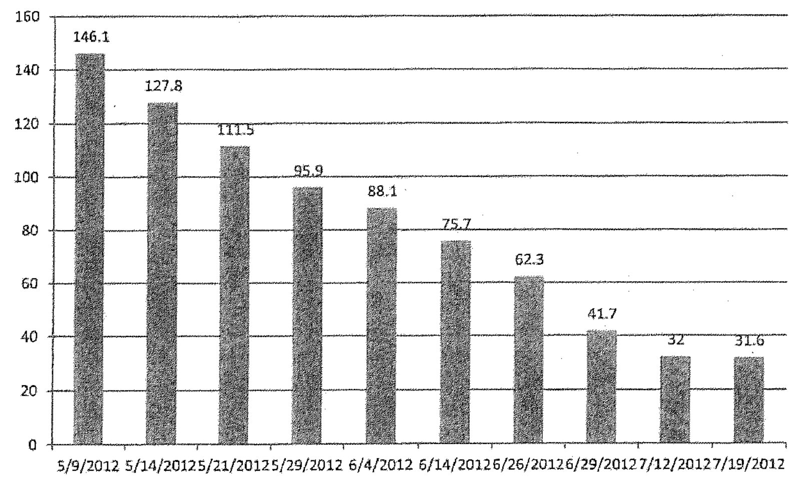


4

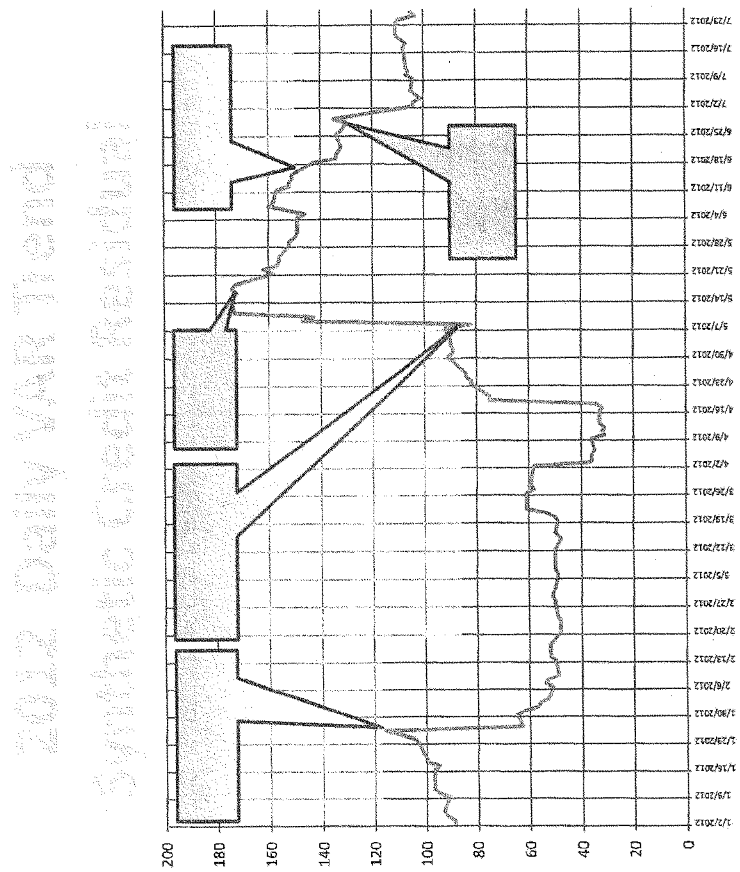
PSI-OCC-06-000022

Risk Weighted Assets

(Calculated Weekly)



2509



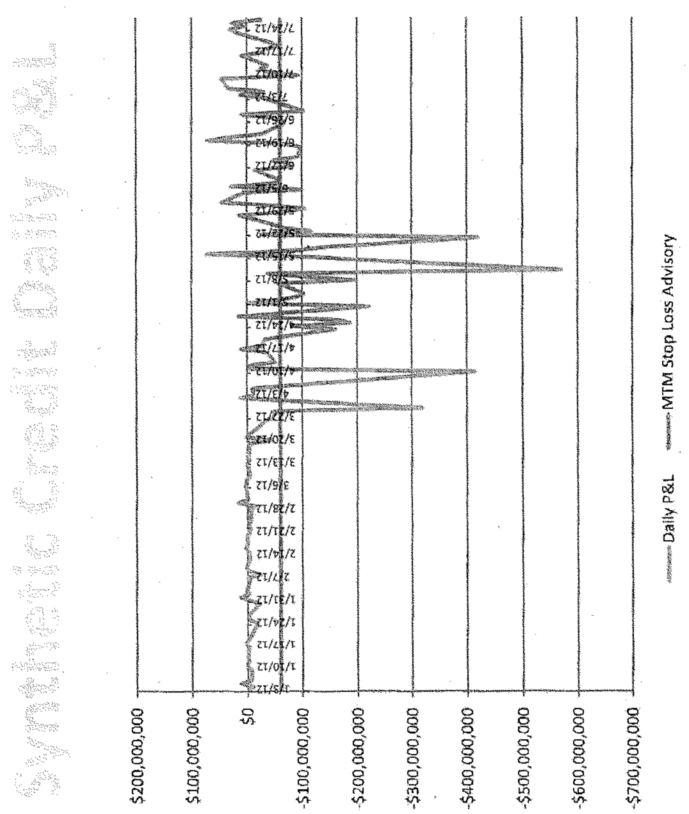
6

PSI-OCC-06-000024

Value at Risk (VAR) - Update

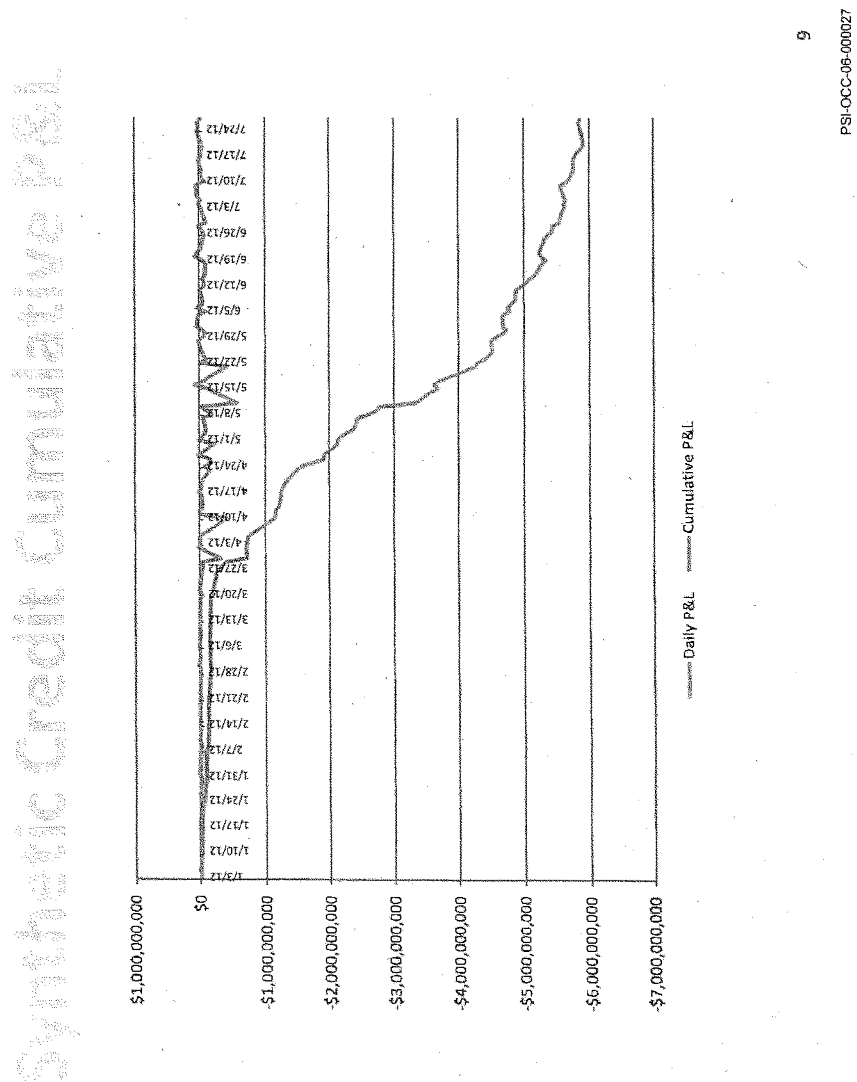
- With move to IB, a new VaR model has been implemented for risk management purposes.
  - Developed in 2Q2012, for CIO's (now IB's) Synthetic Credit Portfolio as an improvement to CIO Basel 1 VaR model.
  - Approved on June 29th 2012 by Model Risk under new procedures; implemented July 2nd 2012
    - A spread VaR calculator customized to handle index positions w/o decomposition
    - The identical base correlation VaR calculator used by the IB for tranches
    - Based on analytics and time-series data from the IB
    - Intended to be consistent with Basel 2.5
  - Used for risk management and 10Q reporting.
    - Limits expected to be changed in line with new VaR numbers
  - OCC reviewing Index VaR and its approval
  - JPM will seek regulatory approval for use in Basel 1 Reg VaR

