

# Derivative losses at jpmorgan chase

Business



The paper " Derivative Losses At JPMorgan Chase" is an excellent example of a business essay.

JPMorgan bank experienced a loss of \$2 billion worth of money in May 2012.

Different stakeholders benefited while others experienced losses in JPMorgan's case. The bank experienced massive losses. The reduction in the bank's stock values was equivalent to \$15 billion. The Bank's credit ratings reduced, by one notch, after the announcement of the loss according to reports on Wall Street Journal (Fitzpatrick, Zuckerman and Rappaport 1).

Other banks also experienced the impact caused by a decline in confidence.

Major Banks such as Morgan Stanley, Citigroup, and Goldman Sachs experienced stock reduction. Other stakeholders including businesses with which the bank traded derivatives have high profits. Hence, they benefited in JPMorgan's case.

In 2010, Congress initiated regulations on trade in derivatives as part of financial regulatory reforms by passing the Dodd-Frank Act. Congress intended to impose regulations on trading of derivatives of values tied to mortgages, which were formerly unregulated. Derivatives' regulatory reforms proposed by Congress mandated federal agencies to extend their oversight by ensuring public trading of derivatives through " clearinghouses." Public trading of derivatives was necessary to ensure regulators inspect all the transactions. Dodd-Frank Act limited banks from trading in derivatives from the accounts, under provisions of the Volker Rule. The limitation prevented banks from assuming excess risks during trade in derivatives. The Volker Rule, however, exempted derivatives traded to hedge risks that primarily affect a bank's own portfolio. Failure of the securities exchange commission to implement that part of the rule effectively enabled <https://assignbuster.com/derivative-losses-at-jpmorgan-chase/>

banks to continue making hedge trades. In my viewpoint, the securities exchange commission should enhance restrictions placed on banks in hedging trades to prevent losses such as those experienced in the case of JPMorgan's case. Restrictions should include a limitation on private equity investments and hedge funds as stipulated in the Volker Rule.