ANALYSING CORPORATE GOVERNANCE AND ETHICAL ISSUES OF JPMORGAN CHASE: IMPACT OF COVID-19

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Abstract. *It is clear that corporate governance is the set of laws, customs, and procedures that regulate and control an organization. It covers how an organization's management, board of directors, shareholders, and other stakeholders interact with one another and offers a framework for balancing their interests and attaining the company's goals. The aim of this study is to identify and analyze the corporate governance of JPMorgan Chase company and their ethical issues. Additionally, the research was conducted on the influence of COVID-19 on corporate governance.*

Keywords: *Corporate governance, JPMorgan Chase Ethical issues, COVID-19 Impact, Financial Regulations, Stakeholder Interests, Risk Management, Compliance Failures, Investment Strategies, Corporate Responsibility, Financial Services Industry*

Introduction

As known, the main goal of corporate governance is to ensure that the company is managed in such a way as to maximize value for shareholders, as well as the interests of other stakeholders, such as the interests of its employees, customers and society.

This is accomplished through establishing distinct lines of authority and responsibility, implementing reliable risk management procedures, and encouraging openness and disclosure. Corporate governance principles are often formalized in a company's laws, rules, and procedures, and they may also be regulated by government agencies or industry organizations. While representing plans, accomplishment measurement, transparency standards, CEO compensation decisions, dividend policies, procedure for reconciling conflicts of interest, and explicit or implicit contracts between the company and stakeholders are all examples of corporate governance processes. This assignment investigated the role of corporate governance on the example of JPMorgan Chase organization and all the above issues which needs to be discussed.

Brief History of JPMorgan Chase

JPMorgan Chase & Co is one of the oldest, largest, and virtually well-established banking corporations in the world. The firm's antecedent was leased in New York City in 1799, and its history may be derived back to that time. This is a monetary retention corporation that supply financial services and investment banking. It equipy firm strategy and structure consultancy, equity and debt capital raising, forward-looking financial planning, bills and derivatives market-making, prime brokerage, and evaluation across all major capital markets. monetary services, consumer business services, small corporate and commercial banking, bank transaction processing, asset management, and confidential equity are among the services offered.

Corporate governance of JP Morgan Chase

J.P. Morgan Asset Management is committed to provide the best investment results for its clients around the world. Even though, it evaluates the principles and practices of corporate governance of firms in which these investments are one of the key factors in the effectiveness of investments. It is planned to manage in this way by employing investment strategies that have been

perfected through more than 40 years of active management expertise in Asia and throughout the world and the regular engagement with investee firms.

This is essential to this process, as it allows to understand better their operations and governance challenges. As fiduciaries, it understands the value of active ownership on behalf of their clients, and have a responsibility to interact with the firms in which they invest in order to ensure that their clients' interests are represented and safeguarded. In order to fulfill their ownership duties, they meet with the top executives of all firms on a regular basis.



Picture 1. JPMorgan Chase
(https://www.vanityfair.com/news/2019/04/chase-bank-tweet)

]**Ethical issues**

Since the global financial crisis of 2008, JPMorgan Chase & Co has engaged in a pattern of illegal and immoral behavior that shows no indications of abating. The following are a few of these occurrences (by no means all).

2015	The Consumer Financial Protection Bureau and the Maryland Attorney General accused JPMorgan Chase and Wells Fargo of running an illegal kickback scheme for marketing services. Bank customers are tricked into using a particular firm by at least six employees who are paid for their efforts in cash and other assets.
2014	The company along with the Royal Bank of Scotland, HSBC Bank, Citibank, and UBS, have been fined a total of £2.6 billion for manipulating foreign currency markets in what has been described as a free for all atmosphere.
2013	The Securities and Exchange Commission fined JPMorgan Chase & Co $920 million for falsifying financial statements and neglecting controls to prevent its traders from fraudulently repricing investments to hide hundreds of millions of dollars of business losses.

2012	JPMorgan Chase & Co has been fined $600,000 for trading on the InterContinental Exchange in the United States while exceeding speculative position limitations.
2011	For manipulating at least 93 municipal bond reinvestment deals in 31 jurisdictions, the company has been penalized a total of $228 million. This was achieved by organizing the illegal acquisition of information about the positions of competitors.
2009	For using client funds and failing to report the violation in a timely manner, the corporation was fined $300,000, and for failing to separate client and business funds.

