Example of jp morgan chase essay

[Business](), [Company]()

1. - Discuss how administrative agencies like the Securities and Exchange Commission (SEC) or the Commodities Futures Trading Commission (CFTC) take action in order to be effective in preventing high-risk gambles in securities / banking, a foundation of the economy.

SEC plays a significant role in shielding the United States investors from likely loss of income. This takes place through maintenance of fair and orderly practices that encourage capital markets. The commission mandates every business to reveal meaningful information about the sold securities in order to ensure that decisions made by investors are well versed. Another significant role of SEC involves overseeing stakeholders in security market. These stakeholders are inclusive of brokers, dealers, exchanges, mutual funds, and financial advisers. Therefore, SEC is entitled to file suits against companies or individuals that contravene with the existing security laws. A significant role of the commission involves understanding federal security laws while issuing new regulations and revising the existing ones, overseeing security companies, brokers, investment advisors, and rating organizations. The commission also promotes the existence of private controlling firms in auditing, accounting, and security firms. SEC is also charged with the responsibility of organizing United States securities with the foreign, state, and federal authorities.

In 2012, JP Morgan Chase, the largest United States banking institution, announced that it had incurred loss. This loss emerged due to inappropriate investment decisions worth 5. 7 billion. This was a decision made by the company’s Chief Investment Office (CIO). The reports provided by the SEC during the first quarter of the year were fabricated. Eventually, SEC confessed that indeed the company had made huge loss.

The objective of the United States Securities and Exchange Commission is to ensure that investors’ confidence is increased by being shielded from potential losses. The commission also promotes existence of balanced, orderly, and effective markets while helping in capital accumulation. Mandating the public companies to reveal significant financial information to the public is an efficient move used by SEC in order to guarantee safety of the United States Securities and Exchange Commission. This ensures that investors are shielded from high-risk business speculators while ensuring that they make informed and sound decisions on particular companies to target for investment.

The role of Commodity Futures Trading Commission involves controlling the commodity stocks and options marketplaces. Its goals are inclusive of promotion of effective and reasonable futures markets while shielding the investors from deceitful business, offensive trade activities, and operation. Both CFTC and SEC have a significant role to play in probing huge trading losses, as it was the case in JP Morgan Chase. The investigation conducted by SEC focused on completeness and appositeness of JP Morgan Chase public disclosures and financial reporting. Nevertheless, according to the perception of Mary Schapiro – SEC Chairman, investigation by the agency was limited because trades took place in divisions that were not subject to control by SEC. According to CTFC, the losses of JP Morgan were worth investigation because, as a business in the United States Banking industry, it is entitled to federal Deposit insurance and Federal Reserve’s discount frame.

Q2. Determine the elements of a valid contract, and discuss how consumers and banks have a duty of good faith and fair dealing in the banking relationship.

The main elements of a contract are legal purpose, consideration, an agreement, and capacity. Consideration requires every side of the two parties to contribute something valuable to the agreement. This offer can take place between a class of people or persons. A contract agreement refers to an offer and acceptance. This implies that what one party has offered should be acceptable by the other party. Acceptance takes place in the event whereby the offered party agrees through a written statement. As the mirror image rule explains, a contract requires the acceptance to be as it was offered; hence, it should be a mirror image. This may imply financial claims or rights, services, and promise to undertake a certain responsibility to the promised party. Issuing a promise to engage in illegal is considered invalid by the law. Such a consideration is an obligation of the two involved parties. In case of inadequacy in consideration, a contract may be rendered void. However, the same contract may be deemed valid in the event whereby an individual had the right capacity before making a decision. The two involved stakeholders (parties in this case) should also have the capacity of enforcing an effective contract. A minor or individual that is psychologically ineffectual is considered to lack full capacity. Contract entered by minors or those without the capacity to sign a contract is viewed to be invalid because of incompetency. According to the perception of Tien (2013), the entire contract should have a legal objective. In addition, in case of a contract that contravenes with the public policy, it is deemed illegal.

Finally, any unlawful contract remains an illegal agreement (Macdonald, 2013). Therefore, the court does not have the mandate of upholding such contracts.

Consumers anticipate that the banking institutions will act in a fair manner and in the best of their clients. Trusts and banks have a fiduciary role to their consumers. Inappropriately, this is not always the case. As a result, there is always the duty of fair dealing and good faith. The connection between the bank and consumer is mainly one of creditor and debtor. Banking institutions have previously not acted in good faith by approving loans that consumers are unable to afford. This contravenes the fair dealing by ensuring that consumers are feasibly able to engage in an agreement while enjoying the benefits when consumers are not capable. The role of fair dealing and good faith is questionable at best and understood in various lights.

Q3. Discuss the tort action of " Interference with Contractual Relations and Participating in a Breach of Fiduciary duty and if the bank you've chosen were to behave as JPMorgan did, would you be able to prevail such a tort action?

This takes place in a contract between two individuals or organizations. Therefore, involvement of the third company acts as an intrusion to the negotiation process. According to Davis (2011), such involvements may cause damage to the plaintiff, with an aim of benefiting from the breach. The tort of interference with contractual dealings requires interference intent. The following are the elements of meddling with contractual relations:

- A contract between the third party and plaintiff
- The defendants understanding of the contract

- The defendants intention to break the contract

- The definite violation of the two parties engaged in the contract

- Damage or injury

The role of tort of interference with contractual relations is to safeguard the right of the parties to enjoy the benefits of a legally obligatory agreement. There are particular criteria that should be complied with in order to utilize this tort. For instance, when a contract exists between a plaintiff and the other party, it should be understood to the respondent. Another alternative move would be that several facts exists, showing that a reasonable individual is likely to believe that such a contract exists. Therefore, creation of a breaching opportunity for the offender or defendant is insufficient; actual breaking of the contract should thus be present. Otherwise, the court fails to identify the tort. Previously, other jurisdictions have required an unacceptable objective. This means that in the event whereby reasonable grounds exist for interfering, the respondent will not be responsible (Macdonald, 2013). The incident that occurred in JP Morgan case was apparently open to this tort. First, JP Morgan contravened with the fiduciary duty through deliberately providing incorrect numbers. This behavior triggered further actions by clients that continued to venture in investments that were not in their best interest. As a company that hand introduced its stocks to the public market, JP Morgan was required to reveal true picture to the public. In that case, that prerequisite is part of the contract that the company had entered with the community in the US and it was deliberately breached. From my individual perception, the case above is an apparent proof that the disaster in JP Morgan may be similar to the Enron case whereby the management concealed the true image of the company to the public and shareholders, luring several investors to buy the company's shares. In 2001, the corruption was unveiled after a loaming discovery that it had overpriced the assets. It concealed losses in offshore grants while reporting profits that mainly resulted from fraudulent activities. Consequently, share price recorded a significant decline to a $ 0. 31, a trend that made the company to file for bankruptcy in 2001. After committing a major financial crisis the reputation of Enron was severely ruined. In the bid to reestablish the company, it was renamed as Enron Creditors Recovery Corp. Company. As long as the company retains the name of Enron, it will continue retaining a negative reputation among the customers that are aware of the scandal.

References

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References