2511



8

PSI-OCC-06-000026


Synthetic Credit Cumulative P&L
$1,000,000,000
$0
-$1,000,000,000
-$2,000,000,000
-$3,000,000,000
-$4,000,000,000
-$5,000,000,000
-$6,000,000,000
-$7,000,000,000
Daily P&L
Cumulative P&L
9
PSI-OCC-06-000027

1Q2012 Activity

- CS01 increased for 12MM on February 8 to 21MM on February 15
- CSO1 Exposure nearly doubled again between March 14 and March 28 and 10% CSW went from positive 62MM to negative 140MM

	A	B	C	D	E	F
1		CS01	10% CSW	Daily PnL	Cum PnL	
2	01.04.12	(647 347)	170 711 591	(9 405)	(11 737)	
3	01 11 12	(4 532 170)	129 661 183	223	(15 451)	
4	01.18.12	(8 345 973)	39 462 143	1.531	(19 737)	
5	01 25 12	(8 835 267)	22 639 789	(5 350)	(67 010)	
6	02.01.12	(12 436 734)	(27 488 407)	11.899	(88 469)	
7	02 08 12	(12 795 346)	17 364 566	(23 774)	(118 302)	
8	02.15.12	(21 193 030)	(51 910 361)	(3 310)	(131 469)	
9	02 22 12	(22 276 628)	(26 316 839)	(5 259)	(137 434)	
10	02 29.12	(26 102 334)	(20 290 857)	(14 744)	(169 042)	
11	03 07.12	(24 811 065)	26 216 430	1 265	(148 514)	
12	03.14.12	(24 949 957)	62.319.618	(3 665)	(156 474)	
13	03.21.12	(38 472 985)	(58 424 498)	702	(207 289)	
14	03.28.12	(47 263 507)	(140 100 481)	(50 685)	(349 483)	
15	04 04 12	(46 943 845)	(167 613 884)	(11 100)	(728 565)	
16	04.11.12	(48 077 558)	(219 502 298)	(6 301)	(1 159 726)	
17	04 18 12	(49 506 303)	(233 870 850)	(28 339)	(1 270 971)	
18	04.21.12	(50 190 567)	(273 401 310)	(32 236)	(1 332 447)	
19						
20						
21						

2514

Update on 1Q2012 Activity

- Significant notionals were put on in mid January and mid February. However, directionality, curve steepness, and basis all moved against JPM.
- As presented by Wilmer Hale, large positions after mid-March may have been attempts by traders to "defend their positions."
- As presented by Wilmer Hale, P&L by mid to late March was not reflective of the real market as traders were not correctly marking their book. Under procedures at that time, independent price verification did not take place until March month-end, leading to significant realized losses at that time. 2515

CIO & AFS Hedge Portfolio

					FSI Stress Scenarios (as of COB 7-12-12)											
				10%												
($mm)		Notional CCY	CS01	CSW	Credit Crisis	Bond Sell-off	Inflation	Eqty Mkt Collapse	Oil Crisis	Emerging Markets	Dealer Exit	USD Crisis	General Recovery	Commdty Sell-off	Eurozone Crisis	Snap to tight P&L
AFS Portfolio		$323,763.00			[redacted]											
	High Grade	[redacted]														
	Emerging Markets	[redacted]														
HGM & EM Total		[redacted]														
Hedge Portfolio		-$10,881.00	3.7	219	$1,573.00	$874.00	$874.00	$874.00	$874.00	$874.00	$874.00	$874.00	-$496.00	$874.00	$1,085.00	-$1,517.00
	CDX HY	-$5,360.00	1.8	104	$759.00	$418.00	$418.00	$418.00	$418.00	$418.00	$418.00	$418.00	-$233.00	$418.00	$325.00	-$639.00
	ITRAXX XO	-$5,521.00	1.8	115	$814.00	$456.00	$456.00	$456.00	$456.00	$456.00	$456.00	$456.00	-$263.00	$456.00	$760.00	-$879.00

▬ = Redacted by the Permanent Subcommittee on Investigations

PSI-OCC-06-000030

JPM CIO Task Force

- Management reported the findings of its internal investigation to the regulators on July 11 and publically on July 13.

- Findings were consistent with the preliminary observations; however, the core issue was that CIO was not subjected to the same level of scrutiny as client facing businesses, causing a lack of effective challenge by senior management and the board. The task force's principal conclusions:

    - CIO judgment, execution, and escalation in 1Q12 were poor
    - The level of scrutiny did not evolve commensurate with the increasing complexity of CIO activities
    - CIO risk management was ineffective in dealing with the synthetic credit portfolio
    - Risk limits for CIO were not sufficiently granular
    - Approval and implementation of CIO synthetic credit VaR model were inadequate

- The Board of Directors received the same presentation as investors prior to the call.

2517

OCC Examination Status

- Coordinating examination work and subsequent requests with FRB and FDIC
  - All exam work is either "joint" or requires substantial coordination with various FRB and FDIC examiners.
  - Complexity of topic necessitates significant review of documentation and discussions with management.

- Status of specific examinations:

  - OCC Governance and Risk Management review nearing completion.
    - OCC work substantially complete for all areas except audit. (see below)
    - Need to discuss/confirm with results of FRB work
    - Currently reviewing corrective action as part of ongoing supervision

  - Model Control
    - Targeting completion of field work this week; however some meetings need to be schedule and information continues to be evaluated.

  - Audit coverage and adequacy
    - Work underway includes a review of detailed audit coverage, and audits own self assessment. OCC review of CIO audit work expected to be complete in 10 days
    - Completion contingent on status of JPM audit's internal evaluation

  - Valuation
    - OCC work began this week. Requires review of external audit work.
    - FRB participation to be determined.
    - Expect completion mid August.

OCC Examination Status

- Ongoing supervision
  - Evaluate corrective action in process
    - CIO Task Force
  - Evaluate book remediation
    - Three calls / week on legacy book, supported by MIS
      - Assessing ongoing impact on overall
    - Detailed processes for "legacy" book to be validated/tested in September 2012 examination, and "AFS hedge book" in October 2012 examination.
  - Evaluate new CIO mission and business processes
    - Evaluate specific changes in CIO mission
    - Increase focus on new committee process; providing feedback
    - Detail processes to be validated/texted in October 2012 examination

2519

JPMORGAN CHASE & CO.

received 01/11/2013

John Hogan
Executive Vice President
Chief Risk Officer

January 11, 2013

CONFIDENTIAL TREATMENT REQUESTED

VIA EMAIL AND FEDERAL EXPRESS

Scott N. Waterhouse
Examiner-in-Charge
OCC Large Bank Supervision
1166 Avenue of the Americas, 21st floor
New York, New York 10036

Re: JPM-2012-66 CIO Oversight and Governance Examination

Dear Mr. Waterhouse:

Attached please find the responses of JPMorgan Chase Bank, N.A. (the "Firm" or "JPMorgan") to OCC Supervisory Letter JPM-2012-66, Chief Investment Office ("CIO") Oversight and Governance Examination, dated December 12, 2012 (the "Supervisory Letter").

The attached responses detail the actions taken by the Firm to date to address the Matters Requiring Attention ("MRAs") identified in the Supervisory Letter. The attached also is intended to summarize and update you on those actions already described by the Firm in responses to previous OCC supervisory letters related to these matters.

The Firm acknowledges the OCC's criticisms of CIO oversight and governance, as well as the OCC's broader comments regarding the Firm's governance, risk management and control processes. JPMorgan takes oversight and governance matters very seriously, and is committed to continually evaluating and strengthening oversight, governance, and risk management and other control functions, not just in CIO but throughout the Firm.

Consistent with this commitment, JPMorgan has undertaken, and is in the continued process of undertaking, comprehensive steps to ensure that there is continuing effective management and Board oversight of all aspects of JPMorgan's business and operations, including implementing enhancements to risk and other control functions, establishing new control groups, committee structures and firmwide positions, and improving the process for escalating issues to and communicating with senior management and the Board, as well as the OCC.

As detailed in the Firm's various responses to OCC Supervisory Letters over the past several months, the Firm has taken a number of actions to address specific weaknesses identified in prior OCC examinations regarding model approvals and risk weighted assets, audit coverage, VaR model and CIO risk management, and CIO valuation governance.

Further, as you know, the CIO Task Force is in the process of completing its report (the "Task Force Report"), which will provide additional detail regarding some of the matters discussed herein.

We believe that the efforts we have undertaken and, in some instances, are in the process of undertaking constitute a comprehensive and detailed response to the Supervisory Letter, and that upon full implementation, will fully remediate the issues you have raised. All action plans noted in this response letter will be tracked in our internal processes to ensure completion.

