Friday, March 15, 2013

Five questions for JPM executives and risk-managers in the aftermath of the Levin US senate hearing.

Ladies and Gentlemen from JP Morgan:

I would really appreciate if you could email me answers to the following questions, so we can learn more about JPM’s activities and safeguards regarding CDS.

1. The Obama Administration and the Dodd-Frank Act propose that Credit Default Swaps be centrally cleared. J.P. Morgan is a major participant in financial markets. Did JP Morgan CIO clear swap trades in a clearinghouse, such as CME CDS Clearing or ICE Clear Europe?

2. Credit default swaps and credit index default swaps are standardized derivatives. If JPM did not clear the trades centrally, then explain why.

3. In the case of standardized swaps, why did the OCC need to rely on JPM’s estimates of the value of the portfolio instead of valuing the portfolio themselves?

4. Why was the CIO office of JPM operating from London and not from New York? Is this related with differences in regulatory requirements between UK and US regulators when it comes to credit derivatives trading?

5. Does JPM have internal position limits based on the size of the market, so that the firm’s positions in swaps are not ``too big’’ for liquidating them without suffering from major market impact?

Sincerely,

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