

Banking – Autumn semester 2024-2025

Case 5: JP Morgan and the London Whale

Support questions

Group #13: presenter

1. Develop a timeline of events from 2011 to the summer of 2012 that led JP Morgan to this position.
2. Consider standard market risk management practices for financial institutions, such as VaR, which have been in place since the mid-1990s:
 - a. Why was the risk management of the SCP not sufficient to prevent such an extraordinary loss?
 - b. Within the context of the case, which risk metric do you consider most appropriate: CS01, VaR, total MV exposure? Should liquidity of an asset be considered as well?
 - c. Should banks use a Gross exposure RWA or a Net exposure RWA? Why?

Group #14: presenter

3. On a higher level, discuss whether it is appropriate to employ derivatives in a cash management function?
4. How did the bank, its shareholders, and the regulators react to the situation? Discuss whether these reactions were appropriate.
(below, you may find some links with additional information)

Group #15: presenter

5. As head of a large international organizations (choose an industry you are familiar with), describe the lessons you would take away and the steps you would take to prevent a similar occurrence in your company. What obstacles would have to be overcome given your firm's organizations structure?

Group #16: discussant

- Discuss the main conclusions of the case: key drivers, most relevant takeaways, etc.
- Your role is also to challenge some of the aspects raised by the previous two groups during their presentations after you present the main conclusions of the case.

You are encouraged to prepare support slides (2/3 maximum).

Press coverage of the London Whale case:

['London Whale' Rattles Debt Market - WSJ](#)

[JPMorgan Trader's Positions Said to Distort Credit Indexes - Bloomberg](#)

[JPMorgan Trader Iksil Fuels Prop-Trading Debate With Bets - Bloomberg](#)

[JPMorgan Losses Spark Frenzy in Swaps Indexes: Credit Markets - Bloomberg](#)

[For J.P. Morgan Trader, From 'Caveman' to 'Whale' - WSJ](#)

[JPMorgan Counterparty Platt Says Bank's Loss May Widen - Bloomberg](#)

[JPMorgan Faced Failure in Risk Controls, Regulators Say - Bloomberg](#)

[Trading Surge in Index Behind JPMorgan Loss Signaling Unwind - Bloomberg](#)

[J.P. Morgan 'Whale' Was Prodded - WSJ](#)

[OCC Said to Admit Missing JPMorgan's VaR Change in Probe - Bloomberg](#)

[J.P. Morgan Executives Grilled Over 'Whale' Trades - WSJ](#)

Shareholder reaction:

[Public Pension Funds Named to Lead 'London Whale' Lawsuit - Bloomberg](#)

[Investors to Propose J.P. Morgan Chase Split CEO, Chairman Roles - WSJ](#)

August 2013:

[Will banks be safer if the London whale gets harpooned?](#)

[Charges Against 2 Traders Fault JPMorgan for Lack of Oversight - The New York Times \(nytimes.com\)](#)

[Ex-JPMorgan Traders First Charged in \\$6.2 Billion Loss - Bloomberg](#)

[JPMorgan in talks to admit wrongdoing over 'London Whale' losses \(ft.com\)](#)

[S.E.C. Is Said to Press JPMorgan for an Admission of Wrongdoing - The New York Times \(nytimes.com\)](#)

[U.K. Prosecutors Join U.S. Probe of JPMorgan London Whale Loss - Bloomberg](#)