* * *

This information is being provided pursuant to the investigation and examination authority of the OCC, and JPMorgan respectfully requests that the information contained in this letter and the other documents referenced herein, as well as JPMorgan's responses to all previous OCC Supervisory Letters (in the aggregate referred to herein as the "Confidential Materials") be afforded confidential treatment under 12 C.F.R. § 19.181, 12 C.F.R. part 4, and the Freedom of Information Act (FOIA), 5 U.S.C. § 552. The transmittal of this information is not intended to, and does not, waive any applicable privilege or other legal basis under which information may not be subject to production. The Confidential Materials constitute trade secrets or confidential commercial information, and therefore such records are subject to the exemption from mandatory disclosure under Exemption 4 of the FOIA, 5 U.S.C. § 552(b)(4). In addition, the Confidential Materials are investigatory records obtained by the OCC in connection with a potential law enforcement proceeding, and therefore such records are subject, at least at present, to the exemption from mandatory disclosure under Exemption 7(A) of the FOIA, 5 U.S.C. § 552(b)(7)(A). *See, e.g., NLRB Robbins Tire & Rubber Co.*, 437 U.S. 214 (1978) (disclosure of witness statements prior to a NLRB hearing would interfere with the proceedings under FOIA Exception 7(A)).[1] Exemption 8 of the FOIA, 5 U.S.C. § 552(b)(8), protects from disclosure all materials, such as these, that are "contained in or related to an examination, operating, or condition report prepared by, on behalf of, or for the use of the OCC or any other agency responsible for regulating or supervising financial institutions. *See, e.g., Gregory v. Federal Deposit Insurance Corp.*, 631 F.2d 896, 898 (D.C. Cir. 1980), quoting *Consumers Union of United States, Inc. v. Heimann*, 589 F.2d 531, 533 (D.C. Cir. 1978).

These Confidential Materials are submitted to the OCC with our request that they be kept in a non-public file and that only the staff of the OCC will have access to them. Should the OCC

[1] Moreover, as the Confidential Materials pertain to the activities of JPMorgan and not to the activities of any federal agency, we believe the documents may be exempt from disclosure pursuant to Exemptions 6 and 7(C) of the FOIA, 5 U.S.C. §§ 552(b)(6) and (b)(7)(C), and protections available to JPMorgan under the Privacy Act of 1974, 5 U.S.C. § 552a. Disclosure may also be prohibited under 18 U.S.C. § 1905.

receive any request for these documents, pursuant to the FOIA or otherwise, JPMorgan requests that the undersigned immediately be notified of such request, be furnished a copy of all written materials pertaining to such request (including, but not limited to the request and any agency determination with respect to such request), and be given an opportunity to object to such disclosure. In addition, should the OCC be inclined to grant the request, it is our expectation that, pursuant to the procedures required by Exec. Order 12,600, 52 Fed. Reg. 23,781 (1987), and 12 C.F.R. part 4, we will be given ten business days' advance notice of any such decision to enable the Bank to pursue any remedies that may be available to it. In such event, we request that you telephone our General Counsel, Stephen Cutler, at 212-270-3220, rather than rely upon the United States mail for such notice. If the OCC is not satisfied that these Confidential Materials are exempt from disclosure pursuant to the FOIA, we stand ready to supply further particulars and request a hearing on the claim of exemption.[2]

* * *

We look forward to continuing to provide you with updates on the issues described herein and on the CIO matter in general. Please do not hesitate to contact us should you require any further information or clarification.

Sincerely,

J. Hogan

Mr. John Hogan
Executive Vice President and Chief Risk Officer

cc: Jamie Dimon, Labe Jackson, Stephen Cutler, Frank Bisignano, Matthew Zames, Doug Braunstein, Marianne Lake, Ashley Bacon, Gregg Gunselman, C.S. Venkatakrishnan, Martha Gallo, Lauren Tyler, Joseph Sabatini, Kamy Kasap, Shannon Warren, Cynthia Armine, Mike Kelly (PwC), Dianne Dobbeck (FRB), Om Arya (FDI

[2] The requests set forth in the preceding paragraphs also apply to any memoranda, notes, transcripts or other writings that are made by, or at the request of, any employee of the OCC (or any other government agency) and that (1) incorporate, include, or relate to any of the information described above provided to the OCC (or any other government agency); or (2) refer to any conference, meeting, telephone conversation or interview between (a) JPMorgan or any of its agents or counsel and (b) employees of the OCC (or any other governmental agency).

Matters Requiring Attention

Board and senior management supervision requires strengthening.

Redacted by the
Permanent Subcommittee on Investigations

1.

Management Response

The Firm has identified management failures regarding oversight of CIO activities, among them the failure to provide sufficient information to the Board of Directors that would have allowed the Board to exercise more rigorous oversight over CIO. For example, the risks posed by the strategies being pursued in CIO's synthetic credit book were not appropriately elevated or brought to the attention of the Directors' Risk Policy Committee ("DRPC") and, therefore, were not elevated to the Board. As described in the Firm's responses to earlier supervisory letters,[1] the Firm's Board and senior management have taken comprehensive steps to ensure that there is continuing effective engagement and oversight of all lines of business and other revenue or risk-generating activities across the Firm.

Firmwide Risk Self-Assessment

In May 2012, the Firm, under the guidance of its new Chief Risk Officer ("CRO"), mandated a self-assessment of the functions and effectiveness of the firmwide risk organization ("Firmwide Risk"). This entailed (1) a detailed self-assessment of all risk functions across all lines of business ("LOBs") and Corporate Risk functions; (2) the development of action plans to remediate issues identified; and (3) remediation of the issues identified.

At the same time, Firmwide Risk also launched an initiative to ensure that the issues identified within CIO did not exist elsewhere across the firm. Each LOB CRO and cross-LOB CRO reviewed the issues identified within CIO and was required to attest to the completion of any ~~necessary remedial actions identified by the LOB review and to provide documentation~~ supporting completion of the remediation. Each LOB CEO also was required to sign off on

[1] *See* the Firm's October 5, 2012 response to Supervisory Letter #2012-33 (the "October 5 Letter"); the Firm's October 11, 2012 response to Supervisory Letter #2012-40 (the "October 11 Letter"); the Firm's December 4, 2012 response to Supervisory Letter #2012-52 (the "December 4 Letter"); the Firm's December 13, 2012 response to Supervisory Letter #2012-53 (the "December 13 Letter"); and the Firm's January 4, 2013 response to Supervisory Letter #2012-59 (the "January 4 Letter"). Each letter is attached and incorporated by reference herein.

completion of the action plan, along with the LOB's Risk Committee and the Firm's CRO and Deputy CRO. The main areas of focus for this review included: Model Governance & Implementation, Market Risk & Governance, and Risk Independence. In Model Governance & Implementation, the Firm focused on conducting an evaluation of material drivers of the Firm's VaR and broadening the model approval process to encompass implementation and ongoing monitoring. Within the category of Market Risk & Governance, the Firm focused on: (1) the appropriateness of the limit structure relative to risks undertaken; (2) the appropriateness of the risks undertaken; (3) policy, response and escalation process concerning limit breaches; and (4) consideration within LOB Risk Committees of liquidity and concentration in positioning. Within the category of Risk Independence, the Firm reviewed its firmwide, as well as LOB-specific, risk committee structure and governance, and re-emphasized the CIO CRO's reporting line to the Firm CRO.

The Firm has now undertaken, or is in the process of undertaking, substantial remedial measures to address the concerns arising from this self-assessment.[2] As described in more detail below, this includes: (1) reforming the Firm's Model Risk Policy, which governs model development, review, approval and monitoring; (2) reconstituting the risk management function within CIO, including overhauling the CIO Risk Committee; (3) reviewing and, where appropriate, revising market risk limits across all LOBs; (4) strengthening the Firm's processes across all businesses to escalate aged or significant limit excessions; (5) restructuring the Risk Operating Committee to increase the focus on identifying and implementing best practices where appropriate across LOBs; and (6) improving the presentation and delivery of information to the Firm's Board (specifically, the DRPC).[3]

More than 65% of the critical action plans identified have been closed. The goal is to have the remaining critical action plans completed by year-end 2013. The Firm's progress is actively tracked and reported monthly to the CRO and Deputy CRO, as well as to the OCC staff during standing meetings.

Revising the Firm's Model Risk Policy

The Firm has substantially revised its Model Risk Policy, which governs model development, review, approval and monitoring. The objective of the changes is primarily to improve the Firm's governance of models. Among other things, the changes clarify the responsibility of the Model Risk and Development ("MRaD") group to periodically consider the soundness of the operational environment and effectiveness of the Firm's models, and to highlight any noted shortcomings to the LOB for remediation, as discussed in additional detail below. Additionally, beginning in 2013, compliance with Firm standards will have to be attested to by the LOB, and will be evaluated in the normal course of internal audits. The Firm will also emphasize model implementation testing, as well as ongoing performance monitoring and assessment. MRaD, which is now required to sign off on closure of all model-related Action Plan items, has received enhanced staffing and established a Model Governance function. The primary role of this

[2] *See* the October 5 Letter, which outlines the Firm's targets for completing its action plans.

[3] *See also* the December 4 Letter, which describes changes to the Firm's Risk function.

team is to oversee the implementation, use and performance of models, which includes interacting with model users and closing Action Plans, as appropriate.

