

J.P. Morgan Securities reaches settlement with SEC regarding CDOs

New York, June 21, 2011 - JPMorgan Chase & Co. (NYSE: JPM) announced today that one of its U.S. broker-dealer affiliates, J.P. Morgan Securities LLC, has agreed to a settlement with the U.S. Securities and Exchange Commission resolving the SEC's inquiry regarding certain collateralized debt obligations (CDOs) the firm sold over four years ago. The agreement is subject to court approval.

As part of the agreement, J.P. Morgan Securities consented to the filing of a complaint by the Commission, without admitting or denying the allegations in the complaint, and will pay disgorgement and penalties totaling \$153.6 million related to the sale of Squared CDO 2007-1. J.P. Morgan Securities is pleased to have reached agreement with the SEC to put this matter concerning certain 2007 disclosures behind us. The SEC has not charged the firm with intentional or reckless misconduct.

At the time of the sale of the Squared notes, the firm took risk of loss on 85 percent of all the notes issued by Squared and the firm ultimately sustained losses of nearly \$900 million in connection with those notes. The Commission's complaint alleges that J.P. Morgan Securities negligently failed to disclose in the offering documents for Squared that Magnetar Capital LLC, which purchased the subordinated notes (or "equity") in Squared and purchased the credit protection on a substantial portion of the collateral, played a significant role in the collateral selection process. The complaint notes, however, that the offering documents for Squared did disclose that a noteholder in Squared may hold a short position with respect to the collateral or buy credit protection with respect to the collateral, and that a noteholder may act with respect to those positions "without regard to whether any such action might have an adverse effect on the Issuer, the Noteholders, related Reference Entity or any Reference Obligation." The complaint also acknowledges that the third-party collateral manager for Squared, GSC, was aware that Magnetar was both an investor in the transaction and purchased the credit protection on a substantial portion of the collateral.

Separately, J.P. Morgan Securities conducted a review of the CDO transactions that were the subject of the Commission's investigation and, based upon that review, voluntarily made payments of approximately \$56 million to certain investors in connection with a CDO unrelated to Squared known as Tahoma I. While the Commission has not asserted any claims with respect to that transaction, these voluntary payments by J.P. Morgan Securities were taken into account by the Commission in connection with this settlement.

About J.P. Morgan

JPMorgan Chase & Co. (NYSE: JPM) is a leading global financial services firm with assets of \$2.2 trillion and operations in more than 60 countries. The firm is a leader in investment banking, financial services for consumers, small business and commercial banking, financial transaction processing, asset management and private equity. A component of the Dow Jones Industrial Average, JPMorgan Chase & Co. serves millions of consumers in the United States and many of the world's most prominent corporate, institutional and government clients under its J.P. Morgan and Chase brands. Information about JPMorgan Chase & Co. is available at www.jpmorganchase.com.