Table 1. JPMorgan's ethical behavior

(https://sevenpillarsinstitute.org/jpmorgan-chase-code-of-ethics-and-revisions-since-the-2008-financial-crisis/)

JP Morgan Chase's failure and weaknesses

Weaknesses are the negative features that a company has throughout time. These factors may become an issue in the future if they are not handled now.

- **The United States has a vast market:** Despite of having functioning in more than 100 countries, JP Morgan Chase is particularly focused on the United States. This unreasonable reliance on the US market is furthermore seen as a problem. The response for the bank if this market experiences a crisis might be tremendous.
- **Limited success:** It has only had little profitability in its existing economy, and none in others.
- **Management shortsightedness:** JP Morgan Chase has been involved in a number of recent issues. The UK Financial Services Authority (FSA) fined the bank $33.32 million between 2002 and 2009 for failing to protect billions of pounds in client cash. Such occurrences must be avoided in the future.
- **Failure on the technical level:** JP Morgan Chase had a technical problem in February 2018. Its online banking system had a security weakness that allowed select individuals to view the account details of other customers. Customers who were inconvenienced by the issue vented their frustrations on social media. Technical troubles can arise in any firm, but when they do so in such a huge one, the customer's faith may be jeopardized.

➢ The reasons for the failure of JP Morgan Chase were related to employees who frequently interacted with the securities business on their personal devices using text messages, WhatsApp and personal email accounts from January 2018 to November 2020. the firm did not keep any of these records as required by the federal securities laws. Thus, JPMS also confirmed that the errors were company-wide and that firm procedures were not hidden.

➢ JPMS received both subpoenas for documents and voluntary requests from SEC officials as part of separate investigations throughout the time it failed to retain the necessary records. In responding to these subpoenas and requests, JPMS was often unable to find relevant records on the personal devices of its employees.

- JPMS' recordkeeping failures deprived the SEC staff timely access to evidence and possible sources of information for long periods of time. As a result, the firm's activities had a significant impact on the SEC's capacity to investigate suspected securities law breaches. This means that JPMorgan's failings impacted on multiple commission investigations and forced the staff to take additional procedures that should not have been necessary.

Therefore, JPMorgan Chase was charged by the Securities and Exchange Commission for pervasive and long-standing failures by the business and its employees to keep and preserve written correspondence. To resolve the case, JPMorgan Chase obligated to give a $125 million penalty and make major changes to its compliance rules and processes.

Impact of COVID-19 on corporate governance

The COVID-19 outbreak happened at a time when corporate governance was becoming more essential. By stressing the importance of incorporating environmental, social, and governance factors into decision-making, the crisis has accelerated the trend of the need of strong corporate governance as well as the role of business in addressing bigger societal issues. (Bloom, Fletcher and Yeh, 2021).

As a result, many boards were effective at adjusting to governance throughout the crisis, and they continued to refine their approach to corporate governance even as they concentrated on the pressing governance challenges of keeping their companies afloat in the midst of a global pandemic. Boards are looking ahead, pondering what their sector will look like in the future and how corporate governance may help them recover. While management and the executive team will be fighting for survival in the short term, the board must keep a clear eye on the long-term effects of actions and assist management in modifying and executing strategy, which enables the company to prosper once the crisis is over.

On the contrary, loss of work and rearrangement may be particularly difficult decisions to make in light of the current condition of uncertainty. However, one of the epidemic's most striking aspects has been the rapid acceleration of the trend toward online life. It is unquestionably the new reality with consequences of corporate governance, data security, and data protection, as well as the supply chain.

Conclusion

It is clear that JPMorgan Chase & Co is the biggest and leading bank in the United States. They do well in the United States' economic and financial markets. In terms of assets, they are one of the top four banks in the world. They have a larger collection of assets. Despite the fact that they are having a number of problems with the financial markets. Criminal cases were pressed against the bank and many of its employees when some of the bank's workers sued the bank over its credit cards.

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