Risk Management Function

The Firm has substantially reconstituted the risk management function within CIO. The Firm has overhauled and expanded the coverage of the CIO Risk Committee, now the CIO, Treasury and Corporate Risk Committee ("CTC Risk Committee"). This Committee, which meets weekly, now includes representatives from CIO, Treasury and Corporate, including the Firm's CRO, Deputy CRO and CFO, as well as other key senior management from within and outside of CIO, in order to ensure greater consistency across the Firm's various LOBs.

The Firm also has appointed a new CRO for CIO, Treasury and Corporate who, as discussed below, has hired a significant number of additional risk management personnel, including senior-level officers, to extend the capacity of that risk function.

Market Risk Limits

The Firm has reviewed and, where appropriate, revised market risk limits across all of its LOBs and introduced additional granular and portfolio-level limits. As part of its ongoing risk management governance, the Firm continues to conduct periodic reviews of existing limit structures. Additional information regarding revisions to CIO-specific limits is provided below.

Strengthening Processes to Address Limit Excessions

The Firm has strengthened its processes for dealing with limit excessions across all businesses. Aged or significant excessions must be escalated promptly to senior management and to risk committees. All valid or "under investigation" limit excessions, whether at the LOB or firmwide level, that are in excess for three business days or longer or are over limit by 30% are escalated to the LOB CEO, CRO, and Market Risk Head, as well as to the Firm's CEO, CRO, co-COO, Deputy CRO/Head of Firmwide Market Risk and the Firmwide Risk Committee.

For CIO, the CTC Risk Committee receives a weekly report of all limits that are in excess of 80% utilization. Any valid excession requires that the business promptly take steps to reduce exposure to within limit, unless a one-off approval for a limited period of time is granted by the persons responsible for setting the limit. Changes to limits are discussed and approved by the CTC Risk Committee.

Restructured Risk Operating Committee

The Firm has reviewed its Risk Operating Committee structure and governance and restructured this committee to increase the focus on identifying and implementing best practices where appropriate across LOBs. As discussed in greater detail below, the Firm's risk governance structure was enhanced to include the creation of a Firmwide Risk Committee and a Risk Governance Committee.

Information Provided to the DRPC

The Firm has put in place a two-fold process to ensure continued adequate transparency and appropriate escalation to firmwide senior management and the Board, directly or through its committees. This includes: (1) a framework that details a schedule of items to be discussed with the DRPC at specified frequencies; and (2) a reiteration to each LOB/Corporate[4] CRO to raise issues of concern where they would benefit from the DRPC's input and perspective.

At each regularly-scheduled meeting, the Firm and LOB CROs discuss with the DRPC any concerns that could reasonably be expected to be material to the Firm or to an LOB, and actions that have been planned or taken to address those concerns. All LOB CROs, as well as the Head of Country Risk, now attend every DRPC meeting (regardless of whether they are scheduled to make a formal presentation) and are asked to highlight matters of particular importance. If significant risk management issues develop between meetings of the DRPC that the CRO believes could have a material adverse impact on the Firm, the CRO will promptly report such issues to the Chairman of the DRPC.

Additionally, significant enhancements have been made to risk reports presented to the DRPC. The CRO submits a report to the DRPC and to the Audit Committee concerning the Firm's risk management control environment, as well as any material issues regarding risk management raised by internal audit reports rated less than satisfactory, or by regulatory reports identifying MRAs. The DRPC also receives various other reports, including reports regarding the Firm's credit risk profile, concentrations, limit excessions, credit and valuation reserves, and firmwide VaR and stress limits. Finally, the reporting for Corporate Risk is now consistent with that of the LOBs in format and content, and the Corporate CRO presents as part of the standing agenda at each DRPC.

<u>Oversight and Control Group</u>

As detailed in the Firm's October 5 Letter, the Firm has also taken an important step with the establishment of the Oversight and Control Group. The Oversight and Control Group, led by its Co-Chief Control Officers, is responsible for solidifying an effective control framework and looking within and across the LOBs to identify and remediate control issues with a sense of urgency regardless of the source. Oversight and Control will work closely with all control disciplines – partnering with the Firm's Compliance, Risk, Audit and other functions.

---

4 "Corporate" refers to the CIO, Treasury and Corporate businesses collectively.

Weaknesses Identified in Prior OCC Supervisory Letters

With respect to the observations noted regarding weaknesses identified in prior OCC examinations, specifically, weaknesses regarding model approvals and risk weighted assets ("RWA"), audit coverage, VaR model and CIO risk management, and CIO valuation governance, the Firm has taken substantial action, as indicated in the Firm's responses to earlier Supervisory Letters[5] and as described herein. An overview of some of the key actions is as follows:

Model Approvals and Risk Weighted Assets, VaR Model Risk Management

As described in the Firm's October 5 Letter, given the evolving regulatory landscape and the importance of maintaining the Firm's strong capital position, the Firm established the Regulatory Capital Management Office. This group reports to the CFO and works closely with the Firmwide Oversight and Control Group (described above), with responsibility for: centralizing end-to-end RWA management, calculation, validation and reporting; regulatory capital policy interpretation and implementation; corporate capital planning and analysis; corporate capital stress testing; and, independent review of regulatory capital.

In addition, the Firm will deliver to the OCC by March 31, 2013, for supervisory review, a proposal detailing a significantly restructured and enhanced governance and operational process to: (1) identify VaR and other specific risk models requiring regulatory approval; (2) file requests for such approvals in a timely fashion; (3) track the status of approvals; and (4) escalate any issues within the Firm and to relevant regulatory agencies as appropriate. The Regulatory Capital Management Office will be responsible for this process.

As discussed in the December 13 Letter, the Firm has been taking significant steps to enhance its MRaD organization and applicable policies. The Firmwide Model Risk policy was updated and published on September 28, 2012. Notable changes to the policy and notable additional actions include:

- Clarification of the roles and responsibilities of all groups involved in the model review process.
- Expansion of the scope of the role of the Model Risk Officer ("MRO"), which has been converted to a full-time position. MROs have since been identified and are functioning in their new capacity.
- Introduction of the role of Model Manager. Model Managers support the MROs by performing a number of clearly-identified activities and working with model developers, model users, and risk and valuation professionals to enhance the overall model control environment. As of December 12, 2012, a total of 45 MROs and

[5] For additional detail, see the January 4, December 13, December 4, October 11 and October 5 Letters.

Model Managers were named to positions in MRaD. The Firm is in the process of increasing the team staffing, with a target of 58 professionals.

- Expansion of the scope of MRaD to include additional oversight of model implementation and ongoing performance assessment.

- Requirements related to Tier 3 models[6] changed from requiring testing to be performed only by the model developers or users to also requiring review by MRaD to ensure that the model is functioning as designed.

- Introduction of additional model governance forums in November 2012, including:

  - The Pipeline Forum, which meets weekly, prioritizes and tracks the execution of model reviews and the opening and closing of related action plans for each business.

  - The Supervisory Forum, which enables model management-related issues to be escalated in order to obtain informed outside guidance, as well as improved oversight of MRaD activities. This includes members of MRaD's senior management and several Managing Directors from relevant areas outside of MRaD.

- Documentation and independent review of all VaR methodologies, and creation of a centralized, dedicated VaR Methodology and Development team. Professionals for this team will be recruited from within and outside the Firm through the first half of 2013.

- The Firm has also conducted a spot review of significant drivers of VaR throughout the Firm, including in CIO, to ensure accuracy of the Firm's 10-Q VaR. In CIO, that spot review involved confirming that all of the positions comprising the CIO 10-Q VaR were being captured accurately, and included a comprehensive one-day check to ensure accurate data feeds into the CIO VaR model; a horizontal review to identify data quality issues among key data streams and a comparison with third-party data sources, where possible; a comparison of calculators identified in approved model reviews with those actually employed; a review of the process used to identify and separate 10-Q VaR vectors; and, resolution of then-outstanding model issues identified as "high" importance.

- The Firm has endeavored to increase communication of VaR model changes to its regulators, including the OCC.

---

6 The Firm assigns models to one of three categories depending on the risk the model presents to the Firm. Model category is determined through a subjective process, based on (1) model complexity, (2) economic consequences of the business activity for which the model is applied, and (3) the extent to which model outputs influence the Firm's financial statements, regulatory reporting or business decision processes. Tier 1 models are determined to have the most risk; tier 3 models are determined to have the least risk.

Audit Coverage

As described in the Firm's October 11 Letter, the Firm has taken steps to enhance the Firmwide Internal Audit function and expects to complete the remaining work by September 2013. Among other things, these steps include:

- Enhancement of the audit quality assurance program to include an assessment of overall audit coverage. The program will facilitate an end-to-end approach that encompasses all activities of an audit team (*e.g.*, audit plan structure and administration, audit coverage, risk assessment, audit results, management reporting and continuous auditing). In addition, the enhanced quality assurance program will enable a more thorough evaluation of conformance to audit policies, such as those pertaining to audit workpaper documentation.

- Implementation of a formal Subject Matter Expert program to enable more comprehensive and consistent audit coverage of certain topics. Responsibilities will include, but are not limited to: (1) building and maintaining expertise in applicable subject areas, including ongoing training and understanding of industry practices; (2) developing standard audit programs; (3) promoting consistent audit coverage across businesses; (4) participating in applicable audits to provide insight on risks and scope of testing; (5) sharing emerging trends and issues across audit teams to effect changes to planned coverage; and (6) determining staff training strategies.

