



OFFICE OF INSPECTOR GENERAL

BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM
CONSUMER FINANCIAL PROTECTION BUREAU

News Release

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Board-CFPB Office of Inspector General Releases Summary Report on Federal Reserve’s Supervision of JPMorgan Chase & Company’s Chief Investment Office

**Ten Recommendations to Enhance Federal Reserve Supervision of Large,
Complex Banking Organizations**

WASHINGTON, DC—The Office of Inspector General (OIG) for the Board of Governors of the Federal Reserve System (Board) and the Consumer Financial Protection Bureau (CFPB) released its summary report of the Board’s and Federal Reserve Bank of New York’s (FRB New York) supervisory activities related to the JPMorgan Chase & Company’s (JPMC) Chief Investment Office (CIO) losses. The purpose of the evaluation was to (1) assess the effectiveness of the Board’s and FRB New York’s consolidated and other supervisory activities regarding JPMC’s CIO and (2) identify lessons learned for enhancing future supervisory activities. The OIG initiated this review in the wake of a multibillion-dollar loss by JPMC’s CIO in 2012 due to a complex trading strategy involving credit derivatives. The CIO employee who initiated the relevant trades became known as the “London Whale.”

By focusing on consolidated supervision, the OIG’s evaluation addresses an aspect of the London Whale story that has not been a focus of prior reviews released to the public. The OIG’s recommendations seek to improve the effectiveness of consolidated supervision and other supervisory activities. The OIG will continue to focus its efforts on the Federal Reserve System’s supervisory activities related to large, complex financial institutions.

The OIG’s summary report describes 4 findings and 10 recommendations that encourage the Board to enhance its supervisory processes and approach to consolidated supervision for large,

complex banking organizations. The Board acknowledged its appreciation for the recommendations for improving the Federal Reserve System's supervisory efforts. FRB New York also indicated its appreciation for the recommendations and acknowledged the Board's authority to implement the corrective action necessary to address those recommendations. The Board indicated that it has taken action or has planned activities to address the recommendations. The OIG will conduct follow-up activities to determine whether the Board's actions fully address the recommendations.

The complete report has been issued to Board and FRB New York officials and is not publicly available because it contains a substantial amount of privileged and confidential supervisory information related to an open financial institution. Federal law provides that bank supervisory information is protected by the bank examination privilege in order to preserve an open dialogue between the regulators and the supervised institution. Additionally, bank supervisory information is confidential under the Board's confidential supervisory information regulations. For similar reasons, the Freedom of Information Act authorizes the redaction of information related to examination, operating, or condition reports prepared by, on behalf of, or for the use of an agency responsible for the regulation or supervision of financial institutions.

The OIG determined that releasing a summary report would allow it to publicly disclose an overview of the findings and recommendations in a manner consistent with federal law governing the protection of privileged and confidential supervisory information.

Read the OIG's summary report: [*The Board Should Enhance Its Supervisory Processes as a Result of Lessons Learned From the Federal Reserve's Supervision of JPMorgan Chase & Company's Chief Investment Office*](#)

The OIG provides independent oversight of the Board and the CFPB to improve their programs and operations and to prevent and detect fraud, waste, and abuse.

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