

# [Jp morgans financial risk management](https://assignbuster.com/jp-morgans-financial-risk-management/)

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Financial risk management at JP Morgan Chase The key failures of the JP Morgan Chases financial risk management process that resulted in the Whales $2 billion + trading losses in 2012 include:   
The internal audit procedures and processes established by the bank relating to the credit derivatives trading activities of the chief investment office were ineffective as these trading activities increased the risk carried by the CIO, exceeding the limits that had been established for the office;   
The procedures and practices of the risk management model adopted by the bank were inadequate in providing enough control over various price and market risk models it adopted, especially within the chief investment office;   
The oversight and governance procedures established by the bank to control the credit derivatives trading carried out by the chief investment office were insufficient to shield the bank from the external material risks that arose from the trading strategies and positions adopted by the CIO;   
The risk management model adopted by the bank lacked adequate processes and procedures to monitor, measure understand, and control the risk arising from the credit derivatives trading activities of the chief investment office; and   
The valuation procedures used by the chief investment office lacked adequate and effective assessment as the credit derivatives trading strategy adopted by the CIO increased the CIO’s risk based on the Value at Risk model adopted by the bank. This resulted in the CIO adopting a new Value at Risk model, which increased its risk but continued to use the risk limits used in the earlier ‘ VaR’ model (Belshaw, 2013).   
Bibliography   
Belshaw, G. 2013. Department of the Treasury: Office of the Comptroller of the Currency. Consent Order. Consent Order. Accessed February 11, 2014 http://www. occ. gov/news-issuances/news-releases/2013/nr-occ-2013-7a. pdf