- Quality assurance reviews of continuous auditing activities across all audit teams will be conducted. The results of these quality assurance reviews will be a critical input to the management oversight responsibilities of the Audit Management Team.

- Regarding CIO activities, by January 31, 2013, the audit plan structure will be reevaluated and revised as appropriate. CIO risk assessments will be completed at a more granular level and audit coverage will be commensurate with the associated levels of risk.

- Internal Audit is enhancing its audit capabilities with respect to Risk in particular. This includes formally designating subject matter experts who participate in applicable audits to provide insight on risks and scope of testing. Additionally, Internal Audit is formally represented on the CTC Risk and CIO Business Control Committees. The Chief Auditor has attended and will continue to attend the CTC Risk Committee meetings, while the Senior Audit Manager in charge of CIO audit coverage is the Internal Audit representative at the CIO Business Control Committee meetings.

Enhancements to CIO Valuation, Reporting and Other Processes

As described in the Firm's January 4 Letter and below, the Firm has taken significant steps to enhance the firmwide and CIO valuation process. Among other things, there is increased management oversight and governance with respect to the CIO valuation process, with direct engagement and oversight by the CIO CFO and Controller.

Additionally, a new CIO Valuation Control Policy was issued in July 2012, which clearly outlines the responsibilities for VCG and details the valuation control process, including pricing sources, thresholds, fair value adjustments, and escalation and reporting requirements.

CIO has also enhanced its key business processes and reporting. For example:

- The daily Global Risk and Senior Management Reports provide management with detailed P&L and a consolidated and transparent view of all CIO risk positions; distribution includes the Firmwide CEO, CRO, Deputy CRO and co-COO in addition to senior managers within CIO.
- A more granular and comprehensive limit structure, consisting of VaR, Stress, Non-Statistical Single Name Position Risk, Asset Class Concentration and Country Limits, has been implemented.
- Since May 2012, the CTC Risk Committee has implemented more than 200 new or restructured risk limits covering a broad set of risk parameters, including geographic and concentration risks. While CIO has effectively closed out all its positions in the Synthetic Credit Portfolio, prior to closing out those positions, a number of new, granular limits were applied to that portfolio beginning in May 2012.
- Senior management is informed of CIO's risk profile and any changes through monthly discussions at the CTC Risk Committee.

2.

Redacted by the Permanent Subcommittee on Investigations

Management Response

The Firm remains committed to ensuring that risk management and control staffs have the knowledge, skills, resources and support to challenge front office strategies, activities and positions. The Firm has taken various steps, including the following, to ensure that risk management and control staffs have the necessary tools and independence to do so.

Firmwide Risk Management and Control Staffs

As discussed below, a Firmwide Risk Committee has been created. This Risk Committee includes key senior management officials, including the Firm's CRO, Deputy CRO and CFO. With the establishment of this Committee, the Firm has ensured greater consistency across its various LOBs and provided an escalation point for risk topics and other issues.

The Firm has also instituted a Firmwide Valuation Control Group ("VCG") and a Firmwide Valuation Governance Forum ("VGF"). The Firmwide VCG integrates all valuation control teams in the Firm under the same organizational structure, allowing further dialogue on best practices and consistency. The VGF oversees the management of risks arising from valuation activities conducted across the Firm. The Firmwide VGF is chaired by the Firmwide Head of

VCG, and its membership includes the Corporate Controller, the Deputy CRO, the LOB CROs and Controllers of the Corporate and Investment Bank, Mortgage Bank and CIO, the CFOs of the Corporate and Investment Bank, CIO and Asset Management, and the head of MRaD. The Firmwide VGF meets twice per quarter to review issues and matters relating to valuation, the VCG function and related issues, and to address issues elevated to it by the LOB VGFs.

CIO Risk Management and Control Staffs

The Firm has established consolidated management oversight across CIO, Treasury and other Corporate activities. Specifically, the management of these business activities has been brought together under the new Co-Chief Operating Officer of the Firm. Moreover, as detailed above, in order to address the findings of the firmwide self-assessment, the Firm has also overhauled the CTC Risk Committee to further improve linkages between Corporate activities and to ensure greater consistency across the Firm's LOBs.

New CIO Leadership Team

Immediately following the May 2012 announcement of losses in CIO, a new CIO management team was put in place. This includes a new Chief Investment Officer, who serves as the CEO of CIO. A number of other experienced, tested professionals, are applying their knowledge of best practices to their new roles in CIO. These professionals have been appointed to key positions, including CFO of CIO; Chief Risk Officer for CTC; Chief Investment Officer for EMEA; CIO Global Controller; General Counsel for CIO and for Markets in the Corporate and Investment Bank; and the Chief Auditor and a Senior Audit Manager. With these new appointments, the Firm has reconfigured the entire team with strong and knowledgeable individuals who have brought more rigor to the management of CIO. At the same time, this new team has established stronger linkages within CIO by introducing formal lines of communication across the various regions. The CTC CRO reports directly to the CRO of the Firm and is the co-chair, along with the Co-Chief Operating Officer of the Firm, of the CTC Risk Committee.

Increased Resources in Key CIO Support Functions

As noted above, the Firm has increased resources in key support functions. Since May 2012, the CTC Risk function has hired 22 new professionals and continues to seek to recruit an additional 14 professionals. These hires have added expertise in emerging markets, securitized products, credit (single name), municipal bonds, and interest rates and currency trading to the Market Risk Coverage teams. Many of these hires were from internal Risk Management functions (Market Risk, Credit Risk, CPG and Principal Risk), thereby bringing to CTC Risk best practices from other areas of the Firm. The CTC function has also created new, specialized functions, including a Treasury Risk and Other Corporate Risk coverage team, a Global Business Management function and a Credit Risk Management function.

As noted above, the CIO Finance function was reorganized with a newly appointed Global CFO and Global Controller. It also increased key resources by hiring experienced finance personnel from within and outside of the Firm. Additions have included a new

Head of CIO VCG, a Global Control Officer, a Senior Controller in North America CIO and a new CFO for EMEA CIO.

Risk Management Training

CTC Risk has a strong focus on training, and recent initiatives for CTC Risk personnel have included training regarding Reputation Risk, Credit Risk Management and Limits Monitoring and Country Risk. There are also product-specific teach-ins conducted by seasoned Risk professionals and portfolio managers, and a weekly Global CTC Risk Team Meeting enables personnel across CTC Risk to communicate effectively across regions and products. In addition, as appropriate, portfolio reviews, functional overviews, methodology updates and policy changes that are presented at the CTC Risk Committee meetings are shared with the CTC Risk team.

3. **Redacted by the Permanent Subcommittee on Investigations**

Management Response

As discussed in detail in the Firm's October 5 Letter, and noted above, the Firmwide Oversight and Control Group is tasked, among other things, with ensuring that MRAs are fully and effectively remediated in a timely manner. The Chief Control Officers meet on a bi-weekly basis with OCC, Fed and FDIC examiners to discuss the status of responses to Supervisory Letters, MRAs and other open issues or questions.

The Group's two components, the Central Control Team and Line of Business/Functional Control Officers, each play a role in ensuring that MRAs are addressed. The Central Control Team is responsible for diagnosing MRAs for trends and patterns. This includes identifying the number, status and root causes of MRAs identified by the OCC. LOB Control Officers, senior officers with the stature and seniority within the Firm to provide credibility to the remediation process, are responsible for managing the Firm's response to MRAs by confirming current status and action plans, verifying detailed execution plans, prioritizing the list of open issues, verifying that all matters that have been completed, reviewing all high severity items (*e.g.*, MRAs, audit action items) on an ongoing basis, ensuring that appropriate resources are devoted to resolving the matters, and reconciling the inventory of matters with the Firm's regulators. Additionally, the Firm also is leveraging the "Keys" process for MRAs that is already in place in the Mortgage business, so that a formal review process is conducted to confirm that MRAs have been closed appropriately.[7]

Significant progress has been made since the Firm initiated this effort. The Firm has developed a control framework, detailed roles and responsibilities, appointed senior Control Officers with diverse experience across LOBs, functions and regions, and completed a global baseline for regulatory issues and recommendations. Control Officers have begun implementing the

[7] The "Keys" process is a process by which regulatory MRAs are reviewed and addressed. Representatives from Audit, Operational Controls, Technology, Legal, Risk, Finance and Compliance participate in the process, as appropriate.

framework, and have reviewed regulatory issues for themes and patterns. The Firm is continuing its work to operationalize the control framework by: (1) developing a robust process to review issues, engage senior management early, address root causes, and apply resolutions from one area of the Firm to all other relevant areas; and (2) establishing a platform to maintain relevant data. Centralizing this function will create consistency in the MRA review process, and provide the Firm an opportunity to consider whether similar issues exist across functions.

Firm-wide Governance Processes require strengthening.

