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White House sued for covering up crimes of JPMorgan

By Gabriel Black

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Better Markets, a non-profit Wall Street watchdog, filed a lawsuit Monday against the US Department of Justice (DOJ) alleging that its $13 billion settlement with JPMorgan Chase over the bank's sale of toxic mortgage-backed securities in the run-up to the financial crisis was an illegal cover-up.

Better Markets said the deal, worked out in November 2013, "gave JP Morgan Chase… blanket civil immunity for years of alleged pervasive, egregious and knowing fraudulent and illegal conduct that contributed to the 2008 financial crash and the worst economy since the Great Depression."

The lawsuit argues that the Department of Justice sought to use the deal—the largest settlement with a single entity in US history (by more than 300 percent)—to protect JPMorgan and its executives from prosecution. Under the terms of the settlement, the bank was not required to admit to any wrongdoing.

Better Markets alleges that, "the DOJ violated the Constitution and laws of the United States by using a mere contractual agreement to resolve claims of historic importance without subjecting the Agreement to independent judicial review."

In November, the Obama administration and JPMorgan concluded a series of confidential, off-the-record, negotiations—including discussions between JPMorgan CEO Jamie Dimon and Attorney General Eric Holder—with the announcement that the bank would pay $13 billion to settle charges that it knowingly sold worthless mortgage-backed securities on false pretences.

In reality, JPMorgan will pay much less than the stated amount. Only $9 billion of the total is in cash, the rest taking the form of relief to homeowners behind on their payments. It is likely that the bank was already planning to offer much of this $4 billion in relief for business reasons.

Most of the remaining $9 billion will be tax-deductible, meaning the bank will end up paying only part of it. JPMorgan's fine amounts to a sliver of the trillions of dollars of damage wrought by the global financial crisis and only a fraction of its annual profit.

The complaint alleges that the Obama administration illegally sought to bypass judicial review to ensure a favorable deal for the bank. It states: "[T]he executive branch, through DOJ, acted as investigator, prosecutor, judge, jury, sentencer and collector, without any review or approval of its unilateral and largely secret actions." It continues: "The Executive Branch simply does not have the unilateral power or authority to do so by entering a mere contract with the private entity without any constitutional checks and balances."

At a press conference, Dennis Kelleher, head of Better Markets, said, "The Justice Department has a self-interest, if not a motive, for making sure that their conduct cannot be independently evaluated."

Attorney General Holder previously worked for Covington & Burling, a Washington law firm that represented top banks responsible for the 2008 financial crash. He made a point of meeting one-on-one with JPMorgan CEO Jamie Dimon. Better Markets notes that only "a few years ago" Dimon was "considered a possible Treasury secretary."

During Obama's first term, Dimon was a frequent guest at the White House. He was known in Washington as Obama's "favorite banker." When Dimon was caught concealing billions of dollars in derivatives losses in 2012, Obama rushed to his defense, calling him "one of the smartest bankers we've got."

Better Markets notes that the deal was worked out entirely at the discretion of JPMorgan. The "cellphone of DOJ's third-highest ranking official rang with the 'familiar' phone number of [Dimon], who called to offer billions of dollars [in fines] to stop DOJ from holding a press conference and filing a lawsuit in just a few hours." Dimon's offer was taken and the press conference was called off.

Better Markets accuses the Justice Department of being excessively "vague" in order to avoid any question of culpability. The DOJ, it charges, "did not disclose the identity of a single JPMorgan Chase executive, officer or employee, no matter how involved in or responsible for the illegal conduct."

The complaint asks many important questions: "How much did JPMorgan Chase's clients, customers… and others lose as a result of its fraudulent conduct?... How much revenue, profits, and other benefits did JPMorgan Chase receive?... Who received what amount of bonuses for the illegal conduct?"

The complaint asks, "Why did the contract fail to impose on JPMorgan Chase any obligation to change any of its business compliance practices… how can the sanctions effectively punish and deter JPMorgan Chase, given its wealth and its extensive history of lawless conduct?"

The criminal activities of JPMorgan are not the exception on Wall Street, but the rule. In 2011, Senator Carl Levin, chairman on the Senate Permanent Subcommittee on Investigations, oversaw a 630-page report on the financial crash detailing illegal activities by Washington Mutual, Deutsche Bank and Goldman Sachs that contributed to the global crisis. He said the investigation had uncovered "a financial snake pit rife with greed, conflicts of interest and wrongdoing."

Over the past year, JPMorgan has agreed to pay over $20 billion in settlements to cover a dizzying array of charges. Less than a month ago, the bank agreed to pay $2.05 billion in fines and penalties to settle charges that it was an accomplice in the multi-billion-dollar Ponzi scheme operated by Bernie Madoff, who is currently serving a 150-year prison term.

All of the government's settlements with JPMorgan are designed to create the appearance of oversight, while allowing the bank to continue the same practices that led to the 2008 crash. Dimon just received a 74 percent pay raise for 2013, bringing his total compensation to $20 million.