Redacted by the
Permanent Subcommittee on Investigations

Management Response

To ensure that risk management and other control functions have sufficient resources and support, the Firm has been working to enhance the Firm's governance framework, both firmwide and specific to CIO.

Firm Risk Governance

The Firm has reviewed and substantially enhanced its risk structure and governance through, among other things, the establishment of new and more robust committee structures. Those committees include:

> Risk Governance Committee. This committee meets monthly and focuses on risk governance and other policy matters, risk analytics, model governance, Basel/regulatory issues, risk appetite, and updates to firmwide risk programs in the areas of compliance, liquidity and operational risks. The Firm's CRO, CFO, Controller, LOB CROs, CRO, and personnel from Legal, Compliance, Audit, and Regulatory Policy participate in these meetings.
>
> Firmwide Risk Committee. This committee focuses on business activity, including by conducting periodic reviews of firmwide risk appetite and certain aggregate risk ~~measures, serving as an escalation point for matters arising in the LOB risk committees~~ and for certain limit breaches pursuant to the limits policy, and considering relevant business activity issues escalated to it by LOB CROs and CEOs. It meets monthly and participants include the Firm's CEO, CRO, Deputy CRO, LOB CEOs, CIO, General Counsel, Chief Auditor, Compliance Head, Regulatory Policy Head, Consumer Risk CRO, Wholesale Credit Risk CRO, MRaD Reputation Risk Officer, Country Risk Head, Corporate Risk CFO and Chief Administrative Officer, and LOB risk officers.

Risk Management Business Control Committee. This committee meets quarterly and focuses on the control environment within the Risk organization, including outstanding action plans, audit status, operation risk statistics (such as losses, risk indicators, etc.), compliance with critical control programs, and risk technology. Participants in these meetings include the CRO, Deputy CRO, LOB CROs, Risk CFO and Risk Chief Administrative Officer, Operational Risk Head, and personnel from MRaD, Audit and Compliance.

Risk Operating Committee. This committee focuses on risk management, including setting risk management priorities and escalation of risk and other issues brought to its attention. Participants include the CRO, LOB CROs, as well as the Risk Human Resources and Risk Chief Technology Officers.

The Firm also created new senior firmwide risk positions:

Deputy CRO/Head of Firmwide Market Risk, who is responsible for the review and assessment of firmwide market risk. This includes managing the Firm's risk appetite and risk limits, risk mitigation strategies, working with the CRO to lead and develop the Firm's risk organization, and directing the Firm's market risk coverage resources.

Wholesale Chief Credit Officer ("WCCO"), who reports to the CRO and is responsible for credit risk across all wholesale businesses. In this capacity, the WCCO will: chair a Wholesale Credit Risk forum to ensure better communication between each business and across all risk functions; work with LOB CROs to identify and effectively manage key credit risks and concentrations across the wholesale businesses; and, partner with the LOB CROs to engage in initiatives across wholesale lines of business, including defining credit risk appetite and setting appropriate limits, supporting key growth initiatives while maintaining strong credit risk management controls, coordinating regulatory responses, building a credit risk stress framework, and enhancing credit risk reporting and credit risk systems.

Cross-LOB Risk Officers, who are responsible for identifying and implementing best practices, which promotes consistency of enterprise risk management processes and practices. The Cross-LOB Risk Officers review specific risk types across the Firm, including country risk, risk policy, model risk and development, market risk, reputation risk, consumer credit risk and wholesale credit risk.

CIO-specific Governance

As detailed above, the CTC Risk Committee has been significantly enhanced by the inclusion of senior management from within and outside of CIO, including members from Treasury and Corporate. Additional new and more robust committee structures have also been instituted within CIO, including weekly CIO Investment Committee meetings, and monthly Business Control Committee meetings.

The Firm has also hired experienced professionals for CIO VCG, including a new head of Corporate VCG as well as three new regional CIO VCG heads, including for EMEA VCG. The Firm also established a Corporate VGF under the umbrella of the Firmwide VGF. The CIO VGF is responsible for understanding and managing the risks arising from valuation activities within CIO and for escalating key issues to the Firmwide VGF; the VGF meets monthly.

Furthermore, Corporate Business Reviews, which include CIO, are to be conducted with increasing frequency and with the same rigor as similar reviews for the Firm's client-facing LOBs.

Structural Risk Management Practices Need Strengthening.

Redacted by the
Permanent Subcommittee on Investigations

Management Response

CIO makes investments to offset interest rate and foreign exchange risks that are allocated to CIO from the LOBs. As discussed above, these investments are subject to applicable risk and portfolio metrics, as well as duration/curve profile, portfolio allocation guidelines and correlation analyses and sensitivities. CIO is also in the process of creating sector benchmarks that will be used to evaluate product level performance.

As also discussed above, CIO no longer engages in the type of trading that generated the losses in the Synthetic Credit Portfolio and has refocused on its core mandate of traditional Asset and Liability Management ("ALM"). The majority of CIO's Synthetic Credit Portfolio was transferred from CIO to the Corporate and Investment Bank and the Firm effectively exited the remainder of the portfolio positions that remained in CIO in the third quarter of 2012. Any future credit hedge positions will be transparent, within applicable risk limits and closely linked to a particular risk or set of risks that they are designed to offset.

CIO's hedging activities are governed by the Firm's CIO Investment Policy. Consistent with the Firm's CIO Investment Policy, CIO uses its Strategic Asset Allocation ("SAA") portfolio, which is managed under an ALM framework, to offset the Firm's interest rate and foreign exchange risks. In executing its role, CIO operates within a risk framework that is consistent with firmwide risk management policies and reflects the ALM and portfolio management aspects of its activities. For example, investment decisions will consider the Liquidity Asset Buffer (LAB) ~~and non-LAB eligible assets allocations as the Firm adheres to liquidity requirements under~~ Basel III.

The CIO's MTM portfolio supplements its SAA portfolio and is connected to the ALM mandate of the group. MTM investments are made prior to making a strategic allocation of a particular product type in order to assess certain characteristics of the investment, such as liquidity. These investments are smaller in size, short-term and governed by tight risk limits, and the strategies are reviewed periodically in accordance with the Firmwide Market Risk Limits policy. Discussions with Risk and senior portfolio management personnel take place as part of an ongoing process to review strategies with risk measures and P&L.

The CIO Investment Committee, which meets weekly, is chaired by the Chief Investment Officer and meetings are attended by representatives of CIO Risk, Finance, Legal and Compliance, as well Corporate Treasury, Technology and Operations. The Investment Committee sets broad portfolio allocation targets that vary depending on the then-current economic and market environment. Allocations are executed by portfolio managers who operate within the parameters approved by the Investment Committee. The investment process takes into account safety and soundness, balance sheet efficiency and risk mitigation, all of which are central to CIO's objectives for overall portfolio management process. Investment decisions are made based on a risk/reward framework that considers the relevant interest rate, credit, currency and other market risk factors as part of the investment process. Key attention in CIO is paid to the credit quality of potential investments and the ongoing credit monitoring of securities held. This encompasses fundamental credit analysis/due diligence, which is carried out by a global team of credit analysts prior to purchase and on an ongoing basis.

As discussed above, both the SAA and MTM portfolios are governed by a combination of aggregate stress loss and VaR limits as appropriate. Additionally, asset class market exposure limits exist to manage concentrations of positions relative to market size and liquidity. The MTM portfolio is governed by a number of non-statistical MTM limits, in addition to VaR and Stress limits. Additionally, the portfolios are subject to the firmwide risk limits structures covered under the firmwide Market Risk, Single Name Position Risk, Country Risk and Counterparty Risk policies. Any changes to limits are reviewed and approved by the CTC Risk Committee. Limits are periodically reviewed and sized appropriately given new investment strategies and the size of the portfolio.

Outside of CIO, the Firm has the ability to engage in macro hedges within the Corporate and Investment Bank, though it has not done so in more than a year. Any macro hedging, as well as normal-course hedging by any trading desk, would be treated like any other trading position in the Corporate and Investment Bank, and would be subject to the same risk framework and controls.

Communication with OCC examiners needs strengthening.

Redacted by the Permanent Subcommittee on Investigations

Management Response

The new CIO leadership team, as well as senior Firm management, recognizes the importance of an open and transparent culture, including in its communications with the Firm's regulators. The Firm has been working to improve CIO's culture and communications – both internally and with regulators – to ensure full and timely escalation of and visibility into CIO's activities as well as those of the LOBs. This culture of openness has been and continues to be reinforced at all levels of management.

The Firm understands and fully appreciates its obligation to keep the OCC fully informed of significant information and apologizes for any gaps in its communications with the OCC. On or about April 26, 2012, the Firm sent a team of senior personnel to London to, among other things, perform a thorough position-by-position review of the Synthetic Credit Portfolio. Though we did not know the nature and extent of the issues in CIO at that time, in hindsight, we wish we had advised the OCC of this effort and had not awaited further clarity before providing information to the OCC. While the Firm did provide P&L data to the OCC, we recognize that it would have been better to highlight potential issues and provide information on a real-time basis. Any incompleteness in the Firm's communications was unintentional.

From: Lee, Kevin [mailto:Kevin.Lee@occ.treas.gov]
Sent: Tuesday, January 29, 2013 1:17 PM
To: Murphy, Allison (HSGAC); Moore, Carrie
Cc: Lee, Kevin
Subject: RE: question

Hi Allison.

According to the examiners, all banks are required to have a process of independent price testing. It is called different things at different banks or investment companies, but it is a basic internal control process.

Hope this is helpful.

Thanks,
Kevin

From: Murphy, Allison (HSGAC) [mailto:Allison_Murphy@hsgac.senate.gov]
Sent: Tuesday, January 29, 2013 9:42 AM
To: Moore, Carrie; Lee, Kevin
Subject: question

Hi Carrie and Kevin,

I had a quick question for one of the folks on your team. My sense is that Mike Kirk might be best situated to tell us an answer, or perhaps Fred Crumlish. We have talked to a number of folks about the Valuation Control Group process at CIO and we generally understand how that worked at JPMC. Can OCC tell us if valuation control groups are *required* at banks that deal in derivatives? Feel free to shoot an email back or call, whatever is easier.

Thanks.
Allison

Allison Murphy
Counsel
U.S. Senate Permanent Subcommittee on Investigations
199 Russell Senate Office Building

TRANSCRIPT OF AUDIO RECORDING OF JPMORGAN CHASE EARNINGS CALL WITH MEDIA ON APRIL 13, 2012
PREPARED BY THE PERMANENT SUBCOMMITTEE ON INVESTIGATIONS

Date:	April 13, 2012 (Conference Call)
Parties:	Joe Evangelisti (JPMC); Douglas Braunstein (JPMC); Jamie Dimon (JPMC); Dawn Kopecki (Bloomberg); Tom Braithwaite (Financial Times); [reporter not specified] (Palmalo Mortgage News); Matthias Rieker (Wall Street Journal); Margaret Pepper [no affiliation provided]
Identifier:	https://dl.dropbox.com/u/35243775/JPM413.wma

Moderator: Welcome, and thank you all for standing by. I would like to remind the participants that they will be in a listen-only mode for today's conference call. I'll be turning the conference call over now to your speaker for today, Mr. Doug Braunstein. Sir, you may begin.

Mr. Evangelisti: Hey, everybody, it's actually Joe Evangelisti, so welcome to our first quarter earnings call. I've got Doug Braunstein, our CFO on the line, and we also have Jamie Dimon, our CEO on the line. Doug is going to start with some comments, and then we would be happy to answer any questions you have. Doug.

Mr. Braunstein: Hey, so good morning, everyone, let me just give you a couple minute overview on the quarter. I'm sure as you now have seen, $5.4 billion in net income. We reported a $1.31 a share. That's on $27.4 billion in revenues. Revenues are up 6% year-on-year; they are up 24% quarter-on-quarter; and we reported a return on tangible common equity of 16% this quarter. And if I step back, and just characterize the performance of the businesses, solid performance across most of our businesses. We had real strength in the investment bank this quarter, and improvement, significant improvement, in mortgage banking, particularly year-over-year. There were really four themes in the quarter.

The first is, we continue to see underlying growth in a number of our key business metrics, so wholesale loans are up 23% year-on-year, small business loans are up 35% year-on-year, credit card sales growth 12% up year-on-year, mortgage applications up 33% year-on-year, deposit growth in our branches up 8% year-on-year. And I think that growth reflects both underlying fundamentals as well as share gains in a variety of our businesses.

The second theme as you look through the numbers is, credit continues to improve. On the consumer side in both mortgage and credit card improvements in delinquencies. Delinquencies, net charge-offs, were down; in credit cards 36% year-on-year, in mortgages 25% year-on-year. And then in wholesale, very stable and strong credit results.

The third thing I think you see through the numbers is, we have had very positive markets in the first quarter, and that's improved a number of our results quarter-on-quarter and set some records for us as well. So in the investment bank you saw very strong flows in our underlying customer businesses in both fixed income and equity markets. If you take out some of the effects of DBA, the sales numbers for year-on-year comparisons were effectively flat with a very strong quarter in 2011. You saw records set in assets under supervision and assets under management in Asset Management. You saw a record set, $17.9 trillion of assets under custody in TSS. We set a record for assets under management in our Chase Wealth Management business, almost $150 billion there. So strong markets-related performance.

And then the last big theme I talk about is capital generation in the quarter. We reported a 10.4% Basel I tier 1 common ratio, an 8.4% pro-forma Basel III. That's up 50 basis points. We added $6 billion to capital this quarter. And as you know, we also announced and raised the dividend this quarter and began a stock repurchase program under a new $15 billion authorization.

And my last comment before I open for questions is, as we do every quarter, we have a number of significant items that we highlight at the very front of the press release. We'll highlight at the very front of our earnings deck, clear and transparent. There were four of them this quarter. We had reserve releases; we took litigation reserves; we had a one-time gain from the WaMu settlement; and we had DBA this quarter that was a negative. If you add all of those up, it would be a nine cent reduction in our reported earnings of a $1.31. So adding that back would be a reported number of a $1.40. With that, maybe I will just stop and open the floor up for questions for Jamie and I.

Mr. Evangelisti: Okay, Kelly, we are ready for questions.

Moderator: Thank you and at this time if you do have questions or comments, that is *1 on your touch-tone phone. Please make sure you are recoding your first and last name. Again that is *1, it will be just one moment please.

Our first question comes from Dawn Kopecki, your line is open.

Ms. Kopecki: Hi Jamie, this is Dawn at Bloomberg. We have a story today about how you have transformed your CIO office into somewhat of a proprietary trading operation. I'm wondering how you think about that; is that something that you would agree with. The Volcker Rule hasn't gone into effect yet. And also can you talk a little bit about those trades, and whether the regulators are looking at any of those.

Mr. Dimon: Doug is going to give you a big picture, and if that doesn't answer all your questions, we will come back to it, okay?

Ms. Kopecki: Okay.

Mr. Braunstein: Dawn, Dawn just step back. The company generates liabilities in the form of deposits and generates assets in the form of loans. And those, we have more liabilities, we have a billion, a trillion-one in liabilities vs. $700 billion worth of loans. And we take that difference and we invest it in order to manage that structural interest-rate risk between liabilities and loans, and that number, that difference has grown over time. And we invest that $360 billion today in a variety of very high-grade securities: mortgage-backed securities, government securities, high-ends of the credit spectrum. And that generates earnings for us and it also balances our interest-rate risk. In addition CIO balances our FX risk, our basis risk and a number of other risks. As part of that, they hedge against downside risk, because that's the nature of protecting that balance sheet. And as part of that, we have had for many years a structural credit book that hedges against stress loss, meaning downturns in the credit market. These positions that you all have been writing about are just simply part of that structural credit book, which by the way, we have been reducing over time. And we are very comfortable with the positions that we have. And I would step back and say, all those activities I just described are very long-term in nature, because that's the nature of the asset and liability mix for us. And they are consistent with both I think the spirit and the written rules of Volcker as we read them today.

Ms. Kopecki: Now it's not all used for hedging though, correct? You had said that you had some excess capital that you use to just invest, some of which goes to hedging and some of which doesn't, correct?

Mr. Braunstein: So it's the very nature, Dawn, it's the very nature of that structural mismatch. We, of course, invest. We have a big investment portfolio; it has to generate net interest income in order to cover those liabilities and make us balanced from an interest rate standpoint. And of course, when we put a dollar to work, we want to do so prudently and invest it in safe, smart and good returning assets. And that's, that's the job of CIO.

Ms. Kopecki: Okay, and as part of that, you have a large book of European mortgage debt. Somewhere around $70 billion. Is that in your CIO office as well?

Mr. Dimon: Yes.

Mr. Braunstein: Yes.

Ms. Kopecki: Okay. Okay, thank you.

Mr. Braunstein: We are a global firm.

Ms. Kopecki: Oh, okay and—

Mr. Dimon: Doug should mention, we should mention that we do this around the world, because we create deposits around the world. And we are very conservative, and the portfolio does change over time as we change our views about various things. And that's what we are supposed to do.

Dawn Kopecki: But what does the European mortgage debt hedge? What is that hedging?

Mr. Dimon: We have deposits overseas—

Ms. Kopecki: Okay.

Mr. Dimon: And we make investments around the world in various products, mortgages, credit as Doug said.

Ms. Kopecki: Okay.

Mr. Dimon: It's a big fixed income portfolio. Every bank, every bank has one, relative to the size of the bank.

Ms. Kopecki: And are—

Mr. Evangelisti:	Dawn, we have to give somebody else a turn, and you can come back, all right?
Ms. Kopecki:	Well, just can they follow up with regulators, if regulators are looking at this? Last one.
Mr. Dimon:	We are not going to talk about conversations with regulators, but they see everything and anything we do whenever they want.
Mr. Evangelisti:	We are fully transparent with them.
Ms. Kopecki:	Okay, thank you.
Mr. Evangelisti:	Thank you, Dawn.
Moderator:	Thank you. Our next question comes from Tom. Sir, your line is open.
Mr. Braithwaite:	Hi, it's Tom Braithwaite. I wondered if could you talk a little bit about the mortgage business which seems to have benefited from HARP and the general refi[nance] climate. On the other hand, you have got another chunky litigation expense. I was just wondering, on the one hand, how far are we through the legacy issues and, on the other, what are you seeing today in the current trends?
Mr. Dimon:	Let me just mention the revenue side, then Doug is going to talk about the litigation real quick. So on the revenue side, it is true, volumes were good but not great, but spreads were higher. So that, the results were better than they would normally be by several hundred million dollars, because of that. I, we don't expect that to continue forever. That moves around based upon flows, and volume and competition and some of that came out of HARP.
Mr. Braunstein:	So let me talk about the litigation for a moment, which is: We added $2.5 billion to litigation primarily, predominantly related to the mortgage-backed issue. And I think if you just step back at this point, from a current standpoint we think we are both conservatively as well as comprehensively reserved for this issue. Absent material changes which could certainly change our views, you know we think it's unlikely for us to add significantly to these reserves. But, you know, reserves can go up, they can do down based on those circumstances, but we feel where we are today, we feel very conservatively as well as comprehensively reserved.
Mr. Braithwaite:	You said the mortgage-backed issue, you mean the mortgage label?

Mr. Dimon: Private label.

Mr. Braithwaite: Private label.

Mr. Braunstein: Yes.

Mr. Dimon: Private label reps, warranties and litigation.

Mr. Braithwaite: Got it, great. Can I just ask one more? Is this the ceiling for buybacks where the stock is right now? You have got this big program you can use, but is sort of $45 where you, where you won't go?

Mr. Dimon: So here's what it is. We have a $15 billion approval from the regulators. Obviously we would—I would have preferred to buy back stock around tangible book value, but we didn't get that chance. We will, regardless of price, buy the $3 billion we approximately issue every year. We just think that's a good discipline.

Mr. Evangelisti: We issue that for employee compensation.

Mr. Dimon: Yeah, it usually vests over time, but I think it's good discipline that if you issue stock, you should buy it back so you keep it kind of balanced. And we will decide over time when and how we want to buy back the stock. We have organic growth. We've got investment opportunities. We obviously have to raise capital standards for Basel III. So we get to decide. We will buy less as the stock goes up. We will buy more as the stock goes down. We are not going to be completely transparent for obvious reasons, but it does not mean that over 45 we may not buy more. That decision we make every single day, based upon our view of the other opportunities.

Mr. Braithwaite: Thanks a lot.

Moderator: Thank you. Our next question comes from Palmalo. Your line is open.

Pamalo: Hey, Palmalo Mortgage News. Just if you can give us an outlook on your plans to sell mortgage servicing rights. You have been selectively selling some MSRs here and there. Are you going to continue to be a net seller of MSRs, and can you give us an outlook on that?

Mr. Dimon: I wouldn't count on that. That depends on the market for MSRs, and why we might want to do it. We haven't sold a lot either.

Palmalo: So you can give us no outlook on what you are going to do? It depends on the market?

Mr. Dimon: I just said I wouldn't expect it, but we might. It depends you know on what people say and what the prices are, etc.

Palmalo: Can you tell us about your continuing problems with buybacks with Fannie Mae and Freddie Mac? How's that looking?

Mr. Dimon: You know, that's getting better over time if you look at other things. And hopefully it will run down over time. We have said that we expected it to run about $300 million plus a quarter and eventually it will start going down. The big problems in the past have already been—are running through the pipeline here.

Palmalo: Okay, thanks.

Mr. Evangelisti: Thank you.

Moderator: Thank you. Our next question comes from Matthias Rieker. Your line is open.

Mr. Rieker: Good morning. Can you talk a little bit about provisioning in the quarter? I assume the fact that the provision is up in some areas is a reflection of the strong loan growth you are seeing. Could you talk a little about that and the allowance, whether it might go up or down in the coming quarters or whether you have found a comparable level here?

Mr. Dimon: We took down reserves in mortgage and card, but though we are still very conservatively reserved. We took them down, because we have to. That's the accounting rules. I think the other businesses, wholesale credit in general, is just excellent. I mean, charge-offs are extremely low in investment banking, in commercial banking. So there it was just kind of business as usual as we had [to] add things, as things go bad, as we have charge-offs, reserves get adjusted. We don't expect material reserves takedown in the future. At one point we are going to have to take down mortgage reserves, as charges come down.

Mr. Rieker: But the provision went up from quarter over quarter in commercial banking and in cars and auto, no?

Mr. Braunstein: A lot of that is just simply loan growth.

Mr. Rieker: Yeah.

Mr. Braunstein: Simply pluses and minuses in the system.

Mr. Dimon: It's almost name by name. You know someone gets downgraded, we add to the reserves; someone gets upgraded, we take a little reserves down. Charge-offs are very low, and we're just—this is steady state. Think of it as kind of steady state. You are always going to have in and outs, ups and downs. There's nothing underlying it that is material. Recoveries, you have a whole bunch of things affecting that.

Mr. Rieker: And could you just work us through what you saw in loan demand, particularly from the consumer set? Auto continues to be strong. Talk a little bit about what your plans are in student lending, cars; what you see in demand.

Mr. Dimon: So cars, both spend is way up. I think we are gaining share. And the actual loan balance is acting like we would expect with some seasonality like we expect. Auto demand is strong, mostly because car sales are doing very well. Doug mentioned the importance. Middle market is up like 18%. And small business is up 35%.

Mr. Braunstein: And middle market, not only is it up the 18-19% that Jamie talked about, it is actually a record level for us for middle market loans. We are feeling demand.

Mr. Dimon: It's eight straight quarters.

Mr. Braunstein: We are feeling demand. Some of that, again, is going to be market share growth, but some of that is real underlying fundamental demand.

Mr. Rieker: What is your feel about the economy at this point?

Mr. Dimon: You know, no one knows the future. But, in short, businesses are in very good shape. They are earning money; they are very well capitalized; they have a lot of cash. We think housing is getting very close to the bottom, and most of the -- I wrote a page or two in my chairman's letter about all the positives signs about housing. And the consumer is actually, if you look at debt service ratios, back to where it was 20 years ago. Because the consumer has both paid off debt, and there has been over a trillion dollars in write-offs. So consumer debt is down something like 15 or 20%, effectively. Some of that is not in the national accounts yet, but we know it's there. Like debt is not being paid right now, and then you have had what 4 million jobs in the last 24 months. I know the recent data; I wouldn't overact to monthly data if I were you. It looks, it looks okay. We all wish we were a little bit stronger, and maybe we have a self, a strengthening recovery or not, we don't know yet.

Mr. Evangelisti: Great. Thanks.

Moderator: Thank you. Our next question comes from Margaret Pepper; your line is open.

Ms. Pepper: Hi, couple of questions. One is that, although you're talking about loan growth in various categories, if you look at the overall loan portfolio, it seems to be down just slightly, or if you want, flat. And the other thing is that NPLs seem to have picked up slightly. Can you explain what's going on there?

Mr. Braunstein: Yeah, so Margaret, on loan growth, the wholesale loan growth is up year-on-year, up quarter-on-quarter. What you are seeing in total is -- you know we have been running off this large mortgage, heritage mortgage portfolio from WaMu, and that's the difference. And we have been very transparent about that's going to run off. It ran off $25 billion in the last year. So that's the loan story. On NPLs, year-over-year, NPLs went from $13.5 billion down to $10.5 billion this quarter. So it is on a very positive trend, and we'd expect it to continue if the economy maintains its trajectory.

Ms. Pepper: But versus the last quarter, they are up slightly, right?

Mr. Dimon: [*directed at Mr. Braunstein*] Yeah, yeah, you can mention that. Go ahead.

Mr. Braunstein: Yeah, so part of that is, there was some industry-wide regulatory-led reclassification of some home equity loans. And so we added $1.6 billion to our number in the first quarter. We didn't restate all the historical. That $1.6 billion was fully reserved for, and 80% of it, 90% of it, is actually paying currently.

Mr. Dimon: The important thing is that, because we have been very transparent about this, these are second mortgages that are paying behind delinquent firsts. I think we have mentioned way, a year ago, that we are reserving those, because we know they are going to go bad. This just simply puts them [in]to the nonperforming category, before they're nonperforming. That's all it does.

Ms. Pepper: Okay, and just one more last question, if I may. The $2.5 billion that you added to litigation reserves, does that have anything to do with the Wells notice that you got this quarter?

Mr. Evangelisti: No.

Ms. Pepper: Is that reserved for?

Mr. Braunstein: You know, we, we, as I said, we are taking a very comprehensive look. We take all of this, all of the pending suits, the prospector suits and as long as it is probable and estimable, we are putting it into reserves. And this addition this quarter is really a very comprehensive view of that. All the factors, and I'll just remind you those factors can change over time, and that will reflect itself in the reserving action.

Mr. Dimon: A lot of these things are duplicative. I mean we already got the lawsuit, and then we got the Wells notice; it's just, it's the same thing.

Ms. Pepper: Okay, thank you, thank you.

Mr. Evangelisti: Thanks, Margaret.

Moderator: At this time I am showing no further questions.